



**REPORT**  
**to the**  
**MINISTER FOR TRANSPORT**  
**for the year ended**  
**31<sup>st</sup> DECEMBER 2013**

**March 2014**

**Commission for Aviation Regulation**  
**3<sup>rd</sup> Floor**  
**Alexandra House**  
**Earlsfort Terrace**  
**Dublin 2**  
**Tel +353 (0) 1-6611700, Fax +353 (0) 1-6611269**

e-mail: [info@aviationreg.ie](mailto:info@aviationreg.ie)  
[www.aviationreg.ie](http://www.aviationreg.ie)

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## FOREWORD

Business improved in many parts of Irish aviation last year, though activity levels were not much changed in others. The number of commercial aircraft movements rose 4.5% at Dublin airport, only partly offset by declines at Cork and Shannon; overall traffic was 1.6% higher than a year earlier. Airport passenger numbers also rose strongly at Dublin, by 6% to 20.2m, were slightly higher at Shannon and declined at Cork. The larger Irish-licensed air carriers remained profitable in 2013 and expanded services, while the smaller carriers reduced their losses. Turnover in the travel trade, at €1.1 billion, was unchanged on 2012; travel agents account for some three quarters of this business. The number of members of the public raising queries regarding air passenger rights issues increased.

Against this background, the Commission for Aviation Regulation (CAR) continues to be responsible for economic regulation and consumer protection in Irish aviation. Periodically we set a cap on the aviation charges of the daa and the IAA; we license certain aviation undertakings (airlines, handling companies, travel agents and tour operators); and we enforce certain air passengers rights (investigating eligible complaints; making refunds and if necessary repatriating passengers stranded following a firm's failure).

Our work in 2013 is described in the remainder of this report. In summary, we published an issues paper setting out the regulatory policy questions relevant to the next airport charges determination, and also published quarterly reports on the service quality performance of the daa and the IAA. With the exception of the length of security queues, the quality standards were met throughout 2013. In licensing, we issued almost 275 travel trade licences, ensuring that customers would be refunded or repatriated in the event of any of these firms' closure. We established that some 60 airlines and ground handlers satisfy ownership and business requirements, including financial fitness and insurance cover. On behalf of air passengers, we dealt with more than 4,000 queries, and within that total investigated some 800 passenger complaints. In the process, we obtained over €110,000 for passengers in compensation and refunds for flight disruptions.

Concerning the office's own performance, we publish high-level performance indicators; these are reported in the appendix. They show, inter alia, nearly all travel licences (92%) being issued within two weeks of final documents being received, and more than four out of five passenger complaints being resolved within three months of receipt, with 97% concluded within seven months.

We reduced our spending in 2013 by a further 10% in nominal terms and have budgeted to spend about the same in 2014. In overall terms, our expenditure is now more than 40% lower than in 2006, mainly reflecting reductions in staffing and in pay rates, economies in consultancy and the recent absence of judicial reviews of the office's decisions.

Looking ahead to 2014, we will make a determination setting a price cap on aviation charges at Dublin airport for the period 2015-2019 and commence work on the next cap on terminal air traffic control charges. The Department of Transport, Tourism and Sport will announce a new Integrated Aviation Policy, with likely implications for the CAR's structure, responsibilities and work. 2014 will also be the first year in which airlines that use Dublin airport 'off slot' or without a runway slot may have to pay a financial penalty. Work is expected to continue in 2014 on possible revisions to EU rules governing air passenger rights, groundhandling and package holidays. After making some progress last year in having our staff pension scheme approved by government Departments, we hope to complete this exercise in 2014.

As in previous years, I am very grateful to my price regulatory, licensing, consumer protection and administrative colleagues for their conscientious, efficient and good-natured discharge of the office's responsibilities.

Cathal Guiomard  
Commissioner

## CHARGES AND SLOT REGULATION

### The Commission's Role

The Commission:

- sets a price cap limiting the total revenues per passenger that the daa can collect from airport charges at Dublin airport;
- sets a price cap limiting the total revenues that the IAA can collect from aviation terminal service charges at Dublin, Cork and Shannon airports;
- has to approve the charges airports levy on airlines to fund services for passengers with reduced mobility;
- has to approve any changes to the fees charged by the airport authorities at Dublin, Cork and Shannon airports for access to installations needed to provide ground-handling services; and
- designates the scheduling status of Irish airports under the Slot Allocation Regulations, appointing a schedules facilitator or co-ordinator where necessary.

The Commission has no power to regulate other charges, including:

- en route air traffic control charges the IAA sets; and
- car-park charges at airports, and more generally non-aeronautical charges (except those levied for access to installations needed for ground-handling services at Dublin, Cork and Shannon airports).

The immediacy of making a price-cap determination was not present for most of 2013. Nevertheless, much of the office's work relating to charges and slot regulation was given to planning for the next airport charges Determination. We also responded to the Department of Transport, Tourism and Sport's consultation on an Integrated Irish Aviation Policy and provided comments on proposals to introduce a slots sanctions' regime.

### Airport Charges

On 31 July we published an Issues Paper setting out the policy issues likely to affect the next Determination we make for airport charges at Dublin airport.

The Issues Paper was an opportunity for parties to comment on

- What regulatory policies we should adopt;
- What methodologies we should apply; and
- What data sources we should use.

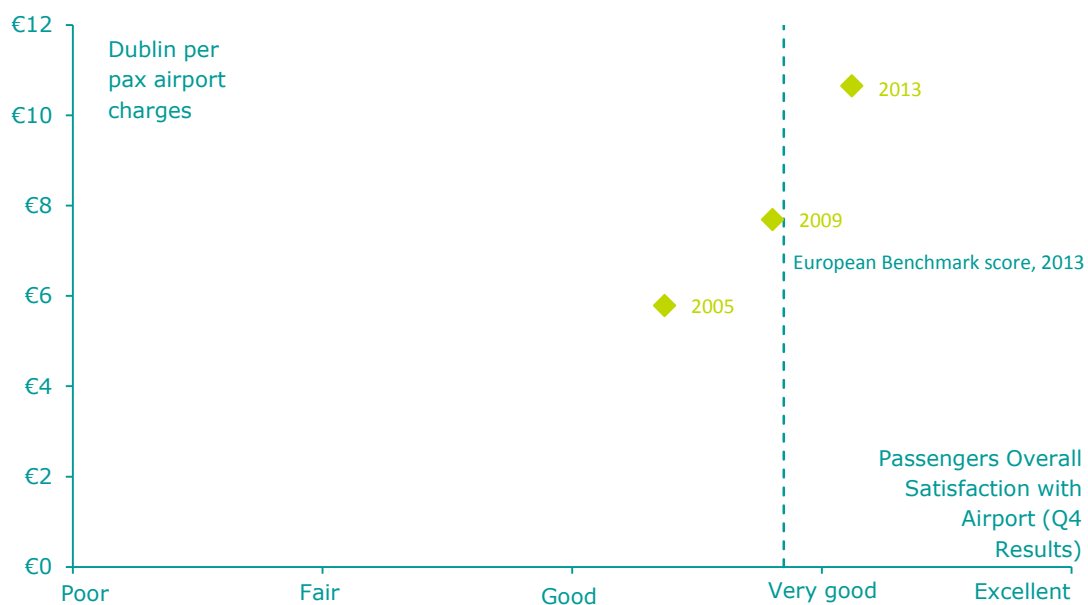
The paper contained sections on approach to regulation, passenger forecasts, operating expenditure, commercial revenues, capital costs, financial viability, and quality of service. Each chapter had material

detailing developments since the last Determination, as well as a discussion on regulatory options for dealing with these issues when regulating airport charges.

There were four responses to the Issues Paper, from daa, Aer Lingus, the International Air Transport Association (IATA) and a joint submission from Forfás, Enterprise Ireland and IDA Ireland.

As illustrated in the chart below (which is an updated chart from the Issues Paper), the price cap and the reported level of passenger satisfaction at Dublin Airport have both increased in the past decade. The forthcoming Determination will be an opportunity to decide on the extent to which current and prospective users’ interests are best served by higher charges for a higher quality of service, or lower charges for a more basic service offering.

**Chart 1.2: Price and Quality at Dublin Airport, 2005-2013**



The new Determination will take effect on 1 January 2015 and last for four-plus years. Under our current timetable we envisage publishing a Draft Determination in May 2014, and making the Final Determination in September.

During the year, staff from the CAR met with the South African regulator to outline how airport charges are regulated in Ireland and chaired a meeting of European airport regulators. The latter meeting was an opportunity to keep abreast of how other Independent Supervisory Authorities are ensuring compliance with the Airport Charges Directive.

## Aviation Terminal Service Charges

The 2011 Determination governing the aviation terminal service charges the IAA can levy at Dublin, Cork and Shannon airports was referred back to the CAR by an Appeal Panel in late 2012.

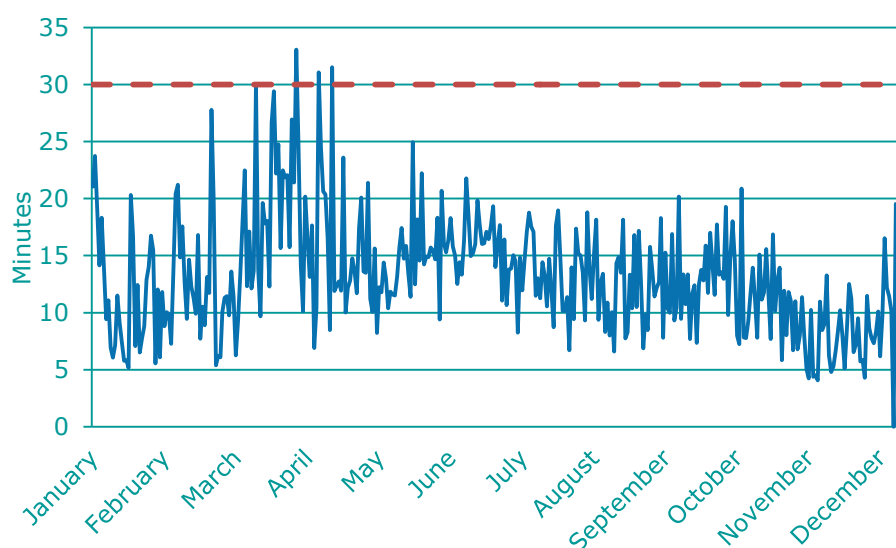
The referral related to the treatment of pension costs. We completed the review within the two month timeframe permitted under statute, publishing our final decision affirming our 2011 Determination in January 2013. During our review, we invited comments from interested parties and received responses from Aer Lingus and the IAA.

Throughout 2013 we attempted to keep abreast of developments relating to the Single European Skies program, even though the IAA is Ireland's Independent Supervisory Authority. Our interest has the long-term advantage of familiarising staff with the regulatory environment in advance of the planned merger of the CAR with the IAA's safety division. Moreover, the developments may be relevant for our next Determination on aviation terminal services due in 2015. We expect to publish an Issues Paper, commencing that process in 2014.

## Regulated Price Caps and Approved Charges

The price caps for both airport and aviation terminal service charges depend on the daa or the IAA achieving quality of service standards defined in the respective Determinations.

In 2013 we published quarterly reports setting out how the daa and IAA had fared against these standards. With the exception of the length of security queues, the standards were met throughout the year. In the case of security queues, on four occasions in Terminal 1 there was a breach of the requirement that no passenger be required to queue for more than 30 minutes. These breaches occurred in March and April 2013. Since then, the reported queue times at Dublin airport have fallen, as the chart below illustrates. Given passenger numbers at Dublin airport in 2013, the four breaches reduced the revenue that the daa could collect from airport charges by about €400,000.

**Chart 1.2: Maximum Security Queue Times at Dublin Airport 2013**

Source: daa

The price caps in 2014 are shown in the table below (assuming the daa and IAA meet the quality of service standards). In the case of aviation terminal service charges, the definition of terminal service units changed between 2013 and 2014. Controlling for this change, the annual cap is lower than in 2013.

**Table 1.1: Summary of Regulated Price Caps**

Type of Price Cap	2014 Price Cap
Airport charge at Dublin airport	Should not exceed €10.68 per passenger*
Aviation terminal service charges at Dublin, Cork and Shannon airports	Should not exceed €156.92 per terminal service unit*

\* Assuming quality of service standards are met.

We did not receive any applications from the relevant airport managing bodies to approve charges in relation to access to airport installations, also known as ATI charges. These are the charges ground handlers have to pay to access equipment necessary to provide ground-handling services at these airports. The levels of charges that have previously been approved for Dublin, Cork and Shannon airports, are shown below (updated for inflation where appropriate).



**Table 1.2: Summary of Approved Charges**

Type of Access Charge	Approved ATI Charge as of 1 Jan 2014
Dublin airport annual check-in desk fee Flexible hourly rental check-in desk	€25,784 per desk per annum €31 per desk per hour (or part thereof)
Cork airport annual check-in desk fee Flexible half-hourly rental check-in desk CUTE* fees	€13,370 per desk per annum €5.35 per desk per half hour (or part thereof) €0.24 per embarking passenger
Shannon airport annual check-in desk fee Flexible hourly rental check-in desk CUTE* fees	€9,326 per desk per annum €23 per desk per hour (or part thereof) €0.30 per embarking passenger

\* Common Usage Terminal Equipment

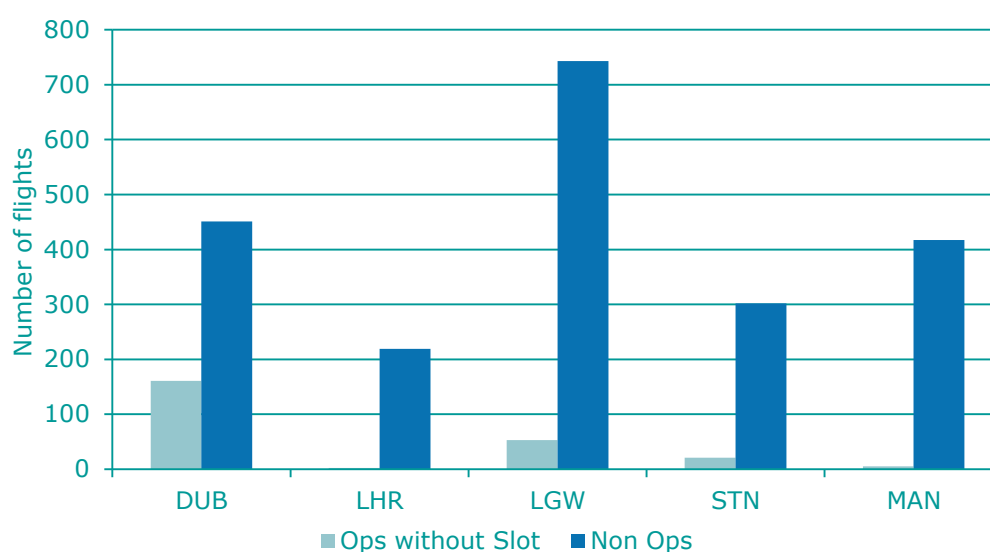
## Slot allocation

Dublin airport continues to be the only airport in Ireland designated as slot coordinated. It was designated in February 2007. We appointed Airport Coordination Limited (ACL) as the slot coordinator; they have day-to-day responsibility for coordination.

In 2013 Ireland introduced a slots sanctions regime. We liaised with the Department, providing comments on early drafts of the Statutory Instrument implementing the new regime. The SI introduces the possibility of airlines that break the allocation rules having to pay a financial penalty. Previously, the only tools available to the coordinator were to take back slots or not reallocate grandfathered slots to carriers in breach of the allocation rules.

The new rules were introduced late in 2013, so there has not yet been time to assess their effectiveness in reducing instances of air carriers operating without a slot or the non-operation of a slot. Last year, Dublin continued to record relatively more of these breaches than the three London airports and Manchester airport, as shown in the chart below.

Chart 1.3: Slot Abuses, Summer 2013



Source: ACL

### Work Programme for 2014

Goal	Actions to achieve goal
Complete work on the next Determination governing airport charges at Dublin airport	Publish Draft Determination Publish Final Determination
Commence work on the next Determination governing aviation terminal service charges at Dublin, Cork and Shannon airports	Publish Issues Paper
Monitor compliance with existing price caps and ensure continued smooth operation of the current scheduling regime at Dublin airport	Publish quarterly reports on service quality measures for daa and IAA Attend Dublin Airport Co-ordination Committee meetings and liaise with ACL

## LICENSING AND APPROVALS

### The Commission's Role

#### The Commission

- licenses Irish-based air carriers transporting passengers, mail or cargo for remuneration and/or hire;
- licenses travel agents and tour operators selling overseas travel;
- administers a bonding scheme for travel agents and tour operators, and processes claims for refunds and repatriation in the event of a travel agent or tour operator going out of business;
- investigates instances of alleged illegal trading and, when necessary, prosecutes illegal traders; and
- grants approvals to companies engaged in groundhandling activities, such as marshalling aircraft, loading/unloading, refuelling, baggage handling, passenger handling and aircraft maintenance, at Dublin, Cork and Shannon airports.

#### The Commission's role does not encompass:

- safety regulation, which is a function of the IAA;
- licensing travel arrangements for domestic travel in Ireland;
- handling consumer complaints about travel agents, tour operators, hotels, luggage or airlines;
- handling complaints about advertising (except where it relates to possible illegal trading).

Licensing and approval regimes are administered in Ireland by the CAR for air carriers, groundhandlers and travel trade firms. The total number of firms changed only marginally in 2013, as the following table shows. During the year, licence and approval holders were monitored for compliance with the legislative regimes governing these sectors.

**Table 2.1: Number of CAR Licences and Approvals, 2013**

	Air Carriers	Groundhandlers		Travel Agents	Tour Operators
		Self-handlers	Third Party		
<b>Licence holders, 1 Jan 2013</b>	<b>14</b>	<b>12</b>	<b>36</b>	<b>220</b>	<b>53</b>
New licences/approvals	1	0	1	6	1
Licences revoked/surrendered	1	1	0	5	1
<b>Licence holders, 31 Dec 2013</b>	<b>14</b>	<b>11</b>	<b>37</b>	<b>221</b>	<b>53</b>

*Source: CAR*

## Air Carrier Licensing

At the end of 2013, fourteen Irish based air carriers held licences from the CAR to engage in commercial air transport operations. One new licence was granted in 2013 and one licence was revoked. In line with normal practice, small aircraft and helicopter operators were issued with licence discs to display in each of their aircraft. We continued to monitor the financial situation of air carriers, including those in a weaker financial position.

There have been some recent changes of ownership in Irish aviation. The purchase of Aer Arann by new owners in 2012 was reviewed in 2013 by the CAR as required by the licensing regulation. Aer France-KLM announced in December 2013 an agreement to sell Cityjet to a German investor, Intro Aviation.

A new operating licence was granted to National Flight Centre in 2013. The licence of another carrier was revoked on the expiry of its Air Operator's Certificate. The CAR also received an application for an operating licence from Norwegian Air International Ltd which was granted early in 2014. A full list of licence holders is kept up to date on the CAR website.

In July 2013, the CAR organised a meeting with representatives of a number of other EU states to discuss airline financial monitoring and to share experiences and lessons in this and related areas.

To assist licensing applicants, we published a Guide for users of the CAR's online application facility.<sup>1</sup> We also added to our website a summary of the

<sup>1</sup> See <http://www.aviationreg.ie/airline-licensing-the-commissions-role/apply-for-a-licence.141.html>

monitoring and compliance requirements for licence holders, and of the types of information regularly collected by the CAR.<sup>2</sup>

### Groundhandling Approvals

Two types of groundhandling approval may be granted under the EU licensing regime. An airline that is approved to provide its own groundhandling services is described as a self-handler, whereas one approved to supply such services to others is classed as a third-party supplier. At the end of 2013, there were 11 approved self-handlers and 37 approved third-party handlers operating at Dublin, Cork and Shannon airports. Figure 2.1 presents an analysis of the numbers of approved self-handlers and suppliers of groundhandling services by airport.

**Figure 2.2: Approved Suppliers of Ground Handling Services by Airport, 2013**



Source: CAR

During 2013, the CAR granted one new third-party handling approval. An existing self-handling approval was surrendered. The CAR also agreed to requests from three existing suppliers to extend their groundhandling services into new services.

Approvals are issued for a period of five years. The CAR renewed seven approvals in 2013.

To clarify requirements placed on approved groundhandlers, we published on our website a summary of the monitoring and compliance requirements and of the types of information regularly collected by the CAR.<sup>3</sup>

<sup>2</sup> See <http://www.aviationreg.ie/airline-licensing-the-commissions-role/documents.215.html>

At EU level, discussions continued on a legislative proposal for an amended Groundhandling Regulation. In April 2013, the European Parliament agreed amendments to the European Commission's proposal and reached a common agreement on the Groundhandling Regulation. The CAR awaits further developments in this area at EU level and will engage with the Department of Transport, Tourism and Sport as necessary thereafter to apply the new Regulation in Ireland.

### **Travel Trade Licensing**

The CAR licensed 274 travel firms in 2013. As Table 2.1 above shows, this represented a net increase of one travel agent and an unchanged number of tour operators. Total licensed turnover was broadly static at €1.1bn; more than 80% of this business accrued to travel agents. One licence holder went into administration during the year.

To provide the CAR with the funds to make refunds and to organise repatriations when necessary, tour operators are required to obtain bonds equal to 10% of their projected licensable turnover; travel agents must do so at a rate of 4%. Table 2.2 below gives the value of projected turnover and total bonding for 2013 and 2012. Licensable turnover excludes revenue from other business (e.g. domestic travel).

Should the funds available from the bonds provided by tour operators and travel agents fail to cover the full costs of refunds and repatriations, the Travellers' Protection Fund (TPF) is available to cover the shortfall. At end-2013, the balance in this account was just over €5m.

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<sup>3</sup> See <http://www.aviationreg.ie/groundhandling-the-commissions-role/apply-for-an-approval.147.html>.

**Table 2.2: Projected Licensable Turnover (PLTO) and Total Bonding of Irish Travel Industry, 2012 and 2013**

Licensed Entities	2013 (€m)		2012 (€m)	
	Bond	PLTO	Bond	PLTO
Tour Operators	18	184	20	200
Travel Agents	37	927	37	934
Total	55	1,111	57	1,134

Source: CAR

In April, a license holder based in the UK with an office in Cork, French Freedom Holidays, went into administration. The CAR subsequently received 12 claims totalling €11,140 and the bond held by the CAR was sufficient to cover all eligible claims.

To monitor compliance with licence conditions, each year we visit the business premises of a sample of licence holders. 31 premises were visited in 2013 and the travel companies in question were found to be keeping the necessary records and to be otherwise compliant.

We investigated four reports of unlicensed trading. In one case, no illegality was found. The other investigations continue.

The timeliness of the CAR's work is summarised by indicators that we record each year and report in the appendix to this report. At a certain point in travel trade licensing work, we issue a letter advising applicants to seek a bond; we call this a decision-in-principle letter. We aim to issue such letters within one month of receipt of applications. In order to improve performance in this area on the previous year's outcome, there was a deterioration in the pace at which we notified parties of an application being incomplete. Ultimately nearly all (92%) applicants received a licence within two weeks of evidence of a bond being received.

The final report of the liquidator of Fáilte Travel Ltd was provided to the High Court in April 2013. It noted a deficit in the company's affairs of €2.96 million. In July, the Liquidator applied to have the company dissolved and this order was granted. Previously, the High Court had ordered that both directors of the company be restricted from acting as a director or secretary of a company for a period of five years from 23 April 2012.

In 2010 the CAR had been awarded its costs arising from two legal actions commenced by Budget Travel. In August 2013 the CAR received €28,840 representing an interim distribution of 40% of its approved claim. The Liquidator hopes to make a final distribution to approved creditors following the resolution of outstanding matters. Ongoing legal proceedings in the travel trade area involving the CAR are described below in the chapter on Administration and Legal Functions below.

The licensing and bonding scheme for the travel industry derives from the Transport (Tour Operators and Travel Agents) Act 1982. This regime applies to all travel agents and tour operators selling travel out of Ireland including those based elsewhere in the European Union. Following its investigation of a complaint, the European Commission announced in September 2013 that it considers the application of the licensing regime to package providers from other Member States to represent a barrier to the free movement of services in the EU, as required under the Services Directive. In response, the Government may modify the 1982 Act, and if the CAR becomes aware of amendments, we in turn will inform the industry and proceed to implement any changes.

Also at European Union level, discussions are underway regarding updating the package travel rules. In Ireland, these rules are the responsibility of the National Consumer Agency. Nonetheless, there may be implications for the travel trade and if so the CAR will seek to communicate these developments to the industry.

### Work Programme for 2014

Goal	Actions to achieve goal
Continue to administer the licensing and approvals regime for air carriers, groundhandlers and travel trade firms	Process applications in a timely manner Monitor compliance by licence holders & review licences as required Process any claims for refunds or repatriations Investigate reports of unlicensed travel trading
Promote understanding of the licensing regime amongst industry & public	Issue licence discs to helicopter & small aircraft operators Visit airports, ground handlers & travel companies to improve awareness and check compliance
Provide advice regarding EC proposal for a new Regulation on Groundhandling	Continue to monitor EU developments Provide advice and attend meetings as required



## AIR PASSENGER RIGHTS

### The Commission's Role

For all flights due to depart from Irish airports and for flights arriving into Irish airports from non-EU countries (if operated by EU-licensed carriers), we are responsible for investigating complaints in relation to:

- flight cancellations;
- flight delays of at least two hours; and
- instances of denied boarding or downgrading.

We also investigate complaints relating to the assistance received by disabled persons and persons with reduced mobility (PRMs) when:

- making a reservation;
- travelling through an airport within Ireland; and
- on-board a flight which departed from an Irish airport.

We do not have the authority to handle complaints about:

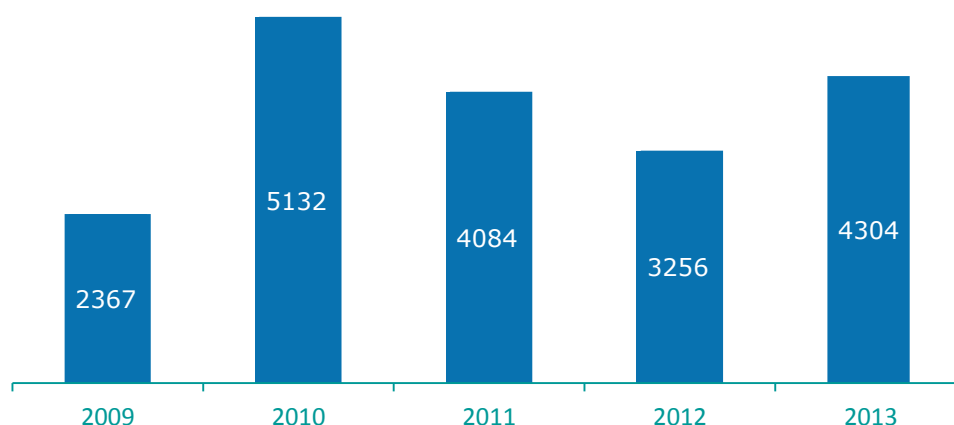
- baggage, taxes and airline charges, including fuel surcharges;
- booking or ticketing errors and visa issues;
- refunds due to illness or bereavement;
- false advertising;
- on-board services or in-flight issues;
- late arrivals at check-in;
- airline booking conditions and website problems.

### Passenger Complaints

In 2013 the CAR obtained a total of €110,471 on behalf of passengers affected by flight disruptions: €99,850 in compensation and €10,621 in refunds and reimbursements. We also obtained vouchers to the value of \$2,400 in lieu of compensation at the request of the passengers concerned.

Queries to the CAR from the public rose to 4,304 in 2013, an increase of more than 30 per cent from 2012. As Figure 3.1 shows, enquiries had fallen back for two years after 2010, following the spike caused by the volcanic ash crisis and poor weather of that year.

Last year's annual report noted an inadequate response from American Airlines, Aer Lingus and Turkish Airlines to complaints by their passengers being investigated by the CAR. Discussions with these airlines has since led to improvements in their complaint-handling process.

**Figure 3.1: Annual Queries Received 2009-2013**

Source: CAR

In line with normal practice, queries received in 2013 were examined for a possible infringement of the EU's regulations. We concluded that 3,058 queries related to matters outside the CAR's responsibilities. In these cases, we engaged with the individual and referred them to the body or authority competent to deal with their complaint (where this was known). 16 queries related to reduced-mobility issues and are discussed below. 1,235 queries indicated a possible breach of the passenger rights regulation and were treated as complaints.

### Cancellations, Delays, Denied Boarding and Downgrades

Of the 1,235 complaints received, most arose from cancellations and delays, rather than denied boarding or downgrades (see Table 3.1).

**Table 3.1: Air Passenger Complaints by Type & Investigating Body**

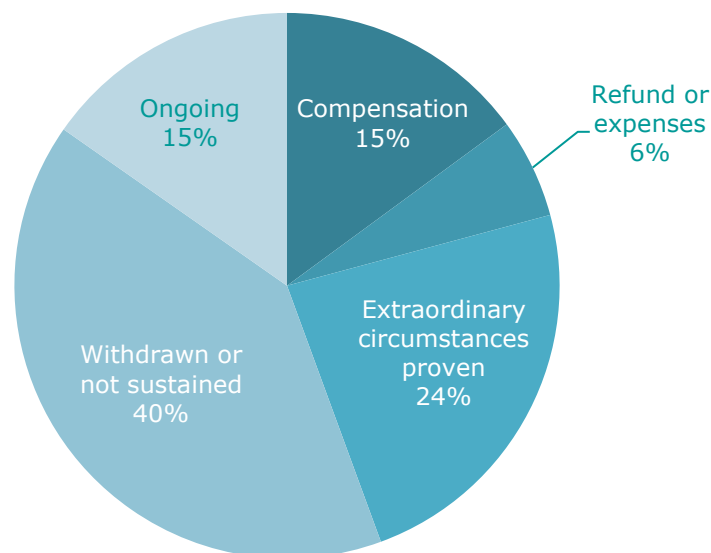
Type of Complaint	For investigation by CAR	For investigation by other NEB	Total	%
Cancellation	189	150	339	27
Long delay	362	256	618	50
Denied boarding	30	38	68	5.5
Downgrade	3	1	4	0.5
Other	205	1	206	17
<b>Total</b>	<b>789</b>	<b>446</b>	<b>1235</b>	<b>100</b>

Source: CAR

One third of total complaints (446) concerned flights departing from airports in other Member States or arriving into other Member States from third countries on flights operated by Community-licensed carriers. We forwarded these complaints on to the competent national enforcement body (NEB) for further investigation, having conducted a preliminary screening to satisfy ourselves that they fell within the remit of the air passenger rights regulations.

Around half of complaints dealt with by the CAR related to delayed flights, with about one-quarter being cancellations. The outcomes of the 789 complaints investigated by the CAR are presented in Figure 3.2.<sup>4</sup>

**Figure 3.2: Outcomes of Air Passenger Complaints in 2013**



Source: CAR

As of mid-February 2014, 662 of these investigations had been concluded, with 127 still in progress. In terms of outcomes, in 335 instances (40%) the case was found to be unsustainable under the Regulation, was withdrawn by the passenger, or related to an infringement for which, for the passenger, there was no redress available.<sup>5</sup> In a further 196 cases (24%), extraordinary circumstances were found to apply and reasonable avoidance measures to have been taken by the airline. In 124 cases

<sup>4</sup> Complaints may have more than one outcome e.g. passengers might receive both compensation and a refund of their ticket price. In 2013, the 789 complaints investigated by the CAR gave rise to 831 outcomes.

<sup>5</sup> For example the complaints may have related to delays which did not ultimately meet the timeframes specified in the Regulation, or failures by air carriers to provide written notices outlining passenger's rights.

(15%), compensation was paid to the passenger, and in 49 cases (6%) the customer received a refund of the cost of their ticket and/or their expenses were reimbursed. 127 cases (15%) were ongoing.

We continue to investigate 127 complaints received in 2013. In terms of complaints outstanding from earlier years, all but one of the 509 complaints received in 2012 have now been resolved. There are no complaints outstanding from 2011 or before.

### **Persons with Reduced Mobility**

During 2013 the CAR received a small number of submissions relating to persons with reduced mobility. From a total of 16, five concerned pre-travel issues but did not constitute possible infringements of the Regulation. The remaining 11 were valid complaints that related to assistance either:

- From the air carrier at the time of booking;
- From the airport management body at the airport;
- From the air carrier on board the aircraft.

Six of these 11 complaints were appropriate to NEBs in other Member States and were forwarded for investigation once preliminary reviews were completed. The remaining five complaints fell within the remit of the CAR and were duly investigated and concluded. Three infringements of the Regulation were noted by the CAR during the course of these investigations. The airport management bodies and air carrier involved in these infringements have amended their procedures to seek to prevent future recurrence of such infringements.

The CAR undertook ten airport inspections in 2013 to establish that air carriers were complying with the air passenger regulations and that airport management bodies were meeting their obligations to passengers with disabilities and reduced mobility.

### **Other work**

The CAR continued to seek to raise consumer awareness about passenger rights throughout 2013. We hosted an information stand at the 2013 Holiday World Fair in Dublin and undertook several awareness campaigns in print media and online at peak travel times throughout the year. Our websites offered up-to-date information to the travelling public.

We continued to engage with the European Commission and other NEBs to facilitate a harmonised approach to the application of the regulations. We were a member of a Working Group which developed guidelines for the implementation of the 'extraordinary circumstances' provision which,

when established, exempts an airline from paying compensation. The guidelines were published on the website of the European Commission in the summer of 2013.<sup>6</sup>

The CAR also participated in the work of revising the passenger rights regulation, work which commenced in 2013.

## Work Programme for 2014

Goal	Actions to achieve goal
Ensure compliance with EU laws concerning passenger rights	Investigate complaints received Inspect airports
Seek to increase public understanding of air passenger rights issues	Provide information at suitable industry events and through website and media campaigns
Advise on possible changes to Regulation 261	Offer advice to the Department of Transport, Trade and Tourism, the European Commission and the wider NEB network

<sup>6</sup> <http://ec.europa.eu/transport/themes/passengers/air/doc/neb-extraordinary-circumstances-list.pdf>.

## **ADMINISTRATIVE AND LEGAL FUNCTIONS**

### **Human Resources**

The CAR employed an average 15 full-time equivalent staff in 2013. During the year, we sought to bring our staff complement up to the level of 17 posts approved under the Employment Control Framework. To that end, one additional economist was recruited and a vacancy in the travel trade function was filled through redeployment.

Staff members are paid at rates that compare directly with Civil Service posts and that are sanctioned by the Department of Public Expenditure and Reform.

The salary and pension costs of the sole member of the Commission amounted to €192,601 in 2013. No other benefit was provided.

### **Superannuation schemes**

All full-time staff members are obliged to join the CAR's pension scheme. The scheme was established under the Aviation Regulation Act 2001. After many years of delay in having the scheme approved by the Departments of Transport, Tourism and Sport, and Public Expenditure and Reform, some progress was made in 2013 and it is hoped the exercise will finally be concluded in 2014.

An actuarial review of the pension liabilities showed a deficit in the scheme of €99,377 at the end of 2013, down from €129,231 in 2012. The CAR expects to contribute €109,419 to the pension scheme in 2014.

In 2013, the CAR outsourced non-core administrative functions relating to media relations, IT and payroll administration.

### **Administrative obligations**

The CAR seeks to comply with the Code of Practice for the Governance of State Bodies. Due to the nature of our activities and the small number of staff, certain aspects of the Code are not applicable.

The CAR consumed 1,840 kilowatts of energy in 2013 almost unchanged from the 1,849 kilowatts used in 2012.

The Aviation Regulation Act requires the CAR to send the Minister for Transport our financial statements for a given year by end-June of the following year. In the interim the CAR must submit the accounts for audit by the office of the Comptroller and Auditor General (C+AG). Every year, the CAR has submitted its draft accounts to the C+AG within two months of the end of the calendar year to which they relate.

### Chart 4.1: Accounts: CAR submission & C+AG audit approval



Source: CAR

Each year, the C+AG has cleared the CAR accounts. However, only in 2005 was this done in time to send the Minister the audited accounts by the deadline. The delay has grown over time, as may be seen from the chart above. Due to factors outside our control, in most years the CAR has been unable to meet the statutory deadline.

### Transparency and Freedom of Information

The CAR carries out its functions as transparently as possible. Consultation papers, Notices, supporting documents, responses from stakeholders and regulatory decisions are published on our website [www.aviationreg.ie](http://www.aviationreg.ie). A list of the documents published by the CAR in 2013 is included in the appendix to this annual report. Since March 2012, the CAR has published quarterly on our website details of its purchase orders for amounts in excess of €20,000.

In 2013, two requests were made to the CAR under Freedom of Information legislation and both were granted in part.

## Litigation

The liquidation of Fáilte Travel Ltd, initiated by the CAR in 2009 following the company’s collapse, concluded in 2013.

Under a separate liquidation, we received €28,840 as an interim distribution of 40% of the CAR’s approved claim against Budget Travel.

Legal proceedings by the CAR continued to enforce payment of a bond. We also continued to defend the office in an action by a travel agent for payment of an amount of money which it alleges is due to it following its taking over the bookings of customers affected by another travel firm’s going out of business.

## Audit Committee

The Audit Committee met four times during 2013. At each meeting the Committee was updated by the Commissioner on CAR’s activities, ongoing work and key issues. Staff attended meetings from time to time as required and appropriate. The independent internal auditors also attended meetings on a regular basis to update the Committee on the audit plan and related audit reports.

In 2013, the Audit Committee focused on the following key areas:

- Internal financial controls
- Review and support relating on the Commission’s Risk Register
- Business Continuity
- Information Security
- The CAR Pension Schemes, and
- Compliance with Code of Practice for the Governance of State bodies.

CAR Code of Conduct	There is a Code of Conduct for CAR employees.
Internal Audit	The CAR has appointed a firm of auditors (D’Arcy Lynch) to undertake its internal audit function. The internal auditor operates under the guidance of an external Audit Committee. In 2013, D’Arcy Lynch reviewed implementation of past audit recommendations and audited the Statement of Internal Financial Controls. Its reports were considered by the Commissioner, senior management and the Audit Committee. Fieldwork was also undertaken for an IT audit due to be presented to management and the Audit Committee in Q1 2014.



Procurement	<p>The CAR's procurement procedures comply with national and, where applicable, EU guidelines and directives. The value of the majority of the contracts is such that national guidelines tend to apply.</p> <p>The CAR has developed a procurement plan, setting out the areas in which it expects to tender for services.</p>
Disposal of assets and access to assets by third parties	<p>The CAR has no assets of the scale and value envisaged under the guidelines (€150,000). No asset disposals took place during 2013.</p>
Diversification	<p>The CAR did not make any diversification proposals to the Minister in 2013.</p>
Investment appraisal	<p>The CAR did not incur any significant capital expenditure in 2013 coming within the scope of the activities envisaged in the Department's 2005 <i>Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector</i>. It has reported ICT expenditure to the Department of Public Expenditure and Reform as required.</p>
Remuneration of senior management and directors' fees	<p>The <i>Human Resources</i> section of this chapter set out information on this area. There are no directors and so fees do not apply.</p>
Reporting arrangements	<p>The CAR prepares reports to the Minister for Transport as required. The CAR has a fully developed accounting system, providing detailed monthly management and financial reports to senior management. The CAR adopts International Reporting Standards for its reporting. It calculates its accounts on the accrual accounting system except where specified in the notes to the financial statements. These statements are audited by the Comptroller and Auditor General.</p> <p>The CAR has taken measures to comply with the obligation to keep proper books of account. These are kept at its sole office.</p>
Strategic and corporate planning	<p>The CAR's functions and responsibilities are set out in the Aviation Act 2001, the State Airports Act 2004 and the Aviation Act 2006.</p> <p>The CAR reports annually to the Minister for Transport on the manner in which these functions have been discharged in the previous year.</p> <p>The CAR has not prepared a five year strategic plan. This decision was agreed with the Department of Transport following the October 2009 government announcement that the CAR would merge with the National Transport Authority. More recently, the Government in its November 2011 <i>Public Sector Reform Plan</i> announced that it would merge a part the IAA with the CAR.</p>
Tax compliance	<p>The CAR is liable to pay PAYE, VAT and PSWT. The CAR has submitted all relevant tax returns for 2013 and is fully tax compliant.</p>

SIFC	The Commissioner has confirmed in the financial statements for 2013 that a review of the effectiveness of the statement of internal financial control (SIFC) was conducted that year. The SIFC contains a comprehensive set of policies and procedures relating to financial controls. For the purpose of Oireachtas accountability, the Commissioner is the Accountable Officer.
Travel Policy	The CAR complies with Government travel policy requirements.
Disclosure of interests	<p>The Commissioner, CAR staff, and all consultants and advisers as required comply with the relevant disclosure requirements arising under section 18 of the Ethics in Public Office Act 1995 and sections 17-18 of the Aviation Regulation Act, 2001.</p> <p>The Public Appointments Service is responsible for organising open competitions to appoint Members of the Commission. There is currently one Commissioner.</p>
Risk Management	The CAR maintains a risk register which is regularly reviewed by the senior management and the CAR works with the audit committee to manage risks.

## **FINANCIAL INFORMATION**

### **Levy**

The CAR may make regulations that impose a levy to meet properly-incurred expenses in discharging its functions. The levy is payable by such classes of undertakings as may be specified by the Commission.

On 12 December 2013, the CAR issued S.I. No. 491 of 2013 to set the Levy for 2014. The revenues the Commission expects to receive from the levy in 2014 are 9% lower in nominal terms than the 2013 levy revenues.

### **Financial Statements**

In February 2013, the financial statements for 2012 were submitted to the Comptroller and Auditor General for audit. In January 2014, on completion of the audit, they were submitted to the Minister for Transport. Once they have been laid before the Houses of the Oireachtas, they will be placed on the CAR website.

Draft financial statements for the year ended 31 December 2013 have been prepared and were submitted for audit to the Comptroller and Auditor General on 5 March 2014. An extract from these statements is provided in the following pages.

Commission for Aviation Regulation  
Income & Expenditure Account for the year ended 31 December 2013

	Notes	2013 €	2012 €
<b>Income</b>			
Levy Income	1	2,522,588	2,220,260
Licence Fees	1	162,569	168,263
Other	1	40,333	41,513
<b>Gross Income</b>		<b>2,725,490</b>	<b>2,430,036</b>
Transfer (to)/from Capital Account	9	8,887	15,380
<b>Net Income</b>		<b>2,734,377</b>	<b>2,445,416</b>
<b>Expenditure</b>			
Staff Costs	3	1,140,270	1,293,962
Pension Costs	10 (a)	86,990	136,593
Consultancy		42,585	26,351
Legal Fees		24,342	181,370
Rent		281,425	282,363
Schedules Facilitation		278,939	277,806
Other		414,253	427,873
	2	2,268,804	2,626,318
Operating Surplus / (Deficit)	14	465,573	(180,902)
Balance as at 1 January		2,103,823	2,284,725
Balance as at 31 December		2,569,396	2,103,823

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 18 form an integral part of these Financial Statements.

**Cathal Guiomard**  
Commissioner

**5th March 2014**

Commission for Aviation Regulation Statement of Total Recognised Gains and Losses for the year ended 31 December 2013
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	<b>Notes</b>	<b>2013</b> <b>€</b>	<b>2012</b> <b>€</b>
Operating Surplus / (Deficit)		465,573	(180,902)
Actual return less expected return on pension scheme assets	10 (c)	134,397	112,920
Experience gains/(losses) arising on pension scheme liabilities	10 (d)	111,663	46,618
Changes in assumptions underlying the present value of the pension scheme liabilities		(251,454)	-
Actuarial gain/(loss)		<u>(5,394)</u>	<u>159,538</u>
Total Recognised Gains/(Losses) relating to the Financial Year		<u>460,179</u>	<u>(21,364)</u>

The cumulative gain recognised from actuarial gains and losses arising in the last four years amounts to €247,101.

	<b>2013</b>	<b>2012</b>
Movement in Pension Reserve		
Balance at 1 January	(42,543)	(202,081)
Actuarial Gain/(Loss)	(5,394)	159,538
Balance at 31 December	<u>(47,937)</u>	<u>(42,543)</u>

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 18 form an integral part of these Financial Statements.

**Cathal Guiomard**  
**Commissioner**

**5th March 2014**

Commission for Aviation Regulation Balance Sheet as at 31 December 2013					
	Notes	€	2013 €	€	2012 €
<b>Fixed Assets</b>					
Tangible Assets	4		9,468		18,355
<b>Current Assets</b>					
Bank Accounts	5	14,703,337		15,522,828	
Debtors and Prepayments	6	238,450		250,586	
		<u>14,941,787</u>		<u>15,773,414</u>	
<b>Creditors:</b>					
<b>Amounts falling due within one year</b>					
Creditors and Accruals	7	(137,732)		(338,165)	
Cash Bond Accounts	5	(12,183,219)		(13,244,738)	
		<u>(12,320,951)</u>		<u>(13,582,903)</u>	
<b>Net Current Assets /(Liabilities)</b>			2,620,836		2,190,511
<b>Total Assets less Current Liabilities</b>			2,630,304		2,208,866
<b>Provisions for Liabilities and Charges</b>	8		-		-
<b>Net Assets Excluding Pension Liability</b>			2,630,304		2,208,866
Net Pension Asset/(Liability)	10 (b)		(99,377)		(129,231)
<b>Net Assets / (Liabilities) including Pension Asset/(Liability)</b>			2,530,927		2,079,635
<b>Financed By</b>					
Income & Expenditure Account Surplus/(Deficit)			2,569,396		2,103,823
Capital Account	9		9,468		18,355
Pension Reserve			(47,937)		(42,543)
			<u>2,530,927</u>		<u>2,079,635</u>

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 18 form an integral part of these Financial Statements.

**Cathal Guiomard  
Commissioner**

**5th March 2014**

Commission for Aviation Regulation  
Cashflow Statement for year ended 31 December 2013

	Notes	2013 €	2012 €
<b>Reconciliation of operating surplus to net Cash inflow/(outflow) from operating activities</b>			
Surplus/(Deficit) on Income and Expenditure		465,573	(180,902)
Difference between Pension Cost and Employer Contribution		(35,248)	36,036
Depreciation	4	10,904	15,154
Bank Interest received net of bank charges paid		(37,469)	(37,577)
Amortisation of capital asset		(8,887)	(15,154)
Decrease/(Increase) in Debtors	6	20,556	701,915
Decrease/(Increase) in Prepayments	6	(8,420)	(3,103)
(Decrease)/Increase in Creditors	7	(78,409)	46,471
(Decrease)/Increase in Accruals	7	(122,024)	134,594
(Decrease)/Increase in Provisions	8	-	(325,533)
		<u>206,576</u>	<u>371,901</u>
<b>Net Cash Inflow/ (Outflow) From Operating Activities</b>			
<b>Cash Flow Statement</b>			
Net Cash Inflow/ (Outflow) From Operating Activities		206,576	371,901
Returns on Investments			
Bank Interest		40,303	40,372
Bank Charges Paid		(2,834)	(2,795)
Capital Expenditure			
Purchase of Fixed Assets	4	(2,017)	-
Financing			
Increase / (Decrease) in Cash Bond Accounts & TPF	5	(1,061,519)	765,912
Management of Liquid Resources			
(Increase) / Decrease in Funds on Deposit	5	(90,303)	(416,365)
<b>Increase/(Decrease) in Cash Balances</b>		<u>(909,794)</u>	<u>759,025</u>
<b>Reconciliation of net cash flow to movements in net funds</b>			
Increase/(Decrease) in cash in hand in the period		(909,794)	759,025
Cash used to (decrease)/ increase liquid resources	5	90,303	416,365
Change in Net Funds		<u>(819,491)</u>	<u>1,175,390</u>
Opening Net Funds		<u>15,522,828</u>	<u>14,347,438</u>
Closing Net Funds		<u>14,703,337</u>	<u>15,522,828</u>

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 18 form an integral part of these Financial Statements.

**Cathal Guiomard**  
Commissioner

**5th March 2014**

## APPENDIX

### CAR Papers in 2013

CP1/2013 January 2013	Decision of the Commission further to Referral by the 2012 Aviation Appeals Panel
CP2/2013 July 2013	Maximum Level of Airport Charges at Dublin Airport Issues Paper
CN1/2013 January 2013	Arrangements for Travel Trade Licensing in Spring 2013
CN2/2013 July 2013	Arrangements for Travel Trade Licensing in Autumn 2013

### Output Report

#### Charges and Slot Regulation

2013 Goal	2013 Outturn
Commence work on the next determination governing airport charges at Dublin airport	<ul style="list-style-type: none"> <li>➤ Issues Paper published in July 2013</li> </ul>
Advise on possible changes to the slots regime	<ul style="list-style-type: none"> <li>➤ DTTAS was offered advice throughout the year on introducing a sanctions regime</li> <li>➤ New SI passed in late 2013</li> </ul>
Monitor compliance with existing price caps and ensure continued smooth operation of the current scheduling regime at Dublin airport	<ul style="list-style-type: none"> <li>➤ CAR satisfied that daa and IAA complied with price caps</li> <li>➤ Quarterly reports published on service quality measures for daa and IAA</li> <li>➤ Attended Co-ordination Committee meetings and interacted with ACL to monitor traffic trends at Dublin airport</li> </ul>

#### Licensing and Approvals

2013 Goal	2013 Outturn
Continue to administer the licensing and approvals regimes for air carriers, ground handlers and travel trade firms	<ul style="list-style-type: none"> <li>➤ All existing licence holders were monitored for compliance with legislation</li> <li>➤ 274 travel licences issued and 31 companies visited to assess compliance</li> <li>➤ Groundhandling approvals held by 7 companies expired &amp; were renewed</li> </ul>



EC Proposal for a revised Regulation on Groundhandling

➤ Proposals not yet finalised at EU level

## Air Passenger Rights

2013 Goal	2013 Outturn
Ensure compliance with EU laws concerning passenger rights	<ul style="list-style-type: none"> <li>➤ 1,235 new complaints received, 446 for counterpart enforcement bodies</li> <li>➤ 789 complaints investigated of which 662 concluded</li> <li>➤ 10 airports inspected</li> </ul>
Increase public understanding of air passenger rights issues	<ul style="list-style-type: none"> <li>➤ Took part in Holiday World fair in Dublin</li> <li>➤ Online &amp; print awareness campaigns organised</li> </ul>
Develop guidelines for the correct implementation of the 'extraordinary circumstances' provision and collate a comprehensive list of recognised and agreed examples	<ul style="list-style-type: none"> <li>➤ Participated in working group</li> <li>➤ Guidelines published Summer 2013</li> </ul>

## Key Performance Indicators

Performance Indicator	2013	2012
<b>Licensing</b>		
Licence applicants notified of missing documents within a week	28%	57%
Licence applicants receiving a decision in principle within a month	64%	46%
Licences issued within two weeks of all documents being received	92%	100%
Number of licensees' premises visited	31	42
<b>Claims and Repatriations</b>		
Number of claims received following travel-trade collapses	12	0
Number of claims processed within two months	100%	n/a
Number of claims processed within four months	100%	n/a
Number of claims processed within six months	100%	n/a
Administration costs as a percentage of total claims costs	10%	n/a
Number of passengers repatriated	0	0

Passengers awaiting repatriation after scheduled return date	n/a	n/a
Passengers awaiting repatriation for more than a week	n/a	n/a
<b>Consumer Protection</b>		
Preliminary reviews of complaints completed within a week	90%	82%
Complaints referred to another NEB within a month of receipt	98%	100%
Investigations completed within three months of receipt <sup>7</sup>	84%	78%
Investigations completed within seven months of receipt <sup>8</sup>	97%	88%
Number of airport inspections	10	8
<b>Costs</b>		
Annual change in CAR costs	-16%	10%
Annual change in CAR costs (excluding legal fees, airport coordination and claims processing costs)	-10%	-5%

<sup>7</sup> For complaints received between 1 July 2012 and 30 June 2013; similar lag for previous year.

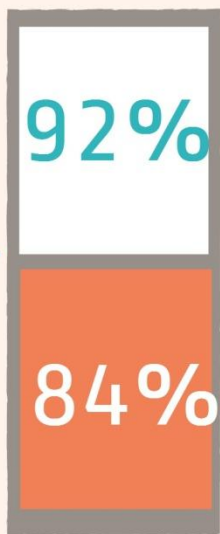
<sup>8</sup> For complaints received between 1 July 2012 and 30 June 2013, similar lag for previous year.

# The Commission for Aviation Regulation at a glance

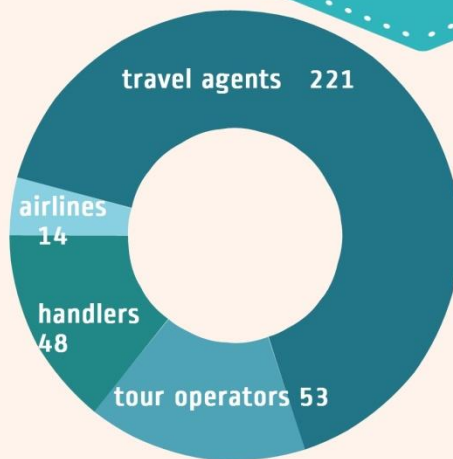
- We set a ceiling on DAA & IAA charges
- We licence airlines, the travel trade & ground handlers
- We investigate passenger complaints

## Activities

**Licences issued**  
Within two weeks of receipt of all documents



**Passenger complaints resolved**  
Within three months of receipt

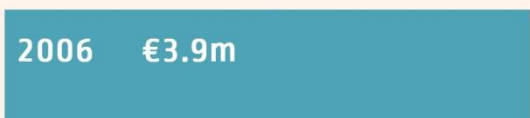


License holders



€110,000 recovered for passengers with disrupted flights

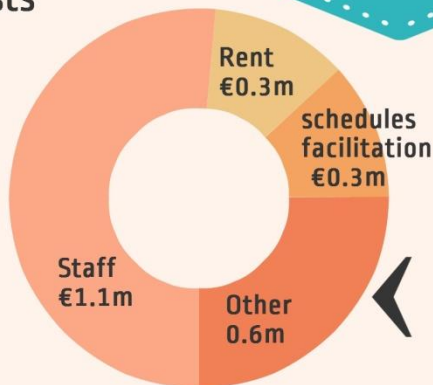
## Resources



Total Costs



Staffing



2013 Expenditure

Source: CAR 2013 annual report