Outcome of Consultation on

2019 Actual Costs and Intended 2021 Unit Rates of

Air Navigation Services in Ireland

under the Performance and Charging Scheme of the Single European Sky

Commission Paper 8/2020

14 October 2020

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Table of Contents

1. Introduction

1.1 This document sets out the outcome of our consultation with airspace users on two aspects required under Implementing Regulation (EU) 2019/317 ("the Regulation") laying down the current performance and charging schemes in the single European sky. The following two aspects concluded on are:

- the actual costs incurred in 2019 associated with the provision of en route and terminal air navigation services in Ireland; and
- the intended unit rates for 2021 of en route and terminal services;

1.2 The consultation involved a third aspect, namely, the costs exempt from the cost sharing mechanism for Reference Period 2 (RP2) for 2015-2019 that will be returned to users in 2021.

1.3 On 6 July 2020, we published a consultation paper (CP6/2020) on the three aspects above.[1] We invited airspace users and their representatives to attend a video conference meeting on **20 July** and sought their written feedback by **31 July 2020**.

1.4 Seven airspace users or their representatives participated in the video conference meeting: Aer Lingus, International Airlines Group (IAG), Irish Air Line Pilot's Association (IALPA), International Air Transport Association (IATA), Lufthansa, Ryanair and Swiss Air. We received 4 written submissions from: Aer Lingus, IATA, Lufthansa and Ryanair. These submissions are published alongside this document. We thank the airspace users and their representatives for their participation.

1.5 We considered the feedback that we received from airspace users. The following is the outcome of the consultation on 2019 actual costs and 2021 unit rates.

2019 Actual Costs

1.6 We are providing additional information requested by airspace users on 1) 2019 actual staff costs of the ANSP, 2) RP2 capital expenditure and 3) the breakdown of the financial surplus above the plan earned by the ANSP and airspace users during RP2. We analysed the financial surplus based on ANSP data, the data in the 2019 UK-Ireland FAB Monitoring Report produced by the PRU/Eurocontrol and our calculation of the surplus for airspace users. This analysis is in response to some submissions from airspace users that inquired how the surplus reduces unit rates.

1.7 The surplus in RP2 is allowed under Regulation 391/2013 through the cost sharing and traffic risk sharing mechanisms, return on equity and financial incentives for meeting capacity targets.[2] The surplus earned by airspace users in RP2 from traffic risk sharing lowered the unit rates from 2017-2021, and the unspent RP2 capex that has been returned to date by the ANSP lowered the unit rates in 2020. The ANSP is not required

[1] www.aviationreg.ie/_fileupload/CAR%20Consultation%202020(1).pdf

[2] Article 14(1) of Regulation 391/2013 defines cost sharing as: where, over the whole reference period, actual costs fall below (exceed) the determined costs established at the beginning of the reference period, the resulting difference shall be retained (borne) by the air navigation service provider, Member State or qualified entity concerned. Article 14(2) lists the costs exempt from cost sharing which applied during RP2.

to return unspent RP2 capex under Regulation 391/2013; it is up to the ANSP to return additional unspent RP2 capex as lower unit rates in future years. We discuss a key difference between the cost sharing mechanism in RP2 and the cost **risk** sharing mechanism in RP3.

2021 Unit Rates

1.8 We confirm that the 2021 unit rates that we will submit to the European Commission by 1 November 2020 remain as consulted in CP6/2020: **€27.58** for en route services and **€162.45** for terminal services. We note that, under emergency measures approved by an Appeals Committee on 12 October 2020:

- The European Commission will reset the Union-wide cost-efficiency targets for RP3 by 1 May 2021 and National Supervisory Authorities (NSAs) will draw up revised RP3 plans by 1 October 2021, and
- Unit rates for 2020 and 2021 will be retroactively adjusted starting in the year following the adoption of the revised draft RP3 plans that will be submitted in October 2021.

1.9 In the coming weeks, we will consult with stakeholders on the proposed timeline and methodologies of our workplan to revise the local cost-efficiency targets of the new RP3 plan for Ireland.

1.10 In relation to the third aspect of our consultation, on 1 September we published in a separate document (CP7/2020) the final report of the costs exempt from the cost sharing mechanism for RP2. [3]

1.11 This document is organised as follows. We respond to submissions from stakeholders on 2019 actual costs in Section 2 and on intended 2021 unit rates in Section 3. In Section 4 we respond to submissions from stakeholders related to topics that will be part of upcoming consultations, such as 2020 and 2021 actuals and forecasts traffic and costs. Appendix 1 provides additional information on actual versus planned RP2 capital expenditure.

[3] www.aviationreg.ie/_fileupload/2020/Final%20Report%20Costs%20Exempt%20Ireland%202015-2019.pdf

2. Outcome of the Consultation on Actual Costs Incurred in 2019

2.1 In this section we respond to the submissions from stakeholders on the actual costs of air navigation services incurred in 2019 and the difference between the actual and the determined costs contained in the RP2 performance plan.[4] This is required under Article 24 (3) of the Regulation.

Summary of the Consultation

2.2 During our consultation, we shared with airspace users the comparison of total 2019 actual costs and planned costs in real terms (2009 prices) as summarised in Table 2.1:

Table 2.1: Actual 2019 costs vs planned costs in real terms (2009 prices)

Total Costs	Actual (%)	Actual - Determined
En route	€109.9m	-€8.9m (- 7.5%)
Terminal	€24.0m	-€1.4m (-5.5%)
En route Costs	**Actual (%)**	**Actual - Determined**
IAA ANSP	€91.5m (83%)	-€9.8m (-10%)
IAA SRD (NSA)	€12.1m (11%)	€1.3m (+12%)
Met Éireann	€6.4m (6%)	-€0.3m (-5%)
Terminal Costs	**Actual (%)**	**Actual - Determined**
IAA ANSP	€21.7m (90%)	-€1.4m (-6.0%)
IAA SRD (NSA)	€0.8m (3%)	€0.1m (+16%)
Met Éireann	€1.6m (7%)	-€0.1m (-0.4%)

Source: Reported costs in real terms (2009 prices) based on audited financial data from ANSP, IAA SRD and Met Éireann

Submissions from Stakeholders

IATA

2.3 IATA states that consultations are important for airlines to understand the breakdown of costs, plans and the effectiveness of service provision in Ireland. In this context, IATA requests us to provide:

- A detailed breakdown of IAA staff costs, in particular the current situation with Air Traffic Control Officer (ATCO) recruitment and training.
- A detailed breakdown of the RP2 capex delivered compared with the approved performance plan. IATA states it requires this detail to ensure airspace users are not being double charged for capex planned and financed during RP2, but not deployed until RP3.

[4] Article 2 of the Regulation defines actual cost as "a cost actually incurred in a calendar year for the provision of air navigation services which are subject to certified accounts or, in the absence of such certified accounts, subject to a final audit". Determined costs are the cost base for en route and terminal charges established according to the Regulation prior to the start of each reference period, as part of the performance plans.

2.4 IATA also states that:

- it estimates the IAA has earned a surplus of some €93m for en route activity alone throughout RP2, which is 400% higher than the return on equity that was forecast in the plan (€18m). Table 2.4 shows the en route surplus of the ANSP over RP2.
- the total cost for Ireland continued to be materially below the plan despite traffic levels at +8.9% en route and +19.6% terminal, above the plan.

Lufthansa

2.5 Lufthansa requests information on the overall surplus achieved by Ireland from air navigation service charges during 2018 and 2019 when taking account of actual costs, actual traffic income and all adjustments like CPI, traffic risk sharing, etc.

Ryanair

2.6 Ryanair requests confirmation on how the €10.3m surplus generated in 2019 and the remaining RP2 surplus, will be used to mitigate the impact of Covid-19 pandemic and reduce the unit rate for coming years. The surplus referred to by Ryanair is the difference between actual and determined costs in 2019. Below we refer to the financial surplus of the ANSP as reported in the 2019 UK-Ireland FAB Monitoring Report which is the sum of gains from cost sharing, traffic risk sharing, return on equity and financial incentives for meeting capacity targets during RP2.

Response to the Submissions

2019 Staff Costs

2.7 In response to IATA, below we provide additional information on 2019 actual staff costs of the ANSP. Total staff costs of the ANSP were below the plan for both en route and terminal services as shown in Table 2.2.

Table 2.2: 2019 actual staff costs of the ANSP

En route staff costs	Actual	Determined
Nominal terms	€58.7m	€66m
Real terms [5]	€56.5m	€60m
Terminal staff costs	**Actual**	**Determined**
Nominal terms	€9.9m	€12.3m
Real terms	€9.5m	€11.1m

Source: Reported costs in nominal and real terms (2009 prices) based on audited financial data from ANSP.

2.8 The breakdown of 2019 ANSP staff costs is approximately the same for en route and terminal services as shown in Table 2.3.

[5] For 2019, the determined nominal costs were converted to real using an index of 110 whereas the actual nominal costs were converted using an index of 104. Different indices are applied because the RP2 plan had forecast, on average, an annual inflation of 1.4% over the period whereas the actual annual inflation was, on average, 0.34%. This results in a smaller difference between nominal and real costs for actual costs than for determined costs.

Table 2.3: 2019 actual staff costs of the ANSP

staff costs	En route	Terminal
ATCOs payroll	53%	53%
Pension costs	19%	19%
Engineers payroll	10%	11%
Operational Management Support payroll	9%	8%
Corporate Service payroll	5%	6%
Data Assistants payroll	3%	2%

Source: ANSP financial data.

2.9 Since the Covid-19 outbreak, the ANSP has temporarily suspended its recruitment for the Student Controller Training Programme.[6] The approved RP3 emergency measures require us to submit to the European Commission a report and initial data from the ANSP on its cost containment measures. The report and data should describe the measures taken and planned by the ANSP, from 2020 and beyond, to address the financial and operational impact of Covid-19. The deadline for submission of this information is 15 December 2020.

2.10 In the coming weeks, we will consult with stakeholders on our work plan to meet the deadline for Ireland's submission of a revised RP3 plan in October 2021.

RP2 Plan vs Actual Capital Expenditure

2.11 In response to IATA, Appendix 1 of this document provides a detailed breakdown of planned and delivered RP2 capex by main projects. Main projects are 85% of RP2 planned capex. ANSP capex is 95% of the planned capex and MET capex is 5%. The ANSP and MET submitted this information for the UK-Ireland FAB Monitoring Report of 2019. Table 2.4 below shows data on the annual unspent RP2 capex of the ANSP.

Table 2.4: Annual Plan versus Actual RP2 Capex (Nominal Terms)

	2015	2016	2017	2018	2019	2015-2019
RP2 Plan	€12.3m	€17.2m	€39.3m	€21.0m	€16.8m	€106.7m
RP2 Actual	€10.5m	€5.5m	€7.2m	€9.6m	€7.4m	€40.3m
Difference	**-€1.8m**	**-€11.7m**	**-€32.0m**	**-€11.5m**	**-€9.3m**	**-€66.4m**

Source: ANSP financial data.

2.12 We note that under Article 22, the cost of capital included in the cost base for charges is calculated using "*the sum of the average net book value of fixed assets in operation or under construction*" while "*depreciation costs shall include costs related to the total fixed assets in operation for the purpose of providing air navigation services*".

2.13 In revising the draft RP3 plan, we will ensure that airspace users will not be double charged for capex planned and financed during RP2, but not deployed until RP3.

[6] https://www.iaa.ie/careers/student-controller-programme

Financial surplus

2.14 IATA notes that the ANSP 2019 actual costs were lower than the determined costs in the RP2 plan despite higher than forecast traffic growth during RP2. IATA and Ryanair also note that the ANSP has earned a financial surplus during RP2. Ryanair asks how the surplus from 2019 and from RP2 in general will be used to reduce the rates during RP3. Lufthansa also requested information on the surplus in 2018 and 2019.

2.15 In response to those submissions, we analysed 1) the financial surplus of the ANSP as reported in the 2019 UK-Ireland FAB Monitoring Report, 2) our calculation of the surplus earned by airspace users and 3) the impact on unit rates from the traffic risk sharing mechanism and the return of unspent RP2 capex to date. We focus on the financial surplus of the ANSP because ANSP costs in 2019 were 90% of total terminal costs and 83% of en route costs. Also, MET and NSA costs are not subject to the traffic risk sharing mechanism or capacity incentives that apply to the ANSP.

2.16 In relation to the ANSP financial surplus, we found that:

- In RP2, the ANSP generated 47% of the en route surplus and 32% of the terminal surplus from the cost sharing mechanism. The surplus is net of the unspent RP2 capex that has been returned to date by the ANSP to users as lower unit rates in 2020. The net surplus could be further reduced if the ANSP decides to return additional unspent RP2 capex as lower unit rates in the future.
- The ANSP generated 32% of the en route surplus and 37% of the terminal surplus from the traffic risk sharing mechanism. We note that airspace users have also benefited from the traffic risk sharing, which has been reflected as lower unit rates between 2017 and 2021.

2.17 Below we show the data to support this. The RP2 plan assumed a determined surplus in the form of return on equity for the ANSP of approximately 11% annually.[7] The PRU calculates that, over RP2, the actual surplus in the form of return on equity was 37% on average for en route services and 22% for terminal services.[8] If we subtract the unspent RP2 capex that the ANSP has returned to date, the actual net surplus over RP2 is 32% for en route and 19% for terminal.

2.18 The net surplus earned by the ANSP over RP2 is about 344% above the surplus in the plan for en route (the 400% figure referred to by IATA does not include the unspent RP2 capex returned to users to date) and 162% above the plan for terminal services. Table 2.5 shows the difference between the return on equity in the RP2 plan for the ANSP and the actual surplus.

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[7] The planned return on equity assumed a capital structure of 50% debt and 50% equity.
[8] The actual capital structure of the ANSP was 100% equity.

Table 2.5: Determined and Actual Return on Equity of the ANSP over RP2

Surplus	2015	2016	2017	2018	2019	2015-2019
En route						
A Actual surplus	€19.6m	€19.7m	€18.1m	€16.1m	€19.4m	**€93.0m**
B Planned return on equity	€3.4m	€3.5m	€3.5m	€3.9m	€3.9m	**€18.1m**
C Unspent RP2 capex returned to date						**€12.7m**
A – B – C Net Actual Surplus	€16.2m	€16.2m	€14.7m	€12.2m	€15.5m	**€62.2m**
Terminal						
D Actual surplus	€5.1m	€5.4m	€5.1m	€5.2m	€4.3m	**€25.1m**
E Planned return on equity	€1.5m	€1.6m	€1.6m	€1.6m	€1.7m	**€8.1m**
F Unspent RP2 capex returned to date						**€4.1m**
D – E – F Net Actual Surplus	€3.6m	€3.8m	€3.6m	€3.6m	€2.6m	**€13m**

Source: UK-Ireland FAB Annual Monitoring Report 2019 and CAR Calculations. Real terms (2009 prices)

2.19 The actual surplus is calculated as the gains that the ANSP retained in respect of the cost sharing, traffic risk sharing, the planned return on equity and capacity incentives. The breakdown of the actual surplus above plan for en route services is shown in Table 2.6 and for terminal services in Table 2.7. For en route services, the ANSP earned 47% of the RP2 surplus above the plan from cost sharing, net of the unspent RP2 capex that the ANSP has returned to date, 32% from traffic risk sharing, 16% from return on equity and 5% from capacity incentives.

Table 2.6: Breakdown of the Difference between Actual and Planned Surplus of the ANSP

Actual Surplus above Plan	2015	2016	2017	2018	2019	2015-2019
A Cost sharing	€9.3m	€9.3m	€7.3m	€6.4m	€9.8m	**€42.2m**
B Unspent RP2 capex returned to date						**-€12.7m**
A – B = C Net Cost sharing						**€29.5m**
D Traffic risk Sharing	€2.7m	€4.4m	€4.1m	€4.3m	€4.4m	**€19.9m**
E Return on equity	€3.1m	€2.5m	€2.1m	€1.5m	€0.3m	**€9.6m**
F Capacity Incentives	€1.0m	0	€1.1m	0	€1.1m	**€3.2m**
C + D + E + F Total en route	€16.2m	€16.2m	€14.7m	€12.2m	€15.5m	**€62.2m**

Source: UK-Ireland FAB Annual Monitoring Report 2019. Real terms (2009 prices)

2.20 Table 2.7 shows that for terminal services, the ANSP earned 32% of the RP2 surplus above the plan due to cost sharing, 37% due to traffic risk sharing and 31% due to return on equity. No incentives applied.

Table 2.7: Breakdown of the Difference between Actual and Planned Surplus of the ANSP - Terminal

Actual Surplus above Plan	2015	2016	2017	2018	2019	2015-2019
A Cost sharing	€1.5m	€1.8m	€1.6m	€1.9m	€1.4m	**€8.3m**
B Unspent RP2 capex returned to date						**-€4.1m**
A – B = C Net Cost sharing						**€4.2m**
D Traffic risk Sharing	€0.7m	€1.0m	€1.0m	€1.1m	€1.1m	**€4.8m**
E Return on equity	€1.3m	€1.0m	€0.9m	€0.6m	€0.1m	**€4.0m**
C + D + E Total terminal	€3.6m	€3.8m	€3.6m	€3.6m	€2.6m	**€13m**

Source: UK-Ireland FAB Annual Monitoring Report 2019. Real terms (2009 prices)

2.21 Table 2.8 shows how the gains from traffic risk were shared between the ANSP and airspace users during RP2. The Regulation requires the ANSP to return to users 70% of the revenues gained from the traffic growth above the plan between 2%-10% and all the revenues from growth above 10%. We note that the gain share from en route traffic risk was similar for the ANSP (47%) and airspace users (53%). This is because the traffic growth above plan ranged between 4.6% and 10.3%. The gain share from terminal traffic risk was 28% for the ANSP and 72% for airspace users, because growth above the plan was higher, between 6.1% and 19.6%.

Table 2.8: Traffic Risk Shared Between the ANSP and Airspace Users during RP2[9]

Traffic Risk Sharing	2015	2016	2017	2018	2019	2015-2019
En route growth above plan	4.6%	10.3%	8.6%	8.7%	8.9%	
ANSP revenue share	€2.7m	€4.4m	€4.1m	€4.3m	€4.4m	**€19.9m**
Airspace Users revenue share	€1.8m	€5.9m	€4.8m	€5.0m	€5.2m	**€22.6m**
Terminal growth above plan	6.1%	13.1%	15.8%	19.5%	19.6%	
ANSP revenue share	€0.7m	€1.0m	€1.0m	€1.1m	€1.1m	**€4.8m**
Airspace Users revenue share	€0.6m	€2.0m	€2.6m	€3.6m	€3.7m	**€12.6m**

Source: UK-Ireland FAB Annual Monitoring Report 2019. Real terms (2009 prices), actual cost tables and CAR Calculations.

Cost Sharing Mechanism in RP2 and Cost Risk Sharing Mechanism in RP3

2.22 We discuss in more detail the change between the cost sharing mechanism in RP2 and the cost **risk** sharing mechanism in RP3. We note that the cost sharing mechanism that applied during RP2 allowed the ANSP to retain the difference over the whole period between actual costs and determined costs, except for certain predefined costs which did not include investment costs (see Article 14 of Regulation 391/2013). [10]

2.23 In principle, provided that determined cost are properly assessed and there are reasonable targets for cost-efficiency, such a mechanism is in the interest of users as it incentivises the ANSP to improve its overall cost-efficiency over time. Airspace users benefit from the achieved cost-efficiencies when unit rates are reset at the start of a reference period.

[9] According to the traffic risk sharing mechanism (Article 27 of Regulation 317/2019), where, over a given year n, the actual number of service units:

- deviates from the forecast in the plan by no more than 2%, the resulting additional revenue or revenue loss shall be borne in full by the ANSP.
- deviates from the forecast in the plan by more than 2% but less than 10%, 70% of the resulting additional revenue or revenue loss of the ANSP in excess of 2% shall be passed on to airspace users through adjustments of the unit rates in year n+2.
- deviates from the forecast in the plan by more than 10%, the additional revenue or revenue loss of the ANSP in excess of 10 % shall be passed on in full, to airspace users, through adjustments of the unit rates in year n+2.

[10] https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:128:0031:0058:EN:PDF

2.24 A feature of the cost sharing mechanism during RP2 was that it allowed ANSPs to retain unspent capital expenditure allowances. This feature has been changed for RP3. Preamble 35 of Regulation 317/2019 states that, starting from RP3, "*air navigation service providers should not be allowed to generate financial surpluses as a result of the cancellation or postponement of new and existing investments during a reference period.*" According to Article 28 of Regulation 2019/317[11]:

- The cost risk sharing mechanism does not allow ANSPs to retain unforeseen changes in costs of new and existing investments unless the NSA allows for it after consultation with users.
- The NSA must approve, after consultation with users, plans of the ANSP to add, cancel or replace major investments during RP3.

2.25 A key aspect that will enable us to comply with our NSA obligations will be the monitoring and reporting on the delivery of major investments included in the RP3 plan. Under Annex VII of the Regulation, ANSPs must provide the following information annually:

- *"(c) the breakdown of the actual costs of common projects per individual project;*
- *(d) justification of the difference between the determined and the actual costs of new and existing investments of the air navigation service providers, as well as the difference between the planned and the actual date of entry into operation of the fixed assets financed by those investments for each year of the reference period;*
- *(e) description of the investment projects added, cancelled or replaced during the reference period with respect to the major investment projects identified in the performance plan, and approved by the national supervisory authority in accordance with Article 28(4)."*

2.26 We will consult with stakeholders in due course about the appropriate monitoring and reporting of capital projects for the purposes of the consultation required in Article 28.

Outcome of the Consultation

2.27 We provided further breakdown of 2019 ANSP staff costs and RP2 capital expenditure as requested by airspace users. We also provided the breakdown of the financial surplus above the plan earned by the ANSP and airspace users during RP2. This responds to submissions from airspace users about the role of the surplus in reducing unit rates.

[11] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0317&from=EN

3. Outcome of the Consultation on the Intended 2021 Unit Rates

3.1 In this section we respond to the submissions we received on the intended 2021 unit rates. This is required under Article 30 of the Regulation.

Summary of the Consultation

3.2 In CP6/2020 we consulted on the intended 2021 unit rates of **€27.58** for en route services and **€162.45** for terminal services. For comparison, the 2020 unit rates were €24.48 for en route services and €123.01 for terminal services.

3.3 We stated that the en route rate is €3.38 lower per unit than the draft RP3 plan, due to the application of the rate adjustments set out in Regulation 2019/317 which reduce the nominal determined costs by €16.2m. We also stated that the terminal rate is €27.66 lower per unit than the draft RP3 plan, due to a reduction in the nominal determined costs of €5.1m.

Submissions from Stakeholders

Aer Lingus

3.4 Aer Lingus states that it is inappropriate that the 2021 rates be set on the basis of the draft RP3 plan which is still unapproved, and which could not have taken account of the impact of Covid-19 on the aviation industry. Aer Lingus suggests that the 2021 rates should not be increased above the 2020 rates and preferably they should be lowered to reflect the commercial circumstances expected in 2021.

IATA

3.5 In relation to the Irish unit rate proposal for en route and terminal for 2021, IATA notes that:

- inflation adjustments and traffic over-recoveries drive most of the reduction.
- the IAA committed to returning some of the unspent capex during 2020/2021 however IATA saw little evidence of same in the material presented.

Ryanair

3.6 Ryanair requests setting the 2021 unit rates at the 2020 unit rate level until more information is available at the end of 2020. The reasons given by Ryanair are:

- the 2021 rates are based on the draft Irish RP3 Plan which the PRB found to be inconsistent with the EU targets and
- the European Commission is working on exceptional measures to relaunch RP3 and mitigate the financial impact of the crisis on stakeholders.

Response to the Submissions

Unspent Capex

3.7 IATA states that it saw little evidence in the consultation material regarding the return of unspent RP2 capex in 2020/2021. We note that, under Regulation 391/2013, the ANSP is not required to return unspent RP2 capex to airspace users. However, in 2020 the ANSP returned to users €18m (nominal) of unspent RP2 capex, as it committed to do in the draft Irish RP3 Performance Plan.[12] Capex in 2019 was also underspent, by €9.3m (nominal). However, after the Covid-19 outbreak, the ANSP decided not to return any additional unspent RP2 capex as lower unit rates in 2021. It is up to the ANSP to voluntarily return additional unspent RP2 capex as lower unit rates in future years.

3.8 As we state in paragraph 2.24, we note that the treatment of unspent capex is different under RP3. Regulation 2019/317 requires the ANSP to return to users the unspent capex, unless we allow the ANSP to retain it after consultation with airspace users.

Reducing 2021 Rates to the 2020 Rate Level or Below

3.9 At this stage, we will not reduce the 2021 unit rates to the 2020 level as proposed by Ryanair, or below the 2020 level as proposed by Aer Lingus. For the moment, we will follow the standard procedure in the RP3 regulations: to adopt the 2021 unit rates based on the determined costs and traffic forecast set in the draft performance plans submitted in 2019, even if this draft plan remains unapproved.

3.10 As per the emergency measures approved on 12 October 2020, we will adjust the 2020 and 2021 unit rates retrospectively. The adjustments will account for any difference in revenue due to the application of the draft performance plan submitted in 2019 instead of the adopted revised plan. The adjustments will start in the year following the adoption of the revised performance plan and will be spread over 5 to 7 years, as decided by the NSA. Unit rates in 2022 will be calculated based on the revised draft plans that will be submitted in October 2021 and will be subject to adjustments for the difference between the 2021 draft revised plan and the adopted revised plan.

3.11 We note that the existing Irish draft RP3 performance plan was submitted in October 2019, prior to CAR taking over an NSA role to oversee the performance and charging scheme in January 2020. We will engage with stakeholders in the revision of the draft RP3 plan, in response to the Covid-19 outbreak in the coming weeks.

[12] www.iaa.ie/docs/default-source/misc/ireland-rp3-consultation-document-080819.pdf?sfvrsn=139500f3_2

Outcome of the Consultation

3.12 We will submit to the European Commission the 2021 unit rates as consulted in CP6/2020:

- €27.58 for en route services and
- €162.45 for terminal services.

Separately, in due course, we will consult with stakeholders on our work plan to revise the Irish draft RP3 plan.

4. Submissions Related to Upcoming Consultations

4.1 In this section, we respond to submissions from stakeholders related to topics that will be part of upcoming consultations, such as 2020 and 2021 actuals and forecasts traffic and costs.

Airspace Users Submissions on 2020-2021 Traffic and Costs

Lufthansa and Ryanair

4.2 In response to this consultation, Lufthansa and Ryanair submitted a list of detailed questions in relation to the 2020-2021 traffic evolution and changes in ANS revenues, financing and costs including staff costs and numbers as well as capital investments. The list of questions raised by Lufthansa and Ryanair is published in their respective submissions alongside this document.

Response to the Submissions

4.3 The traffic evolution or changes in costs of air navigation services during 2020-2021 are important considerations for airspace users. However, under the RP3 Regulation we are required to consult on and finalise the 2021 unit rates based on the Irish draft RP3 plan that was submitted in 2019, adjusted by the carry overs from 2019 actuals.

4.4 While 2020-2021 costs do not affect the 2021 unit rates that we will submit on 1 November 2020 and are not part of this consultation, they are relevant for upcoming consultations on the future of RP3 at both European and national level.

4.5 In August 2020, the European Commission consulted on proposed emergency measures to deal with the impact of Covid-19 during RP3.[13] Amended measures were approved by an Appeals Committee on 12 October 2020. According to the approved measures, the revision of cost-efficiency performance targets taking account of the Covid-19 outbreak should have a retroactive effect from the beginning of RP3, albeit only producing effects through unit rate adjustments after revised plans are adopted (see paragraph 3.10).

4.6 At national level, we will consult with stakeholders on the local processes and timelines in the coming weeks, and thereafter we will consult on the actual material to inform the new 2020-2024 RP3 plan which will include revised 2020 and 2021 costs.

4.7 Many of the questions submitted by Lufthansa and Ryanair will be relevant to those future consultations. We will invite stakeholders to participate in those consultations in due course.

[13] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12508-Exceptional-measures-RP3

5. Appendix 1. Actual vs Planned RP2 Capital Expenditure

Table 5.1: Actual vs Planned RP2 Capital Expenditure (nominal terms)

	Name of investment	PLANNED							ACTUAL					
		Total CAPEX for the project	Total RP2 CAPEX	2015	2016	2017	2018	2019	Total RP2 CAPEX	2015	2016	2017	2018	2019
as in the **adopted** RP2 PP	*FDP - COOPANS*	34,517,093	34,517,093	900,000	8,817,093	12,200,000	4,100,000	8,500,000	10,446,887	2,703,000	353,000	970,000	3,958,510	2,462,377
	FDP - Electronic Flight Progress Strip System	1,500,000	1,500,000	1,500,000					1,575,474	0			1,575,474	
	FDP - Common Transition Altitude	3,500,000	3,500,000				3,500,000		0	0				
	FDP - Emergency Air Situation Display System Replacement	1,000,000	1,000,000		1,000,000				0	0				
	Communications - VHFTX/RX & VCCS replacement (four locations)	16,862,000	16,862,000	3,800,000	800,000	8,000,000	3,796,000	466,000	7,683,548	3,019,000	2,100,000	2,328,000	96,985	139,563
	Communications - Migration to VOIP and System Wide Information Management (SWIM) capabilities	1,239,750	1,239,750					1,239,750	0	0				
	Surveillance & Navigation - ILS programme	7,400,000	7,400,000				5,550,000	1,850,000	0	0				
	Surveillance & Navigation - Radar replacement	11,100,000	11,100,000			3,700,000	3,700,000	3,700,000	7,170,244	2,203,000	887,000	561,000	1,327,500	2,191,744
	Contingency	13,000,000	13,000,000			13,000,000			0	0				
	Aviation Modernisation and Automation Project (AMAP)	3,697,000	3,697,000	1,860,000	841,000	688,000	308,000		0	0				
Sub-total **main** CAPEX (1)		93,815,843	93,815,843	8,060,000	11,458,093	37,588,000	20,954,000	15,755,750	26,876,152	7,925,000	3,340,000	3,859,000	6,958,468	4,793,683
Sub-total **other** CAPEX (2)		16,565,157	16,565,157	6,139,423	6,605,302	2,400,182	426,000	994,250	13,377,015	2,564,000	2,170,000	3,384,000	2,604,122	2,654,893
Number of **unplanned** investments														
Sub-total **unplanned** CAPEX (3)									0	0	0	0	0	0
TOTAL CAPEX (1)+(2) in RP2 PP		110,381,000	110,381,000	14,199,423	18,063,395	39,988,182	21,380,000	16,750,000	40,253,166	10,489,000	5,510,000	7,243,000	9,562,590	7,448,576
TOTAL CAPEX (1)+(2)+(3)									40,253,166	10,489,000	5,510,000	7,243,000	9,562,590	7,448,576

Source: UK-Ireland FAB Monitoring Report 2019.