

## Note for MET ASD on preparation of a revised RP3 Business Plan

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- 1.1 This note has been developed to assist Met Eireann's ASD ANSP in developing its revised Business Plan (BP) which will feed into Ireland's revised Performance Plan for RP3 under the SES Performance and Charging emergency regulation. In preparing this note, we have had regard to the original RP3 Business Plan submitted to the NSA, dated 21 May 2018. We expect that much of the content in the original plan is still relevant but would request some adjustments and/or further details as outlined below for the revised BP.
- 1.2 The following material should also be provided alongside (or shortly after) the business plan:
- Calculations underpinning the figures provided.
  - Business Cases/internal project assessment or approval materials/DPER approvals or assessment for new proposed projects for RP3.
  - Asset register of all projects (both old, and new for RP3) proposed for a depreciation allowance in the RP3 Performance Plan, including total cost, any grant funding received or anticipated, take-on date for commencement of depreciation, and asset life.

### Business Plan- General

- 1.3 The PRB has proposed draft cost efficiency targets whereby total determined costs would be 10% lower than 2019 actual costs for 2020, and would be maintained at this level for each year of RP3. Whether these draft targets are changed in the final decision remains to be seen.
- 1.4 While we appreciate that MET costs are not very sensitive to traffic levels, in the first instance we are asking all regulated entities to reconsider their original determined cost allowances given the impact of COVID-19 on the industry and the ability of air carriers to pay regulated charges. For the Business Plan, it is therefore important to demonstrate that this question has been considered carefully in relation to each cost line item, and where a particular cost element cannot be reduced or deferred, to explain why. Equally, we note that MET's final determined costs were already reduced substantially from 2019 to 2020 in Ireland's original Performance Plan, such that 2020, 2021, and 2022 would already be in line with the new PRB draft targets, with 2023 and 2024 slightly above them.
- 1.5 Highlight any actions that have been taken to date in RP3 which have reduced costs.
- 1.6 A general rule of thumb to keep in mind when considering the level of detail/explanation to provide in the BP on cost forecasting assumptions or the basis for cost estimates, is that it should be sufficient for a reader to be able to re-create the figures provided, if they were to have access to the underlying data.
- 1.7 Confirm the price base in which cost amounts are provided (ie real or nominal prices). If real, confirm the base year, or if nominal confirm what, if any, inflation assumption has been included.
- 1.8 Note that it is our intention to publish the Business Plans from both MET ANSP and IAA ANSP as part of the consultation process on Ireland's Performance Plan. It would be preferable to publish them without any redactions, however this can be discussed if necessary.

### Operating Costs

- 1.9 For all operating cost categories, provide 2019 and 2020 actuals, and forecasts for each of 2021-2024.

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- 1.10 For staff cost categories, rather than just the total annual number of FTEs, provide a breakdown of the number of FTEs by business unit and/or the number of FTEs providing each regulated forecast product.<sup>1</sup>
- 1.11 Based on the table provided on Page 34, it appears that the staff costs were based on an assumption that the level of FTEs and the cost per FTE would remain constant in nominal terms over the period 2020-2022, thereafter with a single step change reduction for 2023 and 2024 (in the context of the AMAP). The Business Plan should explicitly confirm assumptions such as these, ie:
- The number of FTEs for each ASD business unit or providing each ASD forecast product as outlined above.
  - How this number of FTEs has been converted into salary and pension costs, ie the forecasting assumption(s) based on current salary/pension costs.
- 1.12 For other operating costs, provide the quantitative breakdown between the individual components listed on page 35: staff non-pay costs, accommodation, technical and proportions of the core costs associated with service provision including satellite costs, RADAR costs and NWP costs. Explain the basis upon which each of these cost inputs was estimated.

### Capital Costs

- 1.13 Separately identify the projects where capital costs (depreciation) are:
- Continuing from RP2.
  - New for RP3 (including projects which commenced in 2020).
- 1.14 No further detail is required for continuing projects. For each new project:
- Provide a description of the planned investment and the benefits it will provide. In particular, identify whether the project relates to regulatory compliance, replacement of end-of-life assets, improved service provision (cost, quality, or both)- or a combination of these.
  - Provide the total cost estimate. Explain how the total cost estimate has been developed and the status of this estimate (for example, is it a confirmed costing due to contractual status or is it subject to uncertainty). Where a portion of the project cost has been allocated to aviation services, set out the proportion and explain the driver for the chosen allocation (for example, 10% of R&D costs being allocated to aviation in line with the WMO doc 904).
  - Note any confirmed or anticipated grant funding contributing to the cost of the project, and the consequent net cost of the project to airspace users.
  - Provide the asset life assumption and a short explanation of this number.

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<sup>1</sup> For example, if there are delineated staff who provide each of the aviation products listed on the webpage below, the number of FTEs for each product could be listed (together with any other FTEs such as support staff) which in total would sum to the total number of FTEs allowed for in the Business Plan.

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- 1.15 Provide an updated timeline for delivering the capital projects over 2020-2024 in light of actual developments since 2019, and any reassessment of requirements to 2024 due to COVID or otherwise. Provide an update on progress to date in RP3.
- 1.16 Note that we anticipate publishing Capex programme delivery updates from both the IAA ANSP and MET, likely on a twice yearly basis. This would commence after the Irish Performance Plan has been confirmed by the EU Commission.
- 1.17 We note the comments in the original BP in relation to public sector spending constraints. It is important to avoid misalignment between any budgetary constraints or public sector oversight, and decisions on capital projects which have been allowed for in the Performance Plan and thus are going to be paid for by airspace users in any case. This is an issue which we can discuss further if necessary. In this context, it should be noted that for RP3, unlike previous reference periods, any unspent new Capex allowances will need to be refunded to airspace users by ANSPs. Thus, for any new projects included in the RP3 plan, it is very important that MET can then progress and deliver them.

### Cost Allocation to Regulated Aviation Services

- 1.18 There are two aspects to address in the Business Plan:
  - 1) Allocation of Met Eireann costs to aviation:
    - Provide details of which services are solely associated with aviation and consequently costs are allocated 100% to aviation.
    - Provide a description of the nature of the algorithm agreed with the IAA and the DTTaS on the basis of which a proportion of core Met Eireann costs are allocated to aviation. Provide details of which services/cost centres are partly allocated to aviation on the basis of this algorithm, and the result of applying the algorithm in terms of the proportions allocated to aviation and non-aviation.
  - 2) Allocation of a portion of ASD costs for the provision of aviation services which are charged for separately to the terminal/en-route charges, e.g. aviator briefings and training.
- 1.19 For each of the above, provide substantiation, for example specific references to ICAO or WMO guidelines or objective cost drivers.

### En-Route/Terminal Allocation

- 1.20 MET does not need to address cost allocation within the regulated services, i.e. between Terminal and En-Route services, in its Business Plan.
- 1.21 It is our intention to assess the appropriate allocation of MET costs as between en-route and terminal and reflect this in Ireland's Performance and Charging plan. We have reviewed the ICAO and WMO recommendations in this regard. Separate to revising the Business Plan, it would be helpful if MET would answer the following questions:
  - Do all of the aviation services provided by MET and charged wholly or partly to aviation through the SES Performance and Charging Regulation come under one of the categories listed in WMO doc. 904, Annexes 1, 2 or 5?
  - Are most ASD staff specifically dedicated to providing one of these individual services, with certain central staff which are not specifically dedicated to one service? Or, are staff

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generally multifunctional across these services? If the latter, does ASD have data available on the proportion of time spent by its staff on each individual service?

- For each old or new capital project, can MET identify which aviation service or services the project is driven by. If driven by multiple services, can MET identify the proportion to which it is driven by each. This would preferably be on the basis of an objective data-based driver, although we understand that this may not be applicable or feasible in relation to certain projects (eg a general R&D allowance).
- Does MET consider that the WMO recommended cost allocations to 'airport' (Terminal) or en-route are reflective of the extent to which these services, as provided by MET, are used by airspace users in the terminal and en-route phases of flight respectively? Or, are there any circumstances particular to Ireland which means that one or more of these services are used by en-route/terminal in a substantially different proportion relative to the WMO recommendations? If so, please explain. Does MET have actual data on the actual proportionate use of each service for terminal and en-route?