



**Final Report on the Costs Exempt
from the Cost Risk Sharing Mechanism
for 2015-2019 Air Navigation Services in Ireland**

Commission Paper 7/2020

1 September 2020

Commission for Aviation Regulation

3rd Floor, Alexandra House

Earlsfort Terrace

Dublin 2

Ireland

Tel: +353 1 6611700

E-mail: info@aviationreg.ie

1. Introduction

- 1.1 This is the final report on the balance of costs exempt from the cost risk sharing mechanism during reference period 2 (RP2) relevant to the provision of air navigation services in Ireland. This report follows consultation with airspace users as required under Article 28 (7) of Implementing Regulation (EU) 317/2019 laying down the current performance and charging scheme.¹
- 1.2 On 6 July 2020, we published a consultation paper (CP6/2020) on three interrelated topics: the 2019 actual costs of air navigation services, the balance of the costs exempt in RP2 and the intended 2021 unit rates.² We invited airspace users and their representatives to attend a video conference meeting on 20 July and sought their written feedback by 31 July.
- 1.3 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.
- 1.4 In their submissions, airspace users made no comments on the draft report on costs exempt as consulted on in CP6/2020. We made no changes to the final report compared to the draft report.
- 1.5 The submissions we received relate to the 2019 actual costs and intended 2021 unit rates. Separately, we will publish on our website a report on the outcome of the consultation on 2019 actual costs and intended 2021 unit rates. We will publish the submissions received from airspace users alongside that paper.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0317&from=EN>

² [https://www.aviationreg.ie/_fileupload/CAR%20Consultation%202020\(1\).pdf](https://www.aviationreg.ie/_fileupload/CAR%20Consultation%202020(1).pdf)

2. Final Report on the Cost Risk Sharing Mechanism during RP2

- 2.1 This section presents the final report on the balance of the costs exempt from the cost risk sharing mechanism during RP2. These exemptions affect the 2021 unit rate for en route services in Ireland.
- 2.2 This report verifies the correct application of the provisions of Article 28 by:
- Identifying and categorising the determined costs in the RP2 plan relating to the costs that are exempt from the cost risk sharing mechanism.
 - Identifying and explaining the differences between determined and actual costs exempt from the mechanism during RP2 which affect the 2021 unit rate.

The Cost Risk Sharing Mechanism

- 2.3 Under the cost risk sharing mechanism, differences between determined costs included in the performance plan and actual costs shall be shared between air navigation service providers and airspace users as follows:
- where, over the whole reference period, actual costs fall below the determined costs, the air navigation service provider or the Member State concerned shall retain in full the resulting difference.
 - where, over the whole reference period, actual costs exceed the determined costs, the air navigation service provider or Member State concerned shall cover in full the resulting difference.

Costs Exempt from the Cost Risk Sharing Mechanism

- 2.4 The cost risk sharing mechanism does not apply if the differences between determined and actual costs result from at least one of the following unforeseen changes in costs defined in the Regulation:
- costs of new and existing investments (this will apply starting from 2020 actual costs).
 - costs incurred by National Supervisory Authorities or stemming from the Eurocontrol International Convention relating to cooperation for the safety of air navigation, as per Article 22(1).
 - pension costs established in accordance with Article 22(4).
 - interest rates on loans that finance the provision of air navigation services, which are out of the control of the ANSP.
 - costs required by law, for example taxation law.
- 2.5 We confirm that the only determined costs identified and categorised in the RP2 plan relating to the costs exempt from the cost risk sharing mechanism are the Eurocontrol membership costs as defined in Article 22 (1) of the Regulation.

Differences between Determined and Actual Costs Exempt

- 2.6 The determined costs approved in the RP2 plan for 2015-2019 were based on the budget estimated by Eurocontrol. Actual costs were then calculated by Eurocontrol based on the international agreement in place. The variance between determined and actual costs is due to changes in the Eurocontrol budget.
- 2.7 There is a €3.1m difference between determined and actual costs of the Eurocontrol membership from 2015-2019, as detailed in Table 2.1 below.

Table 2.1: Differences in Eurocontrol costs during RP2 to be returned in 2021

Eurocontrol costs	2015	2016	2017	2018	2019	Total difference to be returned in 2021
RP2 Plan	€6.8m	€7.1m	€7.4m	€7.7m	€7.9m	
Actual	€6.6m	€6.6m	€6.4m	€6.9m	€7.4m	
Difference	-€0.2m	-€0.5m	-€1m	-€0.8m	-€0.5m	-€3.1m

Source: RP2 Plan, Eurocontrol.

- 2.8 This amount will be returned to airspace users in the form of a reduced 2021 en route unit rate. The cost difference in RP2 is returned to airspace users in RP3 as required under Article 14(2)(d) of Regulation 391/2013 laying down the RP2 performance and charging scheme. During RP3, the differences in the costs exempt **from Eurocontrol costs** will be returned to users two years later (n+2) rather than in RP4, as per Article 28 (5) of Regulation 317/2019.³

³ The last sentence in this paragraph was edited on 25 September 2020 to correct an error.