



# Ireland Performance Plan for RP3 (2020-2024)

**Stakeholder Consultation**  
10 September 2019

**Presented by IAA SRD**  
**National Supervisory Authority (NSA)**

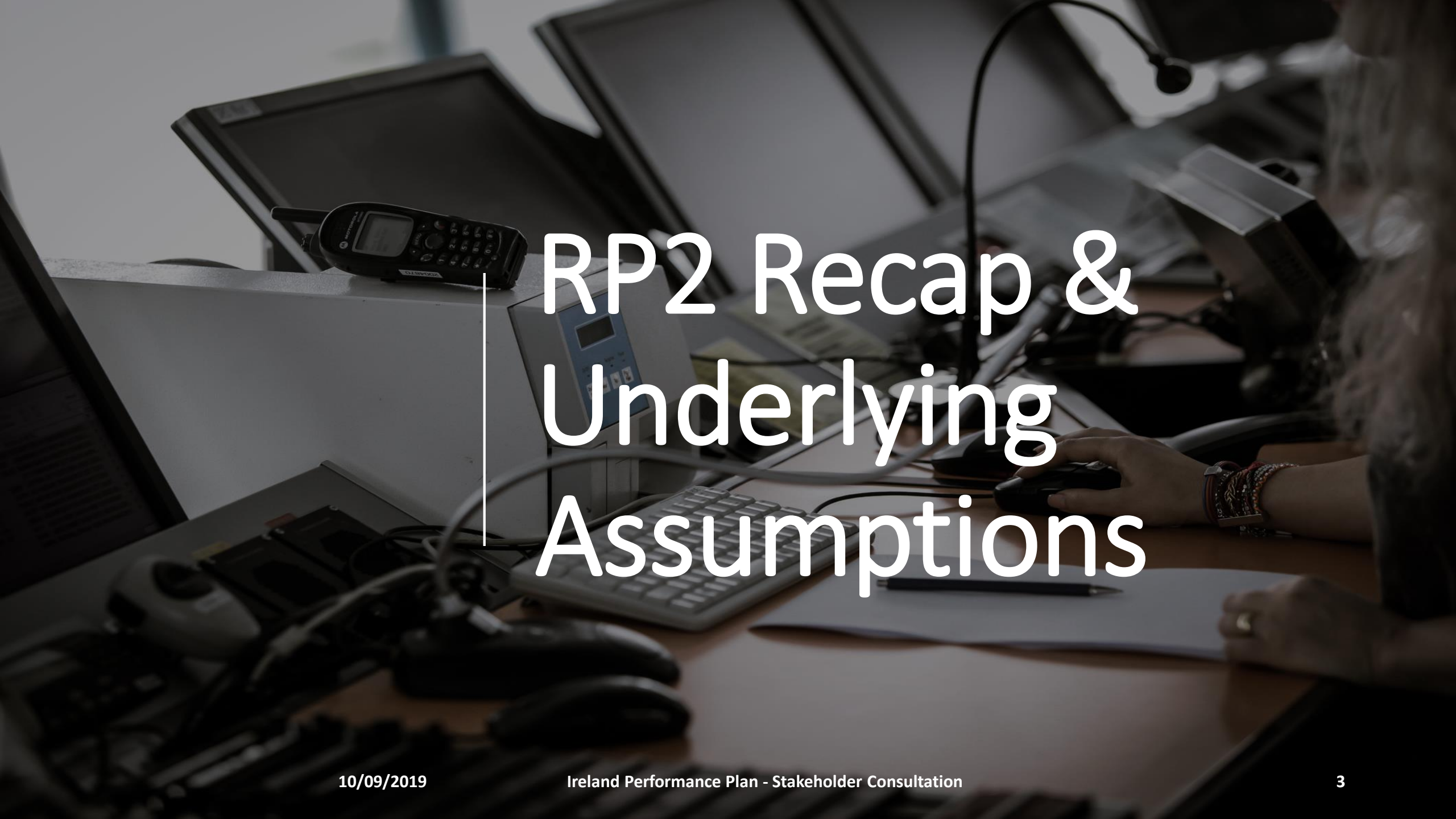
# Agenda

- RP2 Recap & Underlying Assumptions 10:00 – 10:30
- Institutional Separation 10:30 – 10:45
- Safety 10:45 – 11:00
- Environment 11:00 – 11:15
- Capacity 11:15 – 11:45

## Coffee

**11:45 – 12:00**

- Capital Expenditure & Investments 12:00 – 12:15
- Cost Efficiency 12:15 – 13:15
- Incentives & Traffic Risk Sharing 13:15 – 13:45
- Next Steps/Wrap up 13:45 – 14:00



# RP2 Recap & Underlying Assumptions

# Context: RP2 Performance (1/3)

## ■ Safety:

- **Level D** achieved (2018); fully compliant with Just Culture - all RP2 targets exceeded.

## ■ Environment:

- Implementation of the **Free Route Airspace (FRA)** in Upper and Lower airspaces contributed to the joint FAB wide targets for en route flight efficiency.

# Context: RP2 Performance (2/3)

## ■ Capacity:

- Average of **0 min/flight en route delay**
- Traffic increases and other legal and regulatory demands have been met to date by short term measures.
- The staff-related Regulations at both local and EU level severely restrict the use of short-term staffing solutions in RP3.
- The capacity limitations at Dublin are generally a factor of airport infrastructure as opposed to being ATM attributable.

# Context: RP2 Performance (3/3)

## ■ Cost Efficiency:

- All targets achieved with **Actual Costs being lower than the Determined Costs** for each year to date.
- There has been some “underspend”, particularly for CAPEX
- Helped by **close budgetary control**, and **comprehensive planning**. This included:
  - NSA monitoring, incorporating “alert thresholds”, quarterly review, early intervention.
  - The use of “bottom up” budgeting on a yearly basis

**Continuing to achieve the same level of performance as traffic grows into RP3 will be Ireland’s defining challenge.**

# RP3 - The NSA approach

In drawing up the Irish RP3 Performance Plan, the Irish NSA has:

- Thoroughly interrogated and validated service providers' Business Plans,
- Close attention to the interdependencies
- Designed an Incentives Scheme and Traffic Risk Sharing Mechanism we perceive as both reasonable and fair
- Taken action to ensure unspent CAPEX remaining from RP2 will be returned.
- Embraced transparency in all aspects of RP3

# Charging Zones



The Irish RP3 PP covers:

- **En route services** in the Shannon Flight Information and Upper Information Regions (FIR/UIR).
- **Terminal services** provided at airports in Ireland with more than 80,000 instrument flight rules (IFR) movements per annum- **Dublin**.
- Cork and Shannon (below 80,000 IFR) airports will be included for the Irish terminal cost efficiency target but not for any other KPIs.



# Charging policy



**The NSA will apply the necessary Unit Rate adjustments mandated by IR 2019/317.**

Unit rate adjustments will be applied in year N+2. This will apply to both en route and TANS charges, and will also refer to:

- planned and actual inflation;
- incentives and risk sharing mechanisms (financial advantages and disadvantages);
- Exempt from Risk Sharing (MET, NSA);
- Unforeseen adjustments (Art 28.3); and,
- CAPEX adjustments, including refunds of unspent RP2 CAPEX.

# Traffic forecasts

- For en route, the service units are based on the actual, rather than planned route for 2020 onwards.
- For terminal, the baseline projection considered the same terminal charging zones applicable in RP2.

**The NSA has decided to apply the STATFOR Base projections published in February 2019.**

# Traffic forecasts

- En route (adjusted for revised SU methodology)

	2020	2021	2022	2023	2024
<b>IFR movements (thousands)</b>	660	674	688	700	711
<b>IFR movements (yearly variation in %)</b>	1.7%	2.1%	2.1%	1.7%	1.7%
<b>En route service units (thousands)</b>	4,689	4,790	4,890	4,972	5,054
<b>En route service units (yearly variation in %)</b>	1.1%	2.2%	2.1%	1.7%	1.7%

- Terminal

	2020	2021	2022	2023	2024
<b>IFR movements (thousands)</b>	144.4	149.1	152.2	155.0	158.1
<b>IFR movements (yearly variation in %)</b>	1.1%	3.2%	2.1%	1.9%	2.0%
<b>Terminal service units (thousands)</b>	189.6	195.6	198.8	202.9	206.7
<b>Terminal service units (yearly variation in %)</b>	1.0%	3.2%	1.6%	2.1%	1.9%

# KPA Interdependencies

The NSA has thoroughly assessed the interdependencies between the four KPAs to validate the local targets

- The NSA recognises the need to ensure safety is never compromised, either directly or indirectly, by efforts to comply with Performance targets
- In particular, the NSA assessed the relationship between:
  - Safety and the other KPAs
  - Capacity and Cost Efficiency
  - Capacity and Environment

# KPA Interdependencies

The Commission ex-post study on RP1 and RP2 noted the following on the topic of interdependencies;

*“NSAs pointed out that it was difficult to address interdependencies in the performance plans, as no methodology had been developed for this purpose. This could be addressed by sharing expertise and best practices with on target-setting, and by developing common knowledge capital on these matters, including benchmarking between ANSPs.”*

*“Some provision could be made in RP3 to support NSAs with methodologies addressing interdependencies, but it is questionable whether additional constraints in the Regulation could bring about better control without introducing disproportionate complexity.”*

**This is still a very difficult area to assess, and the new Regulation has not been supported with appropriate guidance.**

# KPA Interdependencies

- Safety and the other KPAs
  - Additional compliance requirements need to be assessed on an incremental basis to ensure adequate resources are in place
  - ANS safety levels will not be subject to any trade-offs.
  
- Capacity and Environment (flight efficiency)
  - Further improvements are dependent on the introduction of Free Route Airspace in neighbouring airspaces.

# KPA Interdependencies

## ■ Capacity and Cost Efficiency

- RP2 traffic significantly exceeded all forecasts – capacity and service quality were prioritised over capital project delivery.
- RP3 capacity targets will result in additional costs (increased staffing and investment in technology).
- Short term measures employed in RP2 (overtime, leave being deferred, etc.) are unsustainable during RP3.

**Recognising the EC's focus on meeting capacity needs in RP3, the NSA notes that additional costs will be required to meet staffing and investment requirements**

# BREXIT

- Increased risk of the UK leaving the EU without an agreement on future trade due to recent political developments.
- No indication of any ‘BREXIT effect’ in the traffic growth from Q1 2019.
- Currently no precise or reliable data quantifying the potential economic or traffic impact.
- Brexit a risk for all Stakeholders – NSA must avoid “Risk Transfer”.

**Apart from the STATFOR assumptions, the NSA has not factored the BREXIT risk into the RP3 Performance Plan**



# Q&A

Stakeholders are invited to discuss:

- Charging policy & Charging zones
- Traffic forecasts
- KPA interdependencies
- NSA approach & assumptions

# Institutional Separation

# Institutional separation

- January 2020: IAA split into two new corporate and operational entities
- IAA SRD including NSA and associated regulatory functions separated from the ANSP
- NSA identified additional costs of €41m directly attributable to institutional separation/restructuring during RP3

**NSA not validating overall cost of Separation**

**NSA have identified financial impact on RP3 Stakeholders**

# Key Assumptions

- Institutional separation has been mandated as government policy
- All corporate support services staff of the IAA will transfer to the ANSP
- Indirect costs/corporate costs of the IAA previously shared with the Regulator will now be borne by the ANSP
- The ANSP will vacate the Head Office that it currently shares with the Regulator

# Institutional separation

- Financial impact on the Ireland RP3 Determined Costs:

Impact on En route and TANS Determined Costs (€'000)						
Description	2020	2021	2022	2023	2024	RP3
<b>Restructuring - ANSP</b>	5,174	5,877	5,485	5,385	5,271	27,193
<b>Search and Rescue</b>	399	406	414	421	529	2,169
<b>Safety Regulation Transition – non-ANS</b>	2,500	2,500	2,500	2,500	2,500	12,500
<b>Total</b>	<b>8,073</b>	<b>8,783</b>	<b>8,399</b>	<b>8,306</b>	<b>8,300</b>	<b>41,862</b>
<b>En Route</b>	<b>7,156</b>	<b>7,744</b>	<b>7,443</b>	<b>7,351</b>	<b>7,365</b>	<b>37,058</b>
<b>Terminal Services</b>	<b>918</b>	<b>1,038</b>	<b>957</b>	<b>955</b>	<b>935</b>	<b>4,804</b>

# Restructuring Costs RP3 – En Route

En Route	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	Total €'000
Staff costs	463	477	479	485	493	2,397
Other operating	4,982	5,000	4,804	4,828	4,961	24,575
Depreciation	1,314	1,752	1,752	1,752	1,752	8,322
Cost of Capital	396	516	407	286	159	1,764
<b>Total – real</b>	<b>7,155</b>	<b>7,745</b>	<b>7,442</b>	<b>7,351</b>	<b>7,365</b>	<b>37,058</b>
Impact on unit rate	€1.53	€1.62	€1.52	€1.48	€1.46	

# Restructuring Costs RP3 - Terminal

Terminal	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	Total €'000
Staff costs	132	136	137	138	141	684
Other operating	434	436	377	398	402	2,047
Depreciation	270	360	360	360	360	1,710
Cost of Capital	81	106	84	59	33	363
<b>Total</b>	917	1,038	958	955	936	4,804
Impact on unit rate	€4.84	€5.31	€4.82	€4.71	€4.53	

# Q&A

Stakeholders are invited to discuss:

- Institutional separation & associated costs



A photograph of a pilot's cockpit from a first-person perspective. The pilot's hands are on the yoke, and the instrument panel with various gauges and screens is visible. The sky with clouds is seen through the windshield. The word "Safety" is overlaid in large white text in the center of the image.

# Safety

# Safety Targets: Overview



The NSA has selected safety targets in line with EU-wide targets

Targets set at national level against the following KPI:

- The minimum level of the Effectiveness of Safety Management (EoSM) measured by the 5 implementation levels of:
  - i. Safety policy and objectives
  - ii. Safety risk management
  - iii. Safety assurance
  - iv. Safety promotion
  - v. Safety culture

*Safety targets are not subject to financial incentives*

# Status of Aviation Safety



# EoS M 'Maturity' levels

- **Level A** 'Initiating' — processes usually ad hoc and chaotic;
- **Level B** 'Planning/Initial Implementation' — activities, processes and services managed;
- **Level C** 'Implementing' — defined and standard processes are used for managing;
- **Level D** 'Managing & Measuring' — objectives are used to manage processes and performance is measured;
- **Level E** 'Continuous Improvement' — continuous improvement of processes and process performance.

# Effectiveness of Safety Management

IAA ANSP shall comply with the Union-wide targets (2019/903 Art 2) by ensuring:

- At least “**Level D**” in the objective of safety risk management and
- at least “**Level C**” in the other safety objectives of culture, policy, promotion and assurance.

**At an ANSP level, the IAA has already achieved the equivalent of “Level C” in all Safety Management areas well ahead of the end of RP2.**

# Safety indicators for monitoring

- A set of safety indicators to monitor safety performance within the Irish air navigation services domain.
- A number of these indicators are tracked with specific targets at both national and Unit level.
- Unit level targets are identified for the three IAA air traffic services unit locations; Dublin, Cork and Shannon.
- These safety indicators and targets do not fall within the scope of the Performance Regulation.

# Q&A

Stakeholders are invited to discuss:

- Safety targets

An aerial photograph of an airport terminal and airfield. The terminal building is a large, modern structure with a prominent central tower. The airfield is visible in the background with several aircraft parked at gates. The word "Environment" is overlaid in large, white, sans-serif font across the center of the image. A thin white vertical line is positioned to the left of the text.

# Environment



# Environment targets

- The environment KPA contains one KPI applicable at local level:
  - Horizontal en route flight efficiency of the actual trajectory (KEA)
- Free Route Airspace (FRA) in place in Ireland since 2008
- All environmental targets met by Ireland in RP2
- FRA contribution to performance in RP3 – full implementation on a phased basis with NATS at cross border level by 2022

***Environment targets are not subject to financial incentives in RP3***

# The Irish RP3 KEA target



The NSA has set environmental targets in line with reference targets

	2020	2021	2022	2023	2024
<b>EU wide target</b>	2.53%	2.47%	2.40%	2.40%	2.40%
<b>Irish reference value</b>	1.56%	1.54%	1.53%	1.53%	1.53%
<b>Irish target</b>	1.56%	1.54%	1.53%	1.53%	1.53%

# Environment indicators for monitoring



The RP3 regulation sets out a series of indicators for monitoring at both a Union and local level:

- The average horizontal en route flight efficiency of the last filed flight plan trajectory;
- The average horizontal en route flight efficiency of the shortest constrained trajectory;
- The effective use of reserved or segregated local airspace;
- The rate of planning via available local airspace structures;
- The rate of using available local airspace structures.

# Environmental Initiatives RP3

State bodies are expected to be pro-active in “Green” initiatives:

- IAA will apply “Cut-Convert-Compensate” model;
- Highly focussed energy efficient projects for CO2 reduction;
- Transition to low carbon technologies;
- Harness renewable energy;

# Q&A

Stakeholders are invited to discuss:

- Environment targets

A map of the Atlantic Ocean showing flight paths and capacity constraints. The map includes a grid of latitude and longitude lines. Key locations marked include Reykjavik, Dublin, and various oceanic regions like Shanwick Oceanic, Irish-controlled, and Santa Maria Oceanic. A large area in the center is shaded with vertical lines, indicating a capacity constraint. A white vertical line is positioned to the left of the word 'Capacity'.

# Capacity

# Capacity targets: Overview

The capacity KPA includes two KPIs:

- En route air traffic flow management (ATFM) delay per flight
- Terminal and airport ANS ATFM arrival delay per flight

***Member States are also required to adopt financial incentives for their ANSPs for the key performance area of capacity.***

# RP2 and RP3 En route capacity target

- Average of **0 minutes per flight en route delay** during RP2
- Traffic across RP2 significantly exceeded all forecasts.
- RP2 Capacity achieved due to the prioritisation of resources towards capacity and service quality over capital.
- Achieving the RP3 capacity targets will result in additional costs in terms of increased staffing and investment in technology.



# Investment in Capacity

The key measures to achieve capacity targets for en route services include;

- New en route contingency centre 'CEROC'.
- Balance staffing and traffic levels through the 'crew to workload' initiative.
- Continued deployment of COOPANS.
- Improve the internal dynamic sectorisation to match changes in aircraft performance and routings.
- Implement necessary procedures at Dublin Airport to accommodate the operations within the two parallel runways.

# RP3 En route capacity target



The NSA has set en route capacity targets in line with reference targets provided by the Performance Review Body (PRB)

(Minutes delay per flight)	2020	2021	2022	2023	2024
<b>EU wide Target</b>	0.9	0.9	0.7	0.5	0.5
<b>Irish Reference Value</b>	0.07	0.07	0.07	0.04	0.03
<b>Irish Target</b>	0.07	0.07	0.07	0.04	0.03

# RP3 Terminal capacity target

- As Dublin is the only airport for which a terminal capacity target will be set for RP3, the target will constitute the Irish national target
- The ATFM arrival delays in Ireland have been consistently below the European average
- The planned resources allocated for RP3 should ensure this is maintained, including by:
  - Introducing a new parallel runway (Q3 2021)
  - Completing a new visual control tower
  - SESAR PCP initiatives e.g. AMAN and time-based separations
  - Airspace modifications

# RP3 Terminal capacity target



(Minutes delay per flight)	2020	2021	2022	2023	2024
<b>EU wide target</b>	N/A	N/A	N/A	N/A	N/A
<b>Irish reference value</b>	0.25	0.25	0.20	0.20	0.20
<b>Irish target</b>	0.25	0.25	0.20	0.20	0.20
<b>Airport Contribution</b>	0.20	0.20	0.15	0.15	0.15

# Q&A

Stakeholders are invited to discuss:

- Capacity targets



# Capital Expenditure & Investments

# RP2 Context

- Notable CAPEX achievements in RP2:
  - New Control Tower construction completed in March 2019. Currently in a 12-month fit-out phase and will enable parallel runway operations at Dublin airport in 2021.
  - Electronic flight strips (EFS) introduced at Dublin airport.
  - A new comms system introduced.
  
- Significant CAPEX underspent in 2018: €17.9m of capital-related costs (depreciation and cost of capital) that the IAA ANSP had not utilised since the beginning of the performance scheme.

# RP3 CAPEX-related Rate Adjustments

- Commitment to return the €17.9m unspent CAPEX incurred during 2015-2018, in addition to the actual unspent CAPEX during 2019, to the airspace users in RP3.
- Based on the assumption of €6.7m unspent CAPEX during 2019, the proposed impact on unit rates is as follows:

	Reduction in unit rate	
	2020	2021
<b>En route</b>	€2.84	€0.91
<b>Terminal</b>	€22.99	€12.10



# RP3 Investments Overview

- Investments in CAPEX projects that will enhance productivity and efficiency – contributing to the achievement of Performance targets.
- Support investments in technology as well as in people and processes to maintain high-quality performance over RP3.
- The high-level breakdown of capitalised projects:

	Value of capitalised projects (€'000)					
	2020	2021	2022	2023	2024	RP3
<b>Air Traffic Management</b>	57,856	19,012	11,359	21,425	10,817	120,469
<b>Communications</b>	5,778	1,500	800	2,750	2,700	13,528
<b>Surveillance</b>	2,019	6,575	3,097	400	5,650	17,741
<b>Navigation</b>	3,050	5,550	1,350	950	1,765	12,665
<b>Total</b>	68,703	32,637	16,606	25,525	20,932	164,403

# Major investments in RP3



	Capital Cost	Determined costs of investment (depreciation & cost of capital)					"O" Date
	€'000	2020	2021	2022	2023	2024	
Extension of Build 3 COOPANS	6,526	647	1,109	1,228	1,307	1,271	2020-2024
North Dublin RADAR - Building & RADAR	6,297	0	423	1,095	1,070	1,024	2021
ILS & IRVR Replacements	6,500	83	396	694	876	1,108	2020-2024
Dublin Tower – Building	36,529	3,222	4,510	4,459	4,364	4,231	2020
Dublin Tower – Equipment	19,725	806	2,448	3,898	3,738	3,559	2020-2021
COOPANS Next Generation	5,248	0	0	0	256	1,025	2023
Woodcock Hill Radar Replacement	5,050	0	0	0	0	784	2024
Plant & Equipment Replacement	8,426	0	140	698	1,229	1,727	2020-2024
Costs of IAA Restructure	10,560	2,072	2,755	2,625	2,472	2,316	2020
<b>Total</b>	<b>104,861</b>	<b>6,830</b>	<b>11,781</b>	<b>14,697</b>	<b>15,312</b>	<b>17,045</b>	

# Q&A

Stakeholders are invited to discuss:

- Irish service provider investment plans



# En Route: Cost Efficiency

# En route Cost Efficiency: SES Requirements



- The cost efficiency KPI for en route services is the Determined Unit Cost (DUC) for en route air navigation services.
- In addition, States are required to monitor the actual unit cost incurred by users for en route services.
- Member States are also required to describe any traffic risk mechanisms employed in their State or FAB.

**Pushing for lower costs from already efficient service providers will be counterproductive for SES objectives and stakeholders.**

# Baseline value

- To act as a basis for the calculation of RP3 costs, the performance plan must include:
  - baseline value for Determined Costs (DC)
    - Contributions to IAA(ANSP), IAA(NSA) and Met Éireann
  - baseline value for the Determined Unit Cost (DUC)
- Article 10(2) sets out that:
  - Values calculated in respect to the year preceding the start of the reference period
  - *“DC shall be estimated by using the actual costs available for the preceding reference period and shall be adjusted to take account of latest available cost estimates, traffic variations and their relation to costs”*

**The NSA used the most recently audited returns (2018 actuals) adjusted to match current activity – 2019 approved operating and capital budget.**

# Irish En Route Cost Efficiency Target

## Ireland En Route DUC and DC in RP3 Performance Plan

2019 DUC€00	2020 DUC€00	2021 DUC€00	2022 DUC€00	2023 DUC€00	2024 DUC€00	RP2-RP3 Trend	RP1-RP3 Trend
122,344	136,944	142,712	146,318	149,296	153,069	4.6%	4.1%

2019 DUC€	2020 DUC€	2021 DUC€	2022 DUC€	2023 DUC€	2024 DUC€	RP2-RP3 Trend	RP1-RP3 Trend
26.24	29.21	29.79	29.92	30.03	30.28	2.9%	1.5%

**In the interests of ensuring capacity, the NSA has selected targets that do not adhere to Union-wide targets. All qualifying costs included in the cost base underwent thorough interrogation and are necessary to meet capacity needs.**

# Irish En Route Cost Efficiency Target

Real Ireland En Route DUC RP3 for Assessment (excluding Restructuring and “New State Costs”)

2019 DUC€00	2020 DUC€00	2021 DUC€00	2022 DUC€00	2023 DUC€00	2024 DUC€00	RP2-RP3 Trend	RP1-RP3 Trend
<b>122,343</b>	129,788	134,967	138,876	141,946	145,704	3.6%	3.6%

2019 DUC€	2020 DUC€	2021 DUC€	2022 DUC€	2023 DUC€	2024 DUC€	RP2-RP3 Trend	RP1-RP3 Trend
<b>26.24</b>	27.68	28.18	28.40	28.55	28.83	1.9%	1.0%

**The EU target is -1.9% trend in DUC. The NSA has assessed that a +1.9% trend in RP3 DUC is justified and appropriate, taking account of local conditions and interdependencies.**



# Irish En Route Determined Costs

## Ireland En Route Determined Cost & DUC RP3 adjusted costs

	2020 DC €'000	2021 DC €'000	2022 DC €'000	2023 DC €'000	2024 DC €'000	RP3 Total /Trend
<b>ANSP DC</b>	109,589	114,809	118,622	120,958	124,261	588,239
<b>MET DC</b>	6,222	6,009	5,916	6,325	6,314	30,786
<b>NSA DC</b>	13,977	14,149	14,338	14,662	15,129	72,255
<b>Total DC</b>	129,788	134,967	138,876	141,945	145,704	691,280
<b>% + / (-)</b>	6.1%	4.0%	2.9%	2.2%	2.6%	3.6%
<b>Total DUC</b>	€27.68	€28.18	€28.40	€28.55	€28.83	
<b>% + / (-)</b>	5.5%	1.8%	0.8%	0.5%	1.0%	1.9%

***“Restructuring Costs” and new “Other State Costs” excluded for a meaningful analysis of RP2 vs. RP3 costs and their evolution.***

# Cost Allocation and Validation

**The NSA has performed extensive validation work to ensure that there is not cross-subsidisation between services.**

The principles employed to validate cost allocation are as follows:

- **Transparency and Proportionality**
- **Cost causation**
- **Full compliance with regulatory obligation**

**The Ireland Performance Plan template will provide detailed, timely, evidence based data to the PRB and Commission**

# IAA ANSP Determined Costs

- RP3 IAA ANSP Determined Costs by category (excluding new 'Other State Costs'):

2017 prices Cost Category	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	RP3 Total
<b>Staff costs *</b>	75,272	78,578	81,074	83,197	85,384	403,505
<b>*Of which is Pension cost</b>	12,127	12,476	12,715	12,944	13,116	63,378
<b>Other Operating</b>	39,401	40,849	40,903	40,709	41,015	202,877
<b>Depreciation</b>	15,509	18,015	20,244	21,315	22,517	97,600
<b>Cost of Capital</b>	7,929	9,776	10,682	10,547	10,628	49,562
<b>Total</b>	138,112	147,218	152,903	155,768	159,544	753,545
<b>En Route</b>	109,589	114,809	118,622	120,958	124,261	588,239
<b>Terminal</b>	28,523	32,409	34,281	34,810	35,283	165,306

# IAA ANSP Staff costs

The NSA approved the following staffing costs for RP3 which are deemed necessary to ensure the delivery of a safe and efficient service

2017 prices	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	RP3 €'000
<b>En route</b>	64,126	66,937	69,046	70,848	72,803	343,760
<b>Terminal</b>	11,146	11,641	12,028	12,349	12,581	59,745
<b>Total</b>	75,272	78,578	81,074	83,197	85,384	403,505

- Staff costs are driven mainly by forecasts of headcount and pay. The main factors contributing to this increase during RP3 are:
  - to meet the operational requirement to support increasing traffic,
  - to provide operational resilience; and
  - to meet the demand for a new parallel runway at Dublin airport (increased numbers of engineers, data assistants and operational staff).

# IAA ANSP Staff numbers

The NSA approved staff numbers for RP3 which are deemed necessary to ensure the delivery of a safe and efficient service

- Total headcount is forecast to increase by 13% over the course of RP3 from 554 employees in 2019 to 626 employees at the end of 2024.
- The initial staffing levels put forward by the ANSP were materially higher, and a reduction was deemed necessary by the NSA.
- Four SCP classes planned for RP3
- New IAA pay agreement to run for RP3
- Staffing factors aligned with new Employment legislation

# IAA ANSP Pension costs

## Staff Pension Costs (excluding Restructuring Costs) (En Route and Terminal)

2017 prices	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	RP3 €'000
<b>En route</b>	10,343	10,640	10,846	11,043	11,209	54,081
<b>Terminal</b>	1,784	1,836	1,869	1,901	1,907	9,297
<b>Total</b>	12,127	12,476	12,715	12,944	13,116	63,378

- The IAA ANSP operates different pension schemes, with the original defined benefit scheme closed to new entrants since 2008.
- The plan assumes a 6% annually ANSP staff contribution, introduced in RP2 and maintained over RP3. ANSP contribute of 30.5% per annum.
- Latest valuation shows funding deficit of €37m

# IAA ANSP Other Operating costs

Other Operating Costs (excluding Restructuring Costs) (En Route and Terminal)

2017 prices	2019 €'000	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	RP3 €'000
<b>En Route</b>	27,161	31,460	33,154	33,695	33,418	33,791	165,518
<b>Terminal</b>	5,630	7,941	7,696	7,208	7,291	7,224	37,360
<b>Total</b>	32,791	39,401	40,850	40,903	40,709	41,015	202,878

- The cost items that have contributed to incremental increases in the operating costs from RP2 to RP3 are:
  - Training Costs
  - Environmental
  - Network and Information Security (new compliance requirements)
  - Maintenance and related costs for new Dublin Tower and new ATC Contingency centre.

# IAA ANSP CAPEX and Depreciation (1/2)



For the RP3 period, a total of €163.4 million of CAPEX is foreseen, distributed over four project categories as follows

Value of capitalised projects						
Category	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	RP3 €'000
<b>Air traffic management</b>	57,856	19,012	11,359	21,425	10,817	120,469
<b>Communications</b>	5,778	1,500	800	2,750	2,700	13,528
<b>Surveillance</b>	2,019	6,575	3,097	400	5,650	17,741
<b>Navigation</b>	3,050	5,550	1,350	950	1,765	12,665
<b>Total</b>	<b>68,703</b>	<b>32,637</b>	<b>16,606</b>	<b>25,525</b>	<b>20,932</b>	<b>164,403</b>



# IAA ANSP CAPEX and Depreciation (2/2)



- Depreciation is calculated to write-off the cost of each asset, on a straight-line basis over its expected useful life at the following annual rates:
  - Buildings: 5%
  - Completed installations and other works:  $8 \frac{1}{3} \% - 12 \frac{1}{2} \%$
  - Office Equipment: 20% -  $33 \frac{1}{3}$
- Depreciation Costs (excluding Restructuring Costs)

2017 prices	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	RP3 €'000
<b>En Route</b>	9,803	10,352	11,271	12,006	12,696	56,128
<b>Terminal</b>	5,706	7,663	8,973	9,309	9,821	41,472
<b>Total</b>	15,509	18,015	20,244	21,315	22,517	97,600

# IAA ANSP Cost of Capital

- 6.7% cost of capital (CoC) applied in RP2
- First Economics performed an independent study for IAA ANSP in May 2019 into the CoC for RP3
- The study predicted falling rates, in part due to an underlying fall in Irish interest rates
- FE study calculated the following CoC range:

	Low	High
<b>Gearing</b>	0.1	0.1
<b>Cost of debt</b>	2.5%	2.5%
<b>Cost of equity (pre-tax)</b>	5.28%	6.67%
<b>Cost of equity (post-tax)</b>	4.62%	5.83%

**Despite the possibility of rising interest rates, the NSA has taken a conservative viewpoint for RP3 CoC - a decision influenced by the IAA ANSP's profits in RP2. The NSA has chosen an Irish WACC of 5%, with the tax applied at a rate of 12.5%.**

# Met Éireann Determined Costs



- RP3 Determined Costs by category:

2017 prices Cost Category	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	RP3 Total
<b>Staff costs</b>	3,470	3,412	3,348	3,050	2,990	16,270
<b>Other Operating</b>	3,715	3,506	3,391	3,435	3,481	17,528
<b>Depreciation</b>	594	594	656	1,421	1,421	4,686
<b>Cost of Capital</b>	-	-	-	-	-	-
<b>Total</b>	7,779	7,512	7,395	7,906	7,892	38,484
<b>En Route</b>	6,222	6,009	5,916	6,325	6,314	30,786
<b>Terminal</b>	1,557	1,503	1,479	1,581	1,578	7,698

# NSA Determined Costs



- RP3 Determined Costs by category (excluding new ‘Other State Costs’):


2017 prices Cost Category	2020 €'000	2021 €'000	2022 €'000	2023 €'000	2024 €'000	RP3 Total
<b>Staff costs</b>	3,153	3,263	3,344	3,436	3,531	16,727
<b>Of which is Pension cost</b>	373	386	397	408	419	1,983
<b>Other Operating</b>	11,932	12,016	12,148	12,410	12,834	61,340
<b>Depreciation</b>	-	-	-	-	-	-
<b>Cost of Capital</b>	-	-	-	-	-	-
<b>Total</b>	15,085	15,279	15,492	15,846	16,365	78,067
<b>En Route</b>	13,977	14,149	14,338	14,662	15,129	72,255
<b>Terminal</b>	1,108	1,130	1,154	1,184	1,236	5,812

- Costs reflect increased headcount to take account of current and anticipated Regulatory oversight requirements.

# Q&A

Stakeholders are invited to discuss:

- En route Cost base
- En route Cost efficiency target
- Inconsistency with Union-wide DUC targets



# Terminal: Cost Efficiency

# Terminal Cost Efficiency: SES Requirements

- The cost efficiency KPI for terminal services is the Determined Unit Cost (DUC) for TANS at charging zone level
- In addition, States are required to monitor the actual unit cost incurred by users for terminal services
- Member States are also required to describe any traffic risk mechanisms employed in their State or FAB

# Terminal Cost Efficiency Target

- The terminal cost efficiency KPI is the Determined Unit Cost (DUC) for TANS at charging zone level

2017 prices	2019 DC €000	2020 DC €000	2021 DC €000	2022 DC €000	2023 DC €000	2024 DC €000	RP2-RP3 Trend
<b>ANSP</b>	21,836	29,440	33,447	35,239	35,765	36,219	
<b>MET</b>	1,818	1,556	1,503	1,479	1,581	1,578	
<b>NSA</b>	848	1,108	1,130	1,154	1,184	1,236	
<b>Total DC €'000</b>	24,502	32,104	36,080	37,872	38,530	39,033	9.8%
<b>DUC €</b>	130.54	169.32	184.45	190.50	189.90	188.84	7.7%
<b>Exclude restructuring costs</b>							
		2020	2021	2022	2023	2024	RP3 Total
<b>Restructuring €'000</b>		917	1,038	958	955	936	4,804
<b>Real Ireland Terminal DC RP3 for Assessment (excluding Restructuring)</b>							
		2020	2021	2022	2023	2024	RP2-RP3 Trend
<b>DC €'000</b>		31,187	35,042	36,914	37,575	38,097	9.2%
<b>DUC €</b>		164.49	179.15	185.68	185.19	184.31	7.1%



# Assumptions

- TANS cost base calculated in the same way as the en route DC
- Consistent assessment and justification criteria applied by the NSA for both en route and TANS
- Noteworthy aspect of the TANS DC - New Tower and Runway at Dublin as a new facility for RP3. This requires:
  - Additional staffing requirements
  - Increased engineering resources

# Q&A

Stakeholders are invited to discuss:

- Terminal cost base
- Terminal cost efficiency target
- TANS targets interdependencies

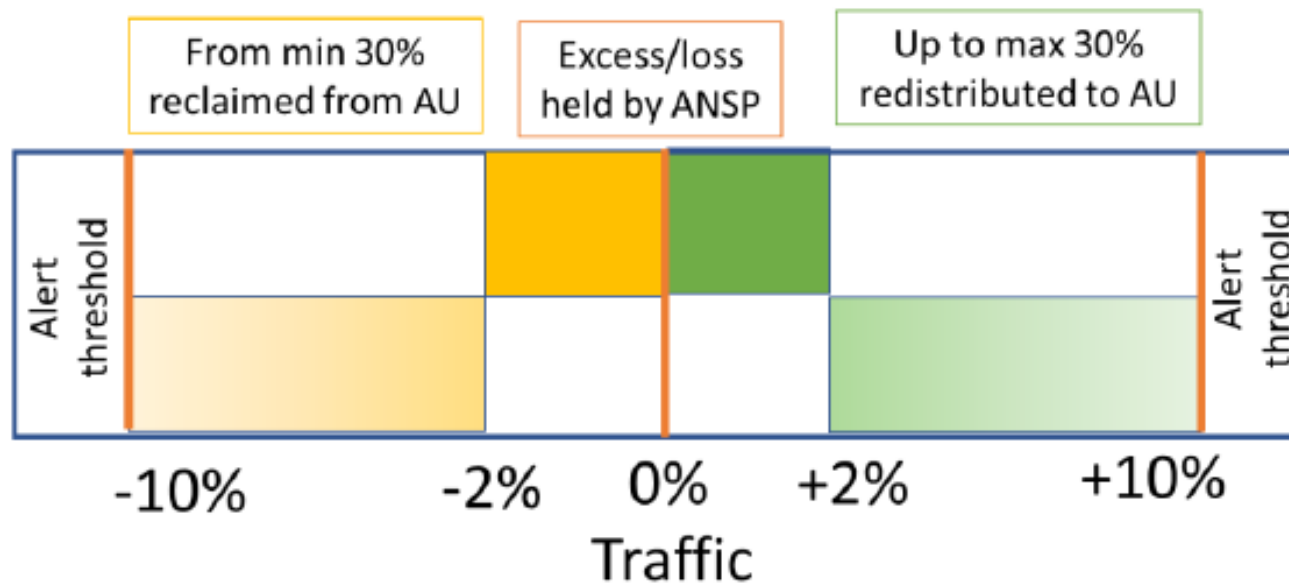


# Incentives & Traffic Risk Sharing

# Traffic Risk Sharing Mechanism

**The NSA has decided to apply the default traffic risk sharing mechanism.**

- Article 27 of 2019/317 enables some flexibility for NSAs regarding traffic risk sharing mechanisms
- The NSA has decided to keep the RP2 mechanism for en route and terminal:



# Capacity Incentives Scheme



**The NSA has tailored capacity incentives schemes for en route and terminal that it perceives as fair and balanced based on internal modelling exercises**

- Under RP3 regulation, the NSA can better tailor the capacity incentives schemes to traffic developments observed at a local level
- This meant the NSA had to decide on the basis for the Pivot Values (PV) and dead band, as well as the delay causes attributable
- Note that the NSA has decided not to apply optional incentives schemes

**The NSA has decided to limit the scope of the incentive scheme to delay causes related to ATC capacity, ATC routing, ATC staffing, ATC equipment, airspace management and special events with the codes C, R, S, T, M and P of the ATFCM user manual**

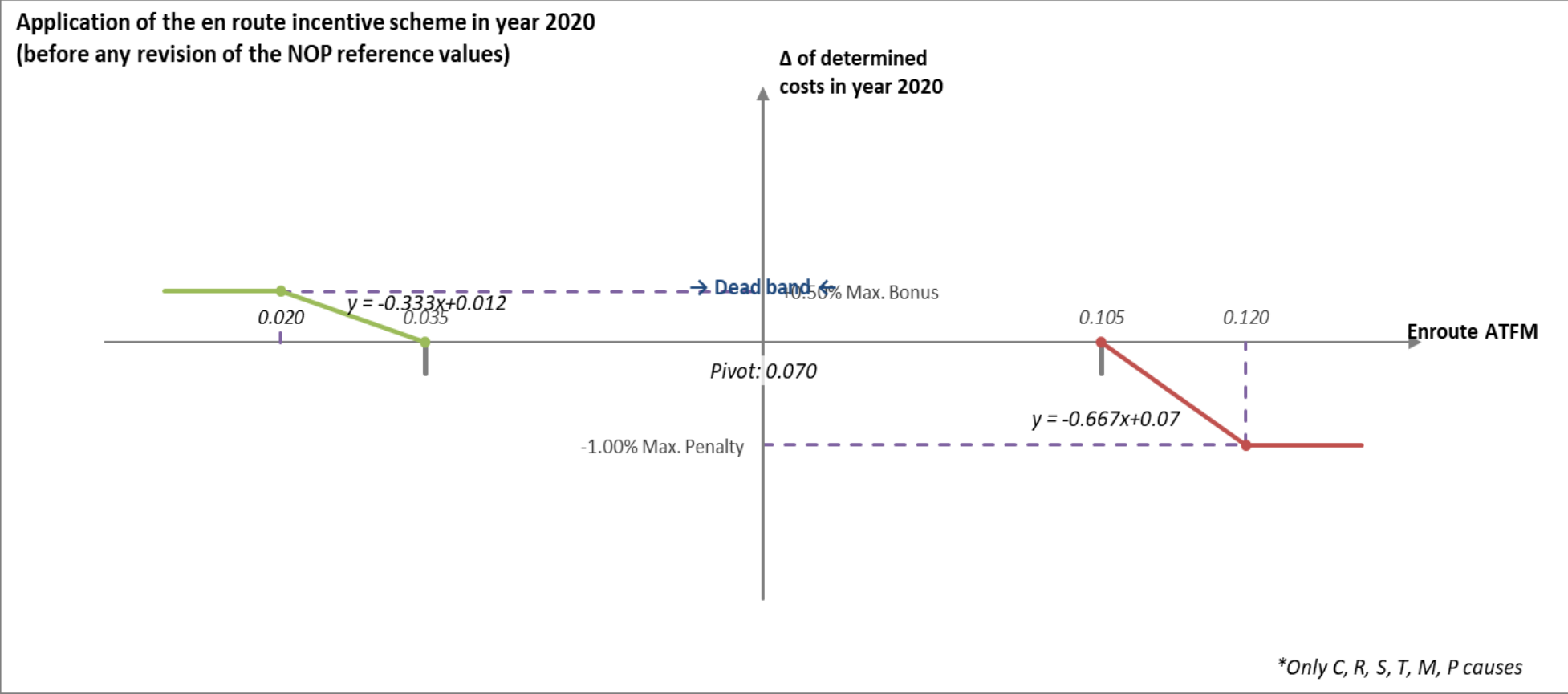
# Capacity Incentives Scheme Assumptions



- Pivot Value (PV) yearly reference value tied to Network Operations Plan (NOP)
- The NSA has applied an en route scheme with a maximum penalty of 1% and maximum bonus of 0.5% of DC
- The NSA has applied a terminal scheme with a maximum penalty of 0.5% of DC and no bonus
- En route scheme has a 'dead band' of 50%
- TANS scheme has a 'dead band' of 30%

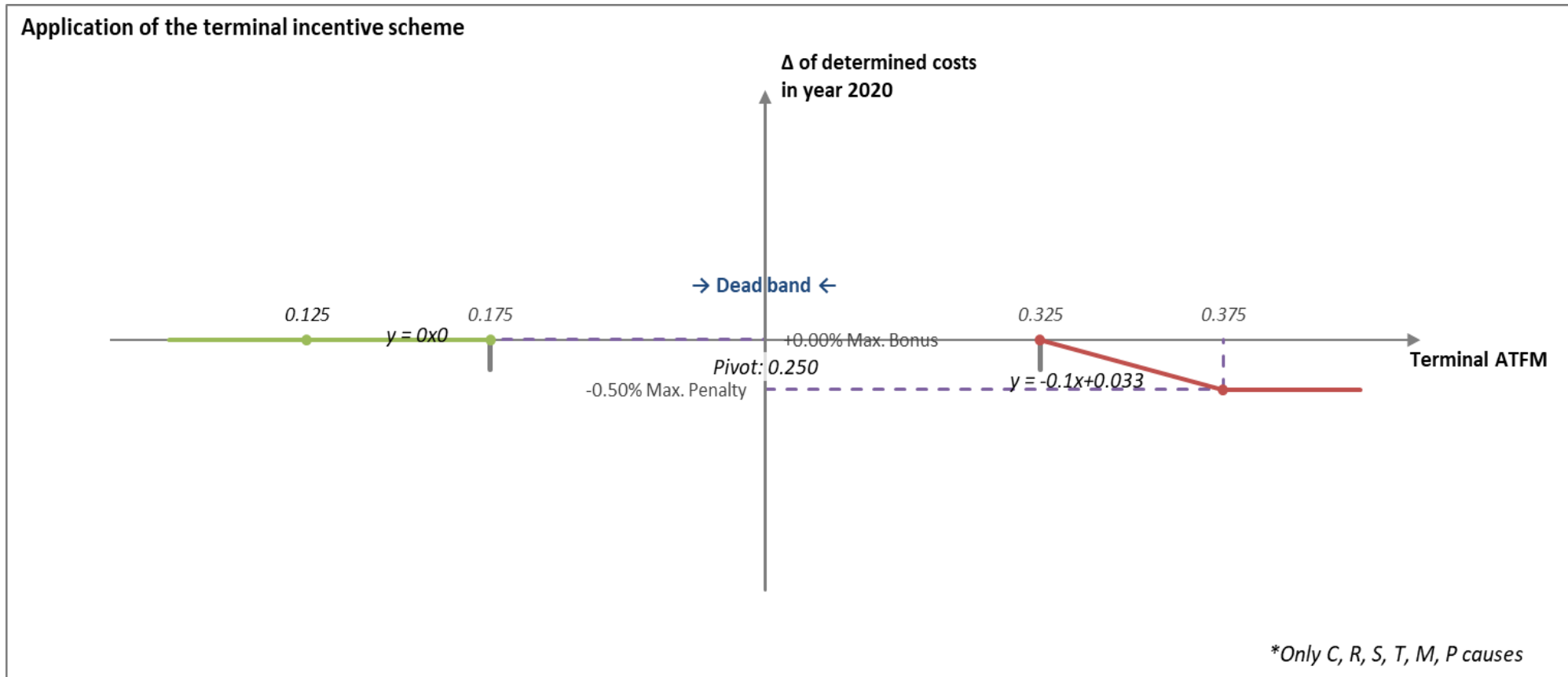
# En route Capacity Incentives Scheme

The NSA has applied an en route scheme with a maximum penalty of 1% and maximum bonus of 0.5% of DC. There is a 'dead band' of 50%.



# Terminal Capacity Incentives Scheme

The NSA has applied a terminal scheme with a maximum penalty of 0.5% of DC and no bonus. There is a 'dead band' of 30%.





# Delay causes



Regulation Cause	NM Code	Regulation Location	Examples	IATA Code	IATA Delay Cause
ATC Capacity	C	En route	Demand exceeds capacity; Planned staff shortage	81	ATFM due ATC En route Demand/Capacity
ATC Routings	R	En route	Phasing in of new procedures; ATFCM scenarios, Network Solutions	81	ATFM due ATC En route Demand/Capacity
ATC Staffing	S	En route	Unplanned staff shortage	82	ATFM due Staff/Equipment En route
ATC Equipment	T	En route	Radar failure; RTF failure	82	ATFM due Staff/Equipment En route
Military	M	En route	Airspace availability; Military exercise	82	ATFM due Staff/Equipment En route
Special Event	P	En route	European football cup; Heads of Government meetings; Upgrade of ATM systems	82	ATFM due Staff/Equipment En route

# Q&A

Stakeholders are invited to discuss:

- Capacity incentives scheme
- Traffic risk sharing mechanism

# Next Steps

# Next Steps

- Stakeholders may submit any further comments they have until **Friday 13<sup>th</sup> September** to [RP3.Consultation@IAA.ie](mailto:RP3.Consultation@IAA.ie)
- The NSA will circulate a comment response document to stakeholders within the next two weeks
- The NSA will submit the plan to the State (DTTAS), accompanied by Irish reporting tables and a supporting document (which will be based on the consultation doc and include the stakeholder comment log)
- DTTAS will submit the plan to EC by **1<sup>st</sup> October**
- The EC will advise a provisional decision on the plan in **March 2020**



Thank you!