

Response to the RP4 Issues Paper Consultation

RP4 Methodological Consultation and Issues Paper
Non-Confidential

Sent by email: consultation@iaa.ie

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Introduction

1. AirNav Ireland (AirNav) welcomes the opportunity to respond to the Irish Aviation Authority's (IAA) RP4 Methodological Consultation and Issues Paper, which presents the Irish National Supervisory Authority's (NSA) proposed methodology in arriving at an RP4 Performance Plan ahead of the NSA's expected submission in October 2024 of a Draft State Performance Plan to the Performance Review Body (PRB).
2. The consultation was published on 22 January 2024 and responses are required no later than 23 February 2024. This response relates specifically to the aspects of the consultation that fall under the remit of the Air Navigation Service Provider and it does not consider queries relating to other aspects of the State Performance Plan, including NSA, MET or Other State Costs (e.g., EUROCONTROL).
3. AirNav welcomes the analysis provided by the IAA covering the developments since the revised RP3 Plan was established. It is clear that 2022 and 2023 have been characterised by a very unusual period as traffic in our airspace experienced a rapid recovery following the pandemic. It is also clear that many assumptions made during the RP3 Plan have not materialised such as the actual level of inflation to date and the higher than anticipated departures of operational staff.
4. AirNav fully supports the IAA's intention to frontload as many issues as possible before the summer consultation period due to the tight timeframes involved. In this regard, AirNav has sought to respond in a comprehensive manner to this consultation but there are instances where follow ups will be required over the coming weeks in relation to, for example, developments in relation to cost of capital and cost allocation principles. Similarly, AirNav is currently at an advanced stage in relation to Capex Project Sheets and intends to share these with the IAA for review over the coming days.
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6. Naturally this level of change and uncertainty does not provide the best foundation to be planning out to 2029 (and beyond in relation to training for ATCOs, for example), and AirNav hopes that the NSA will recognise this in preparing its draft performance plan for consultation. ✂
7. AirNav would request that the IAA considers the contradictions between the Union wide capacity targets (in draft form) and the equivalent forecasts in the European Network Operations Plan (NOP), with both originating from the same source in EUROCONTROL. Moreover, from a NOP perspective, we are currently faced with a

recommendation to foresee a buffer (from a staffing perspective) in the expected traffic demand to avoid sudden capacity problems.

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9. Sustainability will be a cornerstone of the RP4 Business Plan with a significant level of investment required to deliver tangible benefits that serves the interests of our customers, other stakeholders and the Irish community. We expect to publish our Sustainability Management Plan 2024-2029 over the coming weeks and look forward to engaging with the IAA in relation to its implications from a business planning perspective.

Response to Consultation Questions

1. Should the IAA consider any changes to the en-route and terminal charging zones?

- AirNav is of the view that the current arrangements for en route and terminal charging zones are regulatory compliant and appropriate. The questions about cost allocation are addressed separately in this response to the consultation.
- The performance benefits arising from delegated airspace arrangements are undisputed and it reflects best practice internationally. In the absence of mutual recognition between the relevant regulatory authorities, the next best alternative to delegated airspace arrangements would be costly, time consuming and deliver an outcome suboptimal to the arrangements in place today in terms of environment and capacity performance.
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2. How should we consider interdependencies, and ensure that the draft Performance Plan is internally consistent?

Since the revised RP3 Performance Plan was established in 2021-2022, it has been widely publicised in other jurisdictions that there is a material and recurring cost to ensuring the consistent provision of safe ATM operations. In developing a business plan for the revised RP3 period, AirNav Ireland stated that it will continue to prioritise safety over all other costs and priorities. ✂

- AirNav also notes that at the time of submitting this response there is an Explanatory Note and Draft Guidance for RP4 out for consultation in relation

to safety in RP4 and that EASA will submit a proposal to the Commission by 1 March. We are supportive of this extensive guidance material which has a renewed focus on the expectations of ANSPs when it comes to assessing the effectiveness of their safety management system. AirNav will continue to follow this guidance very closely as it develops its business plan for RP4, and will seek to structure its business plan in a manner that meets all of the RP4 safety targets and in a manner that optimises service provision from an environment and capacity perspective.

- The IAA will be aware of the recorded performance metrics during RP3 and the reasoning for certain shortfalls with respect to the local targets set by the PRB. AirNav requests that the IAA and PRB consider all KPA interdependencies from the perspective of actual performance in recent years, factors outside of the ANSP's control, and how the draft cost efficiency targets may place unreasonable constraints on AirNav Ireland in terms of delivering the expected performances during RP4.
- AirNav Ireland is currently preparing its RP4 Business Plan, which is structured around the required costs to deliver an excellent performance in terms of safety, capacity and environment in RP4. We are preparing this Plan in the absence of any targets and look forward to our continued engagement with the IAA and other key stakeholders in terms of structuring an appropriate plan at a time when many assumptions are required.

3. Do you agree with the prioritisation of the Environment KPA, and relatedly, the Capacity KPA? If so, how should we take account of this in the Performance Plan?

- Safety is the highest priority for AirNav Ireland. AirNav is a top performing European ANSP when it comes to the performance of actual flight trajectory, occupying the number one spot at certain times during the RP3 period to date. This achievement has come following extensive efforts by the ANSP over many years which has led to free route airspace being fully implemented, and it is also a product of engagement with the NSA on a regular basis. AirNav is fully committed to doing whatever is possible to improve the environmental performance from both an operational and corporate perspective, and our plans in this regard will be set out in the RP4 Business Plan, including the requirements to become carbon neutral by the end of the RP4 period.
- AirNav has recently responded (November and December 2023) to the open consultations at European level on this topic, led by the PRB and Steer on behalf of DG MOVE, and is awaiting the outcome of these consultations.
- AirNav recognises the importance of horizontal flight efficiency being included in any Key Performance Area connected to the environment, and that this is

unlikely to change even if there is the adoption of more innovative solutions coming forward such as those reflecting optimal flight trajectories in place of actual flight trajectories.

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- Moreover, in 2021 AirNav explained why it would not be possible to meet the PRB local reference values during RP3 due to factors outside of its control. AirNav subsequently remained one of the top performers in Europe in relation to actual flight efficiency but at the same time fell outside of the targets for a period. ✂
- AirNav Ireland therefore requests that any evolution of the Environment KPA reflects factors within the control of influence of AirNav, and that it does not unnecessarily penalise top performers.

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4. Are there any existing issues highlighted by RP3 outturn performance to date? What other lessons learned from outturn performance can be taken forward in RP4?

- While this consultation highlights the key RP3 outturn issues to date, it remains the case that there has just been one full calendar year (2023) since the RP3 Performance Plan was approved and finalised for Ireland. 2022 was characterised by many abnormalities affecting the business as the industry began to recover from the pandemic, and it does not reflect a sound basis upon which to project forward on a standalone basis to cover the period 2025–2029. Similarly, in 2023 the restructuring of the IAA and AirNav went ahead, and the traffic outturn was more closely reflective of 2019.
- The retention of ATCOs is an existing issue that has come to the fore since the previous Business Plan was prepared ✂. In a post pandemic environment, there have been certain demands of staff across Europe and further afield, and in Ireland this has resulted in an ex-post adjustment to certain payroll reduction measures during 2021, and it has also resulted in more acute requests from staff in relation to better work life balance, ranging from job sharing opportunities, to less restrictive summer leave policies.
- There have also been noteworthy developments from engaging with staff in relation to pension entitlements, for both existing and prior staff, and AirNav believes this will form a core part of its business plan.
- The concept of direct entry operational staff, particularly for ATCOs and engineers, is a new concept from a business planning perspective arising from

actual events during RP3. We have observed a global shortage of ATCOs, which is expected to continue into RP4.

- Despite having an excellent performance during RP3 to date that has been in line with customer expectations for the most part, AirNav is not satisfied with its performance relative to the RP3 targets, and requests assistance and guidance from the NSA in relation to how it can deliver a service in RP4 that consistently meets the range of targets being set for RP4. AirNav is certainly best placed and prepared to determine how to deliver the service but it is not responsible for setting the targets and the recent past has shown that operational stakeholders, such as AirNav, have limited influence over the relevant targets. ✂. The manner in which the draft cost efficiency targets compare to the initial requirements identified by the European NSAs highlights that there will be undesired consequences in being unable to recover required costs.

5. Our initial thinking is that we should again rely on STATFOR for the RP4 Performance Plan traffic forecasts. Should a different traffic forecast be considered/developed as part of the RP4 Performance Plan, and if so, why, and based on what methodology?

- AirNav agrees with STATFOR forecasts from Spring 2024 forming the basis for RP4 Planning and requests a commitment to avoid a repeat of the situation during the pandemic whereby the traffic forecasts were updated following the business planning process and consultation process.
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6. Is the IAA's approach for RP3 still appropriate for RP4? Are there any other specific issues that the IAA should be mindful of in the cost allocation for RP4?

- The approach for RP3 was reflecting the unprecedented times with the planning process taking place in the middle of the pandemic. AirNav has previously explained the importance of appropriate benchmarking, if it is considered to be required, and requests that any benchmarking is focussed on Ireland's RP4 Comparator Group (Sweden, Finland, Norway, Denmark) ✂
- AirNav has commenced a detailed review of its cost allocation principles, and while this will not be completed in time for the response to this consultation, we intend to include it in our draft Business Plan at end-April, and to inform the NSA of the outcome as soon as it becomes available. The same topic comes up in a number of queries below, and AirNav has provided a response for the purpose of this consultation despite the pending analysis.

7. Should the IAA consider a different approach to cost allocation than its proposed approaches? If so, which approach(es) should it consider and why? How should the IAA address the cost allocation for approach services between the En Route and Terminal charging zones?

- AirNav is satisfied with the overall approach to cost allocation from the perspective of En Route and Terminal Services, and the manner in which the costs for North Atlantic Communications and commercial services are excluded from the remit of the European Performance and Charging Scheme. However, in light of the restructuring process which resulted in a legal separation in 2023, in addition to new infrastructure that has been delivered in RP3, AirNav is revisiting its cost allocation methodologies with a view to establishing if they reflect best practice and are appropriate going forward. Once this analysis has concluded, AirNav will bring the outcome and associate proposals (if any) to the IAA.
- ✂ It is our view that the best practice has the allocation aligned with the operational practice and takes into account the fact that the first/last 20km are excluded from the en-route service unit calculation, so it is assumed that the costs of provision of the services within the 20km circle around the airport are included in the terminal cost base. This latter approach is consistent with AirNav's long standing practice, which is currently under review.

8. Should a more granular methodology be developed for splitting Terminal costs between the three airports (Dublin, Cork, Shannon) in the Terminal charging zone? If so, what should the methodology be?

- AirNav is of the view that the approach to the Terminal Charging Zone in RP3 continues to reflect best practice and it is therefore appropriate to continue with RP4 on this basis.
- AirNav notes the PRB recommendation following the review of the revised RP3 Performance Plan where it stated that Ireland should present separate costs for Shannon and Cork airports in Annex B of the Performance Plan. ✂

9. Should the IAA consider an alternative approach to forecasting staff costs for RP4? What factors or changes are relevant for RP4 which should be taken into account? Do you have any comments on the inclusion of additional resilience in the headcount forecasts for RP4 based on the experiences of RP3?

- AirNav is updating its own methodology for estimating future staffing needs in light of the acute pressure on staffing during RP3 ✂ and negotiations with staff in relation to future work practices. Further details are provided below.

- AirNav wishes to take this opportunity to identify factors and changes that are relevant to RP4 including:

Regulatory Related

- new/amended procedures
- enhanced fatigue risk management requirements
- new/amended forms/processes
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- increased safety-related training requirements
- more detailed supporting documentation requirements

ATCO Related

- Increased demand for job-sharing
- Increased statutory leave entitlements and associated demand e.g., The Work Life Balance Act 2023 which was passed earlier this year brings for employees:
 - employers are required to offer unpaid leave for medical care purposes (5 days within a consecutive 12-month period) from 3 July 2023 and
 - paid leave to workers who are subjected to domestic violence from 27.11.23 (up to five days paid domestic violence leave over a period of 12 months).
- It is anticipated that the Act will also introduce the right to request flexible working arrangements for caring purposes, this could include reduced working, removal of shift working etc.]
- Demand for a more condensed summer leave period covering the core summer months.
- Demand for increased casual leave availability throughout the year in addition to leave blocks.
- Demand for PAL days (guaranteed Priority Annual Leave of up to 5 days per annum) aligned to casual leave.
- Retention issues – ATCOs leaving for a range of reasons other than retirement have increased markedly since COVID:
 - resignations due to lifestyle choices i.e. leaving the aviation industry completely to pursue other interests.
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- A certain level of overtime will always be required to staff a 24/7 operation due to short notice sick leave, etc.

- Increased staffing numbers will reduce the amount of overtime required as currently overtime is used regularly to free up staff for training, instructing, projects, etc. Staffing for these duties are factored into future ATCO resource plans.
- Building in a limited buffer on the roster will reduce the level of overtime required and will improve the resilience of the service:
 - Currently annual leave is granted when available staffing levels permit to the minimum required to safely provide our services. Moving away from this practice to a position where a certain limited buffer is maintained on the roster will mitigate against the effects of short notice absences.

Annual Leave & Job-Sharing

- Currently the summer leave period extends to over 4 months [late May to the end of Sept/early Oct].
- Casual leave availability outside of summer leave blocks is extremely limited.
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- Annual leave accumulation rates have started to increase again since the lows of 2020/2021.
- While statutory leave requests are facilitated, job-sharing availability is over subscribed.

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Collective Labour Agreement

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Capex – Engineers

- In light of the RP3 experience, we are currently exploring the need for more specialist project management expertise to assist with the delivery of future Capex Programmes.
- We also believe there needs to be an appreciation/expectation for unexpected events that often go undetected in the regulatory process, even after the fact, but which can have a significant impact on the delivery of capital infrastructure e.g., the storms in Q1 2024 consumed a considerable amount of time, which was not planned for and which had to be prioritised over everything else. There are many other such examples.

- The rate of attrition of engineers is also a key consideration forecasting staff and taking account of resilience. ✕

10. We consider that ANI has significantly outperformed our non-staff cost forecast in RP3 to date. Understanding the reasons for this variation will be important when developing the RP4 Performance Plan. In particular, it is important to understand whether the variance in RP3 is due to:

ANI responding effectively to the framework of incentive regulation as provided for by Regulation 317/2019, and achieving efficiencies beyond those which could have been reasonably expected.

The forecast methodology, or certain elements of it, being generous.

ANI spending less than it might optimally have done, with possible current and/or future impacts on the delivery of service, or on the delivery of investments.

Any other reason not covered above; or

A combination of the above.

- AirNav is currently working through the final 2023 figures to get a better understanding of recent developments as part of the business planning process, and at this point wishes to highlight the following factors which have been influential.
- ATCO numbers are expected to meet the RP3 approved figures for 2024 ahead of Summer 2025, and this slight delay has impacted training costs. With this number being bridged to a certain extent by direct entry ATCOs, this has also had a bearing on the approved training costs. While direct entry ATCOs typically have a higher cost compared to graduates, there is a notable saving on the training costs – this could not have been anticipated during the 2021 planning period.
- The status of the Capex Plan has also had a significant bearing on non-staff Opex and particularly in relation to maintenance and spares.

11. Is the methodology used for forecasting Opex in RP3 still appropriate? What, if anything, should be different with regard to the methodological approach to forecasting Opex for RP4?

- AirNav does not support the methodology used in 2021 for forecasting operating expenditure and continues to stand over its position and evidence provided in this regard in 2021. AirNav believes the level of complexity is unnecessarily complicated (e.g., protected model) and regulatory burden of proof is extremely high when it comes to the modelling approach by Steer.

AirNav also considers that it is out of line with the approach taken by the other NSAs in Europe.

12. Should we continue the current capex delivery reporting framework, adding a reporting requirement on CP1 functionality delivery against target dates?

CP1 is currently monitored by the SESAR Deployment Manager on behalf of the European Commission and locally by the IAA under a separate regulatory process.

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13. Do you agree with the proposed approach to assessing projects in ANI's capex plan for RP4? Should the IAA consider any alternative approach to assessing ANI's capex plan for RP4? How should the deliverability of the proposed investment programme and the planned timelines be assessed (staff requirements, availability of contractors, deliverability of multiple investments simultaneously, historic evidence of deliverability of investment programmes)?

- In planning for the RP4 period, AirNav is fully aware that there has been an under-delivery of the required capital investment programme over the past two reference periods, with the balance being returned to airspace users in full. Consequently, there is a backlog of projects, driven by obsolescence, that need to be completed in RP4, and there are also projects required to comply with various regulatory criteria, such as sustainability and security projects, which need to progress alongside a critical major COOPANS system upgrade.
- AirNav requests that the IAA fully considers its history when it comes to Capex delivery and the remedial actions that are being identified to improve the delivery of future programmes (e.g., enhanced PM capabilities). It also needs to be considered that we have greatly increased engineers to assist with the delivery of projects and regulatory requirements. AirNav also requests that the IAA would examine how AirNav benchmarks against the relevant jurisdictions when it comes to ratios of, for example, engineers to ATCOs.
- Above all, AirNav requests that the IAA will consider the flexibility required when it comes to delivering projects (e.g., the benefits of continuing with the equivalent of one bucket) and the timing of when any underspends would be returned to airspace users (e.g., avoiding the need to return any underspends on an annual basis).
- Following the regulatory reform process and the renewed focus on liquidity going into the RP4 period, AirNav is exploring the possibility of financing the development costs associated with the upgrade of its ATM system during RP4 and requests guidance from the IAA in relation to what is possible in this regard.

14. Do you think the methodologies, data sources, and comparators used for RP3 remain appropriate for RP4? If not, what changes should we make, and why?

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- AirNav requests that the IAA would undertake its review of AirNav's RP4 Plan independent of the PRB's target setting process. As things currently stand, AirNav has to prepare an RP4 plan independent of the onerous draft cost efficiency targets published by the PRB.
- Previously in this response we have emphasised the importance of benchmarking against Ireland's RP4 comparator group, ✂
- RP3 to date has shown the difficulty with relying on the range of assumptions, and across 2022 and 2023 we observed some significant variances ranging from traffic to inflation and capex delivery. While the RP3 Performance Plan recognised this to a certain extent (e.g., rationale underpinning the proposal of aiming up the WACC), we believe there needs to be more of a concerted effort to recognise the need for resilience or allow headroom for what is unknown at this time.
- AirNav requests that the NSA relies more heavily on the European Network Operations Plan, which includes important projections for Ireland, and which is currently calling on Member States to plan staffing in the short-term using a buffer for traffic forecasts.

15. Are there any broader issues which you think are relevant to estimating the WACC for ANI for RP4?

- Clearly, we are in a very different environment now compared to 2021 in terms of establishing the cost of capital. Similar to 2021, AirNav has engaged First Economics to examine how the parameters should be updated to more accurately reflect the changed circumstances, and from which to project out to 2029. AirNav is intending to include this analysis in its draft Business Plan in April and will engage with the IAA if it becomes available sooner.
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- The IAA will be aware of the increasing trends in relation to conventional Capex switching to Opex. ✂

16. Does the IAA's proposed approach for the traffic risk sharing mechanism in RP4, which follows the approach taken for RP3, remain appropriate?

- In principle, AirNav agrees with the proposed approach for traffic risk sharing in RP4. However, further consideration will be required during the consultation in relation to the Terminal traffic forecast and what is the most appropriate approach in the context of the cap currently in place. On the one hand, AirNav needs to be prepared to deliver any traffic increases that the new parallel runway can facilitate and which our customers expect us to be prepared to deliver, but equally AirNav does not believe it should be penalised for any shortfall in growth that is completely outside of its control due to the planning cap being prolonged, for example.

17. Does the IAA's proposed approach for the En Route and Terminal capacity financial incentive schemes in RP4, which is to broadly follow the methodological approach taken for RP3, remain appropriate?

- AirNav believes there is merit in including a financial bonus for excellent capacity performance, and there is an abundance of evidence that shows this excellent performance cannot always be taken for granted.
- In relation to the penalties that are currently in force, AirNav requests further clarity that these are only applicable in the event of C, R, S, T, M and P codes. In other words the penalty scheme should only apply to delay causes related to the following:
 - C: ATC capacity
 - R: ATC routing
 - S: ATC staffing
 - T: ATC equipment,
 - M: Airspace Management (within the control of the ANSP)
 - P: Special Events (within the control of the ANSP)
- We acknowledge the difficulty in capturing every possible eventuality that could lead to a delay, even before any consideration is given to attribution. The current parameters provide a degree of certainty to all stakeholders. It may well be that the next few years will highlight other considerations, and these can be dealt with on a case-by-case basis, preferably at a pan-European level. Even now, the evolution of unmanned aerial technology leaves it unclear as to the impact on our operating environment, or the pace or volume of activity. As a mature ANSP, in a highly regulated mature ecosystem, we believe the specificity afforded by the current scheme is important. Of course, we remain ready to engage on a good-faith basis on any issue that impacts our customers and the travelling public.

18. Should a financial incentive scheme be introduced for the KEA for RP4, and why or why not? What factors should we take into account in relation to this decision? Are there alternative environmental indicators relevant to ANI's environment (or capacity) performance which might be suitable for local target setting for RP4? If so, which indicators, and on the basis of what methodology? Should a financial incentive scheme be included in relation to any such targets?

- AirNav has previously explained that it is at the limits of what can be achieved in terms of the performance metric, KEA, or actual flight trajectory. This has since been confirmed by EUROCONTROL and is reflected in our RP3 performance to date.

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- AirNav therefore considers it to be futile to introduce a financial incentive or penalty programme in relation to the local reference value for the environment KPA. ✂

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19. We would welcome the views of respondents on whether there is anything that should be added, removed, or amended from this guidance, before we finalise it and provide it to both entities for their RP4 Business Plans.

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- AirNav is concerned that a significant effort goes into preparing its business plan but that the sole focus of the consultation is the draft performance plan published by the NSA which does not have a clear link to the AirNav Business Plan. AirNav is aware that the Business Plan is also published as part of the consultation process, but the reality is that stakeholders focus solely on responding to the draft performance plan. For AirNav, this is not an ideal situation as a subsequent effort is required in the response to the consultation trying to re-explain cost requirements that were originally included in the business plan, and without a full understanding of whether they have been disallowed and the reasons behind this.

- Therefore, AirNav would like to request feedback on its approach to the business planning process during 2021, and how this can be improved to assist with the tight timelines, and if it can be changed in terms of format or evidence that will lead to a clearer picture of what costs are being disallowed by the NSA and on what basis.

In conclusion, AirNav wishes to acknowledge the Irish context in the European system and against our RP4 comparators.

	2024	
Ireland	28.76	52%
Sweden	77.72	140%
Finland	57.09	103%
Denmark	67.45	121%
Norway	46.96	84%
Average	€55.60	

❖ Note: includes full Capex Plan

