



**REGULATORY ACCOUNTS**  
**Commission Paper 5/2010**

**IRISH AVIATION AUTHORITY**  
**Response**

**23 March 2011**

**The Irish Aviation Authority (IAA) welcomes the opportunity to respond to the Commission for Aviation Regulation's discussion paper, CP5/2010 Regulatory Accounts.**

### **Current reporting of annual regulated accounts**

Since 2003, the Irish Aviation Authority has produced annual regulated entity financial statements to 31 December. These financial statements are extracted from the Authority's statutory financial statements and are audited by its external auditor. The financial statements are made available to the Commission within six months of each accounting year-end and, last year, were published, in full, by the Commission, on its website.

The IAA's regulated entity financial statements include

- Statement of directors' responsibilities
- Independent auditor's report
- Statement of accounting policies
- Profit and loss account
- Statement of total recognised gains and losses
- Balance sheet
- Cash flow statement
- Notes to the financial statements

Having provided this information to the Commission for the last eight years, the IAA supports the Commission in its review of the appropriateness of these regulated entity financial statements.

The IAA believes that the purpose of regulated accounts is to provide transparent and relevant information to the readers of such accounts.

The IAA believes that the existing format of the regulated accounts, as outlined above, are costly to produce and do not provide adequate benefit to the readers of such regulated accounts.

### **IAA recommendations for revised regulated accounts**

The IAA believes that more meaningful financial information should be provided in the regulated accounts. Such financial information could include the following:

- Information on the terminal cost base showing: staff costs, other operating costs, depreciation, cost of capital and exceptional costs, if any, as well as previous years' historical data and forecast data.

This information would be sufficiently detailed to allow readers of regulated accounts to compare actual and forecast outturns of regulated operating expenses against assumptions in the Commission's Determination.

The revised regulated accounts format could contain additional information which might include:

- statement of accounting policies
- description and explanation of the differences between actual expenditure and the assumptions in the determination;
- description and explanation of the forecast costs;
- description and explanation of the method adopted for the calculation of depreciation costs: historic costs or current costs;
- justification for the cost of capital, including the components of the asset base;
- breakdown of the meteorological costs between direct costs and 'MET core costs' defined as the costs of supporting meteorological facilities and services that also serve meteorological requirements in general. These include general analysis and forecasting, weather radar and satellite observations, surface and upper-air observation networks, meteorological communication systems, data-processing centres and supporting core research, training and administration;
- description of the methodology used for allocating total MET costs and MET core costs to civil aviation.

Information, which might also be useful in order to clarify the basis of the terminal navigation charge, might include the following:

- description and rationale for the establishment of the terminal navigation charge;
- description and explanation on the calculation of the forecast chargeable service units;
- description and explanation of the methodology used with respect to the recovery of the balance resulting from over/under recovery of previous years;
- description of the policy on exemptions;
- description of the plans of air navigation service providers in order to meet projected demand and performance objectives.

The IAA believes that an independent audit of this information would not be necessary. Terminal cost base information is extracted from the IAA's audited statutory financial statements, while variances between actual as compared with planned expenditure will be explained, as suggested above.

The IAA believes that the above recommendations would be compliant with the Commission Regulation (EC) No 1794/2006 of December 2006, laying down a common charging scheme for air navigation services, and Commission Regulation (EC) No 1191/2010 amending Regulation (EC) No 1794/2006.