

31 August 2021

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Dr Adrian Corcoran
Director of Economic Regulation
Commission for Aviation Regulation
Dublin
Ireland

By email: Adrian.corcoran@aviationreg.ie

Re: RP3 Performance Plan Consultation

Dear Dr Corcoran,

I refer to the above and the invitation for views following the Irish consultation on 26 August.

At the Irish consultation, Ryanair was presented with a draft performance plan that would see “en route” unit rates increasing by 27% to €35.70 (vs 2019) and terminal unit rates increasing by 18% to €177.83 (vs 2019). These significant increases are unacceptable as they force airlines to pay for services they did not use during C19 and serve to make Irish airspace and airports unattractive for airlines when planning traffic growth following the C19 downturn and for the remainder of RP3.

Ryanair wrote to CAR in early August highlighting the challenging deadline of 31 Aug to comprehensively review the draft performance plan and provide comment, a further request was made on 30 Aug which was also rejected. This was further compounded by the publication of new documentation by the IAA ANSP less than an hour prior to the start of the consultation meeting. The IAA ANSP failed to provide sufficient time to review the documentation in breach of their obligations to airlines. On this basis, we provide our initial comments to the consultation and draft performance plan below, cautioning that insufficient time was provided for full review.

1. Capacity & Environment Targets

Ryanair supports the capacity and environmental targets proposed at the consultation. We note the IAA ANSP’s concerns raised over their ability to achieve these capacity targets, however, we have yet to be presented with any clear reason that these capacity targets could not be met (staffing will be addressed in a later section).

We noted that the IAA ANSP was building their plan with the target of zero delays without cost consideration. This is not the position of airlines who value a balance between low levels of delay and cost efficiency. Ryanair supports the capacity targets proposed in the consultation and expects the IAA ANSP to, at a minimum, meet the proposed capacity targets for RP3 based on past performance.

Ryanair welcomes the proposed penalty only scheme for en route and terminal targets.

2. Costs

It was disappointing to learn that the draft Irish performance plan will underperform compared to EU targets on cost efficiency. While we note the efforts taken by CAR to reduce unnecessary costs, there are a number of areas where greater control of costs could be maintained to bring Ireland in line with

EU targets. Alignment with EU cost efficiency targets should be the absolute minimum aimed for by CAR and the IAA ANSP.

The IAA ANSP was unable to demonstrate any long-term cost reductions imposed during the C19 downturn at the consultation with pay reductions and other measures being temporary in nature. We urge the IAA ANSP to continue to pursue sustainable cost reductions with staff and suppliers in addition to improving efficiency of operating practices.

Ryanair does not support the proposal to use an 'aiming up' approach for calculating WACC which eliminates any incentive to manage interest rates or cost of finance. CAR's statement that this is in line with precedent is contradicted by the UK CAA's Heathrow Airport regulation publication (CAP 2139A) which states that *"we expect that uncertainty in respect of individual WACC parameters (is) unlikely to warrant explicit aiming up or down. Even where there are potential biases associated with individual parameters, we expect that these are likely to offset each other within the overall WACC estimate."*

Finally, we note the IAA ANSP's intention to apply a 7 year recovery of the alleged *"revenue gap"* despite the draft performance plan highlighting that *"the IAA ANSP has been able to fund this revenue gap through retained earning...we do not anticipate that there is a need for this revenue in the way that there may be if the gap had been funded through debt."* We call on the IAA ANSP to remove the alleged *"revenue gap"* from the performance plan. We cannot be forced to pay for services we were unable to use as a result of government-imposed travel restrictions.

3. Staffing

Ryanair notes the IAA ANSP's comments that they are *"short ATCOs"* and the shortfall provided of 16 ATCOs in 2023 and 3 ATCOs in 2024. We further note the IAA ANSP's claim that the 2024 shortfall will be greater than stated due to training capacity issues and the warning of delays of up to 700k minutes in the event of a 50% reduction in sector opening schemes. We request that the IAA ANSP publish this study and clarify the operational limitations that would lead to such a reduction in capacity.

On the basis of this potential capacity issue, Ryanair requests explanation for the decision to cancel two ATCO training courses in 2020 which will be a significant contributing factor to the 2023 shortfall in headcount.

Finally, we request detailed information of the IAA ANSP's headcount evolution for the remainder of RP3 including planned retirements, attrition, training and recruitment plans, training capacity, failure rate, and training duration.

4. Projects

The consultation session provided little insight into the IAA's Capex plans for RP3 and Ryanair's efforts to clarify this significant cost element were not facilitated by the moderator. We were disappointed that the draft performance plan failed to quantify any of the benefits in terms of safety, manpower, capacity, or cost-efficiency which made it extremely challenging for airlines to review.

During RP2, the IAA ANSP failed to deliver its planned Capex resulting in Capex refunds to airlines. CAR should impose financial penalties on the IAA ANSP for failure to deliver agreed Capex plans.

Ryanair requests detailed elaboration of the following planned projects:

New Tower Project – We are concerned by the significant (€7m) discrepancy between material supplied by the IAA ANSP (€43m) and outturn costs (€50m). CAR must now investigate this 16% cost discrepancy and update airlines urgently.

Radar Replacements – €12.6m is planned to be spent on radar replacements throughout RP3 (Dublin radar 2 project alongside the new Dublin radar building and national upgrades). Please confirm whether the IAA considered utilising overlapping radar coverage to eliminate the need for this project without having to increase to 5NM separations within Dublin TMA. Please also confirm whether satellite-based alternatives to radar were considered in the Capex evaluation process.

EASDS Replacement – €6.5m is proposed to be spent on a contingency system in the event of a failure of the COOPANS system. Why does COOPANS not have an in-built redundancy given the significant Capex spend planned on this new system (€19m) in the draft performance plan?

Climate Action Plan – While Ryanair supports efforts to deliver greener and more climate-friendly operations, we have not been provided with any quantitative benefits or confirmed projects associated with this proposed €5m Capex. Please confirm how this €5m Capex will be utilised and the expected benefits associated with this.

Cork ATC Extension – €2.3m is proposed to be spent on extending rest facilities and adding storage space. CAR was not provided with sufficient information to justify this project and the IAA ANSP must now confirm why the current rest facilities are no longer sufficient and what additional storage space is now required at Cork Tower. The cost of this project is excessive and lacks justification for its necessity.

ATCO Screen Replacement – €1.5m is planned to replace 111 ATCO screens at a cost of €13.5k per screen. Please provide justification for the screen replacements and why the cost per screen is so high. These costs are disproportionate to the project being proposed.

Temperature Checking Equipment – €220k is proposed to be spent on temperature checking equipment for IAA ANSP facilities. Given that C19 restrictions are progressively being relaxed, please confirm if IAA ANSP has considered a temporary alternative which could be delivered at a significantly lower cost. Additionally, please also confirm what measures are currently in place, why they are no longer considered to be fit for purpose, and the cost being incurred as a result of providing these measures.

BMS Upgrade – €500k is proposed to be spent on an upgraded building management system for 2 facilities. This is an unacceptable cost that lacks justification.

Mt Gabriel – We note that despite claims during the consultation that each project proposed by the IAA ANSP was reviewed by CAR, the 30th July draft performance plan document stated that *“as this project was not included in the original draft of the revised Business Plan, we have not had sufficient time to comprehensively review the project.”* CAR must now review this project in line with other Capex proposals and the IAA ANSP must clarify why this project was not included in the initial publication of the draft Performance Plan. As we have not been able to review the merit associated with this Capex, we object to this proposal.

IP Network Rollout – We note that this €1m project went live in December 2020. Please confirm the period to recoup these costs and the annual impact on the IAA’s cost base.

Integrated Met Server – €1.8m is proposed to be spent to obtain accurate local weather information and replacement of ATIS systems. Please confirm whether SWIM-delivered weather feeds were

considered as an alternative to this project and please explain why the current process is no longer considered to be sufficient.

We note that the IAA ANSP believes the Capex timeline is “ambitious” and we call on CAR to introduce a performance metric that incentivises the IAA ANSP to meet its approved Capex plans once agreed with airlines. While we welcome the commitment to returning unspent Capex to airlines as in previous years, we urge the IAA ANSP and CAR to ensure Capex plans are realistic and attainable.

5. Final Remarks

Given the volume of documentation provided by CAR prior to the consultation, airlines attended the consultation with the aim of questioning aspects directly with the IAA ANSP and other entities in an audience with CAR. It is unacceptable that Ryanair was rushed into providing a response to the consultation which restricts any open discussion in favour of keeping to an unmanageable agenda. This consultation was not transparent and does not meet the requirements under EU2019/317. It is only by having a transparent and honest discussion between airlines and the ANSP/MET/NSA that CAR can get a meaningful insight into the priorities and concerns of airlines.

Ryanair calls on IAA ANSP, MET Eireann, and CAR to remove the unsustainable burden of the alleged “revenue gap” from airlines. Where necessary, governments should assist by financially supporting their own service providers, moving away the financial burden of the crisis from the airlines. Removal of the alleged “revenue gap” is the most efficient solution for individuals (taxpayers and airlines’ customers) to re-build a healthy aviation industry.

Another failure to act effectively by ANSPs and Member States at this crucial point would increase unit rates to an unsustainable level for the remainder of RP3 and throughout RP4. The risk of airlines having to support ANSPs alone is that costs will continue increasing in future years, as the surge in ATC costs slows down traffic growth, economic recovery will be delayed and European connectivity will be damaged.

Not only is it unfair that airlines are asked to bear the losses of ANSPs and unique compared to other industries and within the aviation sector, but it is highly inefficient for the aviation industry.

We look forward to receiving your written response to the queries posed above and in Appendix 1.

Yours sincerely,



Conor Gillardy
ATM Manager

CC: Luke Manning (CAR), Paul Johnson (IAA)

Appendix 1 – Questions posed by Ryanair

1. Please justify IAA ANSP claims that the proposed capacity targets cannot be met.
2. Please confirm how you intend to meet EU cost efficiency targets which should be the absolute minimum aimed for by CAR and the IAA ANSP.
3. Please confirm the IAA ANSP's plans to pursue sustainable cost reductions with staff and suppliers in addition to improving efficiency of operating practices.
4. Please confirm that the 'aiming up' approach has been removed from the performance plan.
5. Please confirm the IAA ANSP has removed the alleged "revenue gap" from the performance plan.
6. We request that the IAA ANSP publish the NM delay study and clarify the operational limitations that would lead to such a reduction in capacity.
7. Ryanair requests explanation for the decision to cancel two ATCO training courses in 2020 which will be a significant contributing factor to the 2023 shortfall in headcount.
8. Ryanair requests detailed information of the IAA ANSP's headcount evolution for the remainder of RP3 including planned retirements, attrition, training and recruitment plans, training capacity, failure rate, and training duration.
9. Please confirm that CAR will impose financial penalties on the IAA ANSP for failure to deliver agreed Capex plans.
10. CAR must investigate the 16% cost discrepancy in the New Tower Project and update airlines urgently.
11. Please confirm whether the IAA considered utilising overlapping radar coverage to eliminate the need for the radar projects without having to increase to 5NM separations within Dublin TMA.
12. Please also confirm whether satellite-based alternatives to radar were considered in the Capex evaluation process.
13. Why does COOPANS not have an in-built redundancy given the significant Capex spend planned on this new system (€19m) in the draft performance plan?
14. Please confirm how the €5m Climate Action Plan Capex will be utilised and the expected benefits associated with this.
15. The IAA ANSP must confirm why the current rest facilities are no longer sufficient and what additional storage space is now required at Cork Tower.
16. Please provide justification for the screen replacements and why the cost per screen is so high.
17. Please confirm if IAA ANSP has considered a temporary alternative to the temperature measurement system which could be delivered at a significantly lower cost.
18. Please also confirm what temperature measurement facilities are currently in place, why they are no longer considered to be fit for purpose, and the cost being incurred as a result of providing these measures.
19. CAR must now review the Mt Gabriel project in line with other Capex proposals.
20. IAA ANSP must clarify why the Mt Gabriel project was not included in the initial publication of the draft Performance Plan.
21. Please confirm the period to recoup IP Network Rollout costs and the annual impact on the IAA's cost base.
22. Please confirm whether SWIM-delivered weather feeds were considered as an alternative to the Integrated Met Server project and please explain why the current process is no longer considered to be sufficient.
23. We call on CAR to introduce a performance metric that incentivises the IAA ANSP to meet its approved Capex plans once agreed with airlines.