

# IAA Staff Panel Commentary: RP3

## Introduction:

This document offers commentary on the IAA's revised RP3 proposal of June 2021, and the Steer Report to the CAR on that plan, by the IAA Staff Panel of Unions.

We outline our view on the traffic forecasts provided by STATFOR to form a basis for the Business Plan and then discuss the traffic growth to date since that forecast was issued. STATFOR issued three forecast scenarios, with ANSPs required to plan for "Scenario 2". However traffic growth thus far is matching "Scenario 1", i.e. growth is already faster than expected.

In general the comprehensive proposal from the ANSP, while containing some statements that are welcomed by the Panel, falls short of what we believe is needed over the remainder of RP3. Should traffic match or exceed Scenario 2 capacity issues will be inevitable.

The Panel wholeheartedly endorses the ANSP commitment to increase staff, particularly ATCO headcount during RP3. We welcome the acknowledgement that short term measures such as reliance on overtime and leave deferral cannot be sustained going forward.

However it is the Panel view that the proposed staffing numbers as outlined in the plan will simply not be sufficient to put the ANSP on a sustainable footing going forward. Furthermore it is our view that leave deferral and heavy reliance overtime is inevitable under the current proposals, putting the ANSP in the same position it found itself in 2019. It is also difficult to see how the ANSP can achieve its headcount targets, particularly with regard to ATCO headcount, when the training contracts for Student Controller classes 17 & 18, comprising of 25 students, were cancelled and there are no students currently being trained.

The Panel is extremely concerned with the Steer report to the CAR. The report makes repeated comparisons with unrelated industries to create an unrealistic narrative, exceeds the regulatory requirements of EU 317/2019 and makes recommendations that will leave the ANSP in a critically under-resourced state at a time when the aviation industry needs certainty on airspace capacity. Furthermore the report disregards objective reality in favour of modelling assumptions.

Most critically the Steer report completely ignores the interdependencies between safety, capacity and cost. The Panel are concerned that the CAR would adopt a similar approach. EASA has identified and suggested models for accounting for these interdependencies which the Panel would endorse.

It is the Panel view that, while some sections of the Steer report provide useful information for the CAR, the lack of concern by Steer for the safety of the users of the Air Navigation

Service renders the Steer report unfit for purpose. The recommendations of the report should be disregarded in favour of the ANSP RP3 business plan.

## Traffic Forecasts

As of May 2021 the IAA has used the latest STATFOR forecast to predict traffic levels:

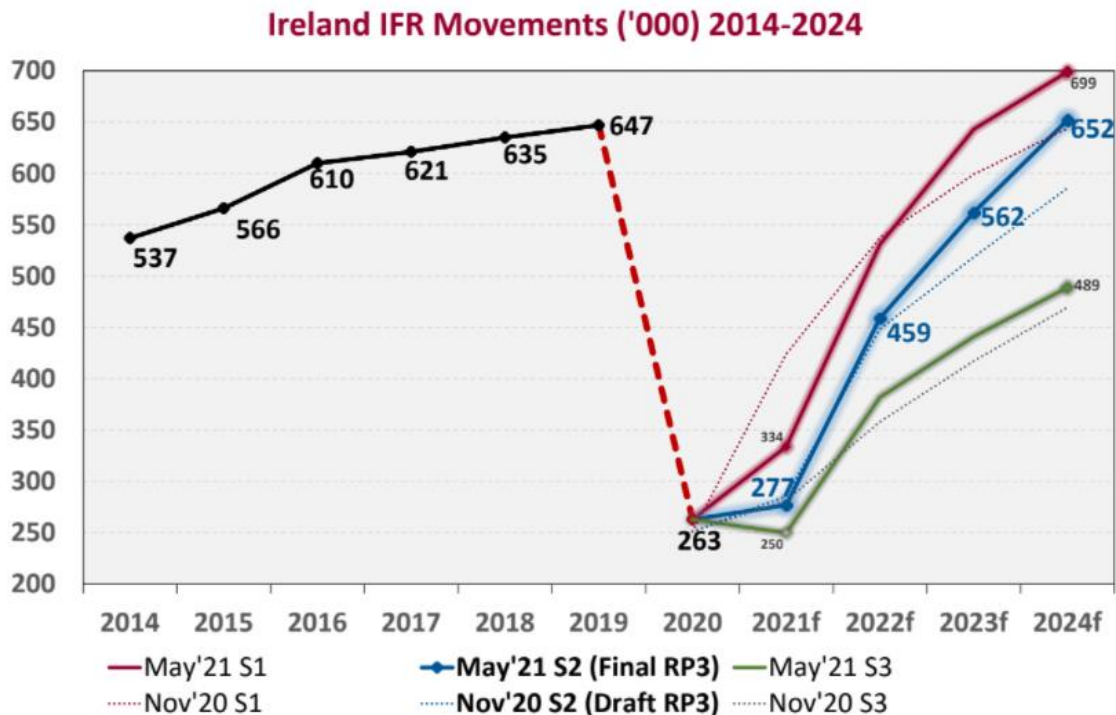


Figure1: IAA traffic forecast.

Using Scenario 2 we can see a predicted return to 2019 levels by 2024. We can also see from the figure above (taken from the IAA proposal) that significant uncertainty exists in the forecasting provided.

When compared to the November 2020 forecast STATFOR has significantly revised the traffic forecast upward but it is clear that uncertainty still exists.

It is expected that US domestic traffic will reach 2019 levels by the end of 2021 or early 2022<sup>1</sup>. It appears that there is significant demand for travel, despite restrictions remaining in place.

It is therefore reasonable to assume that actual traffic could easily exceed the forecast. Indeed during the RP2 period the traffic forecast differed significantly from actual traffic figures. For example enroute traffic growth during RP2 was predicted to be 8.7% over the period, but was in fact 18.3%<sup>2</sup>.

<sup>1</sup> <https://www.iata.org/en/pressroom/pr/2021-06-09-01/>

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

EUROCONTROL Traffic Scenarios - 1 June 2021 (base year 2019)

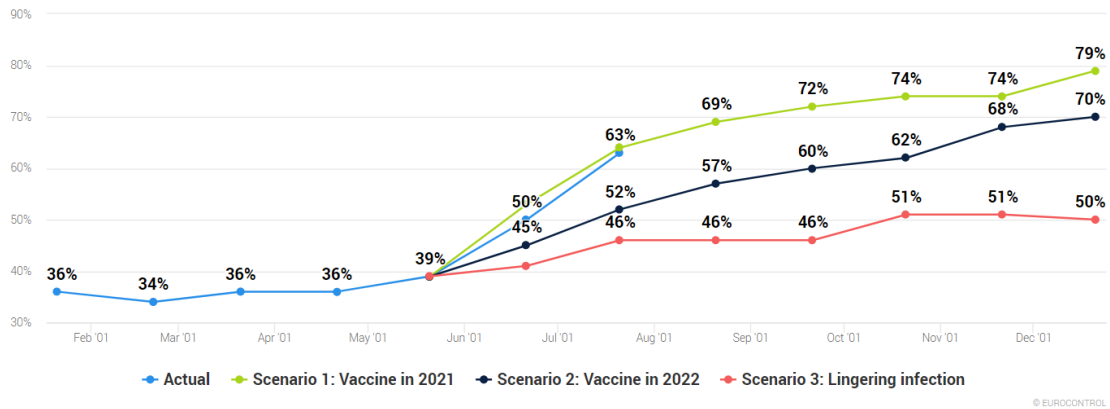


Figure 2: Current Eurocontrol traffic Scenarios vs actual traffic growth<sup>3</sup>

From figure 2 above we can see that traffic is already far in excess of the Scenario 2 upon which the Business Plan is constructed. Widespread vaccination rates throughout Europe and the United States indicate that Scenario 1 should now be considered by ANSPs when planning for the remainder of RP3.

While we acknowledge that significant uncertainty exists it is our view that the IAA has not planned sufficient resources in the most likely event that actual traffic levels exceed the Scenario 2 forecast. Moreover any further restraints placed by CAR mean that the IAA will be unable to deliver the required capacity during RP3.

<sup>3</sup> <https://www.eurocontrol.int/covid19#traffic-scenarios>

## IAA Business Plan.

The Panel agrees with the IAA statement that *“despite the change of rules governing RP3 in 2020 that were designed to alleviate the severe impact of the COVID-19 pandemic on airspace users during RP3, this has not prevented airspace users from having unrealistic short-term expectations from ANSPs.”* As we will see later these unrealistic expectations are reflected throughout the Steer report.

### Service Sustainability:

The Staff Panel welcomes the IAA statement that;

*“The lower than planned total expenditure in RP2 does mask an unsustainable reliance on short term measures such as overtime and annual leave deferral. These upward trends experienced over RP2 must be reversed. The link between overtime, annual leave accumulation and fatigue needs to be emphasised. This is particularly relevant with the implementation of Regulation (EU) 2017/373. The airline industry has previously encountered difficulties with rostering resulting in large scale flight cancellations and this needs to be avoided in Air Traffic Service provision.”*

It is the Panel view that this statement concisely covers all of the staffing issues that the IAA now faces.

In 2019, the IAA, like many ANSPs throughout Europe, was in an unsustainable position where the higher than predicted traffic growth meant the service was completely reliant on overtime and leave deferral to avoid capacity constraints on airspace users. Many ANSPs throughout Europe, for example DFS in Germany, were taking the unusual step of recruiting ATCOs directly to cover staff shortfalls<sup>4</sup>. The IAA was unable to deliver on both its CAPEX commitments and operational requirements simultaneously and chose in the short term to ensure capacity was provided. However this was not sustainable, and by the end of 2019 the measures employed were leading to industrial relations issues where staff were becoming dissatisfied with the demands placed on them to provide the excessive overtime required.

### Staffing:

Over RP3 the IAA proposes the following staffing levels:

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<sup>4</sup> <https://www.aviation-job.eu/job-qualified-air-traffic-controller-for-upper-airspace-390.html>

	2019 A	2020 A	2021 F	2022 F	2023 F	2024 F
ATCOs	309	301	291	300	311	328
Engineers	72	73	84	90	93	94
Data Assistants	39	39	38	38	38	38
Ops Mgmt. & Support	60	60	64	68	69	69
Corporate Services	68	66	65	57	57	57
<b>Total</b>	<b>548</b>	<b>539</b>	<b>542</b>	<b>553</b>	<b>568</b>	<b>586</b>

Figure 3: Staffing Proposal from IAA business plan.

## ATCOs:

While a recognition that extra ATCOs are required to deliver a safe, sustainable and efficient service is welcome, it is our view that ATCO numbers, as published in the proposal, will not be sufficient.

We note that parallel runway operations in Dublin, along with the increased regulatory requirements associated with regulation EU 2017/373 means the IAA plans to allocate extra ATCO staffing in the following manner:

- 309 ATCOs (the same figure as 2019) plus
- 14 ATCOs for 18-hour parallel runway operations at Dublin.
- 3 ATCOs for safety & regulatory compliance work.
- 2 ATCOs for the development and ongoing maintenance of a training programme for all staff within the ANSP.

This plan assumes that the 309 ATCOs operational in 2019 were sufficient to deliver on all service, regulatory and training requirements, as well as contractual obligations to staff. It appears that the assumption is that a fall in overtime requirements and reduction in deferred leave in 2019 signified that adequate staffing was present to deliver a safe, resilient and expeditious service.

However a single year of reduction does not signify a trend. Nor is it clear whether overtime reduction was achieved due to the increase in ATCO numbers or further deferral of CAPEX projects and ongoing training in that year.

From the “shop floor” perspective of our members 2019 was no different than 2018, 2017 or 2016. Capacity was delivered through overtime. 309 ATCOs were not sufficient for the IAA to meet its contractual obligations to its staff.

Furthermore in 2019 EU 2017/373 was not in effect. The regulation provides for significant changes in the area of fatigue management. Changes to pilot rostering in 2017 resulted in widespread flight cancellations<sup>5</sup>. It is likely that for RP3 the IAA simply will not have the

<sup>5</sup> <https://www.theguardian.com/business/2017/sep/18/ryanair-flight-cancellation-passengers-holiday>

overtime availability it had before due to the constraints that EU 2017/373 imposes on the ANSP.

The Panel proposal on sustainable staffing numbers will be presented later. Furthermore we will outline implementable measures that can ensure that while safety and capacity is assured for the airspace users, overcapacity will not be a cost increasing issue.

## Engineers:

As is the case with ATC, there is a heavy reliance on leave deferral and overtime with the Technology Directorate of the IAA. In a safety critical industry this reliance is of grave concern.

With the introduction of EU 2017/373 there has been a significant increase in the regulatory workload of engineers exacerbating the existing staffing deficit.

The intention of the ANSP to increase the number of engineers is welcome but falls short of that required to adequately meet its stated work programme while also satisfying the new regulatory requirements.

The panel considers an engineering complement of 100 by 2024 to be more appropriate.

## Pension Costs

The main scheme is subject to a funding proposal approved by the Pensions Authority. This funding proposal addresses the deficit in the scheme and additional risk reserve elements. Additional funding is required under the RP3 plan to bring the pension to a fully funded state. This additional funding is not addressed by the IAA in their submission nor by Steer.

The provision for increases to pensions in payment is not funded in the IAA's submission on pension costs. The Steer report is modelled on historical data rather than future pension costs.

The introduction of a Hybrid Pension Scheme for recent entrants to the company was carried out without agreement. The resolution of issues relating to the Hybrid Scheme are not funded in the IAA's submission.

The recovery of all staff costs including pensions costs is provided for under EU 317/2019.

# Steer Report Commentary

The Staff Panel, having reviewed the Steer Report submitted to the CAR, considers it unfit for purpose. The proposals contained within it, if recommended to the EU commission by the CAR, will have the following effect:

- Reduction in safety of the Irish air navigation service.
- Reduction in capacity of the Irish air navigation service.
- Reduction in resilience of the Irish air navigation service.

The report has the following critical flaws, which will be discussed in turn:

- Relies on unverified modelling assumptions. The report frequently ignores factual cost data in favour of a theoretical model.
- Seeks to apply regulation retrospectively, for example by placing unachievable financial targets on the ANSP for 2020. They are unachievable as 2020 has already happened.
- Does not give appropriate concern to Irish legislation, particularly in the areas of Pension Law, Employment Law and Health and Safety Law.
- Does not confine itself to the regulatory framework of Regulations EU 317/2019, EU 1627/2020 or Implementing Decision 891/2021.
- Makes meaningless comparisons with unrelated industries.
- Ignores interdependencies of Safety, Cost, Environment and Capacity.

## Unverified Assumptions.

The following are examples of errors and faults that can be seen throughout the Steer report. The list below demonstrates a report is seeking to “paint a picture” of unachievable cost reduction rather than reporting on what is objectively real.

- 1) The report states that *“for the commercially-focused Scenario B, we have assumed deeper salary cuts of 15%, which are still conservative compared to the cuts imposed at other major companies both within and outside the aviation industry”*. Given that the salary reductions achieved by the IAA are part of a collective agreement, and have already been realised, for Steer to assume a greater reduction was achievable does not have any realistic basis.
- 2) Steer assumes that a 15% reduction in telecommunications costs could have been achieved in 2020 and 2021. This assumption ignores the fact that the bulk of the IAA telecommunications costs are related to safety critical lines between the operations units and other ANSPs. Savings were not realistic as the integrity of these lines had to be maintained.
- 3) Steer assumes, in Scenario B, that a 15% reduction in rent was achievable by the IAA. Given the nature of the buildings the IAA operates, for example Control Towers at Irish airports, a reduction of that magnitude is neither justified nor credible.



- 4) Steer assumes that *“because new projects typically exhibit lower maintenance costs at the start of their service lives, we assume that maintenance costs increase at a 50% rate.”* However, given the safety critical nature of the equipment the IAA operates, to satisfy safety regulation, this equipment is subject to specific maintenance contracts and schedules. Following engagement with original equipment manufacturers the ANSP were able to achieve some savings but the rate of 50% is unachievable. There is a requirement for both ongoing preventative maintenance and restorative maintenance at all phases of equipment life. The cost of this maintenance is accounted for in the IAA RP3 plan but ignored by Steer.
- 5) Steer assumes that many line items rise in line with CPI for the period 2022 - 2024. However the price of steel, for example, has risen by 200% in 2021 alone. The Steer assumptions are not realistic.
- 6) Steer assumes that *“that severance/early retirement in 2021 will bring forward retirements otherwise expected in 2022, 2023 and 2024. Therefore, we assume no attrition between 2022 and 2024”*. This is factually incorrect.
- 7) Steer assumes that 30 new ATCOs can be trained in one year, ignoring capacity constraints in the IAA training unit. There are not enough simulators for training of that magnitude to be delivered. It takes on average 18 months to qualify as an ATCO but due to the existing staffing deficiencies the ANSP’s training capacity is diminished.
- 8) Steer assumes pension costs that are at variance with the IAA business plan. The IAA operates statutory pension schemes, which are currently subject to funding proposals approved by the Pensions Authority. These proposals are fixed in value. Therefore Steer should not disregard these figures in favour of its modelling assumptions.

## Retrospective Regulation

Implementing decision 891 specifies that *“the Union-wide cost-efficiency performance targets for RP3 should be based on the assumption that the Union-wide determined costs in the combined years 2020 and 2021 do not exceed on average 97 % of the Union-wide actual costs recorded for calendar year 2019 and in the years 2022, 2023 and 2024 the Union-wide determined costs do not exceed 94 %, 96 % and 97 % of the Union-wide actual costs recorded for calendar year 2019, respectively.”*

The IAA achieved savings of 9.1% in 2020, and is on track to achieve savings of 7.1% in 2021.

Steer presents 2 models, Scenario A and Scenario B. In Scenario A Steer assumes a reduction of 10.1% for 2020 and 13.7% in 2021. In Scenario B Steer assumes a reduction of 11.4% in 2020 and 19% in 2021.

While many of the assumptions that lead Steer to their conclusions are unrealistic the fact remains that the IAA has already exceeded the targets set by Implementing Decision 891.

Additionally the two scenarios proposed by Steer ignore the reality that the pay reductions achieved by the IAA cannot be retrospectively changed.

2020 has already passed and the savings generated by the IAA for that year are realised. To create a model which both requires further savings and is far in excess of the requirements of Implementing Decision 891 has no regulatory basis.

## Irish Legislation

As already outlined the Steer report disregards many relevant areas of Irish legislation in favour of its theoretical model.

The most relevant areas to note are pension provision and employment law. The IAA cannot disregard its statutory obligations with regard to pension provision, and the business plan reflects these obligations. They cannot be replaced in favour of a theoretical assumption.

The report does not take into consideration employment law when making assumptions on savings that could be made with regard to staff costs. Changes to staff remuneration can only be made with agreement of staff concerned.

The report makes no acknowledgement of the inefficiencies that were borne by the IAA as a result of health and safety requirements imposed by the pandemic. The IAA has a statutory responsibility to take all reasonably practicable steps available to it to ensure the health and welfare of its staff. Remote work for the majority of staff was not a possibility given the service being provided. The IAA also had to segregate teams, resulting in lower efficiency. The IAA had no discretion in this matter.

## Regulatory Framework

RP3 is governed by EU 317/2019, EU 1627/2020 and Implementing Decision 891/2021. Of note are obligations on CAR to compare the IAA to defined comparator nations, specifically;

- Denmark
- Norway
- Sweden
- Finland

These are chosen because of similarities to Ireland, particularly in cost of living.

Implementing Decision 891 specifies unionwide targets upon which local National Supervisory Authorities should base their decisions.

The Steer report, when discussing the 2020 - 2021 period makes comparisons to nations such as Slovenia. These comparisons are not useful nor justified, given the required similarities between these nations do not exist.

When creating “Scenario B” for this period Steer has chosen to make comparisons to unrelated industries, such as shipping and banking. There is no regulatory basis for these comparisons, and therefore Scenario B is unrealistic, invalid and should be discarded.

## Interdependencies

EASA has produced a model to allow NSAs and ANSPs to determine the relationships between safety, capacity, environment and cost<sup>6</sup>

However, the Steer report does not take interdependence into account in its report. It is of concern that the word “safety” appears in the report a total of 13 times, while the word “cost” appears 1201 times.

Steer has not chosen to model the expected effect on safety of its proposed reductions, and their modelling assumptions seem to disregard the possibility of an effect of cost reduction on safety.

Aviation is a safety critical industry. As the safety of the flying public must always be the number one priority of airspace users, ANSPs and regulators it follows that the Steer report’s recommendations cannot be adopted until the CAR has fully analysed the effect on safety that its recommendations may have.

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<sup>6</sup> [https://ec.europa.eu/transport/sites/default/files/easa\\_rp3\\_skpi\\_working\\_group\\_-\\_final\\_report.pdf](https://ec.europa.eu/transport/sites/default/files/easa_rp3_skpi_working_group_-_final_report.pdf)

## Staff Panel Recommendations:

To ensure the safety of the flying public, and to ensure the Air Navigation Service is adequately resourced for an inevitable return of traffic, it is our opinion that the CAR should, in its decision paper;

- Recommend staffing levels as outlined in table 1 below to ensure service capacity and resilience. Should the CAR recommend the staffing as outlined, adequate capacity will exist if traffic exceeds the STATFOR forecast. In our view over staffing will not be an issue. There is demand within the organisation for measures such as career breaks and job sharing. The IAA can use these to match their staffing FTE number to the traffic as it comes, ensuring that the airspace users do not pay for staff that is not required.
- Discard, in its entirety, “Scenario B” as described in the Steer report.
- Discard any aspect of the Steer report where a modelling assumption is used while actual factual data is available. Real data should be used when available for accurate assessment.
- Adopt the targets as specified in Implementing Decision 891 for the Irish air navigation service for calendar years 2020 and 2021.
- Approve the proposed Opex costings in the IAA business plan to ensure critical safety equipment is adequately maintained.
- Use only the comparator nations as specified in Implementing Decision 891 to ensure a fair assessment of the IAA business plan is achieved.
- Conduct a thorough interdependency analysis on any decisions it may make, to ensure the safety of the flying public is in no way affected.
- Develop, and publish, a review mechanism to ensure its decisions have the desired effect throughout RP3.
- Be cognisant of the cost implications of the resolution of the ongoing pensions issues in the IAA.

	2019	2020	2021	2022	2023	2024
ATCOs	309	301	289 <sup>7</sup>	305	316	334
Engineers	72	73	84	93	96	100
Data Assistants	39	39	39	40	40	40
Ops Mgt/Support	60	60	64	68	69	69
Corporate Services	68	66	65	57	57	57
Total	548	539	541	563	578	600

Table 1 Proposed staffing numbers.

<sup>7</sup> This is the actual figure.

