

Seirbhís Aerloingseoireachta
na hÉireann

ag trádáil mar **AirNav na
hÉireann**

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Dr. Adrian Corcoran,
Director of Economic Regulation, Consumer Affairs and Licensing,
Irish Aviation Authority

Mr. Luke Manning,
Head of Economic Regulation,
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By email: consultation@iaa.ie

1 August 2025

Dear Adrian and Luke,

This letter sets out AirNav Ireland's response to the consultation published on 9 July and expands upon the points covered at the stakeholder consultation meeting on 29 July.

At the outset, we are keen to reiterate that, as an island nation, Ireland is disproportionately dependent on air transport, and that AirNav Ireland has performed very well in relation to safety, capacity (consistently very low delay), environment (free route airspace) and cost efficiency (one of the lowest unit rates in Europe). We have demonstrated the clear need to increase investment in the business over the medium term in order to sustain the excellent performance metrics, while maintaining appropriate levels of resilience and reliability. AirNav Ireland is best placed to identify emerging risks and structured its RP4 business plan accordingly.

AirNav Ireland has sought to demonstrate to all stakeholders in each of the five RP4 related consultations that capacity measures beyond the European wide cost efficiency target are required, and in doing so we can maintain one of the lowest unit rates in Europe over the relevant period. We believe the evidence that we presented goes further than any other jurisdiction and that airspace users were generally understanding of our approach. Any disruption to our service can have a significant impact in terms of cost, and in this regard, it is reassuring that we cannot recall any area of our business where stakeholders have called for us to scale back investment – this extends to the PRB, which has simply stated it remains to be convinced. Accordingly, we support Scenario 1.2 presented in the consultation.

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RP4 process to date

Section 2 of the consultation describes how thorough the regulatory approach has been since the Issues Paper was published in January 2024 – in fact, AirNav Ireland’s detailed planning process commenced prior to this in 2023, and a very comprehensive, evidence-based plan was submitted to you and subsequently presented to stakeholders. Ultimately, the Decision in October removed approximately €55m from our five-year plan, and we have sought to amend our planning in accordance with this, while accepting that we may need to spend beyond the modelled allowance in certain areas.

In May of this year, the PRB found that Ireland’s Plan was acceptable in the areas of safety, capacity and environment but that it was not fully convinced in relation to cost-efficiency. While the PRB concluded its mandate shortly after this assessment, it is important to state that the Regulatory Decision identified the approximate cost required to meet safety, capacity and environmental targets, as proposed, and that the interdependencies with cost requirements are of paramount importance.

Modelled Scenarios

Section 3 details additional costs included in the RP4 Plan that are outside the scope of AirNav Ireland’s, including both costs related to EUROCONTROL services and ICAO Space Weather costs. It also references the impact of traffic forecasts on the modelled headcount for AirNav Ireland in RP4. We support the proposal to maintain the original traffic forecasts based on the evidence presented but would nonetheless point out that the traffic forecasts which are updated at least twice per year can significantly impact the modelled headcount, whereas in reality we need to plan 2–3 years ahead of time due to the time required to train our staff. A subsequent traffic forecast is due from STATFOR in the coming weeks, and we do not think the RP4 decision should completely change again based on its content – the five-year regulatory period is designed with this in mind and to provide some certainty for medium term planning.

The current Collective Labour Agreement was negotiated and agreed having consideration for the inflation assumptions used in the RP4 Decision (i.e., IMF April 2024), and the PRB’s assessment fails to have regard for this when insisting that a lower inflation forecast is used in a revised performance and charging plan.

Net of the identified capacity enhancing measures, the proposed Scenario 1.2 that we support is compliant with the European wide cost efficiency targets.

Additional Capacity Targets: Penalty-only Incentive Scheme

Unintended consequences

AirNav Ireland has many concerns in relation to the penalty-only incentive scheme, centred on the proportionality and complexity of what is being proposed, coupled with perverse incentives being introduced and scope for unintended consequence.

- Any introduction of a penalty scheme should be proportionate from both a headcount and overtime perspective, and the corresponding modelled allowances in the regulatory decision. In other words, any financial technical adjustment should be proportionate and aligned to the costs of new operational staff (ATCOs and Engineers), consistent with the regulatory modelling.

- There are funding inadequacies for the headcount targets: The financial allowance provided for in the Revised Draft Performance Plan does not sufficiently cover the costs of the required headcount targets set, particularly in relation to contractually agreed salary increments and statutory leave. This complicates AirNav Ireland's ability to meet headcount targets without additional funding.
- The incentive scheme impacts management control: While the Revised Draft Performance Plan does not prescribe headcount levels, the incentive scheme penalises failure to meet headcount targets, reducing management discretion in this area.

Legal Basis

The IAA sets out the legal basis for its proposed scheme in Section 4. It concludes paragraph 4.33 by stating that it will further review the legal interpretation of the permissible maximum revenue at risk ahead of the consultation meeting and submission of the revised draft Performance Plan. In parallel, AirNav Ireland has considered the legal basis and wishes to state the following:

- The IAA wishes to include provisions in the Revised Draft Performance Plan for AirNav Ireland to employ an increased number of air traffic controllers and engineers. However, if the IAA wishes to use Article 10(3) as the legal basis to include such additional performance targets in the Revised Draft Performance Plan, it must follow the pathway outlined in the Regulation.
- Under Article 10(3) of the Regulation, a performance plan may contain additional performance targets. However, these targets must be set on the basis of the discretionary KPIs referred to in Article 8(4). These are KPIs to be established by the State as regards, in particular, civil-military or meteorological aspects other than those four sets of KPIs (one set per KPA) listed in Section 2 of Annex I. It is not clear what is meant by the IAA's phrase "in respect of" local KPIs. Plus, despite the IAA's implicit assertion, Indicators for Monitoring (IFMs) are not included in Article 10(3).
- While, under Article 8(4) the scope of the discretionary KPIs (and IFMs) may be broader than civil-military or meteorological aspects, additional performance targets must, under Article 10(3), be set on the basis of the relevant discretionary KPIs. Put another way, it is, contrary to what the IAA asserts, that the discretionary KPIs on which performance targets are based that are not specifically limited rather than such targets.
- Under Recital 11 to the Regulation, the IAA should, first, identify the relevant KPA before identifying a KPI. There is an apparent confusion between which KPA is relevant. There is a reference to capacity measures and separately to the approval by the PRB of the performance targets in the KPAs of capacity, safety and environment, but the rejection of the performance target in the KPA of cost-efficiency.
- Moreover, Article 10(3) requires any additional performance targets to be set on the basis of KPIs established under Article 8(4). It is unclear, what, if any, are the relevant KPIs established by the IAA. In addition, any such performance targets must support the achievement of both EU-wide performance targets (see Article 9(3)) and, also, national performance targets (see Article 10(2)(a)). Again, how either set is achieved is not clear plus the consultation does not acknowledge the need to support the achievement of national targets. The IAA also asserts that the additional costs fall under Point 1.4 of Annex IV but does not provide any support for this view.

- Similar to the first sub-paragraph, the second sub-paragraph of paragraph 4.33 in the consultation contains certain gaps. Article 11(4) is limited to financial incentives regarding two categories of performance targets – those in the KPA of the environment, plus those adopted under Article 10(3) (i.e. those based on the KPIs referred to in Article 8(4)). Similar to the above, it is not clear whether the IAA has adopted the relevant KPIs.
- While the IAA apparently wishes to adopt an incentive scheme under the second category of performance targets, this is not crystal-clear. More particularly, if the IAA's proposal seeks, in this regard, to fall under this second category, it must establish that such targets are in line with Article 11(1)(b) and (c), provided they are effective and proportional. These issues are not addressed by the IAA.
- The IAA appears to have correctly identified that an incentive scheme regarding either category of performance target under Article 11(4) is independent of the incentive schemes in the KPAs of cost-efficiency (see Article 11(2)) and capacity (see Article 11(3)). However, the legal requirement in Article 11(4) that the aggregated financial disadvantage should not exceed 4% of determined costs of year n is not addressed.
- As set out above, the IAA does not appear to have followed the relevant pathway established by the Regulation.

Consistency with the treatment of unspent Capex

- Ireland returned unspent Capex before the current regulation identified it as a requirement, and the Regulation serves to protect airspace users when it comes to Capex allowances not exhausted. AirNav Ireland wishes to request consistency in relation to the proposed Scheme whereby the net difference of FTEs over the five-year period would be considered, alongside any variance in overtime costs, before applying a technical financial adjustment. In other words, AirNav Ireland is of the view that an RP+2 adjustment is more appropriate compared to an n+2 adjustment. We understand airspace

Measure AirNav Ireland on its readiness for the summer season

- If a penalty-only scheme is introduced, we request that the IAA considers aligning the targets to its modelled RP4 figures at end-year, as opposed to using averages over the year. Alternatively, AirNav Ireland requests that the IAA considers the modelled FTEs (at end-year) to the available headcount ahead of the following summer period (end-March).

Relevance of consistent treatment in relation to Overtime Allowance

- The introduction of the scheme, as proposed or modified, must adjust the modelled overtime allowance to avoid a situation where AirNav Ireland is financially penalised for a shortfall in FTEs, while simultaneously incurring a considerably higher overtime cost than what is included in the allowance. It might be possible to ensure the financial technical adjustments are more proportionate compared to what has been proposed in the consultation by considering the additional overtime costs alongside the costs foregone on the basis of costs for new operational staff in the regulated model. In other words, any penalty should consider the relevant circumstances and not exceed the net costs foregone.

Unintended Consequences

- The IAA has made it clear consistently that it has provided us with a regulatory allowance and it is up to management to take the decisions to run the business – the proposed scheme is contrary to this position and could have unintended consequences e.g., it could in theory lead to a situation whereby we are incentivised to take ATCOs off the roster in order to spend more time on training, thereby potentially meeting this target on headcount but missing the KPA on Capacity.
- Building on the point above, it is the case that the local capacity target is already more ambitious than what has been proposed by Europe. It would be more proportionate to apply a penalty based on staffing while also leaving the ambitious target unchanged – this would double the burden and represent overlapping penalties.

Modelled Headcount versus Modelled Costs

- There is a discrepancy between the modelled FTEs in the RP4 decision and the corresponding modelled costs. We would need to be very clear about what is in scope for this incentive, and it would be disproportionate to penalise us for headcount that we have not received an allowance for in the first instance. This is a similar but distinct point compared to the overtime allowance described above.

Capacity Measures

AirNav Ireland considers Section 5 to be a matter between the NSA and PRB. We wish to add three key points arising from the recent consultation on this matter, as follows:

- Airspace users active during the consultation did not support any deterioration of AirNav Ireland's performance over the next five years.
- An Airspace User described the situation in Ireland as one where the regulated entity has become a victim of its own success – it is therefore imperative that the PRB considers unintended consequences arising from its review. The regulation is designed to permit additional capacity measures for this reason. Furthermore, the PRB should consider that AirNav Ireland's cost base as described in the RP4 performance plan, intends primarily to allow the continuation of our historically excellent capacity performance rather than to deliver increasingly expensive but incrementally smaller improvements in capacity.
- It was proposed by one airspace user that government funding should become available for necessary investment in air navigation services that are not included in the RP4 Plan. This request is not compatible with the regulation, which has been designed by the European Commission to ensure eligible funds required for the provision of air navigation services are forthcoming through the relevant RP scheme.

Conclusion

In summary, AirNav Ireland has spent the past two years trying to move forward with an RP Plan, but there nonetheless continues to be a significant level of uncertainty. This has led to new proposals that do not benefit the passenger but instead increase the potential for disruption to our critical services over the coming years.

There has been a very active stakeholder consultation process and at no point has any evidence been presented against the need for increased investment in our business. AirNav Ireland requests that the PRB reconsiders the evidence put forward by all stakeholders since this process commenced, and to approve the Irish Plan as soon as possible.

We are available to discuss any aspect of this submission with you in more detail. Thank you for your cooperation to date and managing the very constructive stakeholder engagement sessions.

Yours sincerely,

Paul Johnson

Chief Strategy Officer Economic Regulation & International Affairs