IAA
ÚDARÁS EITILTÍOCHTA NA hÉIREANN
IRISH AVIATION AUTHORITY

Final Decision on Revised draft Performance Plan for RP4

18 August 2025

Table of Contents

1. Executive Summary

1.1 This document sets out our decision on the revised draft Performance Plan for Reference Period 4 ('RP4') of the Single European Sky performance and charging framework, which runs from 2025 to 2029 (the 'Revised PP Final Decision'). This document follows the publication of our draft proposal (the 'Revised PP Draft Decision'), a consultation meeting with stakeholders on the IAA's proposals, and a period for written submissions, all of which have been taken into consideration in arriving at the Final Decision.

1.2 The original draft RP4 Performance Plan was submitted to the European Commission (the 'Commission') in October 2024. In total, in nominal prices, the original draft Performance Plan allowed for Determined Costs of €1.08bn for all entities for all 5 years 2025 to 2029. Of that, approximately €922m related to our forecast costs of AirNav Ireland, €58m to Met Éireann's Aviation Services Division ('Met ASD'), and the remaining €97m to EUROCONTROL, the IAA, and State policy costs.

1.3 In March 2025, the Performance Review Body ('PRB') of the Single European Sky published its assessment of the draft Performance Plans submitted on behalf of all Member States. With respect to the Safety targets, Environmental targets, and Capacity targets, the PRB concluded that the targets should be approved. However, the PRB concluded that the Cost-Efficiency targets in the original draft Performance Plan should not be approved by the European Commission on the basis that the short- and long-term Determined Unit Cost (DUC) trends were inconsistent with the Union-wide targets.

1.4 Having regard to the findings and advice of the PRB, on 16 May 2025, the European Commission included the Irish draft Performance Plan among those found to be inconsistent with the Union-wide Cost-Efficiency target. Consequently, it is necessary for the IAA to submit, within three months of the decision of the European Commission, a revised draft Performance Plan pursuant to Article 14 of Regulation 317/2019[1] (the '2019 Regulation').

1.5 As part of the Revised PP Draft Decision[2], we modelled a number of different permutations in respect of possible revisions to the draft Performance Plan to assess, in each case, the impact such amendments would have on various aspects of the plan. We proposed to adopt Scenario 1.2, stating our belief that it was the most appropriate revision to the draft Performance Plan, together with a proposal to add further local capacity targets, based on staffing levels, and associated incentive schemes. We also considered that there was a reasonable case for the adoption of Scenario 1.3. Aside from the supplementary local capacity targets in respect of staffing level KPIs, we did not propose otherwise to adjust the targets in the KPAs of Capacity, Environment, or Safety.

Final decision

1.6 Having reviewed the submissions, we have decided to adopt Scenario 1.3 as the most appropriate revision to the draft Performance Plan (the 'Revised PP'). Relative to the Draft Decision, the Revised PP includes an additional c.10% reduction to AirNav Ireland's new investment allowance. The Revised PP, as outlined in the Draft Decision as Scenario 1.3, includes the following adjustments:

- IAA supervision costs are updated to take account of a new, lower pension contribution rate.

[1] EUR-Lex - 02019R0317-20250101 - EN - EUR-Lex
[2] consultation-on-revised-draft-performance-plan-for-air-navigation-services-in-ireland-for-rp4.pdf

- A baseline adjustment of c.€125k is included for both 2019 and 2024 to account for ICAO space weather costs.
- A baseline adjustment of c.€560k is also included for 2024 to account for a once-off EUROCONTROL CEF refund, which has artificially reduced the EUROCONTROL actual costs in 2024.
- As requested, all 2024 actual costs, traffic, and inflation figures now reflect the outturn values.
- As requested, inflation forecasts for 2025-2029 are updated to reflect the most recent IMF forecasts, which are similar to, but generally somewhat lower than, the April 2024 forecasts.
- A further c.10% reduction to the allowance for AirNav Ireland's new investments over RP4 is included, bringing the total reduction to c.30%, excluding the TopSky ATC One allowance.

1.7 We have also decided to implement the additional capacity targets and incentive schemes largely as proposed, but have adjusted the rebate calculation mechanism such that the rebate per undelivered new ATCO/Engineer aligns with our forecast average cost per new ATCO/Engineer for the relevant year, including pay and pension only.

1.8 With the adjustments made under the Revised PP, total Determined Costs reduce by c.€8.6m in real terms relative to the previous draft Performance Plan. Of this, €8.3m relates to AirNav Ireland's Determined Costs. Supervision/State Determined Costs reduce by c.€0.9m. Met ASD's Determined Costs increase marginally by c.€0.6m due to the relocation of ICAO space weather costs, which is offset by the removal of these costs from the Supervision/State category, and is therefore cost-neutral.

Table 1.1: 'Real' Determined Costs by Entity, €millions

		2025	2026	2027	2028	2029	Total RP4
Previous PP	AirNav Ireland	152.1	161.2	165.0	169.6	175.2	**823.0**
	Met ASD	10.2	10.4	10.4	10.2	10.2	**51.5**
	NSA/Supervision	17.9	18.0	17.9	17.7	17.6	**89.2**
	Total	**180.2**	**189.6**	**193.4**	**197.6**	**203.0**	**963.7**
Revised PP	AirNav Ireland	151.2	159.7	163.1	167.7	173.0	**814.7**
	Met ASD	10.4	10.5	10.6	10.3	10.3	**52.1**
	NSA/Supervision	17.7	17.8	17.8	17.6	17.5	**88.3**
	Total	**179.2**	**188.1**	**191.4**	**195.6**	**200.8**	**955.1**

Source: IAA Calculations

1.9 Under the Revised PP, the short-term DUC trend increases from +2.0% in the previous draft Performance Plan to +2.1%, as a result of the lower 2024 DUC baseline outweighing the lower 2029 cost forecast. Conversely, the long-term DUC trend reduces from +1.0% to +0.9% as a result of the lower costs. However, when the cost of measures required to meet the capacity targets are taken into consideration, both the short- and long-term Union-wide DUC trend (-1.2% and -1.0% respectively) are outperformed.

1.10 Under the newly added local capacity targets based on staffing level KPIs, AirNav Ireland will be required to either meet our target staffing levels in respect of ATCOs and Engineers for each year, or else be subject to a cost-related rebate of up to the maximum permissible 4% of Determined Costs.

2. Revision Scenarios

2.1 In the Revised PP Draft Decision, we modelled a number of permutations in respect of possible revisions to the draft Performance Plan to assess, in each case, the impact on various aspects of the plan. We grouped these permutations into two categories:

1. Those which do not provide for *ex-post* risk and incentive reallocation, in particular by remaining based on the current *ex ante* traffic forecast (STATFOR base forecast of February 2024).
2. Those which provide for *ex-post* risk/incentive reallocation (i.e. in particular by updating the traffic forecasts based on *ex post* developments).

2.2 In respect of the En Route traffic forecasts, we noted that there has been a degree of volatility in the forecasting trend and traffic composition, with the October 2024 En Route forecast being significantly higher than February 2024 in terms of Service Units (but lower in terms of IFR movements). This trend then inverted in the February 2025 forecasts, with Service Units falling back below even the February 2024 forecast. We also noted that the May 2025 short-term update showed a further inversion, with traffic back closely in line with the original February 2024 forecast again. With respect to Terminal traffic, we considered that the more recent Terminal forecasts likely understated traffic over RP4, on the basis that current development consent issues at Dublin Airport are addressed.

2.3 We therefore assessed that, in the case of both Terminal and En Route, having regard to local circumstances and recent data, the February 2025 forecast represented a trough which understated the likely traffic growth over RP4.

2.4 In total, six scenarios were shortlisted for modelling: 3 which provided for *ex-post* risk and incentive allocation by updating the traffic forecasts from those of February 2024 to those of February 2025, and 3 which did not provide for ex-post risk and incentive allocation (i.e., maintained the February 2024 traffic forecasts). More details on the scenarios assessed and resulting Determined Costs, Unit Rates, and the DUC trends can be found in Section 3 of the Revised PP Draft Decision.[3]

2.5 We noted that, net of the costs associated with measures required to meet the capacity targets, all of the scenarios assessed, including the previous draft Performance Plan as of November 2024 (Scenario 1.1) generate both a short- and long-term trend which matches or outperforms the Union-wide cost-efficiency target trends.

2.6 Of the scenarios assessed, our initial position was that the most appropriate revision to the draft Performance Plan would be to apply Scenario 1.2, together with adding further local capacity targets, and associated incentive schemes (as addressed in Section 3 below). We also considered that there was a reasonable case for Scenario 1.3, which in addition to Scenario 1.2, included a further c.10% reduction to AirNav Ireland's capital costs forecast, bringing the total decrease to c.30% relative to AirNav Ireland's Business Plan proposal (excluding costs associated with TopSky ATC One). We also noted that we would consider any other specific changes which might be proposed, or specific submissions or evidence which might be provided, in respect of any other suggested changes.

2.7 We explained that there are two main (but related) reasons for the assessment that Scenario 1.2 (or Scenario 1.3) was the most appropriate revision to the draft Performance Plan, and in

[3] consultation-on-revised-draft-performance-plan-for-air-navigation-services-in-ireland-for-rp4.pdf

particular for not updating the traffic forecasts based on *ex post* developments:

- It is better aligned with the interests of current and future airspace users.
- It is consistent with general principles of incentive based economic regulation, and appears to be better aligned with the scheme of the 2019 Regulation.

2.8 We noted that, without prejudice to the second bullet point, insofar as the 2019 Regulation is instead interpreted to mean that the default position is that traffic forecasts should be updated based on *ex post* developments when the draft Performance Plan is being revised pursuant to Article 14, then local factors would in any case justify the retention of the February 2024 traffic forecast rather than replacing it with the STATFOR February 2025 forecast.

2.9 Ultimately, for the reasons set out in detail in Section 4 of the Revised PP Draft Decision, we noted that the 2019 Regulation does not require traffic updates (and, in particular, does not require traffic forecast updates based on *ex post* developments) when revising the draft Performance Plan under Article 14. We also noted that there is precedent for both approaches from RP3, and gave various examples where traffic forecasts were not amended. We stated that under the general principles of incentive regulation, regardless of the sector, there should be consistency in the timing of the forecasting assumptions used within the building blocks.

2.10 With respect to the interests of current and future airspace users, we noted that in respect of En Route, the result of changing the traffic forecasts to reflect the February 2025 base case scenario would be to set essentially the same unit rates, but expect AirNav Ireland to deliver fewer ATCOs in return for the same revenue stream under the centreline scenario. For Terminal, the main result would be to set significantly higher unit rates, i.e. to increase the revenue stream at the expense of users.

2.11 We explained that these outcomes would arise from AirNav Ireland benefitting from the Traffic Risk Sharing (TRS) mechanism by a total of €15m as a result of this reallocation of traffic risk within the period (€7m in En Route and €8m in Terminal). These values, we noted, reflect the differences between the February 2024 and February 2025 base forecasts, and are now known, given that actual traffic figures will ultimately materialise regardless of whether or not we update the forecast (i.e. the figure of €15m will definitely materialise, as either an absolution from materialised downside risk or as an additional benefit from materialised upside risk). The TRS parameters were set in line with the standard TRS parameters when the draft Performance Plan was drawn up under Article 10.

Responses Received

2.12 We received submissions on this topic from Aer Lingus, AirNav Ireland, the AirNav Ireland Staff Panel (the 'Staff Panel'), British Airways ('BA'), IATA, IAG, and Ryanair.

Scenarios and Forecasts

2.13 AirNav Ireland submits that in the current draft Performance Plan, c.€55m has been '*removed*' from its five-year plan by the IAA, and it has sought to amend its planning in accordance with this, while accepting it may need to spend beyond the modelled allowance in certain areas. It does not however attempt to re-open this disagreement and accordingly supports Scenario 1.2, although, with respect to the update to the IMF inflation forecasts, it submits that the current Collective Labour Agreement (CLA) was negotiated based on the current inflation assumptions (IMF April 2024), and states that the PRB's assessment fails to have

regard to this when '*insisting*' that a more recent inflation forecast is now used.

2.14 AirNav Ireland further submits that, although a new traffic forecast is due from STATFOR in the coming weeks, it does not believe that the RP4 decision should completely change again as a result of this upcoming update, as the regulatory model is designed to provide some certainty for medium-term planning. As a result, such *ex post* forecasts should not be considered.

2.15 The Staff Panel also supports Scenario 1.2, and states that recognition by the IAA that adequate staffing is crucial to deliver necessary capacity is welcome.

2.16 Of the scenarios modelled, Aer Lingus, BA, and IAG support Scenario 1.3, and also state that they agree with the IAA's rationale for not updating the traffic forecasts so as to take account of the *ex post* February 2025 forecast. Aer Lingus submits:

'Of the scenarios proposed, Aer Lingus supports Scenario 1.3 as the most appropriate and balanced option. In our view, Scenario 1.3 offers the best path toward delivering the required improvements in capacity, accountability, and performance deliver[y] whilst to some extent mitigating the continued failure to hit cost efficiency targets through various adjustments to cost and baseline plus a more realistic approach to AirNav Ireland's investment plan.'

2.17 While stating their support for Scenario 1.3, Aer Lingus, BA, and IAG express surprise that none of the scenarios modelled by the IAA met the cost efficiency targets (without recourse to capacity measures), and state that it would have been useful to model such a scenario to fully understand the impact this would have had on performance. IATA makes a similar submission.

2.18 Aer Lingus, BA, and IAG all welcome what they describe as the IAA's constructive response to the PRB's assessment of the previous draft Performance Plan, and they appreciate the clarity and extensive work behind the revised proposal. They also recognise that from the outset, our approach has involved '*essential challenges*' to AirNav's submissions across all cost areas, which Aer Lingus describes as *'extensive and diligent*'. They nonetheless reiterate that they believe that the previous draft Performance Plan was overly generous and inconsistent with the Union-wide unit cost target of -1.2%, and all further reiterate that in response to the initial draft Performance Plan consultation, they questioned whether *'the emphasis on capacity to the detriment of cost-efficiency targets was reasonable in light of the good capacity performance and the failure to meet the cost-efficiency targets'*.

2.19 IAG and BA submit that the proposed revised draft Performance Plan *'appears to meaningfully attempt to develop a plan in line with IAA's objectives of setting fair and reasonable prices and incentivising the service provider appropriately to deliver value.'*

2.20 IATA asserts that our interpretation of the 2019 Regulation *'appears selective and inconsistent with established precedent'*, and that *'the refusal to incorporate ex-post data, namely the uplift of the latest STATFOR Feb 2025 forecast contradicts the principles of adaptive and evidence-based regulation.'* IATA claims that *'applying the additional actual results in relation to the uplift of ICAO Space WX costs, return of CEF funding, reductions in Pension costs, application of actual 2024 costs and traffic and updating the new baseline for latest IMF inflation figures, without applying the updated forecast, appears inconsistent.'* IATA claims that using the February 2025 STATFOR forecast would likely require the IAA to comprehensively reassess all other building blocks.

2.21 IATA claims that the PRB *'insist'* that the most recent forecast available should be used when revising a draft Performance Plan. While acknowledging that retaining the previous forecasts

is in the interests of airspace users in this case, IATA asserts that what it describes as a "Mix and Match" approach will not be *'received positively'* by the European Commission.

2.22 Ryanair states that the Terminal Unit Rate is set to rise from €168 in 2025 to €182 in 2029 representing an increase of 8% over the course of RP4. It questions the increase in depreciation in 2029, which appears to be driving the Terminal cost base upwards at the end of the period, and questions the timing and justification of Terminal-related capital investments. Ryanair also states it would welcome further clarity from AirNav Ireland on which specific investments are contributing to this increase in depreciation, and whether the timing of these costs could be aligned to avoid concentrated pressure on airlines in the final year of RP4.

IAA response

2.23 We note the general agreement among airlines, AirNav Ireland, and the Staff Panel, with our draft position that we should not change the traffic forecast in the current draft Performance Plan for the reasons which we set out. The only difference between Scenario 1.2 (supported by AirNav Ireland and the Staff Panel) and Scenario 1.3 (supported by airlines) is whether we retain the original 20% programme level downward deliverability adjustment to the capital costs forecasts, or increase it to 30% as per Scenario 1.3. On the other hand, IATA appears to support updating the traffic forecasts so as to use the February 2025 forecasts (as the modelled scenarios 2.1, 2.2, and 2.3 do).

2.24 We note the submissions from airspace users in respect of modelling a scenario which would meet the DUC target trends without recourse to capacity measures, by striking, insofar as necessary, a different balance between cost and capacity/resourcing. We understand this to mean a scenario where the costs would be target-trend-led rather than input-driven. This prospect was addressed in Section 5 of the Revised PP Draft Decision, in particular from paragraph 30. As outlined, such a scenario would require AirNav Ireland to reduce rather than increase its operational staffing levels, notwithstanding the unambiguous and unchallenged finding from our bottom-up analysis that this is the opposite of what is required. We note again that airspace users broadly supported the IAA's cost forecasts and assumptions (which were lower than those of both ANSPs) when the draft Performance Plan was being drawn up, in particular supporting our forecast efficient ATCO and Engineer staffing levels. We also note the continued support for the major "lumpy" investments in the ATM systems, which, given that the current ATM system is asset-life expired, is another major driver of the increase in the DUC trend.

2.25 Because efficient ANSP costs are relatively inelastic to traffic, the DUC trends are primarily driven by traffic, as well as by the point in time in the investment cycle. As previously noted by the PRB, performance relative to the target trend may be primarily linked to the actual and forecast evolution of Service Units since the relevant baseline year, rather than by true cost efficiency developments relative to the cost efficiency frontier. For that reason, a high-level metric such as the DUC trend is relevant to, but will never be determinative of, cost efficiency relative to the frontier.

2.26 For example, even if all of the Opex-related capacity measures were excluded entirely from the cost forecast, this would still not be sufficient to generate raw DUC trends in line with the targets. We did not think that such a scenario was reasonably open to us on the evidence here, and so this scenario did not make the shortlist of specifically modelled scenarios which we set out. As noted, we were open to considering any further specific evidence or substantive submissions to the contrary, however no such submissions have been made (as addressed further in the following subsection).

2.27 IATA's suggestion that there is an internal inconsistency in Scenarios 1.2 and 1.3, in that we proposed not to update the traffic forecasts while changing other elements of the draft Performance Plan, is incorrect. Those proposals are fully consistent with our established precedent, and more specifically in the context of the 2019 Regulation, there is established precedent from RP3 for not changing the traffic forecasts in such a scenario. The reasons for our proposed approach in relation to traffic forecasts do not apply in the case of the other elements referenced by IATA. Most of these were already addressed/explained in the Revised PP Draft Decision. We note/reiterate the following:

- The ICAO space weather costs were already included in the previous draft Performance Plan. We have now included these same costs within the baseline adjustments, which is consistent with the 2019 Regulation but was not considered necessary previously, given the low materiality. This does not, of course, rely on *ex post* data or developments, and is unrelated to the allocation of traffic and cost risk required by the 2019 Regulation, and does not run contrary to the interests of users (or any other party).
- In respect of replacing the forecasts of 2024 cost, traffic, and inflation figures with the actuals for the purposes of the short-term DUC baselines, as already set out at paragraph 4.12 of the Revised PP Draft Decision, we agree that it is not apparent that such a change is required when revising performance targets pursuant to Article 14. However, that is because of the text of the 2019 Regulation, not because, as suggested by IATA, it engages the same issues as updating the traffic forecasts for 2025-2029. The DUC baseline is not a component of the cost or traffic forecasts for RP4, and consequently is not an element of traffic or cost risk which must be allocated in line with the provisions of the 2019 Regulation. The effect of using the actual 2024 Unit Cost is to generate a somewhat disimproved short-term En Route DUC trend (all else equal, and net of capacity measures, from -1.8% to -1.5%), and to significantly improve the short-term Terminal trend (all else equal, from 1.4% to 0.4%). Consequently, whichever figures are used for the DUC baseline is moot, and we agreed to propose using the actual DUCs here.
- A corollary of using the 2024 actual EUROCONTROL costs for the 2024 DUC baseline is to include a baseline adjustment for the EUROCONTROL CEF refund, as explained under that scenario.
- In respect of the pensions costs, we reiterate that this change applies solely to the IAA's own pensions costs. As explained at paragraph 3.9 of the Revised PP Draft Decision, the IAA is a full cost recovery entity, which does not charge a cost of capital and whose costs are at the risk of airspace users and passed through to the Unit Rates, in any case. Consequently, lowering the IAA's pension costs within the revised draft Performance Plan does not engage any of the same questions of the risk allocation as it does in respect of the ANSPs. This does not, of course, run contrary to the interests of users (it does the inverse) nor engage the interests of any other stakeholder.
- In respect of the potential to update the inflation inputs, in that case we agree with IATA that this would rely on *ex post* data from within the regulatory period. However, the 2019 Regulation allocates inflation risk to airspace users, already expressly providing for the regulated revenue stream to be adjusted within the regulatory period on the basis of the difference between forecast and outturn inflation. This is a standard approach to incentive-based economic regulation, which is typically carried out in real terms; for example, Dublin Airport's price cap is also updated annually based on *ex post* inflation data. Consequently, amending the *ex ante* assumption does not interfere with the allocation of cost and traffic risk to the regulated entities. For the same reason, AirNav Ireland's complaint regarding its CLA having been negotiated based on earlier inflation forecasts is without substance. The slightly lower new inflation assumptions will be offset by a corresponding change in the future inflation adjustments. Where it is not index-linked, any such CLA is inherently subject to the prospect that outturn inflation will differ from the assumptions underlying the CLA; a regulated entity is no different, and this is an element of business risk which is remunerated through the cost of equity. Consequently, we agreed to propose updating the inflation inputs. It should also be

noted that the new inflation forecasts are not very different from the previous ones, and of course have not led to any real changes in the Determined Costs which are subject to inflation adjustments.

2.28 Contrary to IATA's submission, the current guidance published by the PRB does not *'insist'* that traffic forecasts must be updated when performance targets are being revised pursuant to Article 14. As explained in the consultation meeting, the guidance refers to updating the traffic forecast *'where appropriate'*. As there will always be a more recent traffic forecast available when the performance targets are being revised pursuant to Article 14, it follows from the wording of the guidance that it contemplates that in some scenarios, such an update will be appropriate, while in other scenarios, such an update will not be appropriate. As outlined in the Revised PP Draft Decision, this is consistent with the approach taken by other NSAs in RP3, where there are examples of traffic forecasts both being updated, and not being updated, when a revised draft Performance Plan was submitted pursuant to Article 14.

2.29 Insofar as the referenced paragraph of the PRB guidance suggests a different interpretation as to whether the default position in the 2019 Regulation is that *ex post* traffic developments should be taken into account when revising the performance targets under Article 14, here, such an update is in any event inappropriate having regard to local factors and the most recent data. On that interpretation, the current traffic forecast can be considered a local forecast which takes account of the various local factors we outlined, and which has received cross-stakeholder support. On either interpretation, therefore, there is no basis to criticise the current traffic forecast as being non-compliant with the 2019 Regulation.

2.30 IATA should note that such guidance cannot, in any case, be binding generally, nor could it fetter discretion in respect of the traffic forecast building block, which is a matter which must be subject to consultation. The same guidance notes separately that any revision should *'not comprise changes to traffic forecast figures in respect of the calendar years which have already ended – those figures should not be retroactively corrected in line with actual traffic numbers'*. This is in line with the IAA's interpretation.

2.31 It should further be remembered that the Union-wide targets (including the DUC and ATFM delay targets) are themselves based on the traffic forecasts of February 2024; any such *ex post* update generates an inherent mismatch and inconsistency between Union-wide and local targets. It is difficult to understand why the 2019 Regulation would expressly require the Union-wide targets for RP4 to be based on the February 2024 forecasts, if it had been intended that those same forecasts were to be dispensed with when it came to setting revised local targets under Article 14, without any corresponding traffic-forecast-based update to the Union-wide targets and reference values against which those revised local targets will be assessed.

2.32 Contrary to IATA's bare assertion, there is no applicable principle of *'adaptive and evidence-based regulation'* which requires updates to the cost and/or traffic building block assumptions on the basis of *ex post* developments, which is contrary to the concept of incentive regulation as provided for by the 2019 Regulation. Taking this assertion to its conclusion, IATA is suggesting that cost passthrough is the form of regulation which is the most '*adaptive and evidence-based'*, notwithstanding its general support for multiannual incentive-based regulation of airport operators and ANSPs.[4]

2.33 Overall, therefore, we have not made changes on the above points relative to the version of Scenarios 1.2 and 1.3 as consulted upon. We note the absence of substantive disagreement

[4] For example, as described here: https://www.iata.org/contentassets/fa95ede4dee24322939d396382f2f82d/economic-regulation.pdf

on these points, save for AirNav Ireland addressing the inflation update. In particular, there is broad support across airlines, AirNav Ireland, and the Staff Panel, for retaining the traffic forecasts in these scenarios. Nor, unlike the traffic forecasts, do these issues give rise to any question of whether the most recent data is reliable, having regard to local circumstances. In any event, aside from the foregoing points of principle and statutory interpretation, IATA does not provide any substantive evidence or submission in relation to the traffic forecast itself, such as in relation to our assessment (with which all other respondents have agreed) that the February 2025 STATFOR Base forecast was well below centreline due to specific temporary local factors.

2.34 That leaves the question of selecting between Scenario 1.2 or 1.3. As set out in the Revised PP Draft Decision, our provisional position was marginally in favour of Scenario 1.2. However, on balance, on the basis of the submissions received from airlines and the discussions at the consultation meeting, we have decided to implement Scenario 1.3.

2.35 It is important to reiterate, as we did at the consultation meeting, that if AirNav Ireland is able to overall out-deliver the level of investment assumed by us, and instead efficiently deliver at or closer to the level of investment it outlined in its Business Plan submission, associated efficient capital costs will be remunerated from RP5. This was a component of our decision which should be noted by AirNav Ireland for the purposes of its internal approval processes. On the other hand, if AirNav Ireland were to under-deliver even relative to Scenario 1.3, over-remunerated capital costs will similarly be clawed back from RP5. As outlined previously, this flexibility is subject to the biannual Capex monitoring and reporting submission to be made to the IAA in respect of all projects, and subsequently published. It is also subject to the requirements of the 2019 Regulation in respect of further specific consultation and IAA approval on any proposal to add, cancel, or replace a Major Investment (within the meaning of the 2019 Regulation) which has been included in the Performance Plan.

2.36 In those circumstances, the choice between Scenario 1.2 and 1.3 is therefore not a determination by us as to the specific investments which AirNav Ireland is permitted to make over RP4, but rather an assessment of the overall level of investment most likely to occur, and consequently the level of capital costs most likely to materialise on a centreline basis. It is also, therefore, a decision on who should bear the cashflow risk in respect of delivery. That is, if AirNav Ireland capitalises less value than we assume, airlines will initially bear a cash flow deficit before this is offset in subsequent years. If AirNav Ireland capitalises more value than we assume, AirNav Ireland will initially bear the cash flow deficit before this is offset in subsequent years. As per the financeability assessment we carried out when drawing up the draft Performance Plan, AirNav Ireland will have no difficulty in financing any such deficit.

2.37 As noted by, for example, Ryanair, AirNav Ireland significantly underdelivered on Capex relative to Performance Plan assumptions in both RP2 and RP3, and significant cashflow detriment has been borne by users over that period as a result. Scenario 1.3 further reduces the scope for such an outcome to be repeated to the same extent in RP4, and for airspace users to be charged unduly high unit rates during RP4 itself in respect of investments which have not been delivered. It should be remembered that, leaving aside the outlier in the form of the new control tower at Dublin Airport, Scenario 1.3 still provides for a significant increase in investment relative to that which AirNav Ireland has delivered in those reference periods, which will require to be supported by various measures such as the increase in Engineers assumed in our forecast.

2.38 Finally, in relation to Ryanair's submission on depreciation, we refer to the published financial model which shows the depreciation profile of every asset in the draft Performance Plan, and how these translate to the annual capital costs. The reason for the sharp increase in

depreciation (as well as the cost of capital) in 2029 is because of the forecast capitalisation of the new TopSky ATC One ATM system, which is a typical example of a "lumpy" investment.

Capacity Measures

Submissions Received

2.39 IATA asserts that *'it could be argued'* that *'many'* of the additional cost proposals are not exclusively linked to capacity improvements, and that there is no evidence of any prolonged capacity issues in Ireland. It asserts that the evidence presented is insufficient to support the application of Annex IV(1.4(d)) of the 2019 Regulation.

2.40 IATA submits that it sees little evidence of a requirement for €116.4m additional cost in RP4, stating that AirNav Ireland has continually outperformed the En Route capacity targets in every year of the past ten, noting some '*challenges*' for delivery appearing in relation to the Terminal targets. Overall, IATA states that AirNav Ireland has delivered their targets over the past 10 years, and maintained '*excellent*' cost efficiency performance, which IATA believes makes the '*continued push for additional cost*' difficult to comprehend.

2.41 IATA further states that, in respect of the Engineers measure (#2), it remains unclear as to the exact number required and for what functions they will be deployed. It states that this is evidenced by our willingness to potentially adopt Scenario 1.3, which involves a further reduction in assumed Capex, as outlined above. IATA suggests that this is at odds with the asserted requirement to increase Engineering headcount to deploy not only the planned Capex, but additional measures listed in Annex R.

2.42 The Staff Panel makes a number of submissions:

- The Staff Panel does not agree with the assessment that the current high ATCO attrition rate is 'business-as-usual', and points to ATCO attrition up to the end of RP2 as being low, mainly driven by retirements. It states that higher ATCO attrition is a new phenomenon which has placed AirNav Ireland in an unsustainable staffing position. It further states that costs associated with reversing higher rates of ATCO attrition should be included in scenario modelling.
- With respect to Engineer staffing levels, the Staff Panel makes the same submissions.
- The Staff Panel supports the recruitment of new OMS staff.
- In respect of other non-staff Opex, the Staff Panel supports this capacity measure, but suggests that the assumed pass-rate is overly ambitious.
- The Staff Panel supports the investment in the new ATM system.
- The Staff Panel supports the National RADAR upgrades and the other minor capacity projects identified.

2.43 Ryanair acknowledges the under-resourcing risk identified by CEPA/Think, but remains concerned about delivery credibility, and would welcome an update or summary on ATCO training, including whether there are any known constraints in terms of recruiting, simulator access, instructor availability, or overall training capacity, and whether the plan to train 123 candidates over RP4 is realistically achievable given current pass/fail rates. Ryanair similarly refers to the fact that expected retirement rates among ATCOs during RP4 is expected to rise, and asks how this is being accounted for.

2.44 Ryanair also submits that AirNav Ireland's historical performance during RP2 and RP3 indicates it has not delivered on its budgeted Capex, highlighting that key elements of the

capital programme, such as the contingency ATM system and RADAR upgrades, were not delivered as planned. It reiterates it support for investments in TopSky ATC One and contingency ATM systems, but given previous under delivery, would welcome clear enforceable delivery milestones along with annual progress reporting across all major RP4 projects.

IAA response

2.45 We note that the Staff Panel reiterates its support for the proposed measures. In respect of the calculation of the ATCO measure, we agree that a significant increase in attrition has been observed during the latter half of RP3, which requires to be offset with increased recruitment. This is arguably not 'business-as-usual' in comparison with periods when attrition was very low (e.g. 2019). This reflects the difficulty with the purported addition of a 'business-as-usual' limb to the test specified by Annex IV(1.4(d)(i)), which we considered in detail in Section 5 of the Revised PP Draft Decision. We also outlined that there are examples from RP3 where staff related capacity measures were indeed calculated in the more expansive manner suggested by the Staff Panel.

2.46 However, we note that recruitment to offset attrition should not, in general, generate significant step increases in cost, regardless of whether or not the level of attrition increases. That is because it is primarily a replacement of the cost of an existing staff member with the cost of a new staff member. Here, we note that the question should be moot in any case, given that the measures as calculated by us are already sufficient to bridge the gap between the local and Union-wide En Route DUC targets. For these reasons, we continue to calculate the staffing measures on the basis of incremental staff above the baseline, rather than on the basis of all new recruitment.

2.47 Relatedly, in respect of Ryanair's submission, we confirm that both achievability assumptions, including the higher attrition rates, are included in our forecast ATCO staffing levels, as outlined in the CEPA reports. Rather than annual progress reporting against Capex delivery milestones, as in RP3 we intend to obtain and publish such reports from AirNav Ireland on a biannual basis.

2.48 In respect of IATA's submissions, we note that IATA does not engage with the substance of the assessment and evidence outlined in the Revised PP Draft Decision, nor in respect of the material outlined in previous publications, while claiming that the supporting evidence is '*insufficient*'. It also reiterates high level assertions that have already been made by other parties, and considered by us in detail in that material. IATA does not address the specifics as outlined in that material. IATA then asserts that '*it could be argued*' that we are incorrect in our analysis of the capacity measures and the application of Annex IV(1.4(d)(i)), but does not go on to make any such argument.

2.49 In drawing up the draft Performance Plan, we conducted two substantive public consultation processes in 2024, supported by various reports and models, with a total of nine weeks allowed for submissions across both. Those followed from a separate "timeline and process" public consultation which we issued in 2023. While IATA attended the consultation meeting, it did not respond to either the Issues Paper of January 2024 in which we consulted on these proposed methodologies, nor to the Draft Decision published in July 2024 in which we laid out the full draft forecasts. These are the optimal times to respond appropriately and make specific submissions to feed into the balancing exercise which the IAA is required to undertake. Not doing so, and then at this point barely asserting that the analysis is not '*convincing*' or the evidence is '*insufficient*' is not the way to engage effectively in such a process. Like any consultation and administrative decision-making process, it is for IATA and other interested parties to make properly substantive submissions at the appropriate time,

supported by specific evidence and/or reports where appropriate. We will then take proper account of those submissions and explain why they have or have not been accepted.

2.50 In respect of the Engineers forecast, contrary to what IATA asserts, the exact basis upon which the specific forecast requirement has been assessed, including in respect of the envisaged split between routine maintenance, additional regulatory requirements, and capital investment planning and delivery, was set out in the CEPA reports and summarised in our final decision of October 2024. We do not see any inconsistency between our adopting Scenario 1.3, while assessing that there is a requirement for AirNav Ireland to increase the number of Engineers to improve its ability to deliver investments. As noted above, the capital cost forecast in the draft Performance Plan is just that; a forecast of centreline capital costs which aims to apportion delivery timing risk fairly. It is not a limitation on the actual delivery by AirNav Ireland of the investment programme, of which we remain supportive. Scenario 1.3 nonetheless is premised on a significant increase in the level of investment, as outlined above.

2.51 In respect of the figure of €116.4m referenced by IATA, it should be noted that this is in nominal terms. As outlined in the PRB assessment report, the total value of the capacity measures in the previous draft Performance Plan as submitted last year was c€106m over RP4, and is now c€103m in real prices. Further, it should be noted that these measures are more than sufficient, as opposed to being just sufficient, to bridge the gap between the DUC trend and the target (generating a net DUC of -1.5% rather than -1.2%). To align with the short-term target trend by 2029 in raw terms, the real 2029 costs would need to be c€25m below our forecast efficient level.

Other Issues

Submissions received

2.52 Aer Lingus states that it is concerned by the prospect of revising the capital cost forecasts through top-down reductions, rather than through a structured prioritisation process. It believes that a more appropriate and robust approach would involve a bottom-up review, identifying investments that are essential to safety, regulatory compliance, operational efficiency, or measurable passenger benefits. In particular, Aer Lingus recommends that we:

- Apply clear and objective criteria to project selection.
- Introduce post-investment assessments to verify the delivery of benefits as promised to airlines and passengers.
- Avoid including projects with a history of delay or underperformance unless accompanied by clear recovery plans.

2.53 IATA states that AirNav Ireland's zero-delay performance internal ambition is not supported by airlines, and that airspace users expect efficient cost for the appropriate level of service quality. It also states that during RP2 *'used as a comparator for the last full reference period'*, AirNav Ireland *'underspent on all areas of determined cost, while managing traffic significantly above plan (avg +8%), with no service quality issues, and in fact bonuses awarded for Capacity delivery'*. It also claims that, despite the asserted challenges, AirNav Ireland posted '*significant net profits through 2022-2024*'.

2.54 IATA suggests that the challenge in hiring and training seems to be rooted in the Covid-19 period, during which AirNav Ireland paused the training of ATCOs. It submits that, based on the additional information on hiring, training and retaining ATCOs, it appears that the classes "missed" during the COVID period should have been caught up by now, either through

enhanced training and or direct entry hiring. IATA says that this could have provided some *'alleviation to the ongoing proposed cost developments'*.

2.55 IATA also disputes AirNav's assertion that the overreliance on overtime would be alleviated in the medium term if it progresses the capacity measures. IATA asserts that this *'does not tally, as additional training staff would be required to enable the training plan and would in turn surely generate additional overtime to cover their absence in the front-line operation for instructors and OTJI in the various working positions.'*

IAA Response

2.56 In respect of Aer Lingus' submission regarding a bottom-up rather than top-down deliverability assessment, the basis for taking a top-down approach to deliverability has been outlined in the Draft and Final Decisions from 2024. As set out in those papers, we have already reviewed the projects and the associated input assumptions on a bottom-up basis, and made a number of bottom-up adjustments. In respect of the deliverability adjustment, we note that, in its response to the Draft Decision of July 2024, Aer Lingus submitted that it *'support[s] the IAA's proposal to reduce the overall level of the capex programme rather than focusing on individual projects'*.[5]

2.57 As explained above, the further top-down adjustment is imposed on the basis of balancing appropriately the cashflow risk with regard to the timing of project delivery. It does not reflect any changed view as to the merits or eligibility of the individual projects. In our experience, and aside from the specific delivery challenges which have previously been observed with AirNav Ireland, no multiannual investment programme is ever delivered precisely in line with the assumptions underlying the price control. In those circumstances, attempting a bottom-up deliverability adjustment approach, by project, at this time, would be an exercise in false precision which would be unlikely to generate a materially different, or necessarily better, result. As noted above, and as also requested by Ryanair, the ongoing monitoring of cost and delivery of the investment programme, and associated bi-annual publication, will continue in RP4.

2.58 We agree with IATA that the correct approach is to estimate an *'efficient cost for the appropriate level of service quality'*. That is the standard underlying our forecasts. For the avoidance of doubt, as set out previously, the cost forecasts are not estimated so as to ensure zero ATFM delay, notwithstanding whether or not AirNav Ireland may ultimately be able to achieve delay at or close to zero at least in terms of CRSTMP delay.

2.59 In respect of profits over 2022 to 2024, IATA refers to the AirNav Ireland annual reports 2023-2025, which we note are broader than the regulated entity for the purposes of the 2019 Regulation. The regulated entity accounts are published on the IAA website. It is expected that commercial regulated entities such as AirNav Ireland will earn net profits, in particular as provided for by the cost of equity and the incentive-based nature of the regulatory framework. It should be noted that regulated entity profits in 2023 and 2024 are significantly based on accruing adjustments (in particular the inflation adjustments, partly offset by downward adjustments such as in relation to the ATFM delay rebate in 2024) given that, as outlined above, AirNav Ireland spent significantly more than the Determined Costs in nominal terms. Similarly, the relevance of IATA's assertions regarding RP2, to the specific issues at hand here, is not made out.

2.60 We do not see that the question of whether or not AirNav Ireland should have further increased ATCO staffing levels during RP3 is particularly relevant to the questions at hand

[5] aer-lingus-response.pdf

either. It is not explained how hiring more staff sooner would have led to reduced costs and/or improved DUC performance over RP4. The primary effect would likely have been a further increase in cost over RP3. This would have had no effect on the long-term trend baseline, and likely increased the short-term trend baseline. We note that a price control under incentive regulation is an inherently forward-looking exercise where the building block inputs are re-set from one regulatory period to the next. As described in this paper, AirNav Ireland will need to deliver the forecast staffing levels in RP4, or else rebate the associated cost allowances.

2.61 In respect of IATA's submission on overtime, we note that AirNav referred to the medium term rather than 2025/2026, i.e. after a significant number of the additional ATCOs are operational. This is consistent with our overtime forecast, which remained elevated in 2025 but decreased over RP4. It is also consistent with IAG's submissions on overtime from 2024, following which we made some adjustments to our forecast. We also note that, if AirNav Ireland has to incur additional overtime costs relative to our forecast as a result of failing to meet our ATCO target(s), that will be at the risk of AirNav Ireland. This will generate a positive financial incentive to meet our ATCO targets, given that any such failure will also generate a cost-related rebate under the new incentive schemes.

2.62 We note that Ryanair seeks various operational updates which are primarily a matter for AirNav Ireland, and we invite AirNav Ireland and Ryanair to engage directly on such questions.

Final Decision

2.63 In addition to the new incentive schemes addressed in the next section, the draft Performance Plan is therefore revised as follows:

- IAA supervision costs are updated to take account of a new pension contribution rate, which reduces IAA pension costs by just under €0.5m per annum.
- A baseline adjustment of c.€125k is included for both 2019 and 2024 to account for ICAO space weather costs. This baseline adjustment was not included in the original draft Performance Plan and does not affect the cost forecasts for RP4, but does affect the short- and long-term trends relative to 2019 and 2024.
- A baseline adjustment of c.€560k is also included for 2024 to account for a once-off EUROCONTROL CEF refund, which has artificially reduced the EUROCONTROL actual costs in 2024. This does not affect the cost forecasts for RP4, but does affect the 2024 DUC baseline and consequently the short-term trend.
- All 2024 costs, traffic and inflation figures now reflect outturn values. This does not affect the cost forecasts for RP4, but does affect the 2024 DUC baseline and consequently the short-term trend.
- Inflation forecasts for 2025-2029 are updated to reflect the most recent IMF forecasts, which are similar to, but generally somewhat lower than, the April 2024 forecasts. For costs which are estimated in real terms (i.e. AirNav Ireland and MET ASD Opex), the forecast does not change in real terms, but does of course reduce somewhat in nominal terms.
- A further c.10% reduction in the forecast capital costs relating to AirNav Ireland's new investments over RP4 is included, bringing the total reduction to c.30%, excluding the TopSky ATC One related capital costs.
- Separately, following publication of the Revised PP Draft Decision, it was identified that in the case of a number of historic assets, the model was applying the higher WACC proposed by AirNav Ireland in its Business Plan submission rather than the lower WACC determined by the

IAA. Correcting this has slightly further lowered the cost of capital relative to the version previously outlined under Scenario 1.3.

Determined costs

2.64 Table 2.1 shows the changes to the En Route Determined Costs over RP4 as a result of the revision. Over RP4, total En Route Determined Costs fall from €793.4m to €787.1m, a decrease of €6.2m in real terms. Overall, we forecast efficient Determined Costs to increase from €134.1m in 2024 (outturn value) to €165.5m in 2029.

Table 2.1: En Route Determined Costs (€ Millions), 'Real 2022' Prices

	2019B	2024B	2025	2026	2027	2028	2029	Total RP4
Previous PP	127.1	137.7	148.1	156.2	159.1	162.9	167.1	**793.4**
Revised PP	127.2	134.1	147.5	155.1	157.7	161.4	165.5	**787.1**
Net of Capacity Measures								
Previous PP	127.1	137.7	135.3	138.7	136.9	137.9	139.1	**687.9**
Revised PP	127.2	134.1	134.7	137.8	136.0	137.0	138.1	**683.6**

Source: IAA Calculations

2.65 When costs associated with measures to achieve the local capacity targets are removed ('net of capacity measures' in the table above), En Route Determined Costs under the revised draft Performance Plan are c.€4.3m less than the previous draft Performance Plan.

2.66 Table 2.2 shows the Terminal Determined Costs, with reference to the 2019 and 2024 actual costs.

Table 2.2: Terminal Determined Costs (€ Millions), 'Real 2022' Prices

	2019B	2024B	2025	2026	2027	2028	2029	Total RP4
Previous PP	27.2	30.7	33.7	35.5	36.6	37.5	39.0	**182.3**
Revised PP	27.2	30.6	33.2	34.7	35.7	36.6	38.1	**178.3**

Source: IAA Calculations

2.67 Terminal Determined Costs follow a similar trend to those of En Route. Revised Terminal Determined Costs fall by €4.0m relative to the previous Draft PP. We now forecast Terminal Determined Costs to increase from €33.2m in 2025 to €38.1m in 2029, relative to €33.7m rising to €39.0m in the previous draft Performance Plan.

Unit rates

2.68 Under the previous draft Performance Plan, we forecast the En Route Unit Rate to increase from €33.71 in 2025 to €36.24 in 2029 in nominal terms, an increase of 7.5%. We now forecast a Unit Rate rising from €33.31 in 2025 to €35.51 by 2029, an increase of 6.6%. On average, under the revised draft Performance Plan, Unit Rates are 1.1% lower than under the previous draft Performance Plan. We note although the April 2025 IMF inflation forecasts are close to the April 2024 forecasts, some of this reduction has come from the more recent forecasts being slightly lower than those of April 2024.

Table 2.3: Unit Rates (€), Nominal

	2025	2026	2027	2028	2029
En Route					
Previous PP	33.71*	34.40	34.85	35.43	36.24
Revised PP	33.31	34.92	34.18	34.72	35.51
Terminal					
Previous PP	170.37*	177.15	180.47	181.72	187.18
Revised PP	166.52	169.65	172.03	173.56	178.93

Source: IAA Calculations. *Actual unit rates for 2025 which have been temporarily applied.

2.69 With respect to Terminal Unit Rates, the difference between the previous draft and the revised draft is more pronounced. On average, the Terminal Unit Rate is forecast to decrease relative to the previous draft Performance Plan by €7.24 over RP4. We forecast the Terminal Unit Rate to increase from €166.52 in 2025 to €178.93 in 2029, reflecting an increase of 7.5% compared with 9.9% under the previous draft Performance Plan.

Capacity measures

2.70 As already outlined, we have quantified the cost of measures which are necessary and proportionate in respect of achieving the local targets in respect of the capacity KPA. Under the revised draft Performance Plan, there is a €3.4m reduction in the cost of capacity measures relative to the previous draft Performance Plan. The reasons for this are twofold:

- Although we have not adjusted the traffic forecast, and accordingly associated Opex is flat in real terms, the April 2025 IMF inflation forecasts are similar, but slightly lower, than those of April 2024. As a result, there is a decrease in the nominal Opex costs of c€1.4m. This effect is reversed once the real DUC trend is calculated, as the same lower inflation forecast is applied.
- The top-down reduction in the capital cost forecast reduces the forecast capitalisation value of some capacity related projects (but not TopSky ATC One). In total, the nominal capital costs associated with capacity measures investments decreases by c€2m, with some of this decrease resulting from the lower inflation forecasts.

Table 2.4: Capacity Measures Costs (€ Millions), Nominal Prices

		2025	2026	2027	2028	2029	Total RP4
Previous PP	Opex	13.3	17.0	19.3	21.1	22.1	92.8
	Capex	0.8	2.4	5.5	6.9	9.4	25.1
	Total	**14.1**	**19.5**	**24.8**	**28.0**	**31.6**	**117.9**
Revised PP	Opex	13.2	16.8	19.0	20.7	21.8	91.4
	Capex	0.8	2.2	5.0	6.4	8.8	23.2
	Total	**13.9**	**19.0**	**24.0**	**27.1**	**30.6**	**114.6**

Source: IAA Calculations

ATCO requirements

2.71 As noted above, we did not update the traffic forecasts as part of the revision. As a result, there are no changes to our forecast efficient ATCO requirement, which is confirmed in Table 2.5 below. These forecasts are also set as the targets for ATCO staffing level KPI, as set out in Section 3.

Table 2.5: Forecast Efficient ATCO Requirement (Headcount)

	2025	2026	2027	2028	2029
Previous PP	326	343	348	361	364
Revised PP	326	343	348	361	364

Source: IAA

Determined unit cost (DUC) trends

2.72 As outlined previously, the Union-wide short-term En Route DUC target trend is -1.2% per year, while the long-term target trend is -1.0% per year. The short- and long-term cost-efficiency target trends are not met when the trends are considered in their "raw" form, i.e., before considering the costs associated with capacity measures pursuant to Annex IV(1.4(d)). The PRB, in its assessment of the previous draft Performance Plan, has confirmed that the third criterion, in respect of benchmarking the DUC against comparable ANSPs, is already met.

2.73 Net of the costs associated with the measures to meet the local targets in respect of the capacity KPIs, as per Annex IV(1.4(d)(i)), the revised draft PP outperforms both the short- and long-term target trends. The short-term trend is -1.5% relative to the target of -1.2%, and the long-term trend is -1.1% relative to the target of -1.0%. Consequently, we assess that the revised draft Performance Plan meets all three of the criteria specified by Annex IV(1.4) of the 2019 Regulation.

Table 2.6: En Route DUC 'Real' Trends

	2019B	2024B	2029D	2029D vs. 2019 (CAGR)	2029D vs. 2024B (CAGR)
Raw Trends (€)					
Previous PP	27.59	27.29	30.14	1.0%	2.0%
Revised PP	27.61	26.89	29.85	0.9%	2.1%
Net of Capacity Measures (€)					
Previous PP	27.59	27.29	25.10	-1.0%	-1.7%
Revised PP	27.61	26.89	24.92	-1.1%	-1.5%

Source: IAA Calculations

2.74 As appears from Table 2.6, the long-term trend has slightly improved relative to the previous draft Performance Plan, primarily as a result of the lower DUC target for 2029. The short-term trend has slightly disimproved, because in that case the dominant effect has been an actual DUC baseline for 2024 which is lower than was forecast. We forecast the En Route DUC to increase from €26.89 in 2024 to €29.85 in 2029.

2.75 In respect of the Terminal DUC trend, having implemented the adjustments described above, we note a considerable improvement in the Terminal short-term DUC trend, falling from +1.9% under the previous draft Performance Plan to +0.4% under the revised draft Performance Plan. This is primarily due to actual Terminal traffic for 2024 having been considerably lower than forecast, while costs were in line with our forecast, meaning that the 2024 baseline DUC is higher and consequently the trend from 2024 to 2029 improves.

Table 2.7: Terminal DUC 'Real' Trend

	2019B	2024B	2029D	2029D vs. 2024B (CAGR)	2024A vs. 2019A (CAGR)
Previous PP	145.06	149.50	164.42	1.9%	+1.6%
Revised PP	145.06	157.21	160.61	0.4%	+1.6%

Source: IAA Calculations.

2.76 In line with the 2019 Regulation, we have assessed this revised short-term Terminal DUC trend with reference to the short-term En Route DUC trend outlined above, the actual DUC from RP3 of (2019 to 2024), and the DUC at similar airports. Taking each in turn:

- It now significantly outperforms the short term En Route DUC trend (+0.4% as against 2.1%, before capacity measures).
- The short-term Terminal DUC now considerably outperforms the actual RP3 Terminal DUC, which was +1.6%.
- We note that the PRB, in its assessment of the previous draft Performance Plan, confirmed that the Terminal DUC was already significantly below the comparator airports, before the further reductions outlined above have been applied.

2.77 Thus, on each point, the Terminal DUC trend is assessed positively.

Summary

2.78 The impact of the adjustments under the revised draft Performance Plan is shown in Table 2.8. Overall, the total Determined Costs reduce by c.€8.6m over RP4 relative to the previous draft Performance Plan.

2.79 Determined Costs attributed to AirNav Ireland reduce by c.€8.3m. Met costs increase marginally to €52.1m from €51.5m as a result of ICAO Space Weather costs being appropriately allocated to its Other Opex category as opposed to NSA/Supervisory costs. This adjustment is cost-neutral. The reduction in the IAA's pension costs reduces the NSA/Supervision Determined Costs by c.€0.9m over RP4.

Table 2.8: 'Real' Determined Costs by Entity, €millions

		2025	2026	2027	2028	2029	Total RP4
Previous PP	AirNav Ireland	152.1	161.2	165.0	169.6	175.2	**823.0**
	Met ASD	10.2	10.4	10.4	10.2	10.2	**51.5**
	NSA/Supervision	17.9	18.0	17.9	17.7	17.6	**89.2**
	Total	**180.2**	**189.6**	**193.4**	**197.6**	**203.0**	**963.7**
Revised PP	AirNav Ireland	151.2	159.7	163.1	167.7	173.0	**814.7**
	Met ASD	10.4	10.5	10.6	10.3	10.3	**52.1**
	NSA/Supervision	17.7	17.8	17.8	17.6	17.5	**88.3**
	Total	**179.2**	**188.1**	**191.4**	**195.6**	**200.8**	**955.1**

Source: IAA Calculations

3. Additional Capacity Targets and Incentive Schemes

3.1 In the Revised PP Draft Decision, we proposed to include additional capacity targets and associated financial incentive schemes. We noted that capital costs associated with any unrealised investments are already, in substance, subject to cost related financial incentives, given that they are clawed back through Unit Rate adjustments. However, there is a risk that if AirNav Ireland is not able to fully deliver on the Opex-related measures, this may lead to a financial reward rather than detriment.

3.2 Therefore, we proposed to include capacity targets to deliver actual staffing levels in line with our ATCO and Engineer forecasts, with associated financial incentive schemes. We outlined the legal basis for this proposal and the draft parameters, and also published the draft excel model to be used to calculate the financial incentives.

Responses received

3.3 Aer Lingus, BA and IAG all provided a similar response, in which they:

- Welcome our proposal to introduce the new targets and incentive schemes, recognising *'their potential value in a monopoly environment and encouraging efficient service delivery'*.
- Suggest that outcome-based measures, as opposed to input-based measures such as staffing levels, would reduce the risk of perverse or inefficient results.
- Ask for further clarification and validation on the link between staffing, capacity and traffic forecasts underlying the schemes.

3.4 Aer Lingus, BA and IAG all ask for clarification as to whether these schemes are temporary, and assert that they should not be used to justify changes to the WACC or the risk profile. Aer Lingus submits that our use of the term "penalties" is unhelpful, as the incentive schemes are not punitive sanctions but repayments or revenue adjustments resulting from *'failure to deliver contracted services*' and are standard mechanisms in performance-based regulation.

3.5 IATA states that additional monitoring and "penalty" for non-delivery is usually welcomed by airspace users, but believes that the incentive should be reconsidered and that the linkage between staffing, capacity and traffic forecasts needs further clarification and validation. It also submits that outcome-based metrics would reduce the risk of perverse or inefficient results. It asks whether the proposed schemes are limited to RP4, or would continue into RP5. IATA also submits that, if the Performance Plan is to be accepted by the European Commission/PRB, these additional measures should not be used to justify changes to the WACC or risk profile of AirNav Ireland.

3.6 Ryanair does not expressly address the proposal, but does outline its concerns in respect of potential under-delivery, which the proposal is intended to address.

3.7 AirNav Ireland is concerned that proposal could have unintended consequences and/or generate perverse incentives. It submits the following:

- Any such incentive scheme should be proportionate, from both a headcount and overtime perspective, with the corresponding modelled allowances in the regulatory decision; that is, any rebate should be aligned with the IAA's forecast costs of new operational staff (ATCOs and Engineers). It provided a worked example showing how, in certain circumstances, the draft incentive scheme model we published could generate a downward financial incentive per ATCO which is much higher than our forecast cost per new ATCO, thereby generating a significantly punitive rather than just determined-cost-related incentive.

- Our cost forecasts (in AirNav Ireland's view) do not fully align with the costs of the target staffing levels, due to how we have modelled them, such as in relation to our treatment of salary increments.
- While the proposed revised draft Performance Plan does not prescribe headcount levels, the incentive scheme penalises failure to meet headcount forecasts and thus limits management discretion in this area.

3.8 AirNav Ireland states that if the IAA wishes to use article 10(3) as the legal basis, we must follow the pathway outlined in the 2019 Regulation. It submits the following in respect of the legal basis:

- Although, under Article 10(3), a Performance Plan may contain additional performance targets, they must be set out on the basis of the discretionary KPIs referred to in Article 8(4). These are to be established in respect of, in particular, civil-military or meteorological aspects other than those four sets of KPIs (one set per KPA) listed in section 2 of Annex 1.
- While, under Article 8(4), the scope of the discretionary KPIs (and IFMs) may be broader than civil-military or meteorological, additional performance targets must, under Article 10(3), be set on the basis of the relevant discretionary KPIs. Contrary to what the IAA asserts, it is the discretionary KPIs on which performance targets are based that are not specifically limited, rather than such targets.
- The IAA should first identify the relevant KPA before identifying a KPI; AirNav Ireland suggests that there is an apparent confusion between which KPA is relevant, as 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.
- It is unclear, what, if any, are the relevant KPIs. In addition, any such performance targets must support the achievement of both EU-wide performance targets (Article 9(3)) and also, national performance targets (Article 10(2)(a)). It is unclear how either set is achieved. Further, it refers to the IAA asserting that the additional costs fall under Point 1.4 of Annex IV but without any support for this view.
- Article 11(4) is limited to financial incentives regarding two categories of performance targets, those in the KPA of environment, and those adopted under article 10(3) i.e. those based on the KPIs referred to in Article 8(4)). If the IAA's proposal falls under this second category, we must establish that such targets are in line with Article 11(1)(b) and (c), provided they are effective and proportional.
- While we 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 (Article (11(2)) and capacity (Article 11(3)), the legal requirement in Article 11(4) is that the aggregated financial disadvantage should not exceed 4% of the determined costs of year n, is not, according to AirNav Ireland, addressed.

3.9 AirNav Ireland then suggests that, rather than annually, the schemes apply as a single target across RP4, and be based on year-end rather than annual average staffing levels. AirNav Ireland suggests that the scheme should take account of the overtime forecast, to avoid a situation where AirNav Ireland is financially penalised for a shortfall in FTEs, while simultaneously incurring considerably higher overtime costs than what is included in our overtime forecast as a result of the lower level of FTEs.

3.10 The Staff Panel suggests that the definition of an "ATCO" needs to be clearly outlined by the IAA so that the assessment is conducted transparently. It suggests that an "ATCO" is defined as a permanent member of AirNav Ireland staff that can provide an ATC service, i.e. has a current unit endorsement, citing ICAO Annex 1 which defines a rated Air Traffic Controller

as:

'An Air Traffic Controller holding a licence and valid ratings appropriate to the privileges to be exercised'

3.11 In addition, it submits that temporary measures such as provisional inability should not result in an ATCO not being counted for the purposes of assessing performance relative to the staffing targets. Similar to AirNav Ireland, the Staff Panel also suggests that performance against the headcount target is measured across RP4 rather than annually, so that *'the organisation is not penalised during the reference period for a target that it might miss one year but ultimately achieve by the end of RP4.'*

IAA Analysis and Final Decision

3.12 We note in summary the following positions in respect of the proposal for the additional capacity targets and incentive schemes:

- It is generally welcomed by airspace users, with the apparent exception of IATA. Airlines and IATA also suggest that we further consider the possibility of outcome rather than input based KPIs/metrics, and further clarify/consider the interaction between staffing, capacity and traffic forecasts within the proposed schemes.
- AirNav Ireland sets out a number of concerns in relation to the principle and the legal analysis, and then suggests a number of proposed alterations to the draft proposal in the event that we decide to include such incentive schemes in the final revised draft Performance Plan.
- The Staff Panel suggests that we ensure that the parameters of the metric are carefully and transparently defined, and makes some suggestions/proposals for alteration in that regard.

3.13 We have decided to implement the additional targets and incentive schemes largely as proposed, except that we have adjusted the rebate calculation mechanism such that the rebate per undelivered new ATCO/Engineer aligns with our forecast average cost per new ATCO/Engineer for the relevant year (including pay and pension only). This both addresses the submission of AirNav Ireland that the draft model would generate a punitive rebate significantly beyond the cost related level in some circumstances, and also addresses airline concerns that such schemes should not generate an increased exposure to systematic risk. In substance, the incentive schemes are now similar to cost-related triggered allowances, which are commonly used in economic regulation and do not increase exposure to systematic risk. We have made no change to AirNav Ireland's asset beta as a result of these incentive schemes. In those circumstances, we also agree with Aer Lingus regarding the terminology and prefer the term "rebate" to "penalty".

3.14 In respect of the nature of the metrics, we agree with the airlines and IATA that, in general, outcome based KPIs (such as ATFM delay) are preferable to input based KPIs (such as staffing levels), as the latter may risk unanticipated or undesirable incentives in certain circumstances. The same point is implicit in AirNav Ireland's submissions in respect of potential perverse incentives and limiting the scope of management to respond to circumstances as they unfold within the regulatory period. However, that general principle must be tested against the specific circumstances here. In this case, we think that the risk of such undesirable outcomes is low and is clearly outweighed by the benefit of providing a strong incentive to increase operational staffing levels and making the increased costs contingent upon doing so, which aligns with the interests of current and future users.

3.15 The risk of incentivising perverse or inefficient outcomes would arise if some other way of addressing the identified capacity issues more efficiently, instead of increasing ATCO and

Engineer staffing levels, were to present within the period. In that situation, AirNav Ireland would be incentivised to continue to proceed with the less efficient approach of increasing staffing levels regardless of any such developments. However, given the timelines involved, both in terms of the duration of this regulatory period and recruitment lead-times, we consider that such a situation is unlikely to materialise, and the only way to address these issues will be through increased operational staffing levels. A KPI based on staffing levels provides an appropriate metric for measuring capacity/resource output in the context of the mix of capacity/resourcing-related issues we have identified, including resilient rosters and reduced reliance on overtime, full staffing of all facilities (e.g. the operational hours of the North Runway at Dublin Airport), and resources being devoted to investments rather than diverted to operations.

3.16 It would be difficult to replace staffing levels with a whole series of outcome-based metrics to address each of these issues separately. Further, such metrics would also create a risk of perverse prioritisation incentives and limitations on management discretion, which would have to be considered carefully. In respect of the time horizon, it is of course the case that this decision is limited to RP4. The entire contents of future performance plans will be under a new implementing regulation and will subject to that regulation and further consultation. We also note the lack of any alternative proposed outcome-based metrics in any of the submissions for us to consider.

3.17 For these reasons, we have decided to use operational staffing levels as the KPIs, as proposed.

3.18 In respect of the link between capacity/staffing and traffic levels, this is captured at a high level by the banding approach, which further reduces the risk of perverse or undesirable incentives. If traffic is materialising significantly below forecast, we expect that AirNav Ireland would slow recruitment (in particular in relation to ATCOs), and we have reflected this with the banded approach with reference to traffic levels. The 2019 Regulation itself takes a similar high-level approach in terms of traffic risk allocation and alert thresholds. Insofar as the airlines are suggesting that we attempt to scale this in a more bottom-up way, we do not think that this is feasible, and would likely amount to false precision even if it were. The airlines have not made any specific proposal for us to consider, nor even as to how such an approach might be applied in principle.

3.19 We have not offset the incentive on the basis of scaling the overtime forecast; insofar as AirNav Ireland will have to incur additional overtime costs relative to our forecast if it fails to meet an ATCO target, this means that it retains an overall positive incentive to meet the targets. We note that, on the other hand, if AirNav Ireland has failed to meet a staffing target, this is likely to be accompanied by a reduction in training costs relative to our forecast.

3.20 Equally, we do not think that AirNav Ireland, nor the Staff Panel, has provided any strong basis for applying the schemes across the Reference Period rather than on an annual basis. The cost forecasts and the capacity measures apply on an annual basis. Further, capital costs are distinct, as any project which is delivered later than initially planned will ultimately provide the same output as intended but over a different time horizon, and the clawback mechanisms just reprofile remuneration accordingly. However, that is not the case here. For example, if AirNav Ireland underperforms the staffing target in one year, the associated negative consequences in that year (such as in relation to overtime, roster resilience, or ATFM delay) would not be offset by outperforming the target in another year. If, for example, AirNav underperforms the target early in RP4, we do not want to incentivise the delivery of excessive staff by the end of RP4 to offset this, which would have negative implications for future cost efficiency. We want to incentivise the delivery of an efficient level of staffing throughout RP4.

3.21 In respect of AirNav Ireland's submission on the ATFM delay targets, we note that the cost forecasts are premised on delivering on all of the relevant targets, including on ATFM delay and staffing levels. Further, the headcount forecasts are annual averages, and consequently the actual performance should be measured as an annual average.

3.22 In relation to AirNav Ireland's legal analysis, we largely agree with the summary of the relevant statutory provisions. We do not think that there was a lack of clarity as to how our proposal fits within that statutory framework, when read in conjunction with our earlier publications which include explanations of the regulatory framework, and alongside the published excel model. We acknowledge that AirNav Ireland has found certain aspects unclear, and confirm the following:

- The relevant KPA is Capacity.
- The KPIs are the ATCO and Engineer staffing levels.
- The targets are our optimal headcount forecasts.

3.23 The KPAs of capacity and cost efficiency are expressly linked in the 2019 Regulation, as outlined extensively in the Revised PP Draft Decision and previous publications. Within the capacity KPA, we have set national performance targets on the basis of both ATFM delay KPIs (which are mandatory), and staffing level KPIs (which are discretionary). Where incremental measures are required to achieve the targets in respect of any of those KPIs, as is the case here, the additional costs associated with those measures engage Annex IV(1.4(d)(i)) of the 2019 Regulation. It ought to be very clear to AirNav Ireland that the recruitment of additional ATCOs and Engineers will support the achievement of the EU-wide and national performance targets (including those discretionary national capacity targets which relate directly to ATCO and Engineer staffing levels), for all of the reasons that we have set out in the documentation from 2024, the Revised PP Draft Decision, and Annex R.

3.24 The incentive schemes are effective in that they generate a material financial incentive to deliver the targets set in respect of the staffing level KPIs. They are also proportional (and proportionate), in that the level of the incentive will be largely cost-related (insofar as permitted by the 4% maximum financial disadvantage specified by the 2019 Regulation), and scaled according to the level of any underperformance relative to the KPI target in question. The incentive schemes are also non-discriminatory across entities, transparently set out, and apply across the entire period covered by the Performance Plan (2025-2029).

3.25 We note AirNav Ireland's agreement with our analysis that the 4% maximum financial disadvantage under Article 11(4) is separate from the ATFM delay-related financial disadvantage under Article 11(3). That is why, as was set out in the Revised PP Draft Decision and draft model, the maximum Determined Cost at risk is 3% in respect of the ATCO staffing KPI, and 1% in respect of the Engineer staffing KPI, giving a total maximum disadvantage of 4%. We are satisfied that this is the proper interpretation of Article 11.

Final Decision

3.26 We therefore confirm the details of additional capacity KPIs, targets, and associated incentive schemes, as outlined below and in the accompanying excel model.

3.27 The targets are set in line with our forecast efficient ATCO and Engineer staffing level for each year 2025-2029. Actual performance will be measured as inclusive of the same staff business units as included in the estimation of the relevant cost line and capacity measure in the IAA's forecast i.e. only fully trained staff and not trainees, as an annual average headcount. Where the ratio of headcount to FTEs is different from baseline year upon which

forecasts have been estimated, same will be normalised with reference to the baseline year, for the calculation of actual performance. The incentive schemes are rebate-only.

3.28 As suggested by the Staff Panel, temporary measures such as provisional inability will not result in a staff member not being counted for the purposes of assessing performance relative to the staffing target. This is consistent with the forecasting approach, where staff members subject to any such temporary measures would have remained within the baseline and consequently implicitly are included in our forecasts. Transparency will ensured by the publication of actual performance on an annual basis, together with an overview of the calculation of the actual performance. This will be audited by the IAA on the basis of the principle that actual performance will be measured in the same way as we have estimated the target.

3.29 If there is an ambiguous situation not expressly addressed in the ex-ante rules or there is disagreement between stakeholders as to the correct calculation of actual performance, the IAA will make the decision.

Additional Capacity KPI #1: ATCO staffing targets and incentive schemes

3.30 A maximum rebate of 3% of Determined Costs at risk applies, with three bands with reference to actual traffic measured by annual En Route Service Units:

Band 1: In a year where traffic is above the forecast, in line with the forecast, or no more than 5% below the forecast:

- A deadband of 5% of the incremental ATCO forecast (per Capacity Measure #1).
- Beyond the deadband, the rebate is equal to the target ATCO staffing level minus the actual ATCO staffing level, multiplied by the average forecast nominal cost per new ATCO for the relevant year, or alternatively equal to the maximum Determined Cost at risk of 3%, whichever is lesser.

Band 2: In a year where traffic is more than 5% but no more than 10% below the forecast:

- A deadband of 10% of the incremental ATCO forecast (per Capacity Measure #1)
- Beyond the deadband, the rebate is equal to the target ATCO staffing level minus the actual ATCO staffing level minus the 10% deadband, multiplied by the average forecast nominal cost per new ATCO for the relevant year, or alternatively equal to the maximum Determined Cost at risk of 3%, whichever is lesser.

Band 3: In a year where traffic is more than 10% below the forecast, no rebate is payable.

Additional Capacity KPI #2: Engineer staffing targets and incentive schemes

3.31 A maximum rebate of 1% of Determined Costs at risk, and two bands with reference to actual traffic, measured by annual En Route Service Units:

Band 1: In a year where traffic is above the forecast, in line with the forecast, or no more than 10% below the forecast:

- A deadband of 10% of the incremental Engineer forecast (per capacity measure #2)
- Beyond the deadband, the rebate is equal to the target Engineer staffing level minus the actual Engineer staffing level, multiplied by the average forecast nominal cost per new Engineer for the relevant year, or alternatively equal to the maximum Determined Cost at risk of 1%, whichever is lesser.

Band 2: In a year where traffic is more than 10% below the forecast, no rebate is payable.

4. Actual 2024 Costs and Other Issues

4.1 In the consultation paper, we outlined the actual costs of air navigation services incurred in 2024 and the difference between those costs and the forecast costs as per the RP3 Performance Plan. In addition, we verified the eligibility of the cost categories included for En Route and Terminal services, which were aligned with the categories used for the determined costs in the Performance Plan. We also outlined the unit cost trajectories and the cost trends by entity and nature, and the forecast Unit Rates for 2025-2029. During the consultation meeting, AirNav Ireland and MET ASD provided further detail on the drivers of these trends.

Responses received

4.2 Aer Lingus states that it is encouraging to see that, once adjusted for higher-than-expected inflation, actual 2024 costs appear broadly aligned with the RP3 Performance Plan. It also welcomes the financial disadvantage imposed on AirNav Ireland for failing to meet the arrival AFTM delay target, which *'sends an important signal that performance targets are being taken seriously and that users should receive the level of service for which they pay.'*

4.3 Aer Lingus suggests that there are, nonetheless, some challenging underlying trends and raise again their prior concerns that the RP3 Performance Plan was '*overly generous*'. They believe that En Route costs being aligned with our forecast (in real terms) should therefore not be seen as a success, but as a missed opportunity for AirNav Ireland to improve cost efficiency. Aer Lingus argues that the overall alignment does not confirm that all cost components are subject to the same inflationary pressures. IAG and BA make similar comments.

4.4 Aer Lingus notes that 2024 En Route costs are 0.2% above the level that we forecast level. It asserts that such costs should only be rolled into the RP4 baseline, if they can be demonstrably justified as efficient. Aer Lingus is concerned by the '*significant rise*' in wage costs and the effectiveness of controls on headcount and pay growth, and also on Other Opex.

4.5 Despite capital expenditure commitments, Aer Lingus believes that expected efficiencies have not been fully delivered yet. It provides the example that MET ASD has not reduced staffing levels as originally intended as a result of planned automation. Similar delays and under delivery are also visible at AirNav Ireland.

4.6 During the consultation meeting, IATA asked whether the actual En Route costs of 2024, which are above the RP3 Performance Plan determined costs, will be covered by airspace users or AirNav Ireland.

IAA response

4.7 We acknowledge these submissions. We note however that the RP3 Performance Plan was set by us on the basis of an efficient centreline cost trajectory, and the outturn performance shows that AirNav Ireland has performed in line with that trajectory in real terms. Increases in nominal terms are to be expected where inflation is much higher than forecast. This is reflected in the allocation of inflation risk within the 2019 Regulation.

4.8 As outlined in the documentation published previously, our approach to RP4 has not been to roll such costs into the baseline but rather to apply appropriate baseline efficiency adjustments, where appropriate. For example, in some cost categories where AirNav's costs

are higher than the benchmarking samples, we have included a corresponding incremental 5% efficiency challenge in respect of unit staff costs over RP4.

4.9 In relation to the "overspend" on Opex in nominal terms, this is to be covered by AirNav Ireland as per the 2019 Regulation (Opex risk is assigned to the regulated entity). However, when inflation is considered, these costs are almost exactly in line with the IAA's forecast. These costs balance out when 2026 unit rate is adjusted to account for actual relative to forecast inflation in 2024.

4.10 We note the absence of any disagreement as regards the application of adjustments and risk sharing mechanisms for the 2026 Unit Rates.