



Commission for Aviation Regulation 2014 Annual Report to the Minister for Transport, Tourism and Sport

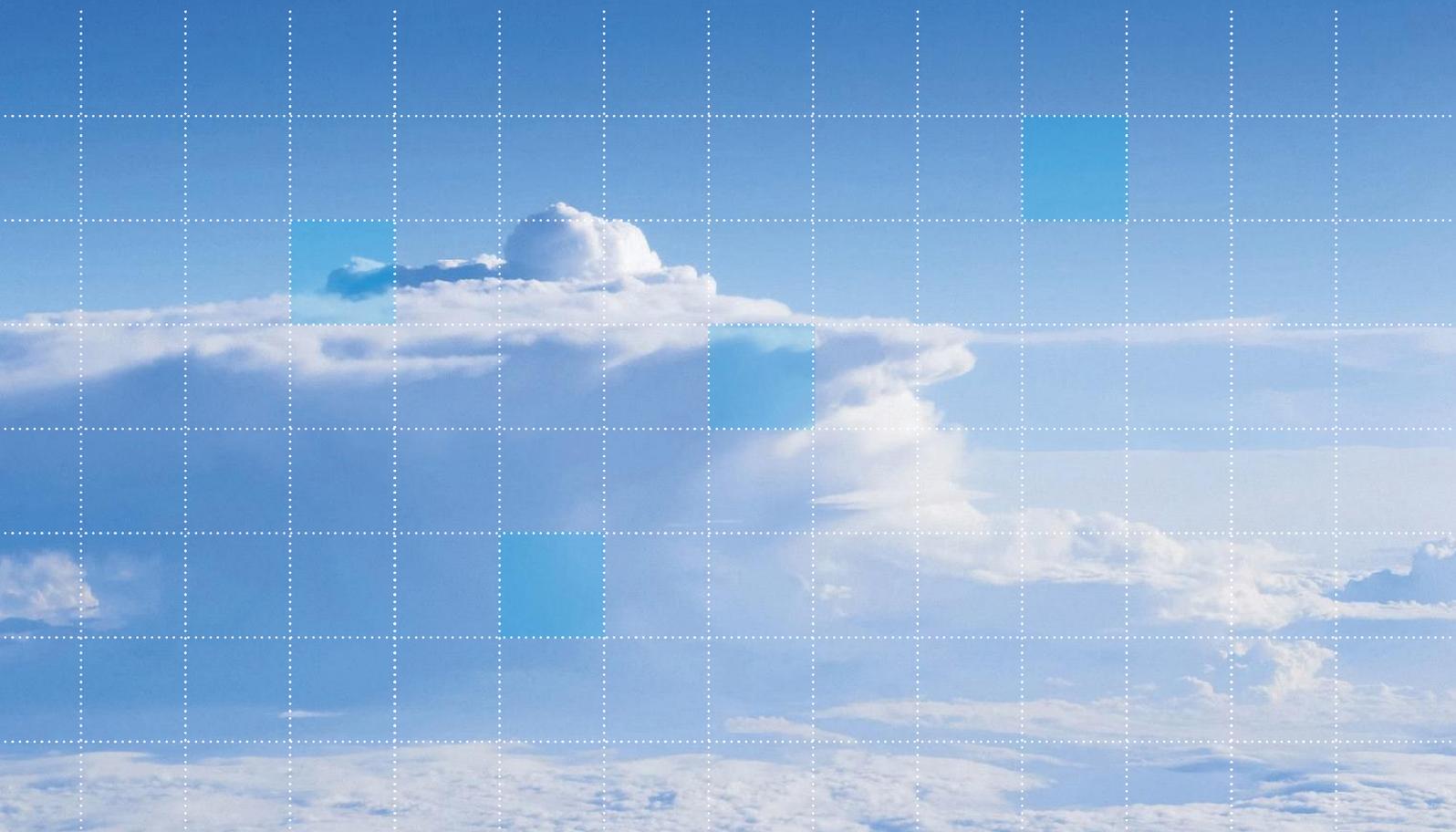




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1. Foreword

I am pleased to present the Annual Report of the Commission for Aviation Regulation for 2014. The Report summarises the activities of the Commission over the past year by reference to functional area together with a work programme for the forthcoming year and also presents an extract from the Commission's draft Financial Statements for the year ended 31 December 2014.

The Commission's principal statutory functions are to regulate airport charges at Dublin Airport and air terminal services charges applied by the Irish Aviation Authority at the State Airports. In October the Commission made its fourth determination on airport charges to be levied by daa at Dublin Airport. The determination sets out a reduction in the average airport charge per passenger over the next five years; this passes on to users the benefit of efficiencies achieved by daa in the past five years.

December 2014 marked the end of the regulation of air terminal services charges by the Commission due to the operation of directly applicable European law. This means that as of 1 January 2015 the Irish Aviation Authority will no longer be bound by the determination on air terminal services charge made in 2011. Instead it will be obliged to set its charges in compliance with European Union regulations, which are similar to the domestic regime in many respects. The transition from a domestic to a European Union legal basis reflects the trend in aviation, where increasingly the sector is governed by rules determined at an international level and applied domestically by designated competent authorities.

The Commission continues to license and monitor the maintenance in force of licences of air carriers, groundhandlers, tour operators and travel agents. All told it licenses 340 firms across these sectors. This number is an increase of 5 on 2013.

In the area of air passenger rights, staff processed 4,209 queries and complaints from passengers in relation to denied boarding, cancellations, delay and reduced mobility. This represents a decrease of 2% on 2013 figures.

Dublin Airport remains designated as slot coordinated. This means that air carriers require pre-allocated slots to land and depart. The Commission appointed Airport Coordination Limited to carry out that role in 2011.

In May 2014, the Commissioner for Aviation Regulation, Mr Cathal Guiomard completed his second term of office as Commissioner. Therefore, in accordance with the provisions of the Aviation Regulation Act, 2001 he retired from his position and there is currently a vacancy in

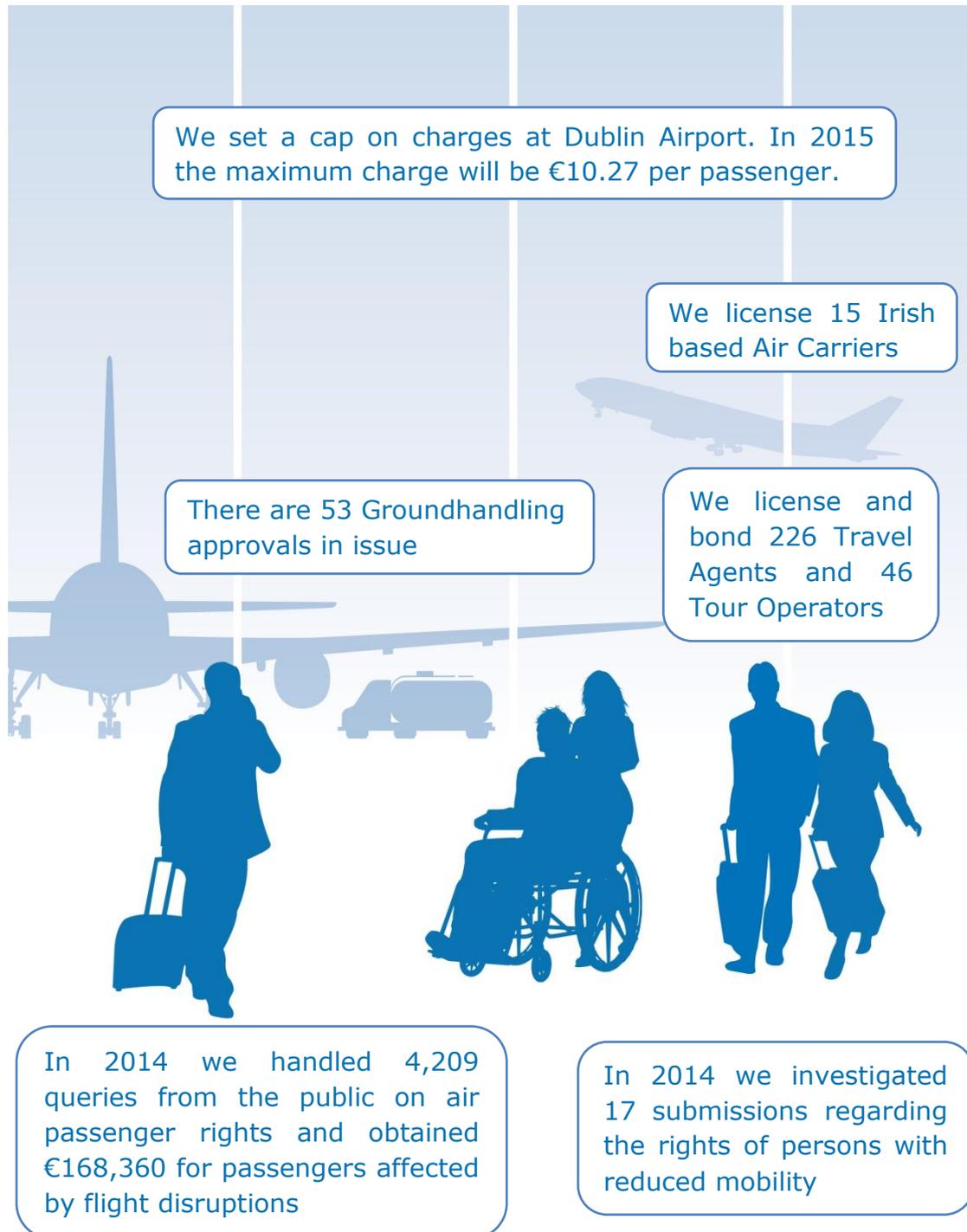
the Commission. Since its establishment in 2001, Cathal served at the Commission as Head of Economic Affairs, Deputy Commissioner and Commissioner with great distinction. I would like to take this opportunity to thank him for his contribution to the successful functioning of the Commission, the implementation of economic regulation of the aviation sector in Ireland and for his leadership over the past eight years. Following his departure, Mr John Spicer, Head of Economic Affairs and Deputy Commissioner, led the Commission through the period including the making of the final determination on airport charges last October before returning to the United Kingdom in February 2015 to take up a new role there. I would like to thank John for his significant contribution to the work of the Commission over the past seven years, especially in the implementation of economic regulation, and for his leadership.

I would like to take this opportunity to thank the Minister for Transport, Tourism and Sport, Mr Paschal Donohoe, T.D. and the officials of his Department for their ongoing support and assistance to the Commission in discharging its functions. In addition, I would also like to thank the staff of the Irish Aviation Authority for their support and assistance to the Commission in discharging its functions, in particular in those areas where our work converges.

The ongoing achievement by the Commission of its statutory objectives and the discharge by it of its remit would not be possible without the ability, enthusiasm and commitment of its staff and I would like to thank them for their effort and contribution over the past year.

David Hodnett
Deputy Commissioner

2. About the Commission for Aviation Regulation



The Commission for Aviation Regulation (CAR) is an independent public body under the auspices of the Department of Transport, Tourism and Sport and is accountable to the Houses of the Oireachtas.

The Commission is guided in its actions by the legislation governing the areas that it regulates. It was established on the 27th February 2001 pursuant to the Aviation Regulation Act, 2001. The 2001 Act was subsequently amended by the State Airports Act, 2004, the Aviation Act, 2006 and the State Airports (Shannon Group) Act, 2014.

The principle functions of the office are the regulation of airport charges at Dublin Airport and until the end of December 2014 the regulation of air terminal services charges. It is also responsible for licensing of firms operating in aspects of the travel industry. In addition, it is tasked with the implementation and enforcement of EU legislation covering Air Passenger Rights and the provision of assistance to Passengers with Reduced Mobility (PRM).

In all these areas the Commission has a significant consumer protection role.

This report summarises the work of the Commission in 2014 in each of these functional areas. In addition, draft excerpts from the 2014 accounts are presented alongside administrative and corporate governance information.

The full responsibilities of the Commission, under its three functional headings are outlined below.

Airport Charges and Slot Regulation

- The Commission sets a price cap limiting the total revenues per passenger that daa can collect from airport charges at Dublin airport
- until the end of December 2014 it regulated air terminal services charges imposed by the IAA at Cork, Dublin and Shannon airports
- as the national independent supervisory authority, it ensures compliance with the European airport charges directive
- it approves the charges airports levy on airlines to fund services for passengers with reduced mobility
- it approves any changes to the fees charged by the airport authorities at Dublin, Cork and Shannon airports for access to installations needed to provide ground-handling services
- it designates the scheduling status of Irish airports under the Slot Allocation Regulations, appointing a schedules facilitator or co-ordinator where necessary

Licensing and Approvals

- The Commission licenses Irish-based air carriers transporting passengers, mail or cargo for remuneration and/or hire
- it licenses travel agents and tour operators selling overseas travel
- it administers a bonding scheme for travel agents and tour operators, and processes claims for refunds and repatriation in the event of a travel agent or tour operator going out of business
- it investigates instances of alleged illegal trading and, when necessary, prosecutes illegal traders
- it grants approvals to companies engaged in groundhandling activities, such as marshalling aircraft, loading/unloading, refuelling, baggage handling, passenger handling and aircraft maintenance, at Dublin, Cork and Shannon airports

Air Passenger Rights

For all flights due to depart from Irish airports and for flights arriving into Irish airports from non-EU countries (if operated by EU-licensed carriers), the Commission investigates complaints in relation to:

- flight cancellations
- flight delays of at least two hours
- instances of denied boarding or downgrading

It also investigates complaints relating to the assistance received by disabled persons and persons with reduced mobility (PRMs) when:

- making a reservation
- travelling through an airport within Ireland
- on-board a flight which departed from an Irish airport

3. Charges and Slot Regulation

The 2014 work of the economics section of the Commission was dominated by making a determination of airport charges for Dublin Airport for the period 2015-2019. In October the Commission published the Final Determination, which will result in the maximum price at Dublin Airport falling by 19% in real terms over the five year period. This price path will result in savings to passengers and airlines of €475m compared to daa's proposed price while at the same time it will enable daa to realise the goals of the draft National Aviation Plan.¹

In 2014 the Commission also continued to fulfil its duties as the independent supervisory authority for the EU airport charges directive, ensured daa and IAA complied with previous determinations and continued to ensure slot coordination operated effectively at Dublin Airport.

Airport Charges

The 4th Determination, 2015-2019

In May the Commission published its Draft Determination which outlined the proposed price path for the maximum level of airport charges at Dublin Airport for the period 2015 to 2019. This was a consultation document, which provided detailed explanations and evidence as to how the price was arrived at. Alongside the Draft Determination we published:

- the financial model used to generate the price, which gave transparency to the numbers
- an operating expenditure efficiency study conducted by Steer Davies Gleave
- a capital expenditure study conducted by Ernst & Young

A record 34 responses were received to the consultation, representing a wide diversity of views and opinions. All parties were offered a meeting with the Commission; 13 parties took up this offer.

The Final Determination was published in October. It differed from the Draft Determination in a number of ways; these changes were arrived at after considering representations received during the consultation process, new evidence which was available by October and a Ministerial direction received by the Commission in September. While some of these changes

¹ In 2014 Dublin Airport Authority was renamed "daa". It proposed a price of €13.50 for 2015-2019 in its regulatory proposition:
http://www.aviationreg.ie/_fileupload/2014-05-29%20DAA%20%20Regulatory%20Proposition%20Overview.pdf

were, in themselves large, they pushed the price in opposite directions giving an overall price cap which was broadly similar to the Draft Determination. The price path was modified from an annual decline of 4.8% in the Draft Determination to 4.2% in the Final. In real terms the maximum price will fall by 19%, to €8.68 per passenger, by 2019. Table 3.1 lists the price in each of the 5 years covered by the Determination.

Table 3.1: Per Passenger Price Cap 2015-2019

	2015	2016	2017	2018	2019
Price Cap (€)	10.30	9.87	9.45	9.06	8.68
Annual change (%)		-4.2	-4.2	-4.2	-4.2

July 2014 Prices

In coming to its decision, the Commission fulfilled its statutory objectives to protect the interests of current and prospective users of Dublin Airport, facilitate the airport’s efficient and economic development and enable the daa to operate the airport in a sustainable and financially viable manner.

Chart 3.1: Getting to the 2019 Price Cap (€)

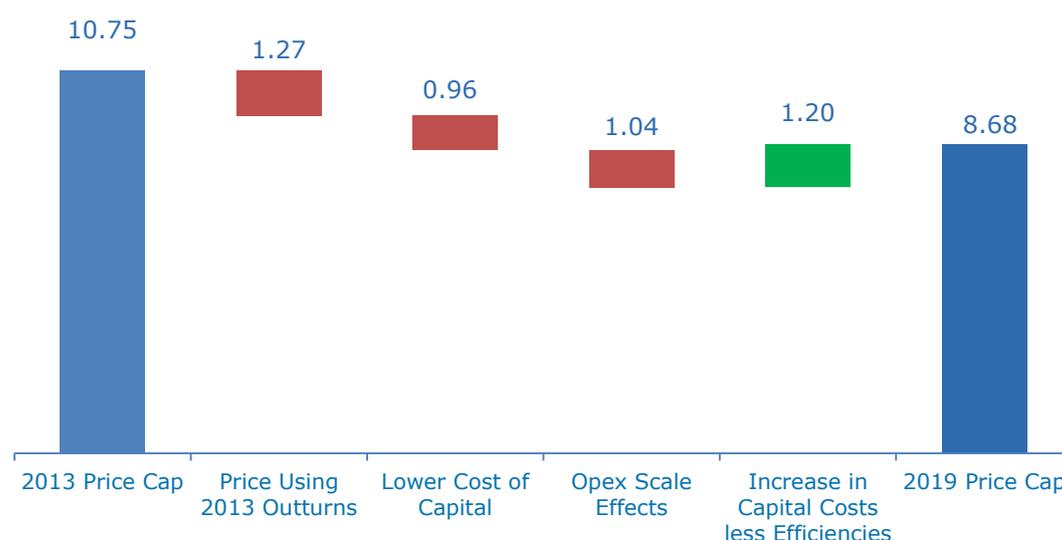


Chart 3.1 shows how we move from the 2013 price of 10.75 to the 2019 price of 8.68. There are three main reasons for the fall in price.

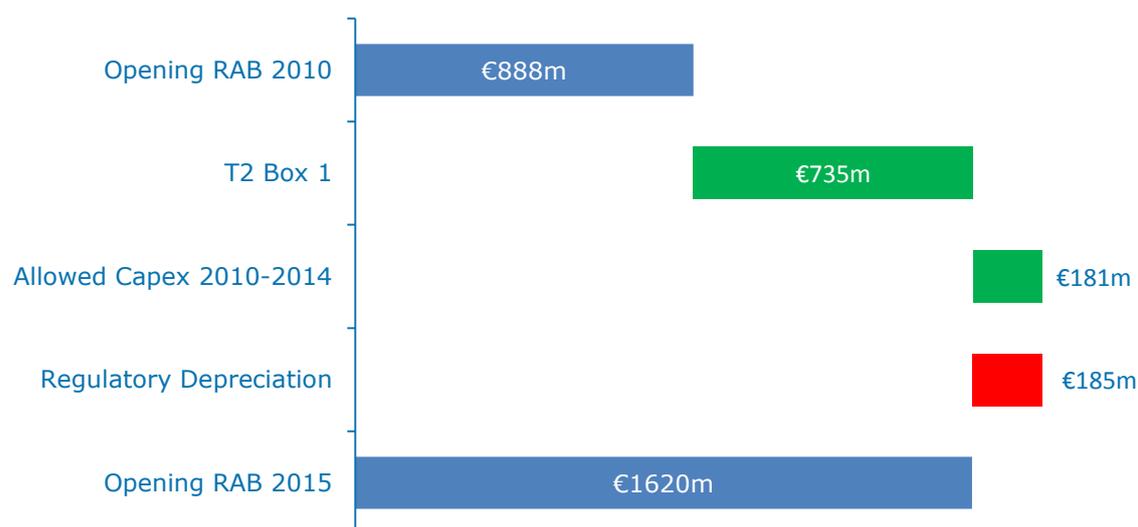
First, the evidence shows that daa has been able to beat previous targets for operating costs comfortably. This new determination is an opportunity for users to start realising the benefits from the cost savings daa has achieved. This factor alone would merit a reduction of over €1 in the cap.

Second, the cost of raising capital has fallen since the last determination. Yields on bonds are at historically low levels. This means that the return on capital needed to allow daa to fund past and future investments can be lower. This change alone points to a price cap that is lower by almost €1 than it otherwise would be.

Third, the expectation of higher passenger numbers means daa should be able to enjoy economies of scale in the coming years. This is because there are more people to share the cost of past investments and for many activities at the airport, the extra passengers do not require a correspondingly large increase in operating costs. Economies of scale for operating costs along with efficiency gains in the future would warrant a further reduction in the price cap of about €1.

These downward drivers have been offset somewhat by the need for higher allowances for capital costs. Past investments have to be paid for, most notably the costs of building Terminal Two. The Regulatory Asset Base (RAB), i.e. the amount of capital we allow a return on, has increased by over 80% since 2010. The evolution of the RAB can be seen in Chart 3.2.

Chart 3.2: Evolution of the RAB from 2010 to 2015



The determination also allows for €341m in new capital investment in Dublin Airport over the next five years, an average annual spend that is 50% higher than it has been in the last four years. A further €308m will be allowed if certain trigger events occur. For example, if passenger numbers reach 25 million in a year, an allowance to build a parallel runway will be given. This level of capital expenditure is consistent with realising the goals of the Government's draft National Aviation Plan.

The 2014 Determination retained a quality of service regime. A number of the targets are for a higher level of service than those set in the 2009 Determination. While we retain the 30 minute target for the maximum length of security queues, we have redefined how the queue is measured to better reflect what the passenger experiences. This new definition measures the queue from start to finish, is a tougher target than the

previous target, and effectively reduces the maximum queue time by some 10 minutes.

The 2014 Determination will result in €475m in savings to users of Dublin Airport as compared to DAA's proposed price of €13.50, or a saving of €152m had the price remained at the 2014 level.

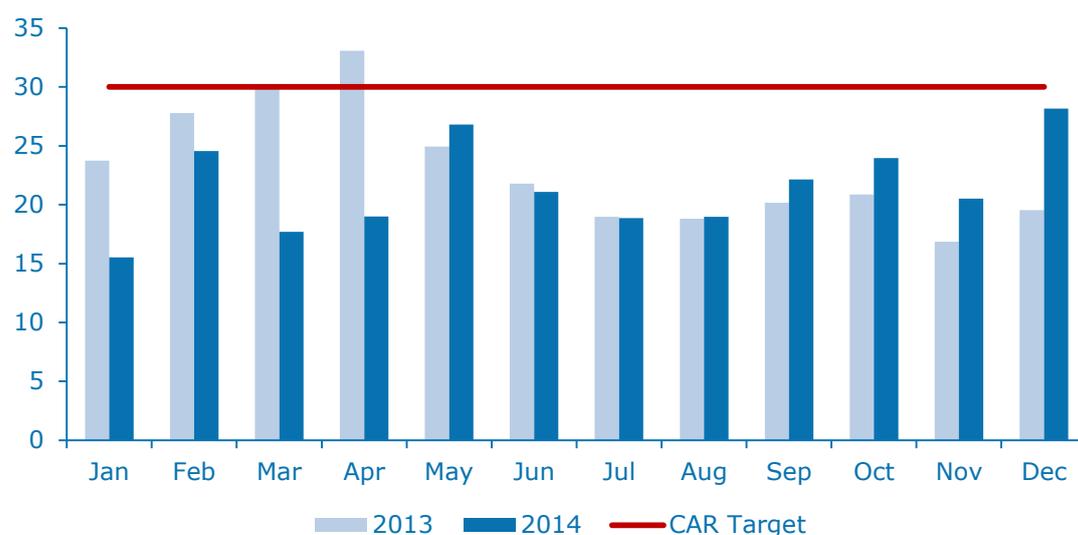
After adjusting for deflation between July and October 2014, the 2015 price cap will be €10.27 per passenger, subject to quality of service targets being met and no capital expenditure triggers being reached.

Dublin Airport City

daa plans to develop extensive office accommodation on almost 70 acres of land adjacent to the terminals at Dublin Airport. The project is known as Dublin Airport City and will cost in the region of €1bn. The airlines would prefer to be protected from the risk of this project, by removing it from the regulatory till. daa have put forward a proposal to move the land and assets associated with this project from the regulated entity to the non-regulated part of daa, hence transferring the risk from users to daa's shareholder, the Government. The process of valuing the lands was underway, but not completed, prior to publication of the 2014 Final Determination. In December 2014 we published a guidance note (CP3/2014) on how we are minded to treat the till exit in 2019. It is our intention to protect users from the risk, should the project proceed any losses will not be recuperated via higher airport charges, instead they will be borne by daa's shareholder, the Government (similarly any gains will not be enjoyed by users). In January 2015 daa notified the Commission that it will proceed with exiting the associated lands from the regulatory till.

2014 – The Final Year of the 2009 Determination

In 2014 we confirmed that daa complied with the 2013 price cap. We also reported quarterly on the quality of service delivered at Dublin Airport. Our quality of service regime covers ten subjective survey measures, ranging from quality of flight information screens to helpfulness of staff. In 2014 Dublin Airport improved or remained the same in all measures. During the year improvements in security queue times were also experienced. On a number of occasions in 2013 the queue length breached our 30 minute target (as defined in the 2009 Determination). However, in 2014 no such breaches were recorded. As noted above the target for security queues will become tougher in 2015 under the 2014 Determination. Chart 3.3 shows the maximum queue length experienced in each month of 2013 and 2014.

Chart 3.3: Max Security Queue Length Experienced at Dublin Airport

Source: Data reported to CAR by daa

In the 2009 Determination there were a number of capital expenditure projects which would be remunerated after certain events occurred. In July 2014 daa notified the Commission that the demand for aircraft stands exceeded 74 on 16 June, thereby triggering the remuneration of the construction of additional stands (Apron 5G). This trigger event occurred too late to effect the 2014 price cap, but the proposed spend has been included in the 2015 opening RAB.

ATI Fees

We did not receive any applications from the relevant airport managing bodies to approve charges in relation to access to airport installations, also known as ATI charges. These are the charges ground handlers have to pay to access equipment necessary to provide ground-handling services at these airports. The levels of charges that have previously been approved for Dublin, Cork and Shannon airports, are shown in Table 3.2 (updated for inflation where appropriate).

Table 3.2: Summary of Approved Charges

Type of Access Charge	Approved ATI Charge as of 1 Jan 2014
Dublin Airport: annual check-in desk fee	€25,859 per desk per annum
Flexible hourly rental check-in desk	€31 per desk per hour (or part thereof)
Cork Airport: annual check-in desk fee	€13,409 per desk per annum
Flexible half-hourly rental check-in desk	€5.36 per desk per half hour (or part thereof)
CUTE* fees	€0.24 per embarking passenger
Shannon Airport: annual check-in desk fee	€9,345 per desk per annum
Flexible hourly rental check-in desk	€23 per desk per hour (or part thereof)
CUTE* fees	€0.30 per embarking passenger

* Common Usage Terminal Equipment

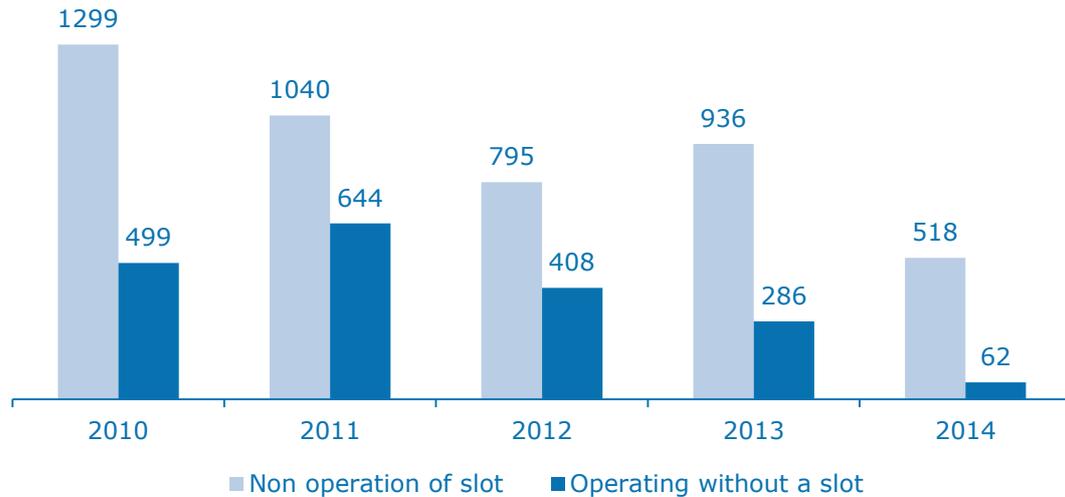
Duties under the Airport Charges Directive

The Commission is the independent supervisory authority for the purposes of the EU airport charges directive. This directive only applies to Dublin Airport. In 2014, in this role, the Commission monitored the required consultations between daa and the airlines on airport charges, passenger forecasts and capital investment plans.

Slots

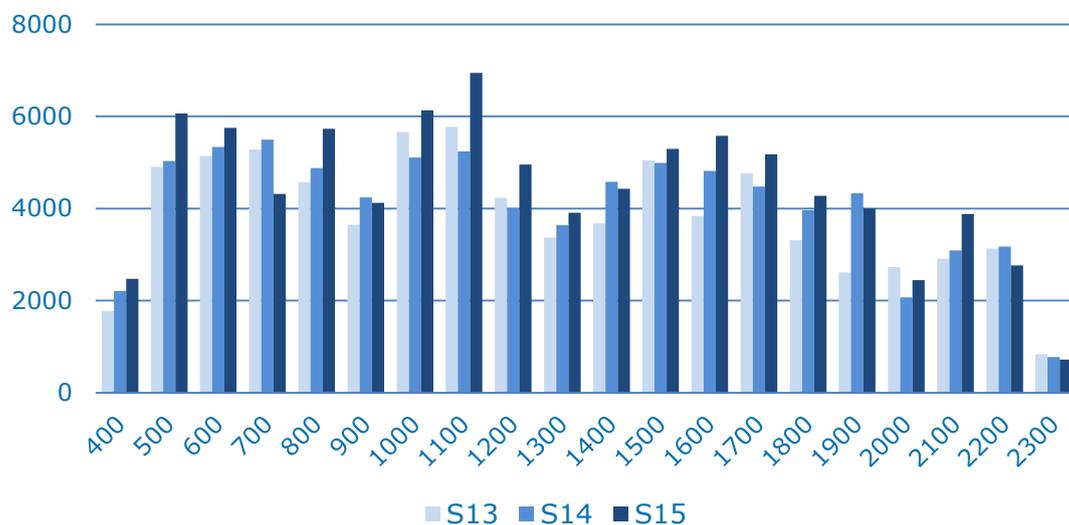
Dublin Airport continues to be the only airport in Ireland designated as slot coordinated. It was designated as such in February 2007. We appointed Airport Coordination Limited (ACL) as the slot coordinator; they have the day-to-day responsibility for coordination.

In late 2013 a sanctions regime was introduced for slot abuses at Dublin Airport, 2014 is the first opportunity to see the effect. Users who operate without a slot can now be fined. It would appear that the slot sanction regime at Dublin Airport is having the desired effect, with the number of operations without a slot falling from 286 in 2013 to 62 in 2014. This is despite an increased demand for slots in 2014. ACL has investigated 59 of the abuses, these investigations resulted in 18 warning letters being issued. A number of cases are ongoing but to date no fines have been issued.

Chart 3.4: Reduction in Incidents of Slot Abuses

Source: ACL

Current indications are that passenger growth is set to continue at Dublin Airport in 2015. Demand for slots for the 2015 summer season is currently 9% higher than in 2014. Chart 3.5 compares the demand for slots across a busy day in 2015 with the outturn demand for a comparable day in 2013 and 2014.

Chart 3.5: PAX Demand by Hour on a Busy Day 2013, 2014 and 2015

Aviation Terminal Services Charges (ATSC)

The Commission regulated the level of revenues that the Irish Aviation Authority (IAA) could collect in aviation terminal service charges (ATSC) levied on users at Cork, Dublin and Shannon airports between 2002 and 2014. As of 1 January 2015 this function has been superseded by EU

Commission Regulation EU No 1191/2010 and the designation of the IAA as the National Supervisory Authority.

During 2014 we confirmed that IAA complied with the 2013 price cap for ATSC. We published quarterly quality of service reports, they concluded that IAA met all targets set for it for 2014.

Work Programme for 2015

Goal	Actions to achieve goal
Monitor daa's compliance with the price cap and ensure continued smooth operation of the current scheduling regime at Dublin Airport	Publish compliance statement and service quality results for daa Attend Dublin Airport Co-ordination Committee meetings and liaise with ACL
Re-examine the existing approach to making determinations for Dublin airport charges	Identify areas of the current approach which would benefit from further research and/or consultation

4. Licensing and Approvals

Licensing and approval regimes for air carriers, groundhandlers and travel trade firms are administered in Ireland by the Commission. The total number of firms changed only marginally in 2014, as the following table shows. During the year, licence and approval holders were monitored for compliance with the legislative regimes governing these sectors.

Table 4.1: Number of Licences and Approvals, 2014

	Air Carriers	Groundhandlers		Travel Agents	Tour Operators
		Self-handlers	Third Party		
Licence holders, 1 Jan 2014	14	11	37	223*	50*
<i>New licences/approvals</i>	1	1	5	15	2
<i>Licences revoked/surrendered</i>	0	0	1	12	6
Licence holders, 31 Dec 2014	15	12	41	226	46

**2013 annual report incorrectly reported 221 and 53 respectively.*

Air Carrier Licensing

At the end of 2014, 15 Irish based air carriers were licensed by the Commission to engage in commercial air transport operations. During the year, one new Category A operating licence was granted to Norwegian Air International Limited who first applied for a licence in 2013. There were no operating licences suspended, revoked or surrendered during the year. A full list of operating licence holders is available on the Commission's website.

During the year, all licence holders were subject to regular monitoring to ensure compliance with the relevant licensing legislation concerning financial fitness, insurance cover and ownership and control. We continued to closely monitor the financial situation of air carriers, particularly those in a weaker financial position, through the submission of more frequent financial data and regular meetings.

To provide a readily identifiable means of confirming an operator is licensed, small aircraft and helicopter operators were issued with licence discs to display in each of their registered aircraft as listed on their Air Operators Certificate issued by the Irish Aviation Authority.

Air Carrier Licence Disc



During 2014, CityJet Limited was sold by the Air France-KLM Group to new shareholders, INTRO Aviation GmbH. On completion of the sale, CityJet became an independent regional air carrier, starting out debt free. In December 2014, CityJet completed a refinancing programme in order to fund its restructuring and growth strategy. This involved the sale and leaseback of seven Avro RJ85 aircraft with the company's main lessor, Falko Regional Aircraft Limited.

We received one request in 2014 from an existing licence holder for approval to wet lease aircraft registered outside the European Union. Approval was granted in January 2015 and relates to a capacity requirement arising in the peak summer season of 2015.

Licences are subject to a review two years after they are first granted. In 2014, one such review took place. There was no change to the relevant licence.

We also examined five submissions in 2014 from Irish air carriers made under Article 8 (5) of the Licensing Regulation which requires the Commission to be notified in advance of any substantial changes in the scale of their activities,² in advance of any intended mergers/acquisitions or where there is a change in ownership. In addition to the air carrier setting out the precise changes in detail, the Commission can require the submission of a revised business plan if the changes notified are deemed to have a significant bearing on the finances of an air carrier. Where changes relate to the operation of new aircraft, the Commission is required to examine insurance details to ensure they meet the relevant requirements and details of the method of acquisition (e.g. purchase/leasing) and the terms and conditions associated with the contract. In all cases, the Commission deemed the information provided to be acceptable and determined that the requirements of the Licensing

² The relevant changes can include the operation of a new air service to a continent or world region not previously served, changes in the number of aircraft operated or their type or any other change in the scale of its activities.

Regulation continued to be met. Table 4.2 below shows a summary of the numbers of submissions considered under this Article in 2014 by type of notification.

Table 4.2: Article 8 (5) Submissions 2014

Article 8 (5) Notification Type	Number of submissions
Change in number of aircraft/aircraft type	3
Change in ownership	1
Change in scale of activities/business plan	1

To assist both the travelling public and the industry, the Commission published a list of the most frequently asked questions relating to air carrier licensing on its website.³

Groundhandling Approvals

At the end of 2014, there were 12 approved self-handlers (i.e. where an airline chooses to provide groundhandling services for itself) and 41 approved suppliers of groundhandling services or third party handlers (i.e. a company engaged in the provision of groundhandling services, be it an airline or a dedicated groundhandling company). Of the approved self-handlers, 4 are also approved to provide groundhandling services to third parties. A full list of approval holders is kept up to date on the Commission’s website. Chart 4.1 presents an analysis of the numbers of approved self-handlers and suppliers of groundhandling services by airport.

Chart 4.1: Approved handlers by type and Airport 2014



During 2014, the Commission granted one new self-handling approval to AirExplore s.r.o. and five new third party handling approvals to the following companies:

³ See: <http://www.aviationreg.ie/airline-licensing-the-commissions-role/faqs.607.html>

- QAFBO Services Limited (Shannon Airport)
- BCT Aviation Maintenance Limited (Dublin Airport)
- EVS Aviation Limited (Cork Airport)
- Boeing Ireland Limited (Dublin Airport)
- Alpha Flight Ireland Limited (Cork Airport)

One third party handling approval was voluntarily surrendered in April 2014 following a decision by the relevant company to cease operations at Dublin Airport. However, a new third party handling approval was issued to the company in October 2014 following a fresh application made to Commission for operations at Cork Airport only.

Approvals are issued for a period of five years. The Commission renewed four approvals in 2014 following successful completion of the renewal process.

Following the acquisition of Servisair by Swissport International Limited in December 2013, groundhandling approvals held by Servisair (Ireland) Limited and Derichebourg Multiservices Limited were amended in 2014 to reflect change of legal names for these companies. Servisair (Ireland) Limited became Swissport (Ireland) Limited and Derichebourg Multiservices Limited became Flightcare Multiservices Ireland Limited.

In order to improve dialogue and promote a better understanding of routine compliance requirements, the Commission commenced informal visits to existing groundhandling approval holders. During the course of 2014, a total of 13 companies were visited. In addition, the Commission visited Dublin, Cork and Shannon airports to meet the relevant personnel responsible for managing groundhandling operations and discussed any issues arising. The Commission also published a list of frequently asked questions relating to the groundhandling requirements and application process on its website.⁴

At EU level, the European Commission decided not to pursue its plans for a legislative proposal for a Regulation on Groundhandling. As a result, Council Directive 96/67/EC on access to the groundhandling market at Community airports, which currently governs the groundhandling market, will remain in place for the foreseeable future.

Travel Trade Licensing

In 2014 the Commission licensed 272 travel firms. While the number of firms is 24% lower than in 2008 it has stabilised over the past number of years. The 2014 trend was a slight increase in travel agents combined

⁴ See: <http://www.aviationreg.ie/groundhandling-the-commissions-role/faqs.608.html>

with a slight decrease in tour operators. Chart 4.2 shows the trend since 2001.

Chart 4.2: Numbers of Travel Agents and Tour Operators Stabilised



The Travel Trade team licenses tour operators and travel agents. Licensed firms are required to provide the Commission with a bond, which can be drawn down in the event that a licence holder ceases trading, leaving customers stranded abroad or travel contracts un-fulfilled before the due date of travel. The Commission uses the bond to pay for repatriations and refunds. Bonds are set at 4% of projected licensable turnover for travel agents and 10% for tour operators.

Table 4.3: Projected Licensable Turnover and Bonding of Travel Industry

Licensed Entities	2014 (€m)		2013 (€m)	
	Bond	PLTO	Bond	PLTO
Tour Operator (10% bond rate)	17	167	18	184
Travel Agent (4% bond rate)	39	982	37	927
Totals	56	1149	55	1111

The values shown above do not include non-licensable turnover e.g. accommodation alone. Projected licensable turnover for travel agents increased by 6% in 2014 compared to 2013.

Bookings made with an unlicensed entity are not protected by the bonding scheme operated by the Commission.

State Airports (Shannon Group) Act 2014

The legislation governing Travel Trade licensing in Ireland was amended by the State Airports (Shannon Group) Act 2014 which was signed into law in August 2014.

Following the amendment retailers and organisers established in other Member States of the European Union do not require a licence from the Commission to provide travel agency or tour operator services in Ireland provided that they satisfy certain conditions.

Such entities may be exempt from the need for a licence if they have evidence of security in respect of the packages they offer for sale or have sold, and they have notified the Commission of their intention to trade in Ireland. The security must be sufficient to pay for repatriations and refunds.

An entity wishing to offer packages in Ireland without an Irish licence must notify the Commission of its intention to do so and provide the following information in English:

- Security provider's name, address and contact details
- The full legal name, trading style and address of the security holder
- The value of the security (in Euros)
- A statement that in the event of financial failure the indemnity provider agrees to meet all obligations, including repatriating or refunding travellers, and that the Commission's role will be limited to notifying the indemnity provider of the entity's collapse.

To date, no firm has indicated an intention to trade under the provisions introduced by the State Airports (Shannon Group) Act 2014.

Monitoring Compliance

In 2014 the Commission commenced or continued investigations into 14 complaints received concerning possible unlicensed trading. Several of the complaints related to companies attempting to operate under the licence of another legal entity, something that is not permissible under Irish legislation.

Eight of the 14 complaints investigated have been resolved to the full satisfaction of the Commission. Two are in the process of being resolved and 2 are under investigation. The remaining investigations revealed no evidence of unlicensed trading.

To monitor compliance with licence conditions, each year we visit the business premises of a sample of licence holders. 27 licence holders were visited in 2014. In addition to compliance checks, these visits allow the

Commission to obtain a better understanding of the organisations licensed and provide an informal opportunity for information exchange.

Work Programme for 2014

Goal	Actions to achieve goal
Continue to administer the licensing and approvals regime for air carriers, groundhandlers and travel trade firms	Process applications in a timely manner Monitor compliance by licence holders & review licences as required Process any claims for refunds or repatriations Investigate reports of unlicensed travel trading
Promote understanding of the licensing regime amongst industry and the public	Issue licence discs for 2016 to all helicopter and small aircraft operators Visit airports, ground handlers & travel companies to improve awareness and check compliance

5. Air Passenger Rights

In 2014 the Commission received a total of 4,209 queries from the public. This figure is a slight decrease on the 4,304 received in 2013.

72% of queries related to matters outside of the remit of the Commission e.g. baggage complaints, safety issues, pricing queries etc. In these cases we engaged with the individual and where appropriate referred them to the body or authority competent to deal with their complaint.

1153 queries related to possible infringements of Regulation 261/ 2004 and were treated as complaints. A further 17 related to Regulation 1107/ 2006 which concerns the rights of disabled persons and persons with reduced mobility when travelling by air.

Cancellations, Delays, Denied Boarding and Downgrades

Of the 1153 complaints received under Regulation 261 in 2014 just over half related to flight delays.

2014 was notable in the context of delays as in October the UK Court of Appeal ruled in the case of Huzar vs Jet2. Whilst many passengers expected that this ruling would apply in Ireland, its effect is currently limited to the UK. The ruling would only become binding on the other countries within Europe if it was appealed to the CJEU and endorsed by them.

Of the 1153 complaints received 37% (426) related to flights departing from airports in other Member States or flights arriving into such airports from third (i.e. non-EU) countries operated by Community-licensed carriers. The Commission liaised with passengers to ensure that all information necessary to conduct an investigation was provided before forwarding these complaints to the appropriate national enforcement bodies (NEBs) or enabling the passengers to do so directly.⁵

The remaining 727 complaints fell within both the scope of the legislation and the remit of the Commission and were therefore subject to a full investigation by the Commission.

Of these complaints, 544 have been concluded, 108 are still under investigation and 75 await action. A breakdown of the outcomes in the 544 concluded cases are presented in Table 5.1. In 151 cases, the complaint was found to be unsustainable under the Regulation, was withdrawn by the passenger, or related to an infringement for which there

⁵ Many NEBs now operate on-line complaint forms and some of these are easier for the passenger to complete directly.

was no redress available to the passenger. In 186 cases, extraordinary circumstances were found to apply and reasonable avoidance measures taken by the airline.

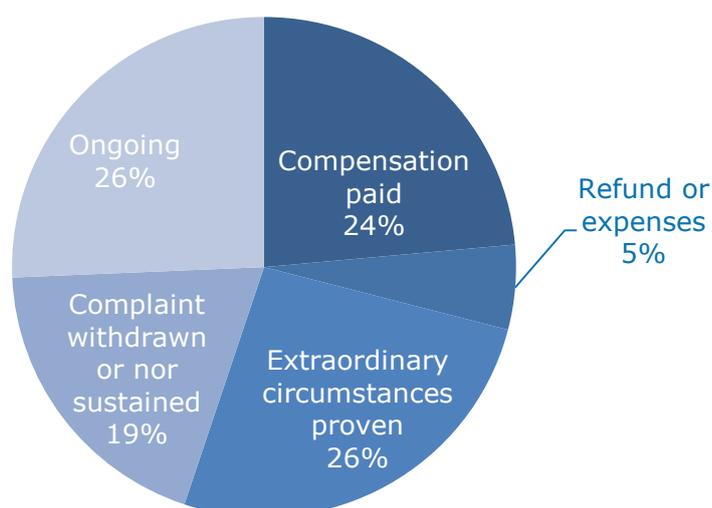
In 168 cases, compensation was paid to the passenger, and in 39 cases the customer received a refund of the cost of their ticket and/or their expenses were reimbursed.

Table 5.1: Air Passenger Complaints by Type & Investigating Body

Type of Complaint	For investigation by the Commission	For investigation by other NEB	Total	
Cancellation	185	110	295	26%
Long delay	347	242	589	51%
Denied boarding	41	36	77	7%
Downgrading	1	0	1	0%
Other	153	38	191	17%
Total	727	426	1153	100%

The Commission obtained €168,360 for passengers affected by flight disruptions in 2014: €158,205 in compensation and €10,155 in refunds and reimbursements.

Chart 5.1: Outcomes of Air Passenger Complaints in 2014



Persons with Reduced Mobility

During 2014 the Commission received 17 submissions regarding the rights of persons with reduced mobility. Of these, 9 concerned issues which did

not constitute potential infringements of the Regulation 1107. The remaining 8 were valid complaints which required investigation. The issues concerned were varied and included:

- Air carrier refusals to accept reservations
- The assistance received at the airport of departure, transit or arrival
- The use of car-seats to facilitate the carriage of children with mobility problems.

Three of these complaints were appropriate to NEBs in other countries whilst the remaining 5 complaints fell within the remit of the Commission and were investigated. All but one of these 5 complaints have been completed. The outstanding matter relates to information set out on the website of Norwegian Air Shuttle ASA regarding travel with recognised assistance dogs.

Other Work

In addition to complaint-handling the Commission also completed 8 inspections of airports during 2014. The purpose of these inspections was:

- To monitor the provision of assistance to persons with reduced mobility by airport management bodies in accordance with Regulation 1107/ 2006
- To ensure that air carriers were displaying the text prescribed by Regulation 261/ 2004 at their check-in desks and kiosks and also providing correct information to passengers affected by long flight delays, cancellations and instances of denied boarding.

In 2014 the Commission observed the training provided to staff responsible for providing assistance at Dublin Airport. We also engaged with the Irish air carriers with a view to observing the training afforded to staff in 2015.

We continued to engage with Aer Lingus in relation to their complaint-handling process and significant improvements have been noted.

2014 saw the conclusion of several complaints against the Turkish air carrier Onur Air, which were under investigation since mid-2013. Despite confirming that compensation would be paid to all affected passengers in October 2013, it took a further 10 months and approximately 350 additional communications before Onur Air completed the payments.

Also of note in 2014 was the French Air Traffic Control strike which caused widespread flight disruption across Europe at the end of June. Some air carriers e.g. Ryanair received such volumes of complaints that they requested an extension to the six-week complaint response timeframe set

out in the NEB-NEB Agreement.⁶ Short-term extensions were considered reasonable in these circumstances once passengers were not unfairly inconvenienced.

Work on the recast of Regulation 261 continued in the early part of 2014. However, agreement could not be reached on some core provisions with little progress being made in the second half of the year. During this time significant rulings were delivered by the CJEU (e.g. the rulings in the Henning and Siewert cases) and it is likely that the recast will need to be further amended to reflect these judgments.

During 2014 the Commission hosted an information stand at the annual Holiday World Fair in Dublin with the aim of increasing public awareness of passenger rights.

In December 2014 we conducted an information drive reminding all Tour Operators and Travel Agents licensed by the Commission of their obligations under Regulation 1107.

During 2014 the Commission participated at a joint meeting of the European Commission and NEBs on Regulation 261 and also attended a workshop on Regulation 1107. Furthermore in 2014 two representatives of the Commission took part in the Exchange of Officials Programme hosted and funded by the Consumers, Health and Food Executive Agency (CHAFFEA). The exchanges enabled staff to see how complaint-handling and enforcement is undertaken in other Member States and to share Ireland's experiences in this regard. The exchanges were invaluable in terms of experience and the Commission welcomes the opportunity to participate in further endeavours of this nature in the future.

Work Programme for 2015

Goal	Actions to achieve goal
Ensure compliance with EU laws concerning passenger rights	Investigate complaints received Inspect airports Monitor the information provided by air carriers via their websites
Continue to increase public understanding of air passenger rights issues	Provide information at suitable industry events and through website and media campaigns

⁶ The NEB-NEB Agreement, brokered by the EC on implementation of Regulation 261/ 2004, specifies that air carriers have a period of 6 weeks to respond to initial correspondence from enforcement bodies such as this Office.

6. Administrative and Legal Functions

Human Resources

The Commission employed an average 15 full-time equivalent staff in 2014. This is under its reduced Employment Control Framework (ECF) figure of 17. During the year, 3 staff left their posts and 1 new person joined us.

Staff members are paid at rates that compare directly with Civil Service posts and all of these rates have been sanctioned by the Department of Public Expenditure and Reform.

The salary, employer's PRSI and pension costs of the sole member of the Commission amounted to €77,168 for the period to 31st May 2014, when his term in office expired. No other benefit was provided. There is currently a vacancy in the Commission.

Superannuation Schemes

All full-time staff members were obliged to join the Commission's pension scheme. The scheme was established under the Aviation Regulation Act 2001. New employees must now join the Single Public Service Pensions scheme unless otherwise permitted to join the Commission's scheme. The schemes are in the course of being formally approved by the Minister for Transport, Tourism and Sport with the consent of the Minister for Public Expenditure and Reform.

An actuarial review of the pension liabilities in September 2014 indicated that due to the lower than expected returns in respect of interest on bank deposits, additional funding is required to maintain a surplus of assets over liabilities commencing in 2015. The Commission expects to contribute €84k to the pension scheme in 2015.

Outsourcing

As in previous years, the Commission continued to outsource non-core administrative functions relating to internal audit, disaster recovery, media relations, IT and payroll administration.

Administrative obligations

The Commission seeks to comply with the Code of Practice for the Governance of State Bodies. Based on the scope of our activities and the small number of staff, certain aspects of the Code are not applicable.

The Commission consumed 35,660 kilowatt hours (kWhs) of energy in 2014 compared with 36,800 kWhs used in 2013.

Transparency and Freedom of Information

The Commission carries out its functions as transparently as possible. Consultation papers, Notices, supporting documents, responses from stakeholders and regulatory decisions are published on our website www.aviationreg.ie. A list of the documents published by the Commission in 2014 is included in the appendix to this annual report. Since March 2012, the Commission has published quarterly on our website details of its purchase orders for amounts in excess of €20,000.

The Commission received no Freedom of Information request in 2014.

Litigation

Legal proceedings by the Commission continued to enforce payment of a bond. We also continued to defend the office in an action by a travel agent for payment of an amount of money which it alleges is due to it following its taking over the bookings of customers affected by another travel firm's going out of business.

In December 2014, daa commenced judicial review proceedings in relation to the determination on airport charges. These proceedings were discontinued in January 2015.

Audit Committee

The Audit Committee met 4 times during 2014. At each meeting the Committee was updated by the Commissioner or the Deputy Commissioner on the Commission's activities, ongoing work and key issues. Staff attended meetings from time to time as required and appropriate. The independent internal auditors also attended meetings on a regular basis to update the Committee on the audit plan and related audit reports. In 2014, the Audit Committee focused on the following key areas:

- Information security
- IT Control
- Procurement

Table 6.1: Summary of Corporate Governance

Commission Code of Conduct	There is a Code of Conduct for Commission employees.
Internal Audit	The CAR has appointed a firm of auditors (D'Arcy Lynch) to undertake its internal audit function. The internal auditor operates under the guidance of an external Audit Committee. In 2014, it produced 3 reports in respect of the areas of interest quoted above.
Procurement	The CAR's procurement procedures comply with national and, where applicable, EU guidelines and directives. The value of the majority of the contracts is such that national guidelines tend to apply. The CAR has a procurement plan, setting out the areas in which it expects to tender for services.
Disposal of assets and access to assets by third parties	The CAR has no assets of the scale and value envisaged under the guidelines (€150,000).
Diversification	The CAR did not make any diversification proposals to the Minister in 2014.
Investment appraisal	The CAR did not incur any capital expenditure in 2014 coming within the scope of the activities envisaged in the Department's 2005 Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector. It previously reported ICT expenditure to the Department of Public Expenditure and Reform – however as such expenditure is not part of the Departmental vote, it is no longer a requirement to have such expenditure formally reported.
Remuneration of senior management and directors' fees	The Human Resources section of this chapter set out information on this area. There are no directors and the payment of fees does not apply.
Reporting arrangements	<p>The CAR prepares reports to the Minister for Transport as required. The CAR has a fully developed accounting system, providing detailed monthly management and financial reports to senior management. The CAR adopts International Reporting Standards for its reporting. It calculates its accounts on the accrual accounting system except where specified in the notes to the financial statements. These statements are audited by the Comptroller and Auditor General.</p> <p>The CAR has taken measures to comply with the obligation to keep proper books of account. These are kept at its sole office.</p>
Strategic and corporate planning	<p>The CAR's functions and responsibilities are set out in the Aviation Act 2001, the State Airports Act 2004, the Aviation Act 2006 and the State Airports (Shannon Group) Act, 2014 together with various Statutory Instruments.</p> <p>The CAR reports annually to the Minister for Transport on the</p>

	<p>manner in which these functions have been discharged in the previous year.</p> <p>The CAR has not prepared a five year strategic plan. This decision was agreed with the Department of Transport following the October 2009 government announcement that the CAR would merge with the National Transport Authority. More recently, the Government in its November 2011 Public Sector Reform Plan announced that it would merge a part of the IAA with the CAR.</p>
Tax compliance	<p>The CAR is liable to pay PAYE, VAT and PSWT. The CAR has submitted all relevant tax returns for 2014 and believes it is fully tax compliant.</p>
SIFC	<p>The Commissioner has confirmed in the financial statements for 2014 that a review of the effectiveness of the statement of internal financial control (SIFC) was conducted that year. The SIFC contains a comprehensive set of policies and procedures relating to financial controls. For the purpose of Oireachtas accountability, the Commissioner is the Accountable Officer.</p>
Travel Policy	<p>The CAR complies with Government travel policy requirements.</p>
Disclosure of interests	<p>The Commissioner, CAR staff, and all consultants and advisers as required comply with the relevant disclosure requirements arising under section 18 of the Ethics in Public Office Act 1995 and sections 17-18 of the Aviation Regulation Act, 2001.</p> <p>The Public Appointments Service is responsible for organising open competitions to appoint Members of the Commission. There is currently an Acting Commissioner in place.</p>
Risk Management	<p>The CAR maintains a risk register which is regularly reviewed by the senior management and the CAR works with the audit committee to manage risks.</p>

7. Financial Information

Levy

The Commission may make regulations that impose a levy to meet properly-incurred expenses in discharging its functions. The levy is payable by such classes of undertakings as may be specified by the Commission.

On 10 December 2014, the Commission made S.I. 563 of 2014 imposing the Levy for 2015. The Commission expects to receive revenues of €2,141,421 from the levy in 2015.

Financial Statements

In February 2014, the draft financial statements for 2013 were submitted to the Comptroller and Auditor General for audit. In January 2015, on completion of the audit, they were submitted to the Minister for Transport. Once they have been laid before the Houses of the Oireachtas, they will be placed on the Commission's website.

Draft financial statements for the year ended 31 December 2014 have been prepared and were submitted for audit to the Comptroller and Auditor General on 25 February 2015. An extract from these draft statements is provided below. The statement of accounting policies and the notes to the accounts, which are not presented below but will be part of the final published accounts, form an integral part of the financial statements.

Draft Income & Expenditure Account for the year ended 31 Dec 2014

	2014 € '000	2013 € '000
Income		
Levy Income	2,323	2,523
Licence Fees	193	163
Other	31	42
Gross Income	2,547	2,728
Transfer (to)/from Capital Account	7	11
Net Income	2,553	2,738
Expenditure		
Staff Costs	1,062	1,141
Pension Costs	102	87
Consultancy	283	43
Legal Fees	73	24
Rent	280	281
Schedules Facilitation	321	279
Other	428	417
	2,549	2,273
Operating Surplus / (Deficit)	5	466
Balance as at 1 January	2,570	2,104
Balance as at 31 December	2,574	2,570

Draft Statement of Total Recognised Gains and Losses for the year ended 31 December 2014

	2014 € '000	2013 € '000
Operating Surplus / (Deficit)	5	466
Actual return less expected return on pension scheme assets	203	134
Experience gains/(losses) arising on pension scheme liabilities	(34)	112
Changes in assumptions underlying the present value of the pension scheme liabilities	(858)	(251)
Actuarial gain/(loss)	(690)	(5)
Total Recognised Gains/(Losses) relating to the Financial Year	(685)	460

The cumulative gain recognised from actuarial gains and losses arising in the last four years amounts to €633,894.

Draft Movement in Pension Reserve

	2014 € '000	2013 € '000
Balance at 1 January	(48)	(43)
Actuarial Gain/(Loss)	(690)	(5)
Balance at 31 December	(738)	(48)

Draft Balance Sheet as at 31 December 2014

	2014 € '000	2013 € '000
Fixed Assets		
Tangible Assets	1	8
Current Assets		
Bank Accounts	15,396	14,703
Debtors and Prepayments	265	241
	15,660	14,944
Creditors (Amounts falling due within one year)		
Creditors and Accruals	(175)	(140)
Cash Bond Accounts	(12,879)	(12,183)
	(13,054)	(12,323)
Net Current Assets / (Liabilities)	2,606	2,621
Total Assets less Current Liabilities	2,607	2,629
Provisions for Liabilities and Charges	-	-
Net Assets Excluding Pension Liability	2,607	2,629
Net Pension Asset/(Liability)	(770)	(99)
Net Assets / (Liabilities) including Pension Asset/(Liability)	1,838	2,529
Financed By		
Income & Expenditure Account Surplus/(Deficit)	2,574	2,570
Capital Account	1	8
Pension Reserve	(738)	(48)
	1,838	2,529

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 18 form an integral part of these Financial Statements.

Draft Cashflow Statement for year ended 31 December 2014

	2014 € '000	2013 € '000
Reconciliation of operating surplus to net Cash inflow/(outflow) from operating activities		
Surplus/(Deficit) on Income and Expenditure	5	466
Difference between Pension Cost and Employer Contribution	(19)	(35)
Depreciation	4	11
Bank Interest received net of bank charges paid	(27)	(37)
Amortisation of capital asset	(4)	(11)
Decrease/(Increase) in Debtors	8	18
Decrease/(Increase) in Prepayments	(32)	(8)
(Decrease)/Increase in Creditors	25	(78)
(Decrease)/Increase in Accruals	10	(121)
(Decrease)/Increase in Provisions	-	-
Net Cash Inflow/ (Outflow) From Operating Activities	(31)	205
Cash Flow Statement		
Net Cash Inflow/ (Outflow) From Operating Activities	(31)	205
Returns on Investments		
Bank Interest	31	40
Bank Charges Paid	(3)	(3)
Financing		
Increase / (Decrease) in Cash Bond Accounts & TPF	696	(1,062)
Management of Liquid Resources		
(Increase) / Decrease in Funds on Deposit	(31)	(90)
Increase/(Decrease) in Cash Balances	662	(910)
Reconciliation of net cash flow to movements in net funds		
Increase/(Decrease) in cash in hand in the period	662	(910)
Cash used to (decrease)/ increase liquid resources	31	90
Change in Net Funds	692	(819)
Opening Net Funds	14,703	15,523
Closing Net Funds	15,396	14,703

The Statement of Accounting Policies, Cashflow Statement and the Notes 1 to 18 form an integral part of these Financial Statements.

All numbers rounded independently, may not sum to total.

8. Appendix

Commission Papers Published in 2014

Paper	Title
CP1/2014 May 2014	Maximum Level of Airport Charges at Dublin Airport 2014 Draft Determination
CP2/2014 October 2014	Maximum Level of Airport Charges at Dublin Airport 2014 Determination
CP3/2014 December 2014	Guidance on the Till Exit of Lands Associated with Dublin Airport City
CN1/2014 January 2014	Arrangements for Travel Trade Licensing in Spring 2014
CN2/2014 July 2014	Arrangements for Travel Trade Licensing in Autumn 2014

Output Report

Charges and Slot Regulation

2014 Goal	2014 Outturn
Complete work on the next Determination governing airport charges at Dublin airport	Following an extensive consultation process, in October 2014 the Final Determination was published.
Commence work on the next Determination governing aviation terminal service charges at Dublin, Cork and Shannon airports	As of 1 January 2015 this function has been superseded by EU Commission Regulation EU No 1191/2010 and the designation of the IAA as the National Supervisory Authority.
Monitor compliance with existing price caps and ensure continued smooth operation of the current scheduling regime at Dublin airport	Commission satisfied that daa and IAA complied with price caps Quarterly reports published on service quality measures for daa and IAA Attended Co-ordination Committee meetings and interacted with ACL to monitor traffic trends at Dublin Airport

Licensing and Approvals

2014 Goal	2014 Outturn
Continue to administer the licensing and approvals regimes for air carriers, groundhandlers and travel trade firms	All applications processed in a timely manner and existing licence holders were monitored for compliance with legislation Two year review of operating licence held by one air carrier completed
Promote understanding of the licensing regime amongst industry and the public	Licence discs for 2015 were issued to all helicopter and small aircraft operators A list of FAQ's for Airline Licensing and Groundhandling were published on CAR's website Informal visits to airports and a total of 13 groundhandling companies were completed in 2014. 27 Travel Trade premises were visited.
EC Proposal for a revised Regulation on Groundhandling	At EU level, the European Commission decided not to pursue its plans for a legislative proposal for a Regulation on Groundhandling

Air Passenger Rights

2014 Goal	2014 Outturn
Ensure compliance with EU laws concerning passenger rights	1153 complaints received under both Regulations. 426 for counterpart enforcement bodies. 727 complaints investigated. 544 concluded. 8 inspections carried out.
Seek to increase public understanding of air passenger rights issues	Took part in 2014 Holiday World fair. Print media campaign and presented at industry events.
Advise on possible changes to Regulation 261	Contingent upon completion of recast process

Key Performance Indicators

Performance Indicator	2014	2013
Travel Trade Licensing		
Licence applicants notified of missing documents within a week	82%	28%
Licence applicants receiving a decision in principle within a month	87%	64%
Licences issued within two weeks of all documents being received	93%	92%
Number of licensees' premises visited	27	31
Travel Trade Claims and Repatriations		
Number of claims received following collapses	0	12
Number of claims processed within two months	n/a	100%
Number of claims processed within four months	n/a	100%
Number of claims processed within six months	n/a	100%
Administration costs as a percentage of total claims costs	n/a	10%
Number of passengers repatriated	0	0
Passengers awaiting repatriation after scheduled return date	n/a	n/a
Passengers awaiting repatriation for more than a week	n/a	n/a
Consumer Protection		
Preliminary reviews of complaints completed within a week	88%	90%
Complaints referred to another NEB within a month of receipt	79%	98%
Investigations completed within three months of receipt ⁷	76%	84%
Investigations completed within seven months of receipt ⁸	100%	97%
Number of airport inspections	8	10
Costs		
Annual change in CAR costs	+12%	-16%
Annual change in CAR costs (excluding legal fees, airport coordination and claims processing costs)	+10%	-10%

⁷ For complaints received between 1 July 2013 and 30 June 2014; similar lag for previous year.

⁸ For complaints received between 1 July 2013 and 30 June 2014, similar lag for previous year.