



Irish NSA (IAA-SRD and CAR)
Reference Period 3
Determined Costs
Submittal

1) Background and general overview

The costs of the Irish National Supervisory Authority (NSA) are to be reviewed as part of the RP3 review process currently being conducted by the Irish Commission for Aviation Regulation (CAR)¹. This exercise was previously conducted by the IAA in 2019 when it was assigned the full NSA role at that time. From January 2020, the economic element of the Irish NSA role has been assigned to CAR. This submittal provides the safety regulatory costs associated with the Irish NSA functions still provided by the IAA Safety Regulatory Directorate (SRD).

The Irish Aviation Authority and the Commission for Aviation Regulation (CAR) are currently in the process of being merged into a single standalone aviation regulator, under Irish Government policy.

In addition, due to the RP3 emergency regulation requiring the development of a revised Performance Plan (PP) for Ireland and all other EU State for 2020-2024, is now required.

To provide greater transparency and separation on Irish NSA costs, it is now necessary to assign to the NSA some costs previously incorporated elsewhere in the IAA's costs. This includes costs related to new aviation regulatory service within the separated regulator and IAA corporate services such as IT, Finance and HR services. Any increase in the NSA figure for IAA corporate services should be matched by a similar reduction in the ANSP costs.

The RP3 NSA determined costs can include efficiently incurred costs, incurred by the following entities, which are eligible to be charged to en-route and terminal air navigation services only:

- IAA ANSP
- MET ANSP
- IAA (IAA-SRD & CAR)
- EUROCONTROL and other State costs

¹ For further details, see: <https://www.aviationreg.ie/news/consultation-on-work-plan-to-establish-a-performance-plan-containing-revised-targets-for-2020-2024.1003.html>

2) Increase in Payroll Costs

As stated in the Irish RP3 performance plan in 2019, a properly resourced Irish NSA is a fundamental requirement for the effective delivery and monitoring of safety and Performance plans that support the achievement of SES objectives. This was highlighted in EASA standardisation reports and in the “*ECORYS ex-post evaluation of the Single European Sky Performance and Charging Schemes in Reference Period 1 and first year of Reference Period 2*”. The report included the following statement.

“Another more general observation, confirmed by ANSPs and NSAs, is that NSAs are generally underfunded and lack sufficient resources and expertise to implement the performance scheme. The scheme requires Member States to set up a proper NSA, but in practice some NSAs tend to resolve staffing issues by relying increasingly on ANSPs’ expertise, which jeopardises their independence.” It can be concluded that the asymmetry of information between ANSPs and NSAs and the under-resourcing of certain NSAs is not fully mitigated by the joint actions indicated by stakeholders.”

The NSA payroll and pension costs, consistent with the plan submitted in 2019, reflect an increased headcount to address current and anticipated Regulatory oversight requirements, also included in corrective action plans submitted to EASA Standardisation process to address resource findings in this area.

The following is an overview by each function in the IAA NSA

- a) **Communications, Navigation and Surveillance Systems for Air Traffic Management (CNS/ATM).**
 - i. The CNS domain are primarily responsible for the oversight and regulation of engineering procedures, system changes, cybersecurity, system software, VHF omnidirectional radio range, non-directional radio beacon (NDB), UHF distance measuring equipment (DME), global navigation satellite system (GNSS), ILS installations, ATS direct speech circuits, meteorological operational channels, meteorological operational telecommunication networks, performance-based surveillance (PBS) operations, controller pilot data link communications (CPDLC) and the aeronautical fixed telecommunication network (AFTN).

- b) **Air Traffic Services (ATS).**
 - i. The ATS domain are primarily responsible for the oversight and regulation of air traffic control procedures, functional system changes, occurrence reports, licensing and training of ATS personnel, rules of the air, performance-based communication (PBC) operations, language proficiency, radiotelephony procedures, fatigue management, human factors, aviation meteorology procedures/processes, air traffic flow management, and contingency procedures.

- c) [Procedures for Air Navigation Services & Aircraft Operation \(PANS-OPS\).](#)
 - i. The PANS OPS domain are primarily responsible for the oversight and regulation of, standard instrument departures (SIDs), instrument approach procedures (IAPs), standard terminal arrival routes (STARs), aeronautical data quality (ADQ), the approval or certification of charting, survey and airspace design organisations, airspace management (ASM), civil/military flexible use of airspace (FUA), aeronautical information services (AIS), notices to airmen (NOTAMs), aeronautical charts, performance-based navigation (PBN) operations, and obstacle safeguarding.

- d) [Search & Rescue \(SAR\).](#)
 - i. The National Search and Rescue plan 2019 was published by DTTaS in July 2019 which required the Safety Regulatory Directorate of the IAA to establish, implement and maintain a regulatory framework and oversight programme appropriate to the scale and complexity of the National SAR requirement for civil aviation. In the absence of EASA regulation the IAA is to establish an equivalent framework to Part-SPA (Subpart SAR), which establishes appropriate guidance and alleviations from EASA regulations to allow SAR operational flights and SAR training flights to operate as a State activity. The oversight obligations include communications procedures and systems, agreements and protocols with adjacent and external SAR services; the aviation rescue coordination centre (ARCC) and sub centre, aviation SAR facilities and assets, the on-scene coordinator (OSC) functions, support facilities that provide services to enable aviation SAR operations, and other resources which can be used to conduct aviation SAR operations

IAA NSA Headcount

IAA Regulatory and oversight tasks are not dependant on the level of air traffic activity, as there is a clear regulatory requirement to perform these activities regardless of traffic levels. In the short to medium term, the number and complexity of the ATM/ANS service providers will remain static, and therefore the resource required to fulfil regulatory requirements will remain as outlined in this submission. A significant reshaping of the ATM/ANS landscape, whereby several providers exit the industry, and the remainder shrink to become significantly less complex, would impact on the NSA resource requirements. No current forecasts give any indication of this likelihood.

Currently, service provider organisations have taken advantage of the low levels of traffic during COVID-19 to introduce a number of changes and major projects (e.g. the contingency enroute centre – CEROC, and the new tower and parallel runway at Dublin Airport). All of these activities require additional resources within the NSA for the review and approval of these changes, with the more complex projects taking months to complete.

Increase in staffing levels of the IAA NSA

Regulations (EU) 2017/373 and 2015/340 require that the NSA have a sufficient number of personnel, including inspectors, to perform its tasks and discharge its responsibilities. The lack of available NSA resources is contributory to EASA Standardisation findings in addition to internal

IAA-SRD compliance monitoring findings.

The NSA has a detailed process to identify the current resource demand and to assess the resources available to meet this demand. The procedure requires that a detailed analysis of resource demand generated by each of its regulatory processes is conducted. A sensitivity analysis (e.g. impact of loss of a member of staff, etc.) is also performed to ensure that adequate contingency resources is available and to ensure there are no single points of failure.

Additional IAA NSA resources in RP3:

Inspector Resource	Number of FTE's
Communications, Navigation and Surveillance Systems for Air Traffic Management (CNS/ATM)	2
Air Traffic Services (ATS)	1
Procedures for Air Navigation Services & Aircraft Operation (PANS-Ops)	1
Search & Rescue (SAR)	2

Enroute And Terminal Charging Zones

Oversight of enroute and terminal charging zones is distributed throughout these interrelated and interdependent areas. It is difficult and impractical to accurately apportion the NSA costs between these two charging zones, however, The IAA NSA have no objection to the IAA ANSP cost breakdown of 87% enroute and 13% terminal, which we believe is a reasonable calculation.

3) Allocation of a Cross-Charge for safety regulatory services

Previous RP3 submittals from the IAA NSA did not incorporate specific safety regulatory costs associated with the provision of the IAA NSA function. Regulation (EU) 2018/1139, Regulation (EU) 2017/373 and Regulation 2014/376 place obligations on the IAA safety regulator including, but not limited to:

- a) Implementation of a State Safety Programme
- b) Development of a State Plan for Aviation Safety
- c) Implementation of Occurrence Reporting systems and 'Just Culture Body' as per Regulation (EU) 376/2014
- d) Provision of Internal Compliance Monitoring Function as per Regulation 2017/373
- e) Provision of management systems as per Regulation (EU) 2017/373 which will include:
 - i. Safety Intelligence, Decision Support Systems development, and provision for risk-based oversight
 - ii. Change Management
 - iii. Oversight systems and planning tools
 - iv. Regulatory development, legal and enforcement Support Services
 - v. Licensing support related to ATCO licensing and medicals

These capabilities are provided by staff in the Regulatory Performance and Personnel Licensing Division of the Safety regulatory department. Likewise, the other divisions within the IAA SRD provide additional technical support to the IAA NSA function as outlined later in this document. Previously, this cost was not apportioned and allocated to the IAA NSA and was not being recouped by the regulator elsewhere. If the portion related to IAA NSA functions is not recouped in the IAA NSA charge, it will be necessary to charge it through other Fees and Charges applied to certificate and licence holders.

4) Allocation of a Cross-Charge for IAA Corporate Services (Administration Charge)

The IAA NSA does not maintain a standalone capability to provide required administrative services such as IT, HR, Finance, Procurement, Legal and corporate services. Within the IAA company, these are currently provided by centralised shared departments providing the necessary services to all ANSP and SRD departments and sub-divisions.

The restructuring of the IAA and the above mentioned merger with the Commission for Aviation Regulation (CAR) will have an impact on how these charges are determined and allocated. Starting in January 2021, the IAA will be restructuring, to extract the service provision (ANSP) into a new separate corporate entity, and to incorporate the current functions of CAR into the IAA, establishing the IAA a single standalone aviation regulator for Ireland.

The centralised shared departments currently providing the necessary services to all IAA ANSP and IAA SRD departments and sub-divisions will need to be re-allocated within the new organisations. At present it is anticipated these departments will move to the new ANSP and the IAA will develop new support services commensurate with its requirements and smaller size.

At present, it is not possible to fully quantify a revised administrative charge. A baseline figure of the current administration charges is provided. In addition, it is not currently possible to provide a complete Net Book Value (NBV) of assets or Net current assets, in section 3 of Complementary information, for an average asset base. A baseline figure of the Net book value of fixed assets is provided. See Section 8 of this document.

5) Digitalisation

The IAA has undertaken a major project to provide a digitalised platform for all function of the aviation regulator. This will enable improved, efficient services for all stakeholders over the coming years. The cost of this capital project is allocated to all regulatory departments of the IAA and the portion applicable to the IAA NSA is reflected in the depreciation figures provided.

6) NSA (IAA SRD and CAR Functions) Operating Cost Base

The following table 1 provides a summary of the NSA costs associated with NSA functions provided by the IAA and CAR aviation regulators.

Table 1: NSA Cost Base

Total IAA NSA Cost Base - RP3 (2020 – 2024)						
			<i>Indexation multiplier</i>	1.019	1.02	1.02
			<i>Indexation Rate</i>	1.90%	2%	2%
<u>Expenditure</u>	2020 Budget (Covid-19 cost contained budget, excl non-NSA costs)	2020 Actuals (Suppressed actuals due to Covid, excl non-NSA costs)	2021 Budget (Including budget reductions, excl non-NSA costs)	2022 Forecast	2023 Forecast	2024 Forecast
Payroll:	€1,734,888	€1,398,729	€2,293,727	€2,592,869	€2,614,343	€2,654,419
Pension	€434,892	€279,746	€458,745	€596,360	€601,299	€610,516
Travel:	€235,059	€33,848	€145,000	€219,085	€223,467	€227,936
Training:	€85,000	€18,010	€52,000	€52,988	€54,048	€55,129
Utilities:	€14,500	€9,650	€11,500	€11,719	€11,953	€12,192
Operating:	€29,600	€30,685	€34,000	€34,646	€35,339	€36,046
Administration:	€870,554	€515,371	€860,659	€853,681	€891,136	€930,492
Depreciation:	€14,741	€19,321	€22,998	€258,750	€258,750	€258,750
IAA & CAR NSA Costs	€3,419,234	€2,305,360	€3,878,630	€4,620,097	€4,690,334	€4,785,480
Corporate Services	€185,663	€183,692	€225,164	€229,442	€234,031	€238,712
Regulatory Software OPEX	€152,738	€143,115	€241,191	€197,000	€162,586	€161,836
Technical Payroll	€149,069	€149,069	€207,239	€308,053	€311,637	€319,450
Technical Pension	€49,193	€29,814	€41,448	€70,852	€71,677	€73,473
Economic Consultancy			€671,000	€683,749	€697,424	€711,372
ICT Department OPEX				€264,583	€269,875	€275,273
IAA and CAR NSA cost base RP3	€3,955,897	€2,811,050	€5,264,671	€6,373,777	€6,437,564	€6,565,595

The NSA 2020 payroll, travel, training, and administration figures for 2020 are suppressed due to the following exceptional items related to COVID-19:

- All IAA personnel, regardless of their role, had a 10% payroll reduction applied.
- A recruitment freeze, with the majority of vacant positions in the NSA, not filled.
- Travel, training, and admin costs were reduced, by €292,613.
- The IAA Regulatory Fees Order was not increased by CPI or indexation.

While recruitment of NSA related positions has resumed in 2021, due to the reasons outlined in section 2, the IAA and NSA 2021 payroll costs continue to include a further temporary pay cut of 9.75% for the year. This only applies to the IAA NSA payroll costs and not the CAR NSA payroll costs.

In addition, the travel, training, and administration figures for 2021 are similarly reduced due to the impact of COVID-19, on the industry, by €267,275 and the IAA Regulatory Fees Order was not increased by CPI or indexation.

Operating cost Forecasts, with the exception of headcount, for 2022 – 2024 are reflective of these continued cost reductions and are based on forecasts from the 2020 Covid-19 cost contained budget. In relation to the merger with the Commission for Aviation Regulation in 2021, the NSA costs line items include the merged costs of the Irish NSA (IAA and CAR).

Administration costs are analysed in the following section 7 and depreciation charges and increases relates, to the implementation of a new digitalisation platform, for the aviation regulator, are outlined in section 8.

Previous submittals to the NSA did not take account of required NSA functions, supplied by other regulatory functions. The allocation rate applied is provided in the row title. SRD corporate services, Regulatory software opex, technical payroll, Commission for Aviation Regulation, and ICT opex allocation charges, which relates to, but is not limited to, the following utilised services:

- a) Occurrence Reporting as per 376/2014
- b) Internal Compliance Monitoring Function as per Regulation 2017/373
- c) 'Just Culture Body' as per Regulation 376/2014
- d) Provision of management systems as per Regulation 2017/373
- e) Safety Intelligence, Decision Support Systems development, and provision
- f) SSP, SPAS, Oversight systems and planning
- g) Regulatory development, legal and enforcement Support Services
- h) Licensing support related to ATCO licensing and medicals
- i) Economic regulation.

We have included a reconciliation between the IAA NSA 2019 and 2020 RP2 and RP3 comparable enroute and terminal costs.

	Total NSA Cost Base - RP2		Total NSA Cost Base - RP3	
Expenditure	2019 Budget (excludes non NSA costs)	2019 Actuals (excludes non NSA costs)	2020 Budget (Covid-19 cost contained budget, excl non-NSA costs)	2020 Actuals (Suppressed actuals due to Covid, excel non-NSA costs)
	€	€	€	€
Payroll:	€1,794,079	€1,570,497	€1,734,888	€1,398,729
Pension	€358,287	€313,637	€434,892	€279,746
Travel:	€186,035	€162,851	€235,059	€33,848
Training:	€57,974	€50,749	€85,000	€18,010
Utilities:	€9,085	€7,953	€14,500	€9,650
Operating:	€25,093	€21,966	€29,600	€30,685
Administration:	€874,034	€765,110	€870,554	€515,371
Depreciation:	€99,444	€87,051	€14,741	€19,321
Reconciled costs 2019 and 2020	€3,404,031	€2,979,814	€3,419,234	€2,305,360

7) Administrative Charges

The administration charge figures are shown in table 2 below.

Table 2: Breakdown of forecasted Administration charges

	2020 Admin Budget	2021 Admin Budget	2022 Admin Forecast	2023 Admin Forecast	2024 Admin Forecast
Administration Charges Breakdown	€	€	€	€	€
Legal Notices	€10,950	€7,500	€7,650	€7,803	€7,959
Room hire	€3,000	€0	€0	€0	€0
Refreshments	€4,500	€4,500	€4,590	€4,682	€4,775
Accommodation	€3,500	€3,500	€3,570	€3,641	€3,714
Paper	€1,250	€1,000	€1,020	€1,040	€1,061
Stationary	€1,500	€1,500	€1,530	€0	€0
Licensing supplies & logbooks	€500	€0	€0	€0	€0
Printing	€3,250	€28,250	€28,815	€29,391	€29,979
Photocopier meter readings	€1,750	€1,750	€1,785	€1,821	€1,857
SW maintenance contracts	€285,000	€93,100	€175,000	€200,000	€225,000
Computer related consumables	€7,000	€3,000	€3,060	€3,121	€3,184
Furniture & Fittings	€1,500	€1,500	€0	€0	€0
Rent	€16,000	€16,000	€16,320	€16,646	€16,979
Property rates	€4,800	€4,800	€4,896	€4,994	€5,094
General maintenance repairs	€1,000	€1,000	€1,020	€1,040	€1,061
Cleaning Maintenance Contract	€3,500	€3,752	€3,827	€3,904	€3,982
Library	€1,000	€1,000	€1,020	€1,040	€1,061
Cleaning Supplies	€500	€0	€0	€0	€0
Security Maintenance Contract	€13,400	€17,000	€17,340	€17,687	€18,041
Medicals	€0	€500	€510	€520	€531
Staff professional subs	€2,000	€5,000	€5,100	€5,202	€5,306
Other Staff related	€500	€500	€510	€520	€531
Client Entertainment	€2,000	€1,500	€1,530	€1,561	€1,592
Couriers	€1,000	€500	€510	€520	€531
Taxis	€10,500	€7,500	€7,650	€7,803	€7,959
Sponsorship	€3,500	€0	€0	€0	€0
Business professional subs	€0	€5,000	€5,100	€5,202	€5,306
Other incidentals	€13,500	€11,000	€11,220	€11,444	€11,673
Consultancy fees	€204,500	€275,000	€292,955	€298,814	€304,790
Training General	€4,018	€4,724	€4,818	€4,915	€5,013
Utilities _ Power	€9,205	€11,949	€12,188	€12,432	€12,680
Utilities _ Telephone	€20,592	€19,768	€20,163	€20,567	€20,978
Structural Reform Consultancy	€0	€34,994	€35,694	€36,408	€37,136
Public Relations	€25,276	€21,581	€22,013	€22,453	€22,902
Office Supplies	€1,010	€861	€878	€896	€914
Postage	€4,187	€3,873	€3,950	€4,029	€4,110
Computer Maint and Supplies	€115,897	€113,120	€0	€0	€0
Rent\Rate\Insurance	€171,083	€203,056	€207,117	€211,259	€215,485
Environmental	€1,977	€0	€0	€0	€0
Building Repairs \ Service Charge	€30,523	€41,517	€42,347	€43,194	€44,058
Cleaning \ Facilities Mgt.	€17,110	€21,380	€21,808	€22,244	€22,689

Staff Related	€28,566	€34,493	€35,183	€35,887	€36,604
Incidentals	€33,824	€27,619	€28,171	€28,735	€29,310
Pension Fees	€17,656	€16,953	€17,292	€17,638	€17,991
Non-NSA ADR related costs	-€219,569	-€198,620	-€202,364	-€205,970	-€209,556
CAR NSA administration costs	€0	€83,598	€0	€0	€0
IAA NSA Administration costs	€870,554	€944,257	€853,681	€891,136	€930,492

8) Capital and Depreciation Costs

The figures supplied for the NSA do not currently contain a cost of capital. It is anticipated that an EU wide rate will be applied to the Irish NSA cost base.

Depreciation	2020	2021	2022	2023	2024
NSA Share of ICT Infrastructure Costs	€14,741	€7,373	€71,250	€71,250	€71,250
IAA NSA Share of New Digital Online Regulatory System	€0	€15,625	€187,500	€187,500	€187,500
CAR NSA Share of New Digital Online Regulatory System	€0	€0	€62,500	€125,000	€125,000
	€14,741	€22,998	€258,750	€258,750	€258,750

There is residual depreciation charge on ICT assets to the end of 2021, which will be replaced in 2022, at a cost of €2.85M, by new ICT infrastructure, which will be depreciated over six years.

- 15% of this depreciation charge for the IAA will be allocated to the NSA.

As noted above, the IAA has undertaken a major project to provide a digitalised platform for all function of the aviation regulator. This will enable improved, efficient services for all stakeholders over the coming years. The cost of this capital project is €10M, to be depreciated over eight years, from the 01/12/21 and is allocated to all regulatory departments of the IAA.

- A 15% portion applicable to the NSA is reflected in the depreciation figures provided.