



Date 31/08/21

**Dr Adrian Corcoran**  
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**Ref; Revised Draft Performance Plan for Ireland- Reference period 3 2022-2024**

Dear Dr Corcoran, Dear Mr. Manning

Thank you and your colleagues for the consultation on the draft Performance plan for Ireland for Reference Period 3 (RP3). As an observation of the process, it must be said that IATA believe there was insufficient time on the day to discuss the detailed aspects of the plan. Nor was there sufficient time allowed to develop a written response, this must be seen in the context that the Irish consultation was held during a week where the small airspace user team had to conduct seven full state level consultations in five days. As a result we have kept our feedback at a high level and on the main aspects of the plan.

IATA strongly support the creation of an independent regulator separated from the service provider, as indicated in our submission in 2019. We acknowledge that significant efforts have been made in the short time that the Commission for Aviation Regulation (CAR) has transitioned to the role of economic regulator, to get up to speed with the European requirements. IATA also note and appreciate that, with the support of industry recognised independent consultants, the CAR has endeavored to build its own scenario-based assessment of efficient costs for the IAA ANSP.

As discussed on 31 August, our members requirement is for all states to comply with and preferably better the minimum EU-wide performance targets in the key areas of Cost Efficiency, Environment, Capacity and Safety

**We note the intention is for Ireland is to achieve the European targets. However, the target achievement for Cost Efficiency is based on the cumulative effect over the period in both enroute and terminal. We see that considerable possibilities remain for additional improvement, notably in the aspects clarified below.**

We acknowledge that excellent performance in the area of safety and that the IAA have achieved a level C in several areas associated with the European Safety targets in the area of Effectiveness of Safety Management. We support the intention to continue this development in line with the European targets.

On Environmental performance, IATA note and support the intention to meet the revised targets as indicated in the performance plan. However, we would like to understand the potential impact the development of the second runway at Dublin airport may have on the KPA, considering the extensive Airspace restructuring that will have to accompany this new infrastructure.

On Capacity IATA fully supports the targets set in the performance plan and the intention to develop and implement a penalty only incentive scheme for enroute and terminal capacity. IATA support the intention to meet the National targets as developed by the Network manager, which we believe are appropriate given the historic performance over RP2 when the IAA successfully managed additional traffic (avg +8%) with zero CRSTMP delay. IATA understands that in the terminal area, arrival delay is consistently below the EU Average. Within the terminal area the historical delay performance is such that it represents close to zero. During the consultation we noted that the IAA already had a zero-delay performance internal ambition, a point that was not supported by airlines on the day. As with all service providers airspace users expect efficient cost for the appropriate level of service quality.



During the lead up to the consultation the IAA, in its correspondence, referred to a forecast study that had been performed by the Network Manager that showed up to 700,000mins of delay in its enroute sectors. This was also discussed on the day; however, no evidence was produced to show how this had been developed nor the parameters nor baseline used.

This forecast was the consistently used as a reference point for discussion during both the Capacity and Cost Efficiency areas by the IAA to justify the requirement for significant additional cost and that without it considerable delay, reroutes and flight cancellations would be apparent. IATA has independently sourced a copy of the study and now understands that the baseline assumption used had 12 EISN and 4 Dublin sectors open, while traffic was based on 2019 traffic levels for a period between June- August only and not the full year. The IAA, in their own response paper, allude to using 8 high level sectors in EISN in 2019, with no delay, reroutes or flight cancellations as a result. The 700,00mins referenced in the study are based on Shannon (EISN) sectors being reduced to 7 of 11 and Dublin by 1. It appears that only 1 less sector could be available than had been used in by the IAA in 2019, to manage +8.9% traffic above plan. Based on the forecast the EISN reduction is the worst-case scenario and represents a -50% reduction in sector availability, which is difficult to reconcile. Based on the forecasted traffic levels for May 2021 STATFOR, 2019 levels of traffic for SU and IFR will only be reached in 2024. As a result, IATA are unconvinced by the IAA assertions to the huge operational impact that "could" develop.

On OPEX IATA believe some savings could be generated by a further review of all sub items included. We note the intention to increase both Staff costs and over all Opex by some 12% and 24% respectably by 2024. It must be pointed out that the IAA over RP2 underspent on all areas of determined cost, while managing traffic significantly above plan, with no service quality issues, and in fact bonuses awarded for Capacity. We note the reservation on the day by the IAA, and the consistent messaging about operational impacts, however, we believe that some consideration should be given to the Model B+ Model C of Steers assumptions, particularly in 2022 when traffic will still be in recovery.

On CAPEX the IAA was consistently behind on its RP2 plan. IATA require that the revised plan must include clear links with RP2 actual developments – which investments have been completed, delayed, postponed or cancelled? IATA notes that although some of the capex not spent in RP2 is to be refunded, the concern is that IAA are carrying forward potential inefficiencies that should have been corrected through this spending in RP2. While No revised CBA`s have been presented for the proposed investment plan of RP3, we note that considerable programme level changes have been included by CAR in the revised plan. We also still lack a clear linkage of the quantitative benefits of the programme to the KPI`s of Safety/Cost Efficiency/Capacity and Environment. While the 20% reduction proposed by CAR and the extension to asset life is understood and appropriate, IATA are still concerned with the level of ambition and delivery schedule by 2024 of some of the major investments. Can the CAR elaborate on a milestone plan with risk assumptions for non delivery of the key aspects? We also have some specific areas of concern, as were also raised by airlines on the day:

**Mt Gabriel** –the 30<sup>th</sup> July draft performance plan document stated that *"as this project was not included in the original draft of the revised Business Plan, we have not had sufficient time to comprehensively review the project."* We ask that CAR review the project in line with other CAPEX proposals

**New Tower Project** – We are concerned by the significant (€7m) discrepancy between material supplied by the IAA (€43m) and outturn costs (€50m). We ask that CAR and the IAA investigate this discrepancy further and update airlines accordingly.

**Radar Replacements** –€12.6m is planned to be spent on radar replacements (Dublin radar 2 project, new Dublin radar building and national upgrades) throughout RP3. We question whether there is an opportunity to utilise overlapping radar coverage to eliminate the need for this project without having to increase to 5NM separations within Dublin TMA. We further request clarification whether satellite-based alternatives to radar were considered in the Capex evaluation process.

**EASDS Replacement** –€6.5m is proposed to be spent on a contingency system in the event of a failure of the COOPANS system. We question why COOPANS does not have an in-built redundancy given the significant Capex spend planned on this new system (€19m) within the draft performance plan.

**Climate Action Plan** – While we support efforts to deliver greener and more climate-friendly operations. We are concerned that this proposed €5m Capex includes only 'suggested' projects and no quantifiable benefits. We ask that the IAA clarify how this €5m Capex will be utilised and the expected environmental benefits associated with this.



**Cork ATC Extension** –€2.3m is proposed to be spent on extending rest facilities and adding storage space. We note that Steer were not convinced of the requirement for this project, and we request detail as to why the current rest facilities are no longer sufficient and what additional storage space is now required at Cork Tower.

**ATCO Screen Replacement** –€1.5m is planned to replace 111 ATCO screens at a cost of €13.5k per screen. We need to understand the justification for the costs per screen, that appear extremely high.

IATA is concerned that the cost of capital WACC rate range that includes an aiming up proposal. As discussed on the day is not appropriate for a business with extensive regulatory safeguards, whose maximum risk exposure is in the region of 4.4%. IATA also believes that the ROE should be waived for 2020/21 as a minimum.

Based on current market evidence a reduction in the cost of capital relative to RP2 is a must. The risk-free rate has continued to fall for over six years, with moments in negative territory. We view a 60% notional gearing to be within the typical range of regulatory precedents. We assume the capital structure to be consistent over the whole period covered by RP3 based on the fact the cost and revenue risk faced by ANSPs is low, given the mechanisms around uncontrollable costs, traffic risk sharing, multiple alert thresholds, investments as well as performance target revisions.

The development of unit rates for 2022 and beyond are a real concern for our members. We ask that the Irish state gives some consideration to funding the revenue gap that was driven by the States decision to insist on multiple lockdowns and bans on non-essential travel. Airlines should not be held wholly responsible for funding the revenue gap of the IAA due to these measures. As an island nation, which is dependent on-air connectivity for not only tourism, but wider economic recovery, the Irish government should consider invoking EU2019/317 Article 29.6 to fund the competitive recovery of Irish aviation and to ensure that the thousands of jobs and millions to the economy that it generates and supports can be safeguarded for the immediate future.

On a final note, IATA would like to record the fact that the consultation itself was one of the most difficult encountered in Europe to date. At times the IAA ANSP appeared openly hostile towards stakeholders and could also be considered coercive with the words *"there will be consequences"* directed at their customers on multiple occasions. This is not the professional manner we have come to expect nor is it how we consider consultations should be conducted.

We remain available for further discussion or clarification,

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'R. Sergison', written in a cursive style.

Rory Sergison,  
Head , ATM Infrastructure, Europe  
Safety and Flight Operations,  
IATA

C.C. Prof. Dr. Regula Dettling-Ott, PRB Chair  
Ms. Christine Berg, Head of SES Unit, DG Mobility and Transport