



Efficiency Incentives (Rolling Incentives Schemes)

Commission Paper 4/2008

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1. INTRODUCTION

- 1.1 This paper discusses the efficiency incentives the DAA currently faces under the existing price-cap regime and describes how a “rolling incentive scheme” might strengthen those incentives. The Commission seeks stakeholder views on whether a distortion to efficiency incentives that arises in a price-cap setting due to the timing of efficiency savings is worth remedying by means of a rolling scheme and, if so, preliminary views on how such a scheme might be developed.
- 1.2 During the 2005 Determination on the maximum level of airport charges at Dublin Airport, Aer Lingus proposed a rolling incentive scheme to strengthen the DAA’s incentives for operating efficiency.¹ It was argued that this would further incentivise the DAA to seek out and realise efficiencies beyond those forecast and assumed by the Commission at the time of a determination. The Commission described how such a scheme might work, but decided not to introduce such a scheme at the time.² Instead it committed to consulting with stakeholders in advance of the next price cap determination.
- 1.3 The rolling scheme described in 2005 and proposed by Aer Lingus related only to rolling forward operating expenditure (“opex”) outperformance. This paper relates to rolling schemes for rewarding out-performance of the Commission’s opex, capital expenditure (“capex”) and commercial revenue assumptions.
- 1.4 **Section 2** describes:
- How price caps work, and in particular how they attempt to provide incentives for the regulated firm to become more efficient by sharing the rewards from any efficiency saving between the regulated firm and its users;
 - How distortions associated with the timing of efficiencies may weaken the power of the incentives; and
 - How a rolling scheme can remedy this distortion and strengthen the power of incentives.
- Some examples of other regulators that have introduced rolling schemes into a price-cap regime are given.
- 1.5 **Section 3** outlines some of the basic policy issues that would need to be addressed if introducing a rolling scheme, including what costs should be covered by such a scheme.
- 1.6 **Section 4** provides details on how parties should make submissions, due no later than 8 August 2008. Based on the responses received to this consultation paper, the Commission will outline in the forthcoming Issues Paper (due to be published in October 2008) whether or not the Commission intends to develop a rolling incentive scheme for inclusion in the next price cap Determination.

¹ Aer Lingus (2005). Submission of Aer Lingus to the Draft Determination on Maximum Levels of Airport Charges in respect of Dublin Airport (CP2/2005). Available for download on www.aviationreg.ie.

² Commission for Aviation Regulation (2005). Annex K to Commission Paper CP3/2005, Determination on Maximum Level of Airport Charges. Available for download on www.aviationreg.ie.

2. INCENTIVE REGULATION

- 2.1 The Commission regulates both the DAA and the IAA using multi-year price caps. A price cap incentivises the firm to seek capital and operating cost efficiencies. These should lead to lower prices than would otherwise be the case in subsequent regulatory periods.
- 2.2 Under a price cap a regulator sets a maximum price that can be levied on customers for a specified period. The price cap is set such that the firm can recover efficiently incurred costs, including a return on capital. The regulated firm can earn additional profits by reducing its costs to a level below the cap, thereby earning a margin between price and cost.

Price caps currently set by the Commission

- 2.3 The regulatory regime operated by the Commission since its first airport charges determination in 2001 is to set a ceiling or 'cap' on airport charges, expressed as a maximum per passenger charge, that can be levied on airline users by the regulated firms.
- 2.4 To construct the price cap the Commission needs to forecast passenger numbers and estimate an efficient level of capital and operating costs, net of an estimate of commercial revenues. If the DAA can outperform any of these estimates it can earn a return in excess of its cost of capital. Users benefit from the firm's outperformance as estimates used to set future price caps will be based on a more efficient cost base, leading to lower price caps than would otherwise be the case.
- 2.5 The first step in calculating a price cap involves the valuation of a regulatory asset base ("RAB") which in any given year is the sum of existing capital stock and a forecast of efficiently incurred new capital stock. The price cap is then derived from a series of inputs known as 'regulatory building blocks' which are calculated by the Commission at the time of a price cap determination. These building blocks are:
- A return on the RAB;
 - *Plus* a depreciation charge on the RAB;
 - *Plus* an estimate of efficient future operating expenditures;
 - *Less* an estimate of future commercial revenues.
- 2.6 The sum of these building blocks is divided by a forecast of passengers to give the maximum per passenger airport charge.
- 2.7 The regulatory approach used by the Commission is referred to as CPI +/- X. The firm can increase its prices on an annual basis by the rate of consumer price inflation plus or minus 'X' percent. The 2006-2009 price cap is expressed as CPI+4% and therefore allows for a real (inflation-adjusted) price increase of 4% for each year in the regulatory period. Hence if the DAA's costs increase by less than 4% per annum in real terms it will earn additional profit until the end of the price control period.
- 2.8 At the end of the regulatory period (typically 5 years) the Commission will use the firm's lower cost base as the basis of the new price cap, effectively passing the cost saving through to users through a lower

price than would otherwise arise. The Commission does not claw back any additional profit earned during a regulatory period as a result of efficiency improvements (nor does it reimburse DAA should its costs have exceeded the estimates that the Commission has relied on when setting the previous price cap).

Efficiency incentives under a standard price cap

- 2.9 In competitive markets firms seek to gain advantage over one another by realising efficiencies. Competition forces companies to employ the most efficient production methods and share the benefits of greater efficiency with their customers through lower prices. Firms have strong incentives to seek more efficient production methods not currently employed by rivals as they can become more profitable at existing market prices, or possibly lower prices. Rivals will seek to realise similar efficiency gains. Market competition will eventually result in the benefits of efficiency being fully shared with customers through lower prices.
- 2.10 In a regulated market the regulator can seek to create similar incentives for a firm to seek productive efficiencies and later force it to share the benefits of greater efficiencies with its customers through lower prices. As described above, it does this by capping the firm's prices which are set such that the firm can recover efficiently incurred costs while keeping any additional profits it earns by finding further efficiencies beyond those assumed in the price cap. The regulator then shares the additional efficiencies with the firm's customers when it sets its next price cap by basing the new price cap on the more efficient cost base achieved by the firm.
- 2.11 Price caps are not immediately revised down whenever a firm outperforms a regulator's assumptions on costs. Price caps last for a defined period to provide the firm with the certainty that any profit earned through additional efficiency can be retained by the firm until the end of the defined period. This certainty is crucial to the cost-reducing incentives inherent in a price cap.
- 2.12 A simple example of how the regulatory process treats additional efficiency is displayed in **Figure 1** below based on the following:
- A five year price cap;
 - A regulatory expectation of efficient costs of €1000 per annum ("p.a.") for regulatory period 1;
 - An expectation of 100 passengers p.a.; and therefore,
 - A per passenger price cap of €10 p.a. for regulatory period 1.

	Period 1					Period 2 Year 1
	year 1	year 2	year 3	year 4	year 5	
Regulatory Assumption of Costs	1000	1000	1000	1000	1000	900
Passenger Forecast	100	100	100	100	100	100
Price cap	10	10	10	10	10	9
Scenario 1						
Actual Costs	900	900	900	900	900	
Benefit to firm	100	100	100	100	100	
Scenario 2						
Actual Costs	1000	1000	1000	1000	900	
Benefit to firm	0	0	0	0	100	

Figure 1 How the benefits of additional efficiency are shared with users

Source: Commission for Aviation Regulation

2.13 **Figure 1** above sets out two scenarios; a cost saving of €100 p.a. in the first year of the regulatory period and, a cost saving of €100 p.a. in the final year of a regulatory period. Under both circumstances the full value of the cost saving is shared with the firm's customers in regulatory period 2 as the regulator uses the lower cost level as its new regulatory assumption. Assuming a continued forecast of 100 passengers per annum the price cap in period 2 is reduced to €9 from €10 in period 1 (see **Figure 2** below).

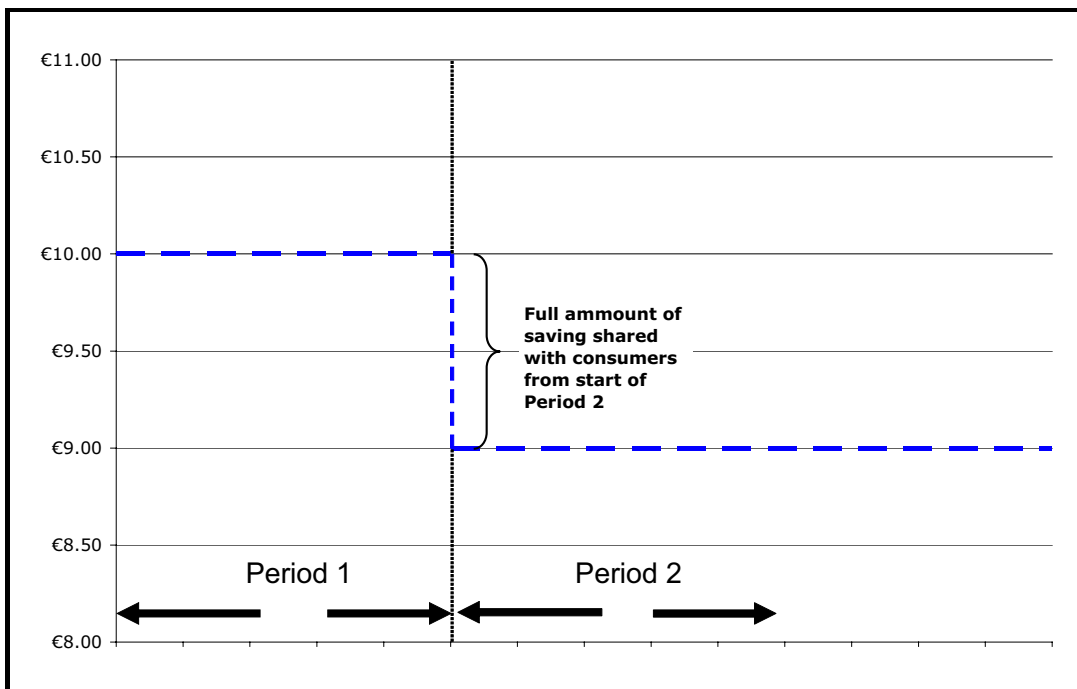


Figure 2 Graphical representation of price path arising from additional efficiency

Source: Commission for Aviation Regulation

Incentives to outperform

2.14 Under both scenarios in **Figure 1** above, the full value of the cost saving from period 1 is shared with users from the beginning of period 2 (and thereafter). However the value to the firm of the cost saving of €100 p.a. is greater in scenario 1 than in scenario 2 as the firm keeps the benefit of the savings for longer in scenario 1 (five years rather

than one). Thus a regulated firm's incentive to seek and realise cost efficiencies beyond those assumed in the price cap is greatest at the beginning of a regulatory period and diminishes thereafter.

2.15 The power of the incentives faced by the firm to seek additional efficiencies beyond those assumed in the price cap depend on the number of years it can retain the benefits of outperformance. An annual saving realised early in the regulatory cycle and one made later in the cycle are both retained by the firm until the end of the cycle. Thereafter, the benefits of the saving accrue to users. This means that the regulated firm enjoys a smaller benefit and a smaller share of the benefits from a cost saving if it is made later in the regulatory period.

2.16 In the example shown in **Figure 3** below, the benefit to the firm from a cost saving is approximately four times greater if it is made in the first year of five-year regulatory period than in the last year of the regulatory cycle.³ The firm has stronger incentives therefore to realise unanticipated efficiencies discovered at the beginning of a regulatory period than at the end.

Year of Saving	Years of Benefit to Firm	Share of Total Benefits to Firm
1	5	29%
2	4	24%
3	3	19%
4	2	13%
5	1	7%

Firm retains benefit of saving until end of year 5
Benefits of savings passed through to consumers thereafter

Figure 3 Share of savings retained by firm by year of saving

Source: Commission for Aviation Regulation

2.17 The reduced benefits to the firm of realising an annual saving later in the regulatory period actually give rise to a perverse incentive: the firm may be better off deferring the saving until after the next price cap is set. The benefits to the firm of undertaking an unanticipated annual saving of €100 p.a. in each year of a regulatory period and the benefit of delaying this saving until the start of the next regulatory period are displayed in **Figure 4** below.⁴

³ The analysis presented in the table assumes that the value of a cost saving lasts forever. All savings are fully passed through to consumers after year 5 and thereafter retained by consumers forever. All savings are discounted back to the start of year one using a discount rate equalling the cost of capital of 7.4% allowed during the current price cap.

⁴ The benefits of the €100 p.a. saving are expressed in net present value terms and are discounted back to the year the additional saving is discovered using a discount rate equalling the cost of capital of 7.4% allowed during the current airport charges price cap.

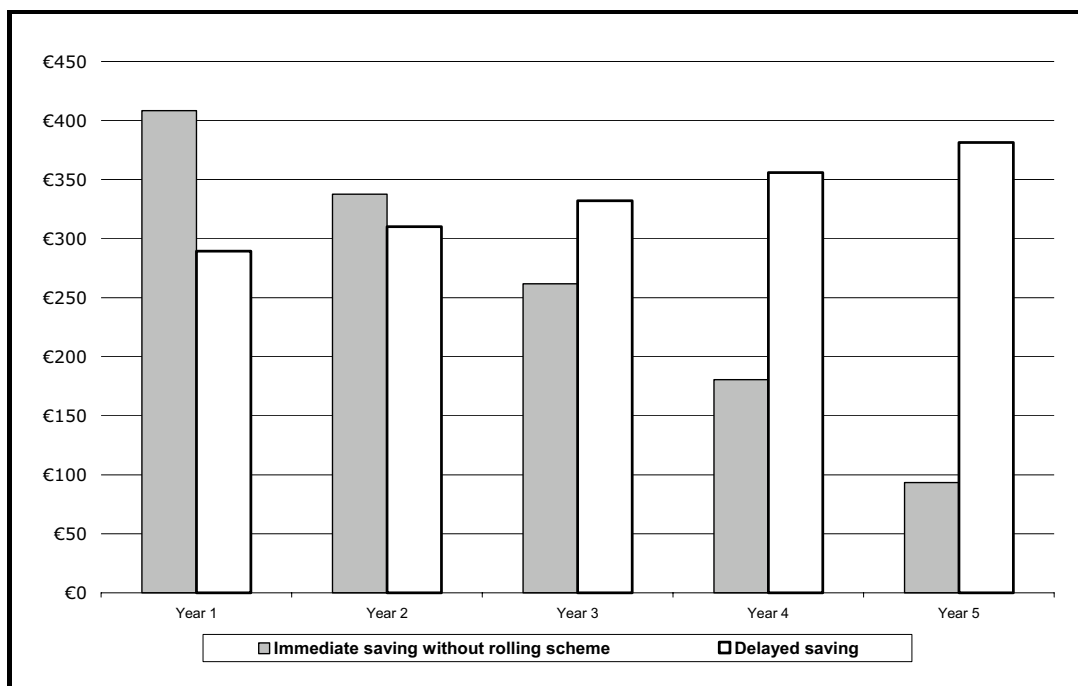


Figure 4 Value to the firm from immediately undertaking or delaying an unanticipated efficiency saving for each year in a five year regulatory period

Source: Commission for Aviation Regulation

- 2.18 The firm is better off delaying making a saving until the next regulatory period if it only discovers the potential saving in years 3, 4 or 5 of a five-year cycle. This therefore acts against one of the economic goals of price regulation by delaying the movement of the firm's cost base towards a more efficient level. Consumers will have to wait a further regulatory cycle before benefiting from a lower price cap which reflects the firm's lower cost base, i.e., up to eight years after the potential saving was first discovered, if discovered in year three. The resulting price path if the firm delays realising the saving is shown in **Figure 5**. In that example, a saving discovered in the third year of a regulatory period, represented by the lightbulb, is delayed until the start of the next period. It is not until 8 years later that consumers benefit from the saving, in the form of a lower price cap.
- 2.19 Of course, if the regulator was aware that a firm was capable of making a saving and was delaying so until the introduction of a subsequent price cap, the regulator would include this potential cost saving in the price cap and share the value of the saving with users immediately. However typically the regulated firm will know more about its own cost base and the potential for savings than the regulator or users.

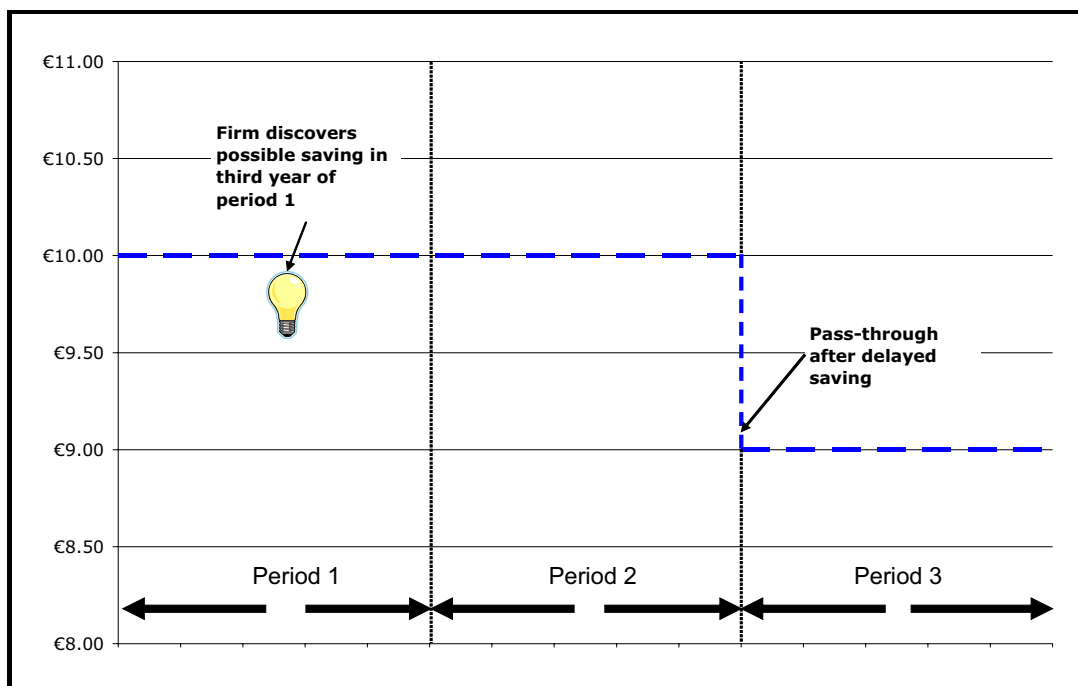


Figure 5 Price path arising from a delayed saving

Source: Commission for Aviation Regulation

Rolling incentive schemes

- 2.20 Some regulators have introduced 'rolling incentive schemes' to ensure that regulated firms face the same incentives to outperform the regulatory assumptions during all years in a regulatory period. A rolling incentive scheme encourages the firm to realise an efficiency as soon as it is feasible and practical to do so: it mitigates the incentives to "game" the system and delay realising a saving.
- 2.21 This is done by allowing the firm to keep any savings for a fixed number of years after the saving is first realised, independent of when the next price cap is due to be set. The scheme operates by 'rolling-forward' the value of any savings first made in years two, three, four and five into the next regulatory period such that the value of such savings is retained for the equivalent of five full years before pass through. Under the rolling scheme the firm enjoys the same benefits whenever in the regulatory cycle it realises a cost saving (see **Figure 6** below). So if a firm made an unexpected cost saving in the third year of a five-year price cap, at the time of the next price cap the regulator would calculate a new price path that only shared this cost saving with consumers from year three on of the new determination.

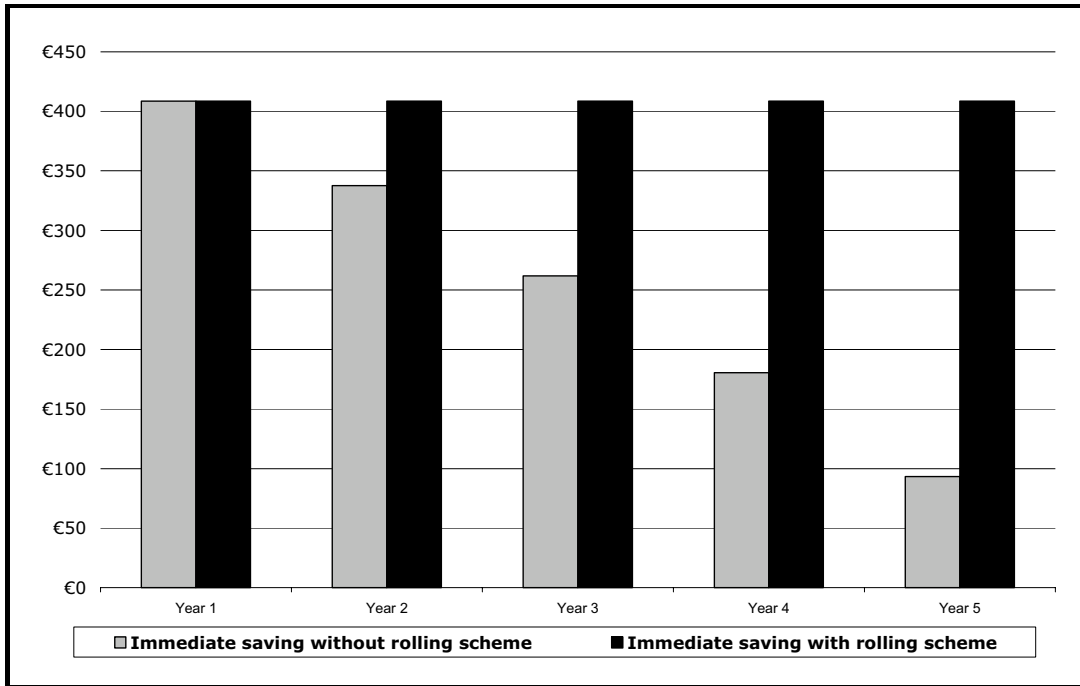


Figure 6 Value to firm of immediate saving with and without a rolling scheme

Source: Commission for Aviation Regulation

2.22 **Figure 7** continues the example from **Figure 5** above by including the price path that would arise under a rolling scheme. Recall that without a rolling scheme the unanticipated saving discovered in year three would not have been undertaken until the start of the next regulatory period and would therefore not be shared with consumers until a further regulatory period after that.

2.23 The saving occurs and is shared with consumers earlier with a rolling scheme than without.

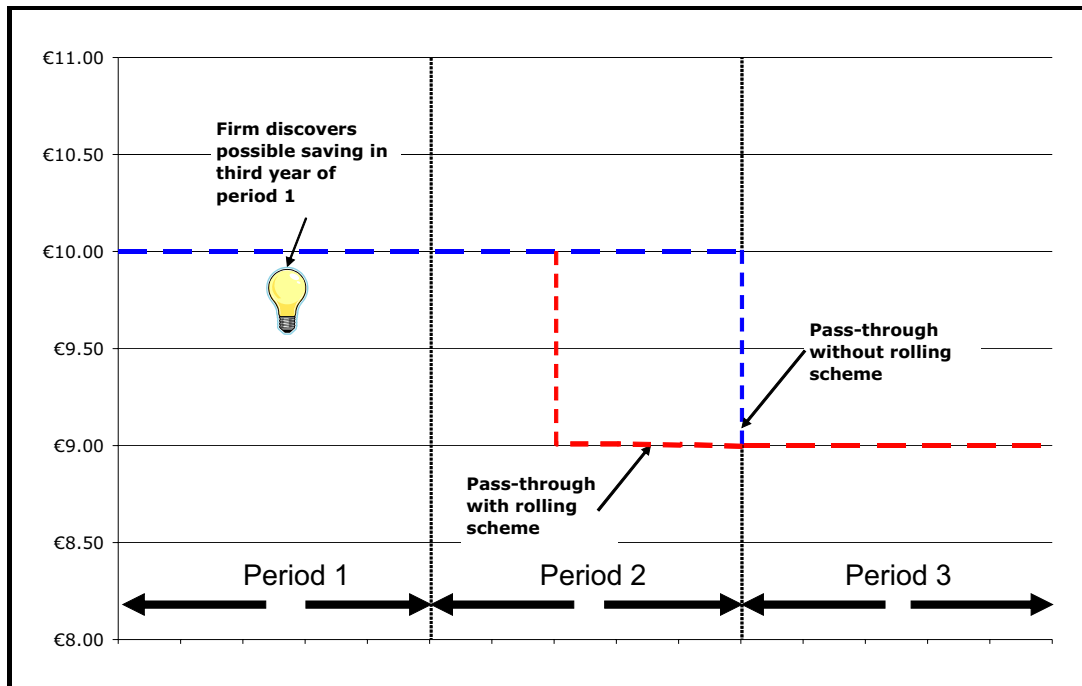


Figure 7 Price path of saving discovered in year three saving with rolling scheme

Source: Commission for Aviation Regulation

2.24 The firm discovers and undertakes the unanticipated efficiency saving in year 3 of regulatory period 1 thereby outperforming the regulator's assumptions on costs. It keeps the benefit of the outperformance for that year and the next two years of regulatory period 1 and receives a 'roll-forward' for the first two years of regulatory period 2, such that the efficiency benefit stays with the firm for five years. The value of the saving is then shared with consumers in year three of regulatory period 2 by a reduction in the cap to from €10 to €9. This contrasts with the situation described in **Figure 5** whereby the firm delays the saving until the start of period 2 and the benefits of the saving are not shared with customers until the start of regulatory period 3.

2.25 We can also assess what effect the rolling scheme has on the welfare of the firm and to consumers. Having established that under the present system of incentives a firm would choose to delay a saving if it was discovered in years three, four and five of a regulatory period, we can compare this situation with the welfare outcomes under a rolling scheme. **Figure 8** aggregates all the benefits accruing from the outcomes expected under the current system of incentives and those that would arise with a rolling scheme if the firm discovered an unanticipated efficiency of €100 p.a. in each year of a five year regulatory period. The analysis summarised in **Figure 8** show that the rolling scheme benefits both the firm and the consumer.⁵

⁵ The relative difference between the two scenarios depends on both the size of the discount rate used and the lag before pass-through to consumers.

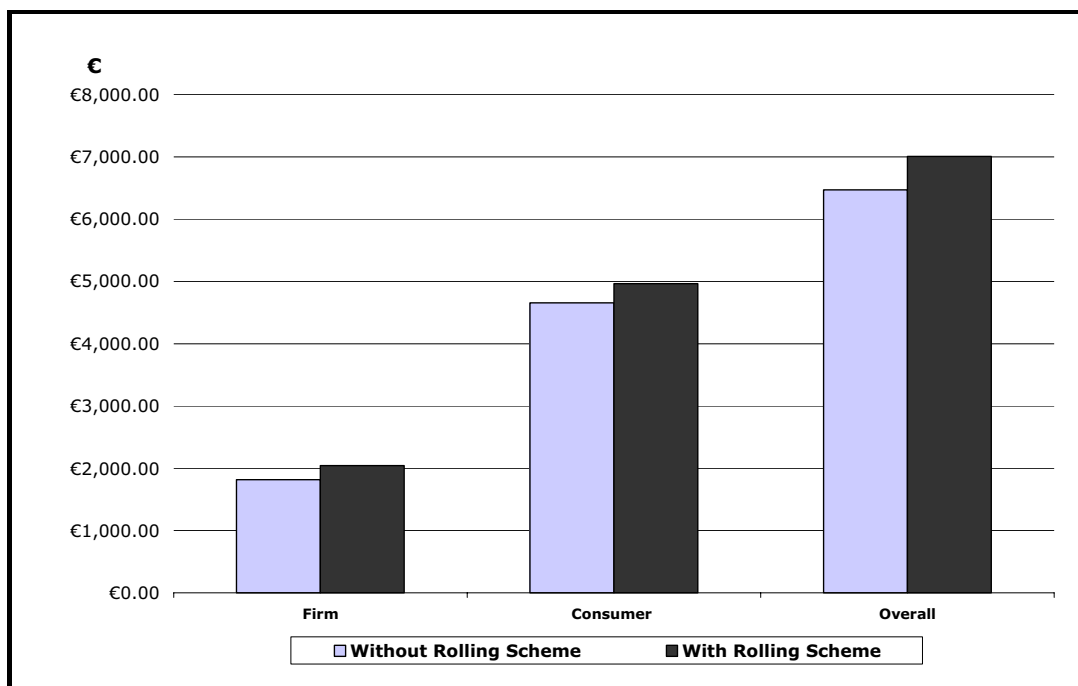


Figure 8 Welfare comparisons with and without rolling schemes⁶

Source: Commission for Aviation Regulation

Regulatory precedents

- 2.26 Rolling incentive schemes are not just a theoretical curiosity. Other regulatory authorities have introduced them in an attempt to to enhance the incentive properties of their price cap regime.
- 2.27 Ofwat, the regulator of the water industry in England and Wales introduced a rolling incentive scheme as part of its 1999 price control review.⁷ In 2004 Ofwat modified its rolling scheme to, amongst other things, account for distortions associated with the timing of data collection and also to further enhance the incentives faced by the most efficient companies.⁸ Ofwat's rolling incentive scheme incorporates both capital and operating expenditure and does not roll forward under-performance against regulatory assumptions for opex. In a paper setting out its proposed approach to setting water company price limits for the period from 1 April 2010 Ofwat indicated its intention to retain the opex and capex rolling incentive schemes as currently applied.⁹
- 2.28 Ofgem, the regulator for the electricity and gas industry in Great Britain has also introduced a rolling incentive scheme for the regulation of electricity and gas networks, although unlike Ofwat its rolling incentives only apply to capital expenditure and not operating

⁶ For the purposes of this paper 'welfare' is defined as the sum of the gain to the firm from an efficiency saving and the lagged gain to consumers when the saving is passed-through or shared.

⁷ Ofwat (1999) "The framework for setting prices", MD 145, available for download on www.ofwat.gov.uk. For specific details of how the 1999 scheme operated see Annex A to MD145.

⁸ Ofwat (2004) "Our conclusions on rewarding outperformance and handling underperformance", MD 191. For additional information see Ofwat (2007) "PR09: The opex incentive allowance and the outperformance multiplier for 2005-10", PR09/04

⁹ Ofwat (2007), "Setting price limits for 2010-2015, Framework and Approach".

expenditure.¹⁰ In addition Ofgem operates a rolling incentive scheme with respect to electricity losses.

2.29 With regard to aviation regulation the CAA in the UK use a rolling incentive scheme for operating expenditure in respect of certain air navigation services supplied by National Air Traffic Services ("NATS").¹¹ The CAA does not currently operate a rolling incentive scheme with respect to its regulation of airport charges at Heathrow, Gatwick and Stanstead airports and did not introduce such a scheme in its decision on airport charges at Heathrow and Gatwick in March 2008, nor did the Competition Commission recommend that it do so in its October 2007 report on economic regulation at those airports.¹²

2.30 Whilst there is a divergence between the regulators referred to above in how rolling schemes have been introduced there does appear to be a common acceptance that rolling incentives do remedy the distortion associated with the timing of efficiency savings. It is in the exact mechanism of how a scheme should be introduced and for what categories of costs that the divergence occurs. Many of the issues faced by these regulators in deciding whether or not to introduce rolling incentive mechanisms are discussed in the next section.

¹⁰ Ofgem (2004), "Electricity distribution price control review finals proposals", Decision Document 265/04. Available for download on www.ofgem.gov.uk. See also Ofgem (2007), "Gas distribution price control review final proposals" Decision Document 285/07.

¹¹ CAA (2005), "NATS price control review 2006-2010, CAA decision". Available for download on the www.caa.co.uk

¹² CAA (2008), "Economic Regulation of Heathrow and Gatwick Airports, CAA decision".

3. PRACTICAL ISSUES

- 3.1 This paper focuses on outperformance relative to the Commission's estimate of efficient costs net of an estimate of commercial revenues. Three categories feed into this calculation: capex, opex and commercial revenues. The treatment of outperformance for each of these is considered below and in each case a brief discussion follows on specific issues that may arise if a rolling incentive scheme was introduced. Out performance relative to traffic forecasts, which would result in the collection of more airport charges than expected, is a separate issue and is not considered here.
- 3.2 In deciding whether and how to develop a rolling incentive scheme, there are a number of potentially conflicting concerns may arise. In commenting on the merits or otherwise of applying a rolling scheme to particular classes of costs or commercial revenues, stakeholders are also invited to think about the relative importance of the following "principles":
- Consumer benefit: User welfare must be enhanced as a result of any new incentive scheme.
 - Consistency of incentives through time: The incentives offered to the firm must not vary with each year in a regulatory period or even across regulatory periods.
 - Consistency of incentives between operating and capital activities: The scheme must not incentivise the firm to over or undercapitalise and therefore must treat opex or capex savings in a symmetric manner.
 - Quality of service: Any additional incentives must not distort the existing price/quality incentives faced by the airport.
 - Transparency: The firm and its users must know in advance how the scheme will apply so that the firm can forecast with certainty the benefits of outperformance and users can identify the long-run benefits accruing to them.
 - Simple to apply: Any proposed scheme must not be overly burdensome on the firm, its users or the Commission and must not require significant departures from the well known concepts of regulatory buildings blocks and the price cap formula.
- 3.3 There may be other principles stakeholders identify as important when thinking about the suitability of any rolling scheme. It is also possible that some of the principles lead to contradictory conclusions about how a rolling scheme should be designed.

Operating Expenditure ("Opex")

- 3.4 Operating expenditure appears to be the most obvious 'building block' for which a rolling scheme could be applied. It is also the building block for which Aer Lingus in 2005 proposed the introduction of a rolling incentive scheme.

- 3.5 As illustrated in **Figure 3** above the firm faces the strongest incentive to reduce costs in the first year of a regulatory period. It should be relatively easy to remedy this distortion by introducing a rolling incentive scheme of opex efficiencies as the Commission would only need end of year reporting of opex figures to determine if a incentive allowance should be included in future price caps. The information requirements do not appear to be overly burdensome and the price cap formula could be modified relatively easily without introducing unnecessary complexities.
- 3.6 However certain issues arise that need to be considered in the development of a scheme. For example, stakeholders are asked to consider the following when assessing the merits of a scheme:
- The treatment of underperformance: Stakeholders are asked to consider, in the context of a rolling incentive scheme, whether outperformance and underperformance relative to the Commission's previous cost assumptions should be treated in a symmetric manner. A symmetric treatment of underperformance would require the firm to bear the cost of underperformance for the equivalent of a full regulatory period (e.g. five years). Whereas outperformance would be rewarded under a rolling incentive scheme by rolling-forward past outperformance through upward adjustments to a price cap such that the firm benefits from a saving for a full five year period, underperformance would be reflected through downward adjustments to future price caps up to a maximum of five years after the underperformance (assuming five year price caps).
 - Should all opex categories be included: Sometimes firms need to incur exceptional or atypical expenditure in order to reduce costs, for example by introducing a voluntary redundancy scheme to reduce long-term staff costs. Stakeholders are asked to consider if a symmetric or asymmetric rolling scheme would distort the firms decision to incur such expenditure.
 - Passenger numbers: The opex building block is based on an expectation of passenger throughput. Increases in passenger numbers beyond that forecast by the Commission will place upward pressure on operating expenditure. Stakeholders are asked to consider if a symmetric or asymmetric rolling scheme should account for this effect and if so how?
- 3.7 Stakeholders are asked to consider any benefits and drawbacks from the implementation of a rolling scheme to reward opex out-performance.

Commercial revenues

- 3.8 The Commission incentivises the DAA to maximise the revenue generating opportunities of its land and assets, to the benefit of users, by making the recovery of efficient (operating and capital) costs dependent on a certain proportion of its revenues being generated through commercial or non-aeronautical revenues. All things being equal, the more revenues are generated in a regulatory period the lower subsequent price caps will be.

- 3.9 As with opex targets, outperformance and underperformance are retained by the firm until the end of the regulatory period. Therefore the incentive for the firm to outperform and earn a return in excess of its cost of capital diminishes as the end of the regulatory process approaches.
- 3.10 The Commission therefore seeks stakeholder comments on the merits of introducing a rolling scheme which would allow the DAA to retain the benefits of outperformance for a fixed period. The structure of a commercial revenues scheme would be similar to that described for opex above except in this case the firm would benefit from exceeding the Commission's targets.
- 3.11 As with opex certain issues are likely to arise which include but are not limited to the following:
- Treatment of underperformance: Stakeholders are asked to consider if a rolling incentive scheme for commercial revenues should treat underperformance relative to the Commission's estimate in a symmetric manner to outperformance.
 - Should all non-aeronautical revenues be included: Many of the commercial activities which the DAA engages in operate within competitive markets where it faces competitive constraints from other suppliers or potential entrants. However for some of its commercial activities the DAA may face weaker competitive constraints, e.g. the supply of check-in desks to airlines and other parties. Stakeholders are asked to consider whether the Commission should strengthen the incentives that the DAA faces to outperform all of the Commission's commercial revenue assumptions or whether it is more appropriate to limit any changes to a subset of activities.
 - Passenger numbers: As with opex commercial revenues are affected by passenger numbers. When passenger numbers exceed the Commission's forecasts commercial revenues will outperform the Commission's commercial revenue assumption. Stakeholders are asked to consider if fluctuations in traffic should affect a commercial revenue rolling scheme and if so how?
- 3.12 Users are asked to consider these issues and others when considering the benefits and drawbacks of a rolling commercial revenue incentive scheme.

Capital Expenditure (Capex)

- 3.13 In any given year in a regulatory period the size of the RAB, from which the depreciation and return on capital are derived, is the sum of existing assets which have not been fully depreciated and new capital investments assigned for that year. If the DAA can realise its capital expenditure plans at a lower cost than it budgeted for it and which has been entered into the RAB it retains the benefit of the underspend until the end of the regulatory period. The Commission will then share the underspend with users through a lower price cap, all things equal, by revising the value of the RAB downward in the next regulatory period to account for the value of the actual investment.

- 3.14 As with the opex and commercial revenues building blocks the value to the firm of capex savings is greatest at the beginning of the regulatory period as a saving in year one will result in the firm earning a depreciation charge and return on capital based on higher than actual capex a full regulatory period before saving is shared with users.
- 3.15 The Commission is keen to encourage the DAA to seek Capex efficiencies, to the benefit of users, without the incentive to do so being distorted by the regulatory cycle. It seeks stakeholder views on the suitability of a rolling scheme to strengthen the incentives to outperform the Commission's assumptions by removing the time-dependency of assumptions.
- 3.16 Stakeholders are asked to consider the benefits and drawbacks of introducing a rolling incentive scheme for rewarding capex efficiency going forward. Any rolling incentive scheme would only apply to future capex. The Commission is not proposing to roll-back on undertakings made in earlier determinations concerning capex.

4. RESPONDING TO THE CONSULTATION PAPER

- 4.1 The Commission would like to hear the views of interested parties in relation to the issues discussed in this consultation paper. It is eager to facilitate a regulatory system that incentivises the regulated firm to continuously reduce its costs without an impact on the level of service provided. Stakeholders are asked to consider if there is a need for a rolling scheme in the case of Dublin airport.
- 4.2 If there is sufficient support amongst stakeholders the Commission will develop a draft scheme for consultation as part of its work programme for the 2009 airport charges determination.
- 4.3 Responses to this consultation paper should be titled "Response to Rolling Incentive Schemes Consultation Paper".
- 4.4 All responses should be received no later than 8 August 2008 and be sent to
- Brendan O' Connor
Commission for Aviation Regulation
3rd Floor
Alexandra House
Earlsfort Terrace
Dublin 2.
- By email to info@aviationreg.ie
 - By fax to 00-353-1-6611269
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