

Met Éireann's Aviation Service Division RP3 Business Plan assessment

Background

1.1 Met Éireann's Aviation Service Division (ASD) submitted their draft Business Plan to CAR on 30 April 2021, following points of clarification and questions a revised version and answers to these questions were submitted to CAR on 26 May 2021. The assessment in this note is undertaken on this updated plan. A further version was submitted to CAR following tender returns for iMaMs, but that only impacts a reduction in depreciation not part of the scope of Steer. The Business Plan covers the Reference period 3: 2020 to 2024.

1.2 The objectives of ASD are to:

*"provide meteorological services that support safety and economy in aviation within Ireland and beyond for both civil and military customers
fulfil customer requirements by complying with International Civil Aviation Authority (ICAO) standards and recommended practices and relevant EU Single European Skies legislation and Regulations and, also, as determined through assessments of the requirements of national aviation
comply with the policies and regulations as laid down by Government."*

Key issues arising

1.3 ASD follows a cost recovery approach, allied with a methodology used in establishing the determined costs based on a cost allocation algorithm agreed with the IAA and the Department of Transport, Ireland (DTTAS).

1.4 While the COVID-19 pandemic had a significant impact on traffic levels, it is generally accepted by the industry that the reduction in aviation traffic did not result in a decreased meteorological service requirement.

1.5 Met Éireann's accounts system calculates charges to aviation. The cost allocation methodology used is closely aligned with World Meteorology Organisation (WMO) and International Civil Aviation Organisation (ICAO) charging guidelines. Prior to the calculation of en route and terminal costs, the system strips out the costs of service to general aviation, the military and other non-applicable costs. Following a recommendation by CAR in 2002 these charges are split 80:20 to en-route and terminal air navigation services respectively.

1.6 The proportion of total operating and capital cost from Met Éireann assigned to aviation will be reduced during the RP3 period. This opportunity reflects the expansion in responsibilities of Met Éireann due to the implementation of the Flood Forecasting Centre (FFC) – which will become operational from 2022. Because of this new activity it is considered reasonable that the coefficients allocating costs to aviation be reduced as the FFC will also be required to pay its 'share' of the Met's infrastructure and services.

1.7 The effect of this expansion in responsibilities will be to reduce the Core costs allocated to aviation by 18% from 2022 onwards.

1.8 As provided in the table below, Met Éireann plans to significantly reduce the total cost allocated to ANS, by between -22% and -29% in total in each year of RP3. The majority of this change, as described in the table below comes through a reduction in the allocation of staff (between -20% and -25% compared to 2019 levels) and non-staff costs (between – 49% and -

31% compared to 2019 levels) to aviation. During this period there will be some increases in depreciation costs related to systems upgrades.

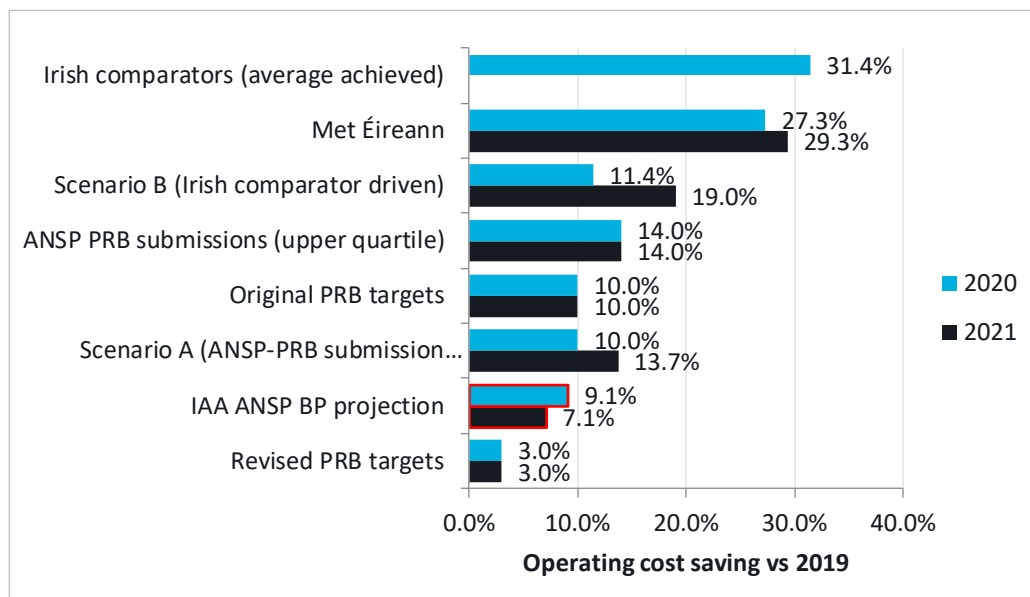
Table 1: Summary of Met cost forecasts (2020-2024) compared to 2019 actuals (all in constant 2019 prices)

Cost Activity	2019A	2020F	2021F	2022F	2023F	2024F
Staff Salaries	4,773,000	3,492,575	3,492,575	3,431,329	3,453,442	3,261,122
Staff pensions costs		343,010	343,010	337,230	315,117	315,117
Salaries & pensions vs 2019		-19.64%	-19.64%	-21.04%	-21.04%	-25.07%
Other operating costs	5,607,000	2,343,280	2,380,770	2,356,560	2,403,690	2,451,760
Depreciation		536,055	536,055	1,098,088	1,459,132	1,031,342
Other opex inc Depreciation vs 2019		-48.65%	-47.98%	-38.39%	-31.11%	-37.88%
EUMETSAT	914,000	1,500,000	1,227,600	1,227,600	1,227,600	1,227,600
TOTAL	11,294,000	8,214,920	7,980,010	8,450,807	8,858,981	8,286,941
% change compared to 2019		-27.26%	-29.34%	-25.17%	-21.56%	-26.63%

Benchmarking

When compared to the benchmarks, MET Éireann is forecast to provide very significant cost savings to the ANS services as compared to 2019, as shown in the figure below. The level of saving promised throughout RP3 is close to the average of Irish Comparators based on airlines, airports (during 2020 and 2021).

Figure 1: Benchmark cost savings comparisons



Source: Steer's draft 2020-21 IAA-ANSP report

Overall assessment

- 1.9 We considered that further review of the detailed components of the plan is not necessary, as the overall cost savings promised well exceed the requirements of the PRB's draft target (10% reduction compared to 2019 and the Union-wide adopted targets (3% reduction compared to 2019)).