

**Consultation Note on  
Revised Irish Performance Plan  
for RP3  
based on October STATFOR Forecasts**

Prepared by the National  
Supervisory Authorities (NSAs)

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## 1. Background and Revised Forecasts

- 1.1 The original RP3 Performance Plan was developed in 2019, in line with the provisions of Commission Implementing Regulation (EU) 2019/317 and the targets set out in Commission Implementing Decision (EU) 2019/903. However, the impact of COVID-19 on the aviation sector meant that revisions to the RP3 Performance Plans, targets, and the implementing regulations were required.
- 1.2 Following the passage of EU 2020/1627, in late 2020, the Irish NSA began development of a revised RP3 Performance Plan based on revised IAA ANSP and MET Business Plans. The draft plan was then shared for public consultation before being finalised in September 2021 and submitted to the European Commission (EC) on 1 October 2021. Within a month of this submission, the NSA then receives verification of completeness feedback from the EC. The EC has also requested that Performance Plans be updated to align with the October 2021 revised STATFOR traffic forecasts. The updated plan (incorporating traffic forecast changes and amendments requested during the verification of completeness process) must be submitted by mid-November.
- 1.3 In a letter dated 5 July 2021, the EC asked that, as part of the consultation, NSAs present sensitivity analysis in relation to variations in the Service Unit (SU) forecasts and the likely impact that changes would have on the parameters of the Plan. We duly assessed the impact of 10% higher and 10% lower forecast SUs on our cost forecasts, from 2022, relative to the projections available at that time. Due to the IAA ANSP’s high level of fixed costs, only a small proportion of operating costs are affected. Costs associated with other entities within the scope of the Plan are largely insensitive to traffic levels. This information was provided to stakeholders during the consultation process.
- 1.4 The traffic forecast underpinning the draft Performance Plan was based on scenario 2 of the STATFOR May 2021 forecast, as was recommended to NSAs. This is also the forecast upon which the IAA ANSP based its final Business Plan submission. These forecasts differ considerably from the October 2021 forecasts, which were published after the submission of the Performance Plan in October, and which now show far stronger traffic recovery in 2022 for both En Route and Terminal. For En Route, the October forecast also estimates substantially higher SUs in 2021 and 2023 and slightly higher SUs in 2024. In contrast, while the Terminal SU forecast from October predicts higher SUs for 2022 and 2023, it predicts slightly lower SUs in 2021 and 2024. The May forecasts are compared to the October forecasts in tables 1.1 and 1.2 below.

**Table 1.1: Irish En Route Service Unit forecast, May 2021 vs October 2021 (in ‘000s)**

	2019	2020	2021	2022	2023	2024
ENR SU May Forecast (in ‘000s)	4,641	1,988	2,072	3,202	4,039	4,726
ENR SU Oct Forecast (in ‘000s)	4,641	1,988	2,312	3,991	4,883	4,893
<b>Change in forecast</b>			12%	25%	21%	4%
Year on Year change- Oct forecast		-57%	16%	73%	22%	0%

**Table 1.2: Irish Terminal Service Unit forecast, May 2021 vs October 2021 (in '000s)**

	2019	2020	2021	2022	2023	2024
TER SU May Forecast (in '000s)	188	71	77	136	163	188
TER SU Oct Forecast (in '000s)	188	71	70	166	175	183
<b>Change in forecast</b>			<b>-8%</b>	<b>22%</b>	<b>7%</b>	<b>-3%</b>
Year on Year change- Oct forecast		<b>-62%</b>	<b>-1%</b>	<b>137%</b>	<b>5%</b>	<b>5%</b>

- 1.5 Thus, in summary, the expected level of traffic by 2024 has not changed dramatically since the May forecast, but rather the profile of that recovery towards 2019 levels is significantly steeper.
- 1.6 The subject matter of this consultation is the update of the Performance Plan to account for the updated traffic forecasts. The scope of the consultation is limited to material changes directly driven by the new forecasts. For example, changes to the capital costs are not in scope given the nature of the investment programme and the nature of the changes to the forecasts.
- 1.7 The European Commission has stated that, '*a priori*', the increased traffic should not lead to increased Determined Costs relative to the 1 October submissions. While we agree that this is broadly the case for many areas of cost, it is not the case for Air Traffic Control Officer (ATCO) related costs. The new forecasts drive an immediate and readily measurable requirement to bring in more ATCOs during RP3, particularly for 2022 and 2023, relative to the May forecasts.
- 1.8 We have prepared the Performance Plan modelling for this situation, in order to be able to quickly make this change during the verification of completeness phase, including this short consultation. We do not propose to introduce inconsistency into the building blocks by using one set of forecasts (May) for our modelled ATCO requirements to meet the capacity target, and a different one (October) as the traffic forecast. We also note that the changes from the May to October forecasts are outside the alert thresholds which ordinarily allow for re-planning within a reference period, particularly in 2022 and 2023.
- 1.9 The new traffic forecasts would lead to lower Determined Unit Costs and Unit Rates than the 1st October version of the Plan, even when accounting for necessary increases in costs to account for this traffic.
- 1.10 We propose to update the costs included in the Performance Plan based on the new traffic forecast as outlined in Section 2, as well as updating the traffic forecasts. We do not propose to re-visit the forecasting methodologies, or consider other developments since 1 October, but rather maintain a mechanical update whereby the May forecasts are replaced with the October forecasts in both the Opex and Performance Plan models. We also propose to update the Environment KPA target (the KEA), as outlined in Section 4.
- 1.11 The impact of the new forecasts on DCs is set out in Section 2 of this note, and the impact on the DUCs and the forecast impact on URs is set out in section 3. Further details can be seen in the updated Performance Plan financial model published alongside this note. Section 4 then discusses potential updates in the other KPAs.

- 1.12 The deadline for responses to this supplementary consultation is **5pm (Irish Time), Wednesday 10 November**.<sup>1</sup> Responses should be titled 'Response to supplementary consultation on RP3 Performance Plan' and sent by email to [info@aviationreg.ie](mailto:info@aviationreg.ie).

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<sup>1</sup> Respondents should be aware that we are subject to the provisions of the Freedom of Information legislation. Ordinarily we place all submissions received on our website. We may include the information contained in submissions in reports and elsewhere as required. If a submission contains confidential material, it should be clearly marked as confidential and a redacted version suitable for publication should also be provided.

We do not ordinarily edit submissions. Any party making a submission has sole responsibility for its contents and indemnifies us in relation to any loss or damage of whatever nature and howsoever arising suffered by us as a result of publishing or disseminating the information contained within the submission.

## 2. Cost Impact of revised Forecasts

- 2.1 The revised forecasts have a relatively small impact on costs, compared to the change in traffic levels. The IAA ANSP costs are relatively inelastic with respect to traffic; the main impact relates to staff costs as well as non-staff costs such as training. Other key drivers of changes in IAA ANSP operating costs include ATCO productivity, service quality, the size of the asset base, and regulatory compliance costs.
- 2.2 Capital costs are impacted by factors such as obsolescence and regulatory requirements. Another key driver is changes in the scope of required services, such as the new tower at Dublin Airport to facilitate the provision of ANS for dual parallel runway operations. Thus, we do not consider it likely that there will be a significant cost impact on most cost lines arising from the new traffic recovery profile.
- 2.3 Over RP3, the cost increase due to the revised forecasts is estimated by the NSA at €3.5 million, as set out in Table 2.1. All of this increase is due to increased IAA ANSP costs.

**Table 2.1: Total Costs using the May Forecast compared to the October Forecast, millions**

Forecast	2020	2021	2022	2023	2024	Total
May	€119.9	€122.9	€143.3	€149.7	€149.5	€685.2
October	€119.9	€122.9	€145.8	€150.7	€149.5	€688.7
Change	-	-	+€2.5	+€1.0	-	+€3.5

Source: CAR Calculations

- 2.4 While most of the IAA ANSP costs are relatively fixed, ATCO related costs are sensitive to changes in traffic. The October forecasts bring forward and expedite the requirement to bring in new ATCOs, as set out in Table 2.2. This has led to increases in both training costs and staff costs (including overtime costs), as estimated by the Steer Opex model.

**Table 2.2: Required ATCOs with May vs October Forecast**

Forecast	2020	2021	2022	2023	2024
May	301	290	290	301	326
October	301	290	301	319	329
Change	-	-	+11	+18	+3

Source: Steer Opex model, CAR Calculations

- 2.5 As it is now predicted that En Route traffic will recover to 2019 levels by 2023, costs are brought forward in the model from later years. With the May forecasts, the model showed a continued surplus of ATCO hours in 2022. On the other hand, the new forecasts now broadly require as many ATCOs as can be trained in time for 2022 and 2023.
- 2.6 The changed training cost profile is the main driver of an increase of approximately €2.2 million in non-staff Opex in 2022, but a decrease of approximately €1 million and €0.2 million in 2023 and 2024 respectively as more ATCOs are assumed to have been trained sooner.

- 2.7 Core staff costs will increase earlier in the period as the influx of new trainees will begin working with the IAA ANSP sooner than originally planned. This change is equal to an increase of €0.2m for 2022, €0.8m for 2023, and €0.8m for 2024, over and above the 1<sup>st</sup> October version.
- 2.8 The model also indicates an increased requirement for overtime costs in 2022 and 2023, relative to the 1<sup>st</sup> October version. However, overtime costs would now be lower in 2024, due to the expedited recruitment profile leading to a higher headcount.
- 2.9 Overall, then, the costs would be €2.5m higher for 2022, €1m higher in 2023, and broadly unchanged for 2024, as the aforementioned changes in 2024 offset each other.
- 2.10 We propose to update the Determined Costs for the October forecasts as outlined above. We note that the above changes are based on the Steer model mix of increased ATCO headcount compared to overtime. The actual mix to be used is a matter for the IAA ANSP and staff.
- 2.11 The State, MET, and NSA costs are generally insensitive to changes in traffic. As such, the costs are not materially impacted by the revised forecasts. Consistent with the sensitivities presented during the consultation process, we do not propose any change to these costs.

### 3. Impact on Cost Efficiency KPA

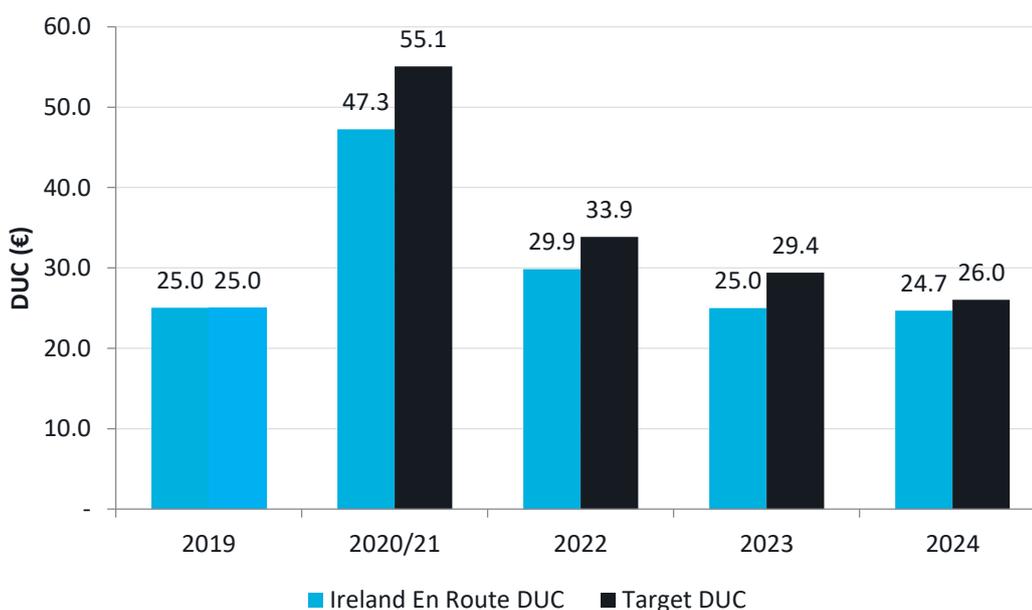
3.1 As set out in Section 2, the October forecast necessitates increases in certain IAA ANSP cost items. The October forecasts will impact upon the Determined Unit Costs and the Unit Rates in two ways; this cost effect, whereby the costs are higher, and a volume effect, whereby the costs are spread across more SUs. The volume effect is much greater, due to the small scale of the cost increases, relative to the forecast SU increases.

#### Determined Unit Cost (DUC)

3.2 This effect is shown below in Figure 3.1. The DUCs would now be an average of 14% below the union-wide target for RP3, with the biggest difference occurring in 2023 where the DUC is forecast to be approximately 15% below the target.

3.3 The primary driver of the DUC performance is traffic, as costs are inelastic. The union-wide target was set on the basis of traffic forecasts from November 2020 which are a year out of date, and much lower than the forecasts now being used. Thus, while the Performance Plan now significantly outperforms the Union-Wide targets in every year, we do not consider it to be an instructive comparison except for 2020/2021.

Figure 3.1: Cost Efficiency KPA: En Route DUC vs. Union-wide Targets



Source: CAR Calculations

#### Unit Rates (URs)

3.4 The forecast URs based on the October forecast are considerably lower than when they were based on the May forecast. For En Route they will be an average of 13% lower per year, with the biggest change affecting the year 2022. For Terminal, the new forecast would mean that URs will be 5% lower on average per year across RP3, however, this masks some variation as the Terminal URs will only be lower in the years 2022 and 2023, but significantly so in 2022.

**Table 3.1: Actual and Forecast Unit Rates, based on May vs October Traffic Forecasts**

Charging Zone	Forecast	2019	2020/21	2021*	2022	2023	2024
En Route	May	€27.7	€40.6	€27.6	€35.8	€32.3	€29.8
	October	€27.7	€38.4	€27.6	€29.2	€26.8	€28.5
	Change	-	-5%	-	-18%	-17%	-4%
Terminal	May	€150.4	€175.5	€162.5	€177.7	€176.1	€174.7
	October	€150.4	€183.3	€162.5	€149.3	€167.2	€182.9
	Change	-	+4%	-	-16%	-5%	+5%

Source: CAR Calculations

\*2021 Unit Rate which is currently in effect, as opposed to the forecast recalculated rate for 2020/2021.

- 3.5 Thus, the new forecasts cause the YoY increase in the En Route UR to now be limited to €1.50 for 2022, or 5%, as opposed to the previous estimated increase of €8. Instead of increasing, the Terminal UR would now see a YoY decrease for 2022 of €13, or 8%.
- 3.6 The URs vary from the DUCs due to adjustments relating to factors such as inflation, traffic risk sharing, other revenues, and from 2023, the recovery of unrecovered revenues from 2020 and 2021. For 2023 and 2024, the forecast unit rates are currently higher than the DUC due to the impact of this unrecovered revenue. For 2023, this is partly offset by traffic adjustments, while no other adjustments are yet confirmed for 2024.
- 3.7 The 2022 URs are not yet finalised and will need to be adjusted further due to minor changes relating to the 'Other Revenue' adjustments, unrelated to the change in traffic forecasts. This will be finalised ahead of the 17 November verification of completeness deadline.

## 4. Impact on other KPAs

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4.1 In this section we consider the impact of the October forecast on the other KPAs.

### *Safety KPA*

4.2 We do not consider that there is any reason to adjust the Safety KPA targets on the basis of the revised forecasts.

### *Capacity KPA*

4.3 In relation to the capacity targets, the primary purpose of the increased costs for the IAA ANSP in 2022 and 2023 is to align costs with the new forecasts, without increased levels of ATFM delay. Thus, we do not propose to adjust the capacity targets as this interdependency is addressed within the Opex model.

4.4 However, we note that the timing of the sharp change in the 2022 and/or 2023 traffic forecast may now create a challenge for the IAA ANSP, having planned on the basis of a slower recovery until now. We welcome any views on whether this should be reflected in the parameters of the capacity incentive scheme, such as in relation to the pivot values or the penalty/bonus combination.

### *Environment KPA*

4.5 In the Performance Plan submitted on 1 October, we noted that the KEA reference values assigned to the IAA ANSP are challenging. The revision of the Union Wide targets and reference values led to a relatively more challenging outcome for the IAA ANSP compared to other ANSPs, particularly for 2023 and 2024. As made clear in its response to the consultation, the IAA ANSP had concerns over its ability to meet the targets. However, we noted that sustainably reducing the environmental impact of aviation is a key goal for Ireland, as it is across the EU. Although the KEA performance is already strong compared to the Union-wide targets, a challenging target will drive a focus for both ANSP and NSA to continuously assess and monitor performance. From that perspective, it is preferable to have a target which, while challenging, seeks to drive performance improvements. Therefore, the Performance Plan as submitted on 1 October adopted the national reference values as the KEA performance targets for RP3.

4.6 Whereas the cost forecasts in the Performance Plan as submitted on 1 October were updated for the May traffic forecasts, the national reference values assigned within the Performance Plan template remain in line with the assumptions from the November 2020 forecasts.<sup>2</sup> Similar to the DUC target, these targets are now outdated, but in the opposite direction. The DUC target can now be easily outperformed in all years. However, the KEA target, already acknowledged as being challenging, would be made significantly more challenging by the increased traffic forecast relative to when the EU-wide targets were set.

4.7 Article 5.1(b) Commission Implementing Decision (EU) 2021/891 sets Alert Thresholds

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<sup>2</sup> As communicated by the Network Manager in June 2021.

of 10% variation in Service Units; variation beyond this threshold is considered to warrant a review of the performance targets contained in the Performance Plan.

- 4.8 Table 4.1 compares the November 2020 forecasts with the October 2021 forecasts. We note that, for each year 2021-2024, the forecast En Route SUs has now increased by more than 10% relative to the forecast underpinning the Union-Wide targets, which in turn drove the assigned reference value. Consequently, based on the standard set by the Regulation, it is now necessary to consider how to update these targets as a result of the new forecasts. The NSA noted this possibility during the consultation phase, however it has now materialised before the draft Performance Plan is completed.

**Table 4.1: ENR Service Unit Forecasts have changed beyond the alert thresholds ('000s)**

Forecast	2021	2022	2023	2024
November 2020	2,020	3,335	3,884	4,400
October 2021	2,312	3,991	4,883	4,893
<b>Increase</b>	<b>14%</b>	<b>20%</b>	<b>26%</b>	<b>11%</b>

*Source: STATFOR, NSA Calculations*

- 4.9 The NSA remains of the view that the Environment KPA target should be challenging but achievable. If the target transpires to be unachievably low, there is a risk that parties may not seek to attain it, if considered futile. Thus, the target should now be adjusted to continue to strike this balanced in the context of higher levels of traffic. In our view:

- The targets should seek to drive performance improvement. As the last year of 'normal' operations, actual 2019 performance is an appropriate reference point, consistent with the approach to the DUC target. Actual KEA performance in 2019 was 1.24%.
- The targets should remain considerably more challenging than the reference values assigned in the 2019 performance planning process, which are outlined in Table 4.2.
- The targets should take into account the change in traffic forecasts, but the change in the targets should not be linear with respect to the change in forecasts. That is, the increase in the target should be of lesser magnitude than the increase in the traffic forecasts set out in Table 4.1.
- The targets should take into account the most up-to-date data prior to 1 October, in relation to how the traffic recovery is impacting KEA performance. In that context, we note that KEA performance in September 2021 was back up to 1.2%, as traffic levels increase and North <> South traffic flows (which generally have less efficient routings than East <> West traffic flows) are recovering, having decreased relatively more than East <> West flows in 2020.
- The targets should preferably take into account the profile of the EU-Wide target, which anticipated a slight deterioration in 2023 and 2024.

- 4.10 We also note that, while annual traffic is not expected to return to 2019 levels until 2023, traffic is anticipated to return in a more ‘peaky’ manner in 2022. This is expected both within the day and across the summer season. Consequently, in peak periods, the traffic volumes and flows likely to lead poorer KEA performance, equivalent to 2019, may materialise.
- 4.11 Taking account of the above, we have discussed the question of the KEA target with the IAA ANSP. The IAA ANSP subsequently proposed the following updated targets, as outlined in row 3 of Table 4.2 below. We consider these targets to be reasonable, and in line with the principles set out above. We invite comments from stakeholders on these proposed updated targets.

**Table 4.2: Proposed updated KEA Targets, compared to previous targets (percentages)**

	2021	2022	2023	2024
2019 Performance Plan	1.54	1.53	1.53	1.53
October 1 <sup>st</sup> Revised PP	1.13	1.13	1.13	1.13
<b>Target Now Proposed</b>	<b>1.15</b>	<b>1.20</b>	<b>1.22</b>	<b>1.22</b>
% change from 1 Oct PP	+1.8%	+6.2%	+8%	+8%

*Note that a lower target equates to improved KEA performance.*