UK-Ireland FAB Performance Plan for RP2 (2015-2019)

Stakeholder Consultation

14 March 2014

Agenda

- FAB Safety 9:00 – 9:20
- Environment 9:20 – 10:00
  - FAB
  - Ireland
  - UK
- En Route Capacity 10:00 – 11:00
  - FAB
  - UK

- **Coffee** **11:00 – 11:15**

- Terminal 11:15 – 11:45
  - IE capacity & cost efficiency
  - UK capacity & cost efficiency
- En Route Cost efficiency 11:45 – 13:00
  - Ireland
  - UK
- Next Steps/Wrap up 13:00 – 14:00

FAB Safety

Safety Targets: Overview

- Targets set for 3 Safety KPIs:
  - Effectiveness of Safety Management (EoSM)
  - Application of Severity Classification based on Risk Analysis Tool (RAT)
  - Just Culture (JC)
- EoSM & RAT targets – set as EU wide targets
- JC targets required & established at FAB level

Note: Safety targets are not subject to financial incentives

EoSM

- FAB targets consistent with EU targets

	2015 Target	2016 Target	2017 Target	2018 Target	2019 Target
Union-wide/ FAB targets at **State** level: All five (5) **Management Objectives**	-	-	-	-	C

Union-wide/ FAB targets at **ANSP** level	For Safety Culture **Management Objective**	-	-	-	-	C
	For all other **Management Objectives**	-	-	-	-	D

Level C 'Implementing' — defined and standard processes are used for managing;

Level D 'Managing & Measuring' — objectives are used to manage processes and performance is measured;

EoSM Management Objectives

1. Safety Policy and Objectives
2. Safety Risk Management
3. Safety Assurance
4. Safety Promotion
5. Safety Culture

Risk Analysis Tool (RAT)

Ground Score (ANSPs)		2015 Target	2016 Target	2017 Target	2018 Target	2019 Target
Union-wide targets	SMIs	-	-	>= 80%	-	100%
	RIs	-	-	>= 80%	-	100%
	ATM-S	-	-	>= 80%	-	100%

Overall Score (NSAs)		2015 Target	2016 Target	2017 Target	2018 Target	2019 Target
Union-wide targets	SMIs	-	-	>= 80%	>= 80%	>= 80%
	RIs	-	-	>= 80%	>= 80%	>= 80%
	ATM-S	-	-	>= 80%	-	100%

SMI *Separation Minima Infringement*
RI *Runway Incursion*
ATM-S *Air Traffic Management Specific Occurrences*

Just Culture (JC)

- Joint UK-Ireland NSA JC Policy adopted
- JC targets established at FAB level for NSAs & ANSP:
  - NSA Just Culture staff training target
  - ANSP Just Culture staff training target
  - Training cascaded from leadership level throughout company
  - Maintained on an on-going basis within training & induction programmes
  - Demonstrated progress by 2017; 100% of identified staff trained by 2019

FAB Environment

FAB target

- **2 Key Performance Indicators:**
  - **horizontal en route flight efficiency of the actual trajectory (KEA) - target at FAB-level**
  - **horizontal en route flight efficiency of the last filed flight plan (KEP) - applicable at the Network Manager level (not covered by the FAB plan)**
- **FAB incentive for KEA (non-financial)**

KEA Issues

- **“Free route” airspace in Irish airspace since 2009.**
- **There is therefore limited scope for reduction in variance from optimal routeings.**
- **Improvements in flight efficiency in UK airspace over RP2 are expected from major redesign of airspace around London (LAMP) and in the North Terminal Control Area (NTCA).**
- **Improvements are expected in both vertical and horizontal trajectories. Some worsening of KEA possible with wider gains elsewhere.**

FAB KEA target

- **EU target (FAB reference values) adopted as FAB target for RP2**

	2015	2016	2017	2018	2019
UK-Ireland Target	**3.36%**	**3.27%**	**3.18%**	**3.09%**	**2.99%**

FAB KEA incentive

- **The ANSPs shall be required to report to their respective NSAs in years where targets are not met setting out:**
  - **The extent to which there remain substantial horizontal flight inefficiencies to be addressed;**
  - **The extent to which achieving additional flight efficiencies would prejudice greater gains elsewhere;**
  - **The scale of flight efficiency benefits (including vertical trajectories and benefits within 40NM of airports) generated since the start of RP2.**

FAB Environment

- **The environmental savings of ENSURE and other initiatives are outlined in an independently verified Cost Benefit Analysis (CBA)**
- **CBA submitted by the Irish and UK Governments to confirm the UK-Ireland FAB's compliance with the European Commission's FAB Implementing Rule**
- **The CBA considered Fuel Burn, Fuel Cost & CO2 impact from 2009-2020.**
- **In 2013, it is estimated that the UK-Ireland FAB helped deliver €30m of enabled savings to airlines,**

FAB Environment

Project Breakdown of enabled UK/IRL FAB savings
Cost Benefit Analysis 2009-2020

	2009 - 2020 Savings €M
P600 (Dublin to Belfast) airway into a dual route.	16.7
ENSURE Project	204.6
Night Time Fuel Saving Routes (NTSFRs)	69.1
Continuous Descent Approach into Manchester	1.9
Reduced Longitudinal Separation on the NAT	11.5
Dublin TMA 2012 Development (Point Merge)	32.8

IE Environment

Ireland Environment

- **In 2009, the IAA removed all impediments to user preferred trajectory that were under their control in Irish en-route airspace.**
- **The ENSURE project facilitated route free airspace**
- **This is significantly in advance of the EU aspirational timelines (2019).**

Ireland Environment

- **There are no further known opportunities to improve en-route horizontal flight efficiency within Irish airspace.**
- **Ireland will consider future technological developments as they become available**
- **Ireland will continue to support efforts to improve efficiency at FAB airspace level/KEA**

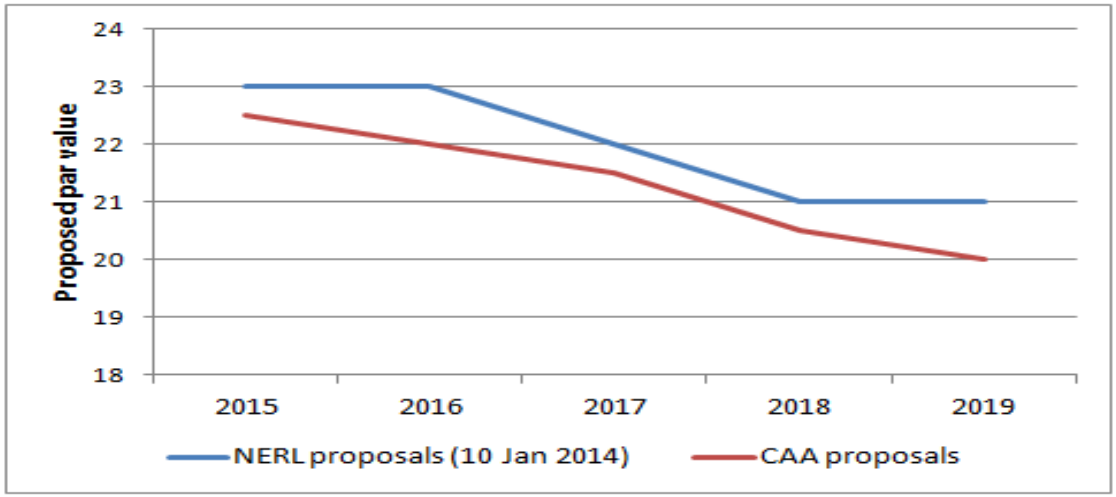
UK Environment

Additional Incentives

- Additional UK incentives relating to
  - vertical and horizontal flight efficiency (3Di) and
  - implementation of a harmonised transition altitude (TA) of 18,000 ft
- CAA also intends to hold NERL accountable for the delivery of key elements of Future Airspace Strategy (LAMP and harmonised TA) through a reporting condition in NERL's licence

3Di

- Bonus or penalty up to 1% revenue
- Proxy for combined of vertical and horizontal FE
- Performance Plan sets out scheme against RP1 metric
- Reflects improvements in FE in NERL's RBP
- Work currently in progress to simplify and recallibrate
- Will lead to different but equivalent "numbers"



3Di

Year	Par value	Lower dead band, -10%	Upper dead band, +10%	Max bonus level -33%	Max penalty level, +33%	Bonus/ penalty per unit
2015	22.5	20.25	24.75	15.00	30.00	R/5.25
2016	22.0	19.80	24.20	14.67	29.33	R/5.13
2017	21.5	19.35	23.65	14.33	28.67	R/5.02
2018	20.5	18.45	22.55	13.67	27.33	R/4.78
2019	20.0	18.00	22.00	13.33	26.67	R/4.67
Note: R = revenue at risk = 1% of NERL's en route revenue from user charges						

This table is illustrative to show structure of control.
Par values will depend on further calibration work

Transition Altitude (TA)

- NERL RP2 business plan investment programme includes provision for the implementation of a harmonised TA of 18,000 ft
- A harmonised TA of 18,000 ft will enhance safety and flight efficiency and will be incentivised
- In years 2017-2019 NERL's eligibility to earn bonuses will be dependent on the successful implementation of harmonised TA of 18,000 ft.
- 1% of en route revenue penalty for 2017-2019 if target not reached by end of 2017, until TA target implemented

FAB En Route Capacity

FAB target at FAB level (C1)

- Metric: air traffic flow management (ATFM) delay/flight (all en route causes)
- Allocations to NERL & IAA consistent with RP1 reference values.

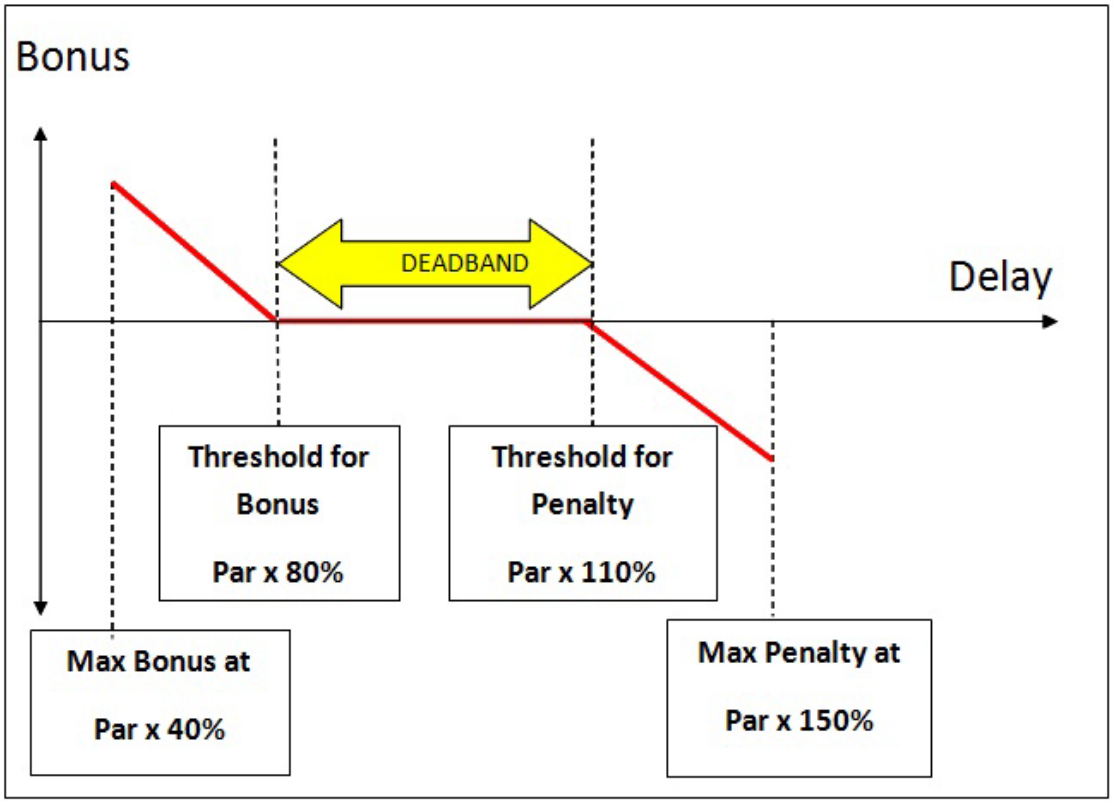
(Mins delay/flight)	2015	2016	2017	2018	2019
EU wide target	0.50	0.50	0.50	0.50	0.50
FAB reference value	0.28 (0.25)	0.29 (0.26)	0.29 (0.26)	0.29 (0.26)	0.28 (0.26)
FAB target	0.28	0.28	0.28	0.28	0.28
NERL	0.254	0.254	0.254	0.254	0.254
IAA	0.150	0.150	0.150	0.150	0.150

FAB incentive (C2)

- Common scheme UK/Ireland
- Maximum penalty or bonus :
  - Ireland: no greater that 1% of ANSP en route revenue
  - UK: no greater than 0.25% of ANSP en route revenue (further 0.75% applied to additional UK capacity incentives)
- Measurement :delay causes article 15(g) Charging Reg.
  - Measured by Eurocontrol (no adjustment)
- calendar year basis & any bonus/penalty paid in year n+2;
  - no bonus payable if FAB target not met
  - no penalty if FAB target exceeded;

FAB incentive (C2) characteristics

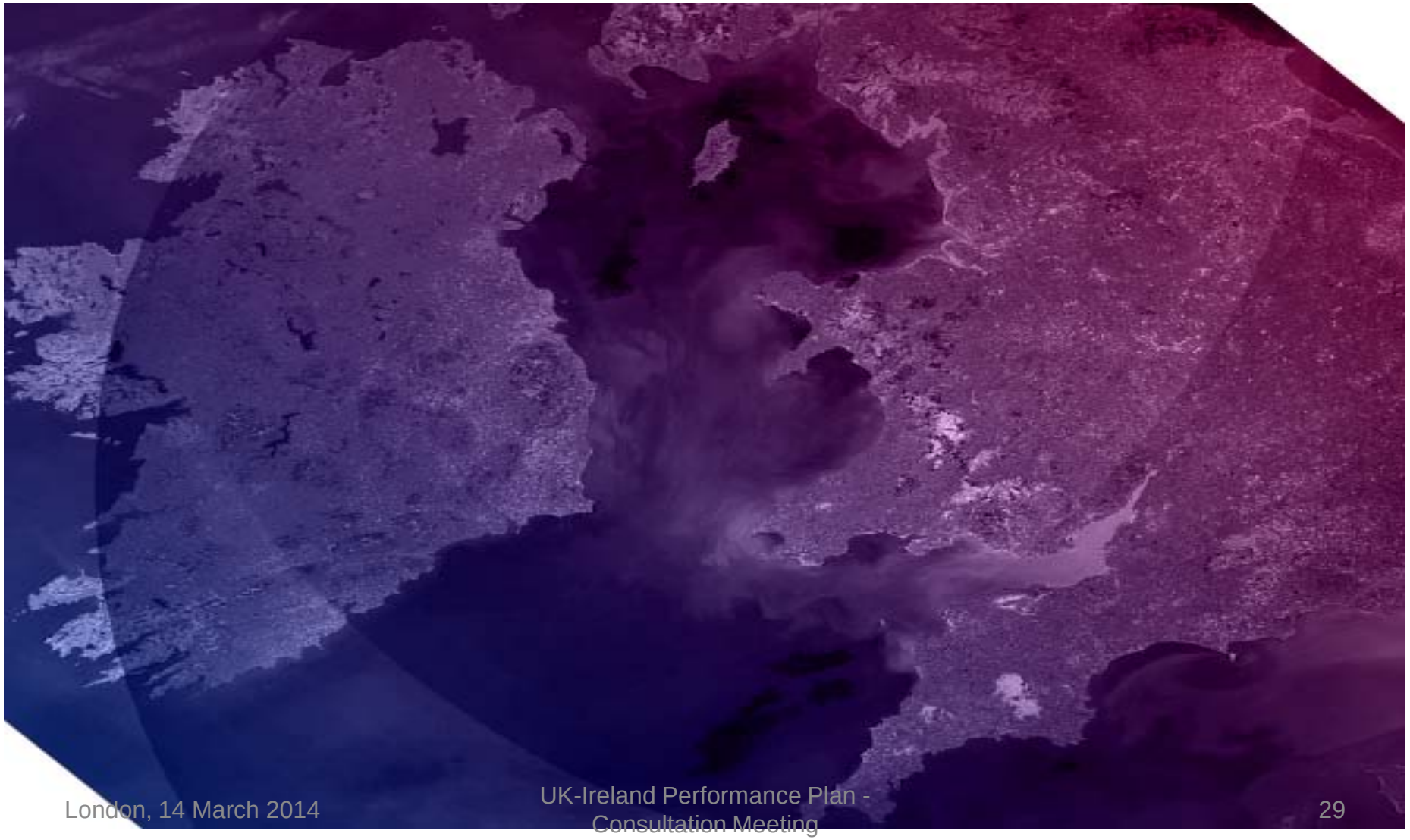
- Then subject to overall FAB performance:
  - par value for each ANSP;
  - Deadband (-20% to +10% of par)
- smooth sliding scale
- maximum penalty delay at 150% and
- maximum bonus at 40% of the par value.



C2 bonus/penalty thresholds

Minutes/Flight	KPI target (C1)	Margin non-ANSP attributable (estimate)	Incentive par value (C2)	Bonus threshold (C2)	Penalty threshold (C2)
NERL	0.254	0.050	0.204	0.163	0.224
IAA	0.150	N/A	0.150*	0.120	0.165

IE En Route Capacity

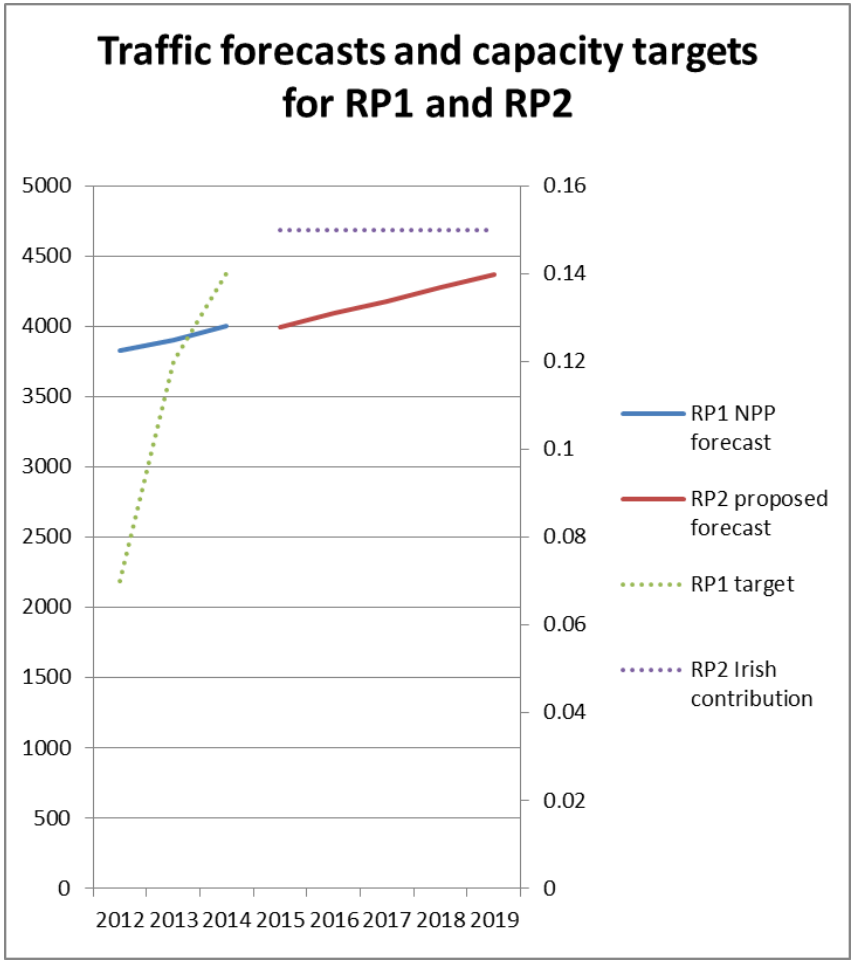


Ireland En Route Capacity

- **Overall RP2 ER Capacity Target: 0.28 min**
- **Irish RP2 ER Capacity Target 2015-19: 0.15 min**
- **During RP1 Ireland adopted an approach in which cost savings were prioritised over delay. As a result only very limited investment was planned in capacity enhancing measures. This same approach will be applied to RP2.**

Irish contribution to the FAB target

- **Approach to setting the Irish contribution to the FAB target is consistent with the approach taken for RP1:**
  - **RP1 target for 2014: 0.14 mins/flt**
  - **Traffic levels are currently still below forecast RP1 levels, but forecast to continue growing**
  - **No initiatives are taken in Ireland to specifically enhance capacity**
  - **Single, constant target is proposed at FAB level and local contribution**
  - **Therefore an Irish contribution just above the RP1 2014 target is proposed: <u>0.15 min/flt</u>**



UK En Route Capacity

Additional UK capacity incentives

- Additional UK indicators and incentives
- Basis of measurement changed from RP1 - Eurocontrol data– not locally enhanced.
  - (C3) Impact Score (bonus and penalty) placing greater weight on long delays and departures in the morning and the evening peaks;
  - (C4) Daily Excess Delay Score (penalty only) based on weighted delays exceeding pre-determined thresholds on a daily basis.

Impact Score (C3)

- Considered most relevant measure by users in customer consultation
- Puts high weightings on long delays and delays early in the day to reflect disproportionate knock-on effect on schedules
- Weightings remain unchanged from RP1;
- Out of the maximum 1% pot of bonus or penalty for Capacity, 50% of the total penalty and 75% of the total bonus will apply to C3;
- Bonus only paid if FAB meets target for C1;
- Penalties only paid if FAB fails to meet FAB target for C1.

Daily Excess Delay Score (C4)

- Provides an incentive on NERL to avoid individual days of particularly severe disruption which have a disproportionate impact on airline service;
- Poor performance on an individual day is generally due to some form of system failure rather than any underlying shortfall in ongoing capacity;
- For RP2 proposed as penalty only (failure against this measure relates to exceptional events and a reasonable user expectation is likely to be zero)
- **Not** subject to FAB target for C1.

Summary

- Maximum bonuses and penalties (out of the maximum 1% of ANSP en route revenue for capacity.)

Term	Maximum bonus	Maximum penalty
C1 (FAB)	Trigger	Trigger
C2	25%	25%
C3	75%	50%
C4	N/A	25%


Coffee Break
11:00 – 11:15

IE Terminal: Capacity and Cost Efficiency

Ireland Terminal Capacity

- **In recent years, the traffic downturn has resulted in the level of IAA ANSP attributed delay at Irish airports being very close to zero.**
- **It is not economically efficient to provide sufficient capacity to guarantee zero delay.**
- **Growth is not expected to be evenly distributed throughout the operating day but will most likely be focused on the peak, more commercially attractive periods.**
- **Given no significant airport infrastructure enhancements planned for the RP2 period, an increase in delay is expected as traffic increases, albeit at an acceptably low level.**

Ireland Terminal Capacity

- **In setting a Terminal Capacity target the Irish NSA considered**
  - **airfield infrastructure at Dublin Airport,**
  - **the situation in neighbouring airspace**

- **For RP2 the NSA targeted a level of terminal delay which recognises the effect these issues can have on the IAA ANSP's ability to avoid delay.**

Ireland Terminal Capacity

KPA	Targets				
	2015	2016	2017	2018	2019
Capacity	0.08	0.08	0.10	0.10	0.12

Ireland Terminal Cost Efficiency

- **Under the RP2 regulations, performance plans must include national targets for terminal ANS**
- **The H24 nature of operations at Dublin, Cork and Shannon results in a very challenging business environment.**
- **The IAA is currently one of the most cost-efficient ANSPs in Europe for Terminal services**

Ireland Terminal Cost Efficiency

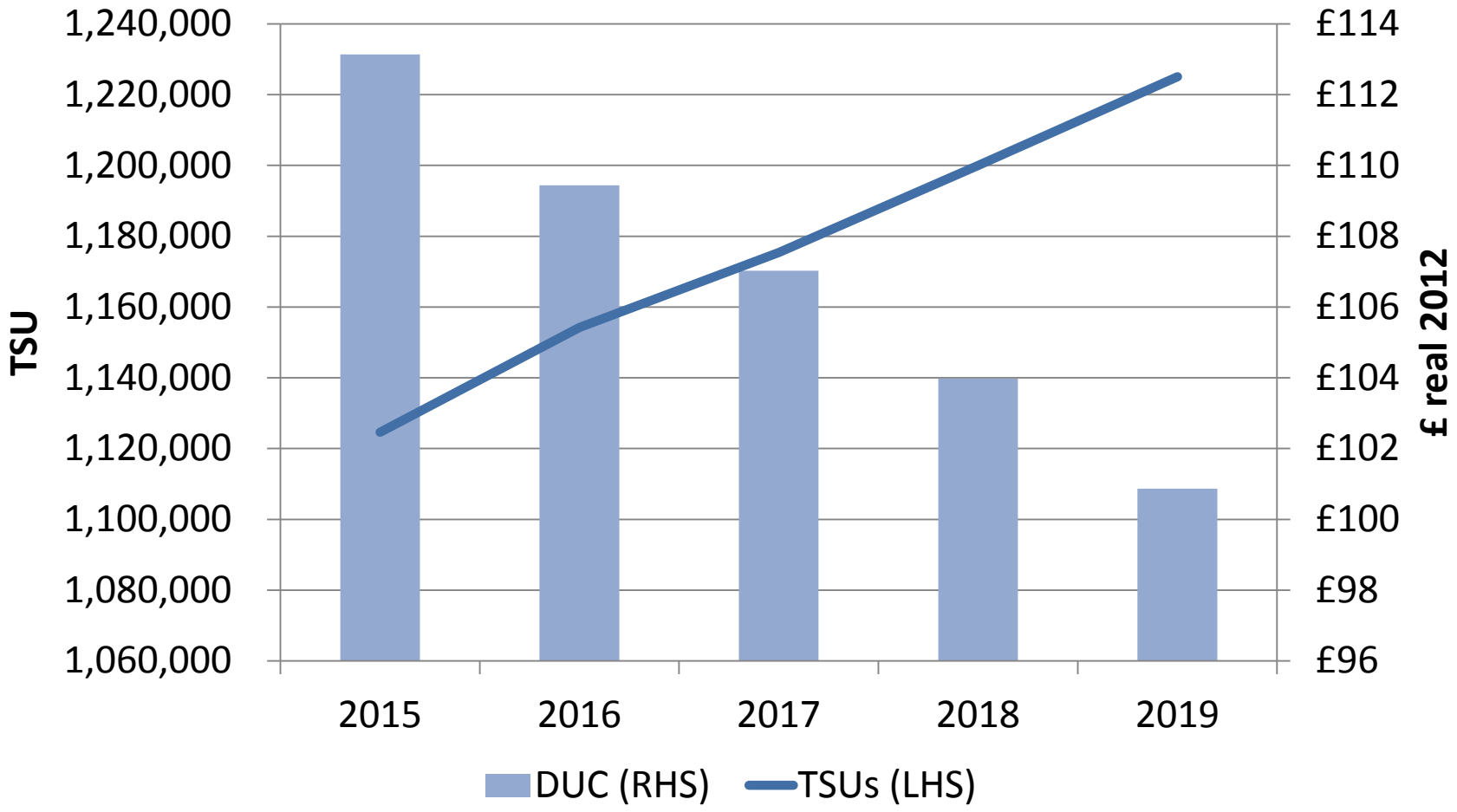
Determined Costs – real					
	2015	2016	2017	2018	2019
Total Costs (€ 000s) (real)	23,410.3	24,487.4	24,799.5	25,128.3	25,266.9
Unit Cost (€)	164.63	166.35	162.3	158.24	153.69

UK Terminal: Capacity and Cost Efficiency

UK TER capacity target

Airport	Capacity target based on historical performance (2008 to Sept 2013)
LHR	2.66
LGW	0.59
MAN	0.33
STN	0.10
EDI	0.15
LTN	0.12
BHX	0.05
GLA	0.01
LCY	2.41
All Airports	1.11

UK TER DUC reduction



IE En Route Cost Efficiency

RP2 En Route Cost Efficiency

- **The Irish unit rate is among the lowest in Europe**
- **Has not exceeded €33.01 over the past 15 years.**
- **Ireland accounts for 1.5% of total European ATM/ CNS costs (per ACE reports)**
- **NSA is satisfied that the IAA is a safe, highly cost-efficient and reliable ANSP**

RP2 En Route Cost Efficiency

- **Determined cost in relation to Irish charges includes IAA ANSP, MET, and NSA costs. IAA ANSP costs make up about 85% of the Irish Determined Unit Cost**

- **In RP1, Ireland contributed to the achievement of the European cost-efficiency targets through a significant reduction in its unit rate.**

- **In RP2, Ireland proposes to again deliver on cost-efficiency targets, resulting in a cumulative reduction in the unit rate since 2012 of 12.7%.**

- **NSA proposes a cost base for RP2 which remains relatively stable at its current low levels.**

RP2 En Route Cost Efficiency

	2015	2016	2017	2018	2019
DC real (€000)	€113,234	€114,506	€116,484	€117,974	€117,353
Total Service Units (000)	3,990.0	4,090.0	4,180.0	4,276.0	4,370.0
Real en route DUCs	€28.38	€28.00	€27.87	€27.59	€26.85

IAA SRD setting of RP2 DC and DUC

- **At the beginning of the RP2 process IAA SRD (NSA) set out very clearly to the ANSP and MET the acceptable parameters for Determined Costs**
- **Strong NSA challenge made on Business Plans submitted.**
- **Consideration of RP1 contributions/ RP2 starting points.**
- **Reduced costs across a number of categories now reflected in RP2 DC and DUC.**

Traffic forecast

- **Ireland traffic forecasts as used in the draft PP are based on STATFOR forecasts as published in September 2013 subject to two adjustments.**
  - **Adjustment 1: Irish forecasts take a mid point between the base case and low case forecasts**
  - **Adjustment 2: Consideration of the factors especially relevant to Irish airspace- US market, Air Freight Market, Industry Consolidation**
- **Traffic forecasts for RP2, based on STATFOR data adjusted for local conditions**

	2015	2016	2017	2018	2019
TSU's (000)	3,990	4,090	4,180	4,276	4,370

Staff Costs

- **IAA ANSP has had a pay freeze in place since 2011.**
- **This is not considered sustainable for RP2**
- **Minor staff cost increases in RP2 (about 3%) includes CPI, pay awards, increments.**
- **Enhanced Staff Performance Management measures now in place.**
- **Salary review has led to reduced salary scales for future post holders in ANSP.**

Staff Costs

- **Overall a minor reduction in staff numbers expected in RP2**

- **RP1 saw an unprecedented high level of retirements from the IAA ANSP. Current low volumes of en route traffic have allowed the IAA to continue to provide a high quality ATM service despite this accelerated rate of retirement.**

- **Forecast traffic growth for RP2 means there is now only a marginal opportunity for further efficiencies in ATCO numbers**

Pensions

- **Provision for pension costs has been made on the basis of actuarial valuations and agreements put in place in 2010 to address a significant pension fund deficit and going concern issues.**

- **This approach will, over time and beyond RP2, significantly reduce the cost of providing pensions to staff.**

- **Pension fund to return to solvency by end of RP2**

Pension Deficit- Proactive Response

- **Defined benefit pension scheme was closed to new members from 1 January 2012**
- **Member contributions to the pension scheme were increased to 6% per annum**
- **Freeze on pensionable pay increases until July 2015**
- **the IAA ANSP will continue its annual contribution of 30.5% of pensionable pay**

Cost of Capital

- **Based on an independent study by First Economics**

Factor	Approach	Value
Risk free rate	Estimated based on yields on government-issued gilts before 2008	2.6%
Equity risk premium	Estimated based on review of recent regulatory determinations	5%
Equity beta	Estimated based on comparator analysis and related assumptions	0.71
Cost of debt (*)	Calculated from conditions of the IAA's credit facilities, using a theoretical borrowing of €20M	3.5%
Gearing ratio (*)	Assumed	0.1

(*) The IAA expects to incur zero borrowings for the foreseeable future; however, since this can never be guaranteed, a provision is made for some borrowings. Sensitivity analysis shows that this has a very limited impact on the identified Cost of Capital.

Cost of capital

	Real	Nominal
Gearing	10%	10%
Cost of debt	3.5%	5.1%
Cost of equity (pre-tax)	7.03%	8.92%
Cost of equity (post-tax)	6.2%	7.8%
WACC (pre-tax)	6.7%	8.5%

Weighted Average Cost of Capital = (Gearing x Cost of debt) + ((1-Gearing) x Cost of equity)

Tax rate: 12.5%

Capex and depreciation

- **No investment in “nice to have” projects**
- **All investments are for reasons of**
  - **obsolescence**
  - **customer requirements**
  - **regulatory and legislative requirements**
  - **compliance with SESAR/ATM Master Plan**
- **Procured products and services are “off the shelf” wherever possible, with customisation kept to the minimum**

Capex and depreciation

Area	Main investments	Planned capex
Flight Data Processing	Continued development of COOPANS	€40.5M
Communications	Replacement of the Voice Communications System	€18.9M
Navigation & Surveillance	Deployment of an ADS-B/WAM network	€27.7M
IT / other	Replacement of key systems, enhancement of the IT infrastructure and improvements to security and disaster recovery	€6.6M
En-route contingency centre	Building a new contingency facility	€13.0M
Total		€106.7M

- **Depreciation:**
  - **has been calculated by allocating an appropriate proportion of assets to en route and terminal, based on use.**
  - **a consistent depreciation policy has been followed, using a varying depreciation period based on asset type**
    - **ranging from 3 years for ICT equipment to 20 years for buildings.**

MET

- **The "new" costs of the Met provider in RP2 is the Aviation Modernisation and Automation Project (AMAP). The project has four main goals:**
  - **Modernising the aviation observing infrastructure to meet EC Regulations**
  - **automate the aviation observations and reports**
  - **enhancing safety by increasing the temporal resolution of weather observations to ATC**
  - **integrating weather observations of high quality and temporal resolution with ATC systems.**

- **AMAP Capital and implementation costs (€5m) offset by staff savings from automation later in RP2.**

- **Significant ATM users annual cost savings into RP3 and beyond.**

NSA

- **The NSA's determined costs for RP2 will remain constant in real terms.**
- **No change in staff numbers is foreseen**
- **UK/Ireland NSAs are working together to drive efficiencies where possible.**
- **NSA is not responsible for any major capital investments in RP2.**
- **NSA “other operating costs” includes Eurocontrol cost.**

UK En Route Cost Efficiency

Traffic forecast

- September 2013 STATFOR forecast of overall UK flights and Total service units
- Mid-case scenario

	2013	2014	2015	2016	2017	2018	2019
UK flights (000)	2,223	2,253	2,304	2,354	2,395	2,444	2,493
TSU (000)	9,680	9,817	10,036	10,262	10,455	10,682	10,912

UK en route cost efficiency target

- Determined cost in relation to UK charges includes NERL, MET, DfT/EUROCONTROL and CAA costs. NERL costs make up about 85% of the UK Determined Unit Cost (DUC).

- UK target for en route cost efficiency – DUC reduction of 5.3% per year

- This target is significantly more challenging than the EU wide target (3.3% DUC reduction pa)

UK Determined Cost and DUC

CAGR 2014 base* to 2019	Determined Costs	Determined Unit Costs
NERL	-3.7%	-5.7%
MET	-5.1%	-7.1%
CAA	-0.7%	-2.8%
DfT (Eurocontrol)	3.0%	0.9%
Total	-3.3%	-5.3%

* The base 2014 DC and DUC costs have been calculated consistent with PRB methodology.

UK En Route Cost Efficiency

	2015	2016	2017	2018	2019
DC nominal (£million)	£685.8	£685.9	£687.7	£679,2	£668,1
DC real (£2012 million)	£639,9	£628,0	£617,4	£597,7	£576,5
Total Service Units (000)	10,036	10,262	10,455	10,682	10,912
Real DUCs (£2012 prices)	£63.76	£61.20	£59.05	£55.95	£52.83

NERL

INITIAL BUSINESS PLANS (ALTERNATIVE PLANS 1&2)

CUSTOMER CONSULTATION

REVISED BUSINESS PLAN

SEPT STATFOR FORECASTS

EU-WIDE TARGETS

CONSULTANT STUDIES

CAA ASSESSMENT & INTERVENTIONS

CAA DRAFT NERL COMPONENT OF UK IRELAND PLAN

CAA: Interventions

Interventions to RBP assumptions:

- Cost of capital
- Opex contingency allowance
- Staff Cost
- Employee share ownership scheme costs
- Pension contribution assumption (2018 & 2019)

Cost of Capital

Pre- tax WACC reduced compared to RP1 7%→5.75% due to:

- a reduction in the cost of debt, due to:
  - a reduction in market rates
  - higher credit rating assumption;
- a reduction in the cost of equity based on:
  - a reduction in the beta
  - a reduction in the total market returns assumption;
  - partially offset by an increase in the effective tax rate;
  - a comparison to other sectors.

NB Analysis is consistent with our approach to airports.

Decreases aggregate DC over RP2 by £47 M (£2012).

Opex Contingency

- NERL RBP contained allowance for opex contingency arguing opex forecast:
- CAA has not included contingency allowance in its draft plan:

Decreases the aggregate DC over RP2 by £29 Million (£2012).

Staff Costs

- NERL made some allowance for real pay increase (0.25% p.a.) and wage drift (0.3% p.a.) in RBP.
- CAA has assumed staff pay increases at CPI.
- Has an effect on staff pay and also pension contribution.
- (Does not mean that the CAA is proposing to impose any cap on pay either collectively or for particular types or grades of staff.)

- **Decreases the aggregate DC over RP2 by £20 Million (£2012).**

Employee Share Scheme Costs

- Employee share scheme costs £3m p.a.
- This headline cost primarily relates to:
  - the expected increase in total obligation to redeem employee shares as an accrual;
  - the extent to which redeemed shares are redistributed to employees at less than the underlying value.
- The administration costs of the scheme are either very small – or included elsewhere e.g. In general staff costs.

The CAA proposes not to make an allowance for this cost in the DC.

Decreases the aggregate DC over RP2 by £13 Million (£2012).

Pensions

- In RP1 100% of variance in pension contributions logged and subsequently returned/recovered.
- RP2 CAA proposes passing through :
  - 80% of difference when actual>assumed;
  - 100% of difference when actual<assumed.
- CAA proposes 10% reduction in allowance of cash contribution for 2018 & 2019.
- Overall effect largely on timing of contributions & NERL incentives to take actions consistent with an employer not subject to a regulatory pass through.

But decreases the aggregate DC over RP2 by £12 Million (£2012).

Summary of adjustments

£ Million (2012 prices)	2015	2016	2017	2018	2019	Total
NERL Determined Costs (RBP)	555.1	545.0	539.4	531.3	514.7	2685.6
Adjustments Oct to Dec 2013	4.0	5.9	5.1	1.2	-0.2	16.0
Add back costs of change	8.4	7.9	5.0	4.3	5.3	30.8
Adjusted NERL determined costs	567.5	558.7	549.5	536.7	519.9	2732.4
Staff cost adjustment (excl. DB pension effect)	-1.1	-1.9	-3.0	-4.2	-5.5	-15.7
DB pension adjustment	0.0	0.0	0.0	-5.2	-6.7	-11.8
DB pensions (additional) –(due to Δ staff costs)	-0.3	-0.6	-1.0	-1.2	-1.5	-4.6
Employee share scheme adjustment	-2.1	-2.9	-2.8	-2.6	-3.0	-13.3
Contingency adjustment	-4.8	-6.3	-6.1	-6.0	-5.9	-29.1
Cost of Capital adjustment	-11.0	-10.1	-9.3	-8.7	-8.1	-47.2
Regulatory depreciation adjustment	0.1	0.1	0.1	0.0	0.0	0.3
Pension pass through (due to Δ staff costs & WACC)	0.3	0.3	0.3	0.3	0.3	1.5
NERL Determined Costs	548.6	537.4	527.7	509.1	489.6	2612.4

MET

- The CAA (as UK Met Authority) concluded a review during RP1, which has informed the costs included for RP2.

£ 2012 prices	2014 Base	2015	2016	2017	2018	2019	CAGR 2014 to 2019
DC (£M)	30.6	26.2	25.5	24.8	24.2	23.6	-5.1%
DUC (£)	3.12	2.61	2.49	2.38	2.27	2.16	-7.1%

DfT/EUROCONTROL

The UK's share of the Eurocontrol Agency costs.

- Determined by sharing keys
- Exchange rates

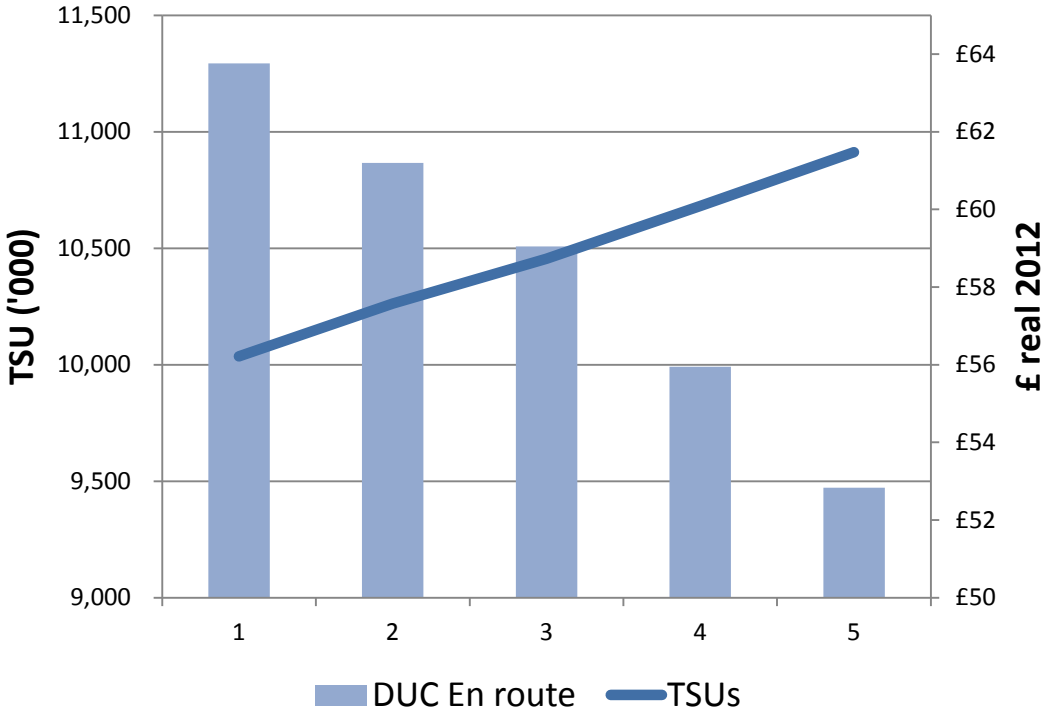
£ 2012 prices	2014 Base	2015	2016	2017	2018	2019	CAGR 2014 to 2019
DC (£M)	39.5	45.2	45.4	45.5	45.7	45.8	3.0%
DUC (£)	4.02	4.51	4.42	4.36	4.28	4.20	0.9%

CAA

- costs attributable to the NSA for staff costs, other operating costs and capital costs associated with the airspace policy matters.
- Any costs relating to pre-existing pensioners and deferred pensions at the time of PPP.

£ 2012 prices	2014 Base	2015	2016	2017	2018	2019	CAGR 2014 to 2019
DC (£M)	11.8	12.3	12.2	12.1	12.0	11.4	-0.7%
DUC (£)	1.20	1.22	1.19	1.16	1.12	1.04	-2.8%

UK ER DUC reduction



CAGR	UK
DC	-3.3%
DUC	-5.3%

Next Steps

- **4 April**: deadline for responses to stakeholder consultation

  Contact details:

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- **May/June**: submission of appropriately amended FAB plan to UK DfT and IE DTTAS

- **30 June**: deadline for submission of plan to the Commission and PRB

- **November**: Commission's provisional decision


Thank you