



Corporate Head Office
Dublin Airport
County Dublin
Ireland
Telephone: +353 1 8121212
General Fax: +353 1 8121213
Telex: 33588 FROP EI
Site: DUBHQFR

Reservations: Ireland 0818 303030
U.K.: 0871 2460000
Website: www.ryanair.com

Department Fax Numbers:
Finance: 01 8121330
Sales & Marketing: 01 8121331
Flight Operations: 01 8444404
Engineering: 01 8121338
Reservations: 01 6097901

30th June 2005

Mr William Prasifka
Commissioner for Aviation Regulation
Commission for Aviation Regulation
3rd Floor
Alexandra House
Earlsfort Terrace
Dublin 2

Dear Bill,

I refer to Commission Paper CP2/2005 on the Draft Determination on Maximum Levels of Airport charges under the Aviation Act of 2001, as amended by the State Airports Act of 2004.

CP2/2005, with its 61 pages and 450 pages of annexes, including reports and surveys from no less than 9 consultants, amounts to regulatory capture on a grand scale and highlights the complete failure of the CAR to regulate what is, by its own admission, a highly inefficient monopoly. The CAR found in its original determination that Aer Rianta/DAA was 50% more inefficient than the best of its peers and this inefficiency has never been addressed. As your own numbers indicate (Table 2 of the Draft Determination), the nominal price cap in Dublin Airport has been reduced by derisory €0.01 (from €5.16 to €5.15) over the regulatory period.

The past four years of regulation (or more appropriately "non-regulation") by the CAR has demonstrated the serious failings of economic regulation. The CAR has not only failed to "*facilitate the development of cost effective airports which meet the requirements of users*" but has actually increased costs to users through its failure to control its own costs – as demonstrated through the sheer number of consultants used in preparing the draft determination. However, despite all of these consultants, the best the CAR could come up with is a range of scenarios calling for price increases of up to 40%, despite having confirmed that the DAA's total core passenger costs already "*underperformed the most efficient European airport by 40%*".

The failure of the CAR to regulate the Aer Rianta/DAA airport monopoly is also evident in the fact that the DAA is still refusing to consult with its users on the development and cost of airport facilities. The latest farcical consultation involved the DAA failing to address the legitimate concerns of users over a CIP document originally issued in November of 2004 and then reissued in May 2005, with only one week to comment on it before it was submitted to the CAR for purposes of the regulatory review. I attach a letter from Ryanair's Director of Operations, David O'Brien, detailing the DAA's refusal to address valid concerns over their planned capex, for which users are expected to pay.

The fact that the CAR proposes to reward the DAA with a return on capital of between 7.4% and 8.5% actually incentivises this gold plating and inefficiency by the regulated monopoly. The CAR also indicates in the draft determination that the DAA may even be allowed to add

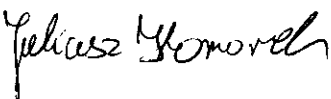
back into the RAB the “imprudent” investment that was opposed by users and which was excluded by the CAR in the original determination. This is completely unacceptable and will be legally challenged. Airlines and their customers should not be punished for the blatant mismanagement of the previous Aer Rianta Board. Furthermore, any liabilities from Cork and Shannon should not be foisted onto Dublin Airport users and the DAA should be forced to cover these liabilities through the sale of its non-core overseas interests.

The CAR’s previous four years of ineffective regulation are now being compounded by proposals to further reward Dublin Airport’s inefficiency with price increases of up to 40%. In order to rectify these past regulatory failings and to ensure that the CAR fulfils its statutory obligations of “*meeting the requirements of users*”, Ryanair proposes the following:

- 1) Dublin Airport’s 50% efficiency gap and 40% passenger cost gap must be reduced over the 5-year regulatory period through appropriate and biting X – factors that force efficiency and lower costs.
- 2) Given that the DAA is refusing to properly consult with its users, all of DAA’s proposed capital expenditure must be rejected until the airport achieves agreement from the majority of users that the projects are necessary and the costs are not excessive.
- 3) There should be no second runway built until the airport can realistically demonstrate that the airport will reach 35 million passengers per annum given that airports like London Gatwick handle in excess of 35 million passengers on just one runway.
- 4) The DAA should not be permitted to recover the costs of the second terminal unless it has the agreement of the majority of users that it meets their requirements and can demonstrate that the costs are not excessive. This is without prejudice to any legal proceedings that Ryanair may take against the Government’s decision on competing terminals at Dublin Airport.
- 5) The DAA must be forced to cover any debts transferred from Cork and Shannon through the sale of non-core assets, e.g., the DAA’s interests in Birmingham and Dusseldorf Airports, Aer Rianta International, and the Great Southern Hotel Group, all of which would net some €500 million.

In the event that the final determination for the next regulatory period again fails to force the DAA monopoly and to meet the requirements of users and to improve efficiency and reduce costs, Ryanair will challenge the determination and also the CAR’s own failure to control its costs.

Yours sincerely,

pp. 

Jim Callaghan

Head of Regulatory Affairs and Company Secretary

CC: Martin Cullen, T.D., Minister for Transport



Corporate Head Office
Dublin Airport
County Dublin
Ireland
Telephone: +353 1 8121212
General Fax: +353 1 8121213
Telex: 33588 FROP EI
Site: DUBHQFR
Reservations: +353 1 609 7800
Website: www.ryanair.com

Department Fax Numbers:
Finance: 01 8121330
Sales & Marketing: 01 8121331
Flight Operations: 01 8444404
Engineering: 01 8121338
Reservations: 01 6097901
Groups: 01 6097904

16th June 2005

Mr Robert J Hilliard
General Manager – Dublin Airport
Dublin Airport Authority
Dublin Airport

Strictly Private & Confidential

Dear Bob

I refer to the DAA Capital Investment Programme issued in May 2005, November 2004, my letter of 28th January 2005, Mary Coveney's reply (over three months later) of 5th May 2005, and my letter of 24th May 2005.

DAA "consultation" on Capital Expenditure is a charade:

- You have failed to answer 90% of the questions raised against your original Capex document of November 2004.
- Projects from the November 2004 capex plan have vanished from the May 2005 version without explanation.
- Proposed capex on projects has increased without explanation.
- You provided users with just seven days notice of a meeting to "consult" on the document.
- You proceeded with this meeting in the absence of your largest customer, despite our request that the meeting be postponed to allow for proper consideration of the document.
- Key numbers have been blanked out in the capex budget delivered to us - most critically you state "*in the course of the consultative process, users were also provided with details of the direct capex impact of the proposed Dublin Airport expenditure and charges*". "*Based on the existing regulatory formula DAA estimates that this amounts to c. [REDACTED] per passenger over the course of the ten year plan, using the current CAR assumptions*". What is the blanked out number and why have you refused to reveal this number to your customers?
- Your claim that "no substantive statements" have been provided in respect of your Capex Plan is untrue.

Capex, Traffic Forecasts and Charges Impact

In her letter of 5th May 2005, Mary Coveney claims that we have been provided with information as to the effect on charges of your Capex programme. This is untrue. You have not provided this information and pointedly have blanked out this information on Page 15 of your Capex Plan. We have repeatedly requested that you summarise your combined forecasts in the manner of the BAA Ready Reckoner. The BAA has reintroduced this model following the demands of the Stansted Airport Charges Committee.

The BAA Ready Reckoner format combines in one document the proposed capital expenditure, the forecast operating costs, the forecast commercial revenue and the expected aeronautical charges.

The information you provide on the new terminal is particularly vague ranging from single user low cost to multi-user full service, and therefore cannot be reviewed in any detail. It is absolutely certain however that the costs forecast in your document will be counter-productive to the traffic growth which you admit you expect to come from low fare traffic.

In advance of any detailed review of your plans for the new terminal or Pier D, please provide us with a combined summary of all of your forecasts in the form of a Ready Reckoner. Please also confirm that capital costs associated with the second terminal and second runway will be excluded from the regulated asset base until a clearer picture emerges as to the use and viability of the terminal you propose. The CAR is permitted to carry out an interim review at any time and we would support an interim review when you have provided the necessary information.

Capex Document

Your claim that there are "clear conflicts between the expectation of the passenger as the ultimate user and that of the airlines" is baseless as is your view that there is a "failure of the airlines to adopt a consensus view amongst themselves". We and Aer Lingus account for over 70% of your passengers and we are united in our consensus on the need for low cost efficient facilities. The consensus view of airlines is acknowledged on Page 15 of your document: "Airlines have informed DAA that they will only accept an amount of allowed Capex that does not alter the current level of charges". Airlines require efficient, low cost facilities which will in turn support efficient airline operations and low fares to deliver passenger growth.

Your statement that "a project's inclusion in this document does not constitute an absolute commitment to that project" is disingenuous as CAR approval of this Capex will require airlines to pay on the basis of this proposed capital expenditure whether it occurs or not. Treatment of under or over recovery in five years time would be too late.

You have excluded details on projects of less than €250,000. This was proposed by airlines on the basis that you would provide a complete overview of the Capex budget in the form similar to the BAA Ready Reckoner. You have failed to do so. Details on projects of less than €250K should be restored to the document.

You state that "the standard hurdle rate which must be achieved before a project is approved is [REDACTED] after tax". **What is the blanked out number and why have you refused to reveal this number to your customers?** It is apparent that you have decided exactly what you intend to do and will work out the numbers later.

The Business Context

You allow just one page of text on this subject. Again, the airlines are unanimous in their view that you should present the overall business context in the form of the BAA Ready Reckoner demonstrating your forecast Capex traffic forecast and charges impact in one place.

Financial and Regulatory Context

It is false to state that DAA conducted a "detailed interaction with users regarding the Master Plan for the Airport in 2002/2003". It is factually untrue to state that no substantive comments were received in relations to the detailed information provided in respect of individual projects. I enclose copies of our letters on the subject of the so called consultation on the Master Plan for your reference.

Your reference to service level deficiencies is misleading. You point to current difficulties at the security processing points but fail to acknowledge that these result entirely from DAA's failure to staff these points. The current ratio of security units to passengers at Dublin Airport is similar to that at Stansted where no such problems exist.

Over the past three years the average fare at Ryanair has fallen by c.20% or €10. This reduction has been necessary to maintain traffic in existing markets and develop new markets. Passengers are evidently not willing to pay higher fares and the "survey" to which you refer is without foundation and is nothing other than a red herring. The most important figures in your document, the impact of your Capex on charges, has been blanked out. How do you expect to achieve a consensus between the airlines and the Airport Authority when you have hidden this figure?

Given that you claim to have prepared and provided all related forecasts, please confirm if you actually have determined this figure and if so, why you have chosen to hide it from your airline customers you claim to be consulting with.

Dublin Airport Investment Programme

You refer to a "vision for Dublin Airport as a 30m. plus passenger processing facility" and claim to have carried out a "most comprehensive consultative process". This is untrue. Please refer to the attached correspondence on this so called consultative process.

You concede that the chosen option must offer "customised facilities tailored to the specific needs of low cost carriers". At the same time you refuse to reveal the impact of your proposed capital expenditure on airport charges which is the key driver for low cost airline activity and the key driver for passenger growth.

You claim to have achieved similar capacity limits to Gatwick yet propose a second runway while Gatwick handles over 30m. passengers with a single runway. A second runway is not necessary.

Practically all figures in your section on car parking have been blanked out. Why have these figures been blanked out?

It is quite ridiculous that we were given just one week to consider the May version of your €1bn. capital expenditure plan when you have failed to address our questions on your November 2004 document. I have listed below the outstanding requests for information and expect that you would provide answers to these questions before we meet to discuss the most recent Capex Plan.

OUTSTANDING QUERIES

Harristown Car Park P2:

Your statement that no substantive comments were received is untrue. You failed to respond to my question and comment of 28th January 2005. What is the forecast revenue from this project and its effect on airport charges? The landscaping estimate is excessive and it is based on inefficient Co. Council estimates. It is utterly inadequate to dismiss this comment by says that it is "*appropriate to use Co. Council estimates*". Why is such an inefficient benchmark appropriate?

Harristown Car Park PP:

This project has disappeared from the May 2004 version of the Capex Plan. Does this mean that the project has been dropped or simply removed from view? You failed to respond to my question and comment of 28th January 2005.

- *"What is the forecast revenue from this project and its effect on airport charges"?*
- *"The consultant fees are excessive at €50,000". "One quotation is unacceptable".*

Ryanair Letter, 28th January 2005

MSCP Upgrade Phase 1:

The total capital expenditure on this project has increased almost threefold from €375,000 to €1,155,000 from the November 2004 to May 2005 documents. Your statement that no substantive comments were received is untrue. Again you failed to respond to my questions of 28th January 2005.

- *"What was the original planned asset life"?*
- *"Were the structural failures a result of substandard construction"?*
- *"What warranties were built into the original construction contract"?*
- *"Why are soft costs set at 7%"?*
- *"What "extensive consultation in conjunction with stake holders" has taken place"?*

Ryanair Letter, 28th January 2005

You failed to answer these questions other than to state that warranties have already expired. Please now answer these questions.

Please also explain how the costs have escalated by over 300% since first presented and why this cost escalation was not commented upon in the May 2005 document.

Car Hire Facilities Dardistown Phase 2:

This project has disappeared from the May 2004 version of the Capex Plan. Does this mean that the project has been dropped or simply removed from view? You failed to respond to my queries of 28th January 2005.

- *"What is the effect of this project on airport charges"?*
- *"What traffic forecast and revenue increases drive this project"?*
- *"What additional income is expected from future multi storey car parks in the areas vacated by existing car hire operators"?*
- *"What contribution will be made by car hire operators"?*

Ryanair Letter, 28th January 2005

It is not acceptable to simply claim that revenues will form part of the single till. You have deliberately blanked out the effect of your capital expenditure on airport charges in the capex document. Now you seek to hide the contribution of certain projects to the single till. Please respond to the questions.

HR Accommodation Cloghran House

This project has disappeared from the May 2004 version of the Capex Plan. Does this mean that the project has been dropped or simply removed from view? You failed to respond to my questions of 28th January 2005.

- *"What HR staffing levels are assumed for this project - lower, higher or the same as existing staffing levels"?*
- *"What revenues are expected from the areas being vacated by the existing HR compliment"?*
- *"What is the likely effect on airport charges"?*

Ryanair Letter, 28th January 2005

It is not acceptable to simply claim that revenues will form part of the single till. You have deliberately blanked out the effect of your capital expenditure on airport charges in the capex document. Now you seek to hide the contribution of certain projects to the single till. Please answer the questions.

Additional Bus Lane Arrivals Road:

Your statement that no substantive comments were received is untrue.

- *"What contribution will be made by bus operators"?*
- *"What revenue increases will be achieved through this project"?*
- *"What is the forecast effect of the project on airport charges"?*
- *"Why are soft costs set at 10% (as apposed to 7% for the MSCP upgrade)"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

Why is "no direct contribution currently assumed from bus companies"? Why not? Why should airlines be obliged to subsidise competing forms of transport?

Airport Police Accommodation:

This project has disappeared from the May 2004 version of the Capex Plan. Does this mean that the project has been dropped or simply removed from view? You failed to respond to my questions and comments of 28th January 2005.

- *"This project is unnecessary and is gold plating. Why should general managers, etc., receive "upgraded" offices"?*
- *"How does this project make "more efficient use of the available area"?"*

Ryanair Letter, 28th January 2005

Your claim that the purpose is to cope with additional staff does not answer my questions. Why should General Managers etc. receive upgraded offices.

Bus Park and Exit Road:

Your statement that no substantive comments were received is untrue.

- *"What traffic forecasts (passengers and bus movements) underpin this project"?*
- *"What is the proposed contribution of bus operators"?*
- *"What is the additional income generated by this project"?*
- *"What is forecast effect on of this project on airport charges"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005.

It is not acceptable to simply claim that revenues will form part of the single till. You have deliberately blanked out the effect of your capital expenditure on airport charges in the capex document. Now you seek to hide the contribution of certain projects to the single till. Please answer the questions.

The total capital expenditure on this project has more than doubled from €1m. to €2.3m. from the November 2004 to May 2005 documents. Please explain how the costs have escalated by 230% since first presented and why this cost escalation was not commented upon in the May 2005 document.

New build kerbs and access ramps:

Can you advise me as to where this project has disappeared to from November 2004 Capex. I cannot locate it in the May 2005 document.

New Taxi Holding Area:

Your statement that no substantive comments were received is untrue.

- *"What revenue increases are derived from this project"?*
- *"What is the likely effect on airport charges"?*
- *"Why is the current situation "untenable"?"*
- *"What contribution will "taxi representatives" make to the development of this project?"*
- *"What benefits will accrue to users and what is forecast effect on of this project on airport charges"?*

Ryanair Letter, 28th January 2005

You have failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

Remaining Perimeter Fence:

Your statement that no substantive comments were received is untrue.

- *"What additional specifications over and above those required by ICAO have been applied to this project? If exclusively ICAO recommendations are applied to this project what would the cost be? The cost of €325 per metre is excessive".*

Ryanair Letter, 28th January 2005

You failed to respond to my question and comment of 28th January 2005. Please answer the question.

Upgrade Castlemoate House:

Your statement that no substantive comments were received is untrue.

The total capital expenditure of €660,000 is excessive.

- *"What is the justification for maintaining this property in DAA ownership"?*
- *"What is the benefit to airport users"?*
- *"Can this property be handed over to the local authority"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

Upgrade Collinstown Lane:

Your statement that no substantive comments were received is untrue.

- *"Why has Fingal county council never taken charge of this section of road"?*
- *"Has this failure been challenged by DAA"?*
- *"What percentage of the decreased vehicular traffic (HGV) is exclusively airport related"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

What contribution will be made by the Horizon Business Park which DAA claim as causing the deterioration of the road surface?

Upgrade Forest Little Road:

Your statement that no substantive comments were received is untrue.

- *"What percentage of the "heavily laden construction traffic" has been airport related"?*
- *"What are the consequences of closing this road"?*
- *"Has the decision by Fingal County Council not to take this road in charge prior to its degradation by construction traffic been challenged"?*
- *"If not, why not"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer these questions.

Upgrade South Parallel Road:

Your statement that no substantive comments were received is untrue.

- *"The new road provides access to the new Dublin bus depot. Costs of this road should be born by Dublin Bus not by airlines and their passengers".*

Ryanair Letter, 28th January 2005

You failed to respond to my question and comment of 28th January 2005. Please answer the question.

14 bay Baggage Hall system:

Your statement that no substantive comments were received is untrue.

- *"The works on the 14 bay baggage hall system are a direct consequence of the airport authorities failure to take into account the views of users prior to its construction. Capital expenditure on this project must be excluded from the regulated asset base".*

Ryanair Letter, 28th January 2005

The capital expenditure on this project results entirely from a failure to take into account the views of users prior to its construction. While remedial work may be necessary, it must not be at a cost to airlines and therefore should be excluded from the regulated asset base.

Access control system replacement:

Your statement that no substantive comments were received is untrue.

- *"How have revenues from the original access control system being treated, including the sales of the system to third parties"?*
- *"What elements of the system are exclusively related to DAA internal functions (staff attendance, retail cash point systems)"?*
- *What will the effect of this project be on user charges"?*
- *"What will the effect be on cost of ID production"?*
- *"Will the new access control system be an "off the shelf" programme or a bespoke system"?*
- *"Will DAA have any equity in the development company and if so how will profits from this company be treated"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

Basement vent upgrade existing terminal:

Your statement that no substantive comments were received is untrue.

- *"With which health and safety regulations does the current system fail to comply"?*
- *"What "new requirements" require increased capacity"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

The total capital expenditure on this project has increased from €1.3m. to €1.6m. from the November 2004 to May 2005 documents. Please explain how the costs have escalated by 23% since first presented and why this cost escalation was not commented upon in the May 2005 document.

Reconfigure baggage system:

Your statement that no substantive comments were received is untrue.

- *"The cost of this reconfiguration must not be included in the regulated asset base. The remedial work now required is a direct result of the failure of the airport authority to address the needs of users prior to its original construction".*
- *"What is the "forecast growth" driving this increase in capacity"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

The total capital expenditure on this project has increased from €4m. to €4.1m. from the November 2004 to May 2005 documents. Please explain how the costs have escalated since first presented and why this cost escalation was not commented upon in the May 2005 document.

Removal of Sub Station 4A:

I cannot locate reference to this project in the May 2004 Capex document.

"The project is in conflict with the likely location of competing terminal facilities at Dublin airport. For example, it incorporates the "sky walk" feature of a Pier D design which will now not proceed. We support the upgrade of this sub station for alpha but it cannot proceed as designed if it is in conflict with plans for competing terminal facilities".

Ryanair Letter, 28th January 2005

Mary Coveney's response of 5th May 2005 stated that "for safety and service consistency, the maintenance upgrade project is required". Where do I find it in the Capex document.

Replace Air Handling System Pier B:

Your statement that no substantive comments were received is untrue.

"The "additional requirement" for full climate control needs to be specified. Cost bench marks from the Aer Rianta database and purchases by Shannon airport are not credible – further (credible) bench marks outside of the Aer Rianta/DAA environment are required, e.g. Frankfurt Hahn".

Ryanair Letter, 28th January 2005

Airside Restaurant:

Your statement that no substantive comments were received is untrue.

- *"What additional revenues will be derived from this project"?*
- *"What is the forecast effect of this project on airport charges"? A construction rate of €3,000 per metre square is excessive and credible bench marks are required".*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

It is not acceptable to simply claim that revenues will form part of the single till. You have deliberately blanked out the effect of your capital expenditure on airport charges in the capex document. Now you seek to hide the contribution of certain projects to the single till. This is not consultation. Please answer the questions.

CCTV System Retail Areas:

I note that this project has been absorbed into "Airfield Equipment Upgrade" in the CIP document. This does not answer the questions posed in my letter of 28th January 2005. Please answer the question.

- *"What level of reduced costs and increased revenues will be derived from this project through reduced insurance charges and reduced wastage"?*

Ryanair Letter, 28th January 2005

Aircraft Stands Phase 6A (01)

The cost of this project has doubled to €28.5m from the November 2005 document. This 100% increase in costs is included in the May 2005 document without comment. Why is this so?

- *"What forecasts underpin this project? This project is in conflict with the development of competing terminal capacity at Dublin airport and is unnecessary. It should not proceed and any expenditure to date must be excluded from the regulated asset base".*

Ryanair Letter, 28th January 2005

Contact Stand off Pier C:

Your statement that no substantive comments were received is untrue.

"Without agreement with Ryanair on access to the Ryanair hangar this project cannot proceed".

Ryanair Letter, 28th January 2005

Restrictions to access to the Ryanair hangar are not acceptable and cannot be imposed.

Drainage Airfield Maintenance Base:

This project has disappeared from the May 2004 version of the Capex Plan. Does this mean that the project has been dropped or simply removed from view? You failed to respond to my question and comment of 28th January 2005.

- *"The bus depot must be required to contribute proportionally to the costs of this project".*
- *"What is the forecast effect of this project on airport charges"?*

Ryanair Letter, 28th January 2005

Why have you assumed no direct contribution from bus companies. Why should airlines be required to subsidise competing forms of transport?

Ground Power Pier B:

- *"What is the forecast effect of this project on airport charges"?*
- *"Will the cost of installation be applied only to users of this system"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please now answer the questions.

Ground Power Pier C:

Your statement that no substantive comments were received is untrue.

- *"What is the forecast effect of this project on airport charges"?*
- *"Will the cost of installation be applied only to users of this system"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

Pier B Stands Realignment:

You have failed to consult with Ryanair on this subject. Your own Capex document indicates that you have consulted with Aer Lingus only. Why is this the case? The efficiencies achieved at Pier B will have a direct impact on contact stand demand and availability elsewhere at the Airport.

- *"What minimum separation is allowed between aircraft"?*
- *"Is the minimum separation in excess of ICAO standards and if so why"?*
- *"This project arises from a specific Aer Lingus request - will Aer Lingus bear the costs of this project"?*
- *"What is the forecast effect of the project on airport charges"?*

Ryanair Letter, 28th January 2005

Rapid Exit Taxiway 1-/28:

The total capital expenditure on this project has reduced from €7.1m. to €4.1m. from November to May. How can it be that the initial estimation was 75% more expensive than the current forecast?

Your statement that no substantive comments were received is untrue.

"We would support the provision of an additional rapid exit taxi way on the basis that runway capacity will be increased as a result".

- *"What increase in runway capacity will be delivered by this project"?*
- *"What additional passenger traffic and associated revenues would be derived from this project"?*
- *"What is the forecast effect on airport charges"? Bench marking against now discredited Aer Rianta expenditure is not acceptable and alternative bench marks are required to assess the proposed costs".*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please now answer the questions.

Reconstruct Intersection TXY P2/E5:

Although your capital cost assumptions have not changed, the forecast cost of this project has escalated from €1.1m. to €1.326m. How has this occurred?

"We support this project in principle but require more detailed benchmarking of costs.

- *"What "similar airfield projects" have the costs been bench marked against"?*

Ryanair Letter, 28th January 2005

Landlord Provision to Book Stores:

This project has disappeared from the May 2004 version of the Capex Plan. Does this mean that the project has been dropped or simply removed from view? You failed to respond to my question and comment of 28th January 2005.

- *"What contribution to this capital expenditure will be made by the tenant requesting these works"?*

Ryanair Letter, 28th January 2005

You failed to respond to my question and comment of 28th January 2005. Please answer the question.

Pier A new bar:

The total capital expenditure on this project has increased from €100,000 to €360,000 from the November 2004 to May 2005 documents. Please explain why the costs have escalated 360% since first presented and why this cost escalation was not commented upon in the May 2005 document. Why has this escalation occurred?

Under the justification for this capital expenditure you state that future revenue projections are based on the provision of this facility. You have, however, failed to answer my questions in my letter of 28th January 2005.

Pier A Travel Value:

Your statement that no substantive comments were received is untrue.

- *"What increased revenues will be generated by this project"?*
- *"What is the likely effect on airport charges"?*
- *"What are these "soft costs" and why are they set at 12.5%?"*

Ryanair Letter, 28th January 2005

It is not acceptable to simply state that revenues will form part of the single till. This is not consultation. You have deliberately blanked out the effect of your capital expenditure on airport charges in the capex document. Now you seek to hide the contribution of certain projects to the single till from the customers you are consulting with. Please answer the questions.

Pier B Travel Value Refurbishment:

Your statement that no substantive comments were received is untrue.

Cost bench marks based on the expenditure of the previous Aer Rianta are not credible. Other cost bench marks are required.

- *"What increased revenues will be derived from this project"?*
- *"What is the likely effect of this project on airport charges"?*
- *"What are these "soft costs" and why are they set at 12.5%?"*

Ryanair Letter, 28th January 2005

It is not acceptable to simply state that revenues will form part of the single till. Yet again you have deliberately blanked out the effect of your capital expenditure on airport charges in the capex document. Now you seek to hide the contribution of certain projects to the single till. This is not consultation. Please answer the questions.

Retail Refurbishments:

Your statement that no substantive comments were received is untrue.

- *"Why does DAA require the engagement of retail design consultants"? The rate of €3,000 per square metre is excessive.*
- *"What are the forecast revenues that would be derived from this project"?*

Ryanair Letter, 28th January 2005

You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

I note that you have reduced the rate per square metre applied for fit outs by €140 or 5%, however the total capital expenditure remains at €7.55m. Is this simply sloppy accounting or have you increased the total square metres by 5%. Why has this not been commented upon in the document.

Trading Stores 6 Bay Basement:

Your statement that no substantive comments were received is untrue.

"Ryanair does not object to this project but Ryanair objects to an estimation of costs based on a single quotation. Additional quotations are required".

Ryanair Letter, 28th January 2005

DAA failed to respond to my enquiry as to why this project is based on just one quotation. This is an uncommercial and totally unacceptable practice.

South Apron Infill Phase 5B:

Your statement that no substantive comments were received is not true. You failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

This project is in conflict with new terminal development at Dublin airport.

- *"What is the specific "increased demand for wide body stands"?"*

- *"What additional revenues will be derived from this project (through increased wide body traffic) and what is the likely effect in airport charges? This project should not proceed until a decision has been made on the location, operation and ownership of competing terminal capacity at Dublin Airport"*

Ryanair Letter, 28th January 2005

You claim that this project is not in conflict with new terminal development at Dublin Airport. Should this claim be inaccurate, please confirm that any remedial capital works required will not be submitted for inclusion in the regulated asset base.

You have not responded to my other questions on this project. Please explain also how the percentage set for "soft costs" is calculated.

Surface Water Attenuation:

I note your claim that this project is not in conflict with the development of any new terminal. Should this claim prove to be inaccurate, please confirm that any remedial capital works required will not be submitted for inclusion in the regulated asset base.

"This project may be in conflict with the development of new terminal capacity at Dublin airport. The project should not commence prior to a decision on the location, operation and ownership of competing terminal at Dublin Airport"

Ryanair Letter, 28th January 2005

Debottlenecking - Check-In/Extension

Your statement that no substantive comments were received is untrue. You failed to respond to my question and comment of 28th January 2005.

"It is impossible to comment on this project. Precise details as to the modification of selected check-in islands is required. The apparently successful introduction of kiosk check-in by Aer Lingus and movement by Ryanair towards web check-in may have a strong effect on the original plans for check-in"

Ryanair Letter, 28th January 2005

No consultation has occurred on this project. It relies on previous Aer Rianta incompetence as a cost benchmark which is completely unacceptable.

General Terminal Refurbishment:

Despite our request for detail on the project, DAA have failed to provide any information. Please provide the information requested.

"No detail is provided as to the "planned upgrade of existing main terminal facility" and therefore it is impossible to comment on the proposed cost. Details as to what is proposed must be provided"

Ryanair Letter, 28th January 2005

Operations Control Centre:

Your statement that no substantive comments were received is untrue.

- *"What operational efficiencies would be derived from this project"? Specifically, what improvements to operations during periods of low visibility will be achieved?*
- *"What additional peak time capacity will be delivered by this project"?*

Ryanair Letter, 28th January 2005

Again you failed to respond to my questions and comments of 28th January 2005. Please answer the questions.

Pier A Development:

A €7.5m. project was proposed in the November 2004 Capex document. This figure was already three times the amount indicated by DAA during initial discussions with Ryanair. The Pier A Capex is now forecast at an incredible €55m. How can substantive comments ever have been received when the project was never discussed and no details were provided in the Capex Plan discussed in January 2005.

"The proposed capital expenditure on Pier A is outrageous and three times the amount indicated by DAA during initial discussions with Ryanair. Use of a Dublin Airport Authority cost database is not credible".

- *"What additional revenues would be derived from the enhancement of detail and food//beverage facilities"?*
- *"What is the forecast effect on airport charges"?*

Ryanair Letter, 28th January 2005

Pier D and Access:

The costs of this project are outrageous. Ryanair will oppose the construction of this project at every stage unless and until there is a substantial reduction in costs, which will drive down airport charges, is achieved. The driver for traffic growth is acknowledged by DAA to rest on low air fares and the purpose of this facility is to primarily accommodate low cost operations. The cost and purpose of this project are mutually exclusive.

"No further work should be undertaken on Pier D and the terminal extension until a final decision has been made as to the location, operation and ownership of competing terminal facilities at Dublin airport. In addition, the proposed costs are entirely excessive and will deter growth in low cost operations at Dublin Airport. Dublin Airport users unanimously rejected Aer Rianta's proposals for Pier D and the DAA cannot now seek to resubmit these failed proposals in their 2005 capex budget".

Ryanair Letter, 28th January 2005

Terminal Expansion - Next Phase:

"No capital expenditure on this project should take place until a government decision is made as to the location, operation and ownership of competing terminal facilities at Dublin Airport. Any capital expenditure by DAA in advance of this decision must be excluded from the regulated asset base".

Ryanair Letter, 28th January 2005

Toilets Upgrade:

"The use of the discredited Aer Rianta database as a cost bench mark is unacceptable. Capital expenditure of two million euro to replace toilets is clearly excessive".

Ryanair Letter, 28th January 2005

NEW QUERIES

This is not an exhaustive list of queries. Despite DAA claims, no tracking mechanism is provided between the November 2004 and May 2005 document. Additionally where project costs have increased, no comment has been made by DAA. In my letter of 28th January 2005 I confirmed Ryanair support for the quick fix transport study at a cost of €750,000 (Capex November 2004). In the May version the cost of this project has escalated to €1m. Why? No reference to this 33% increase in forecast costs is made in the document. Why have the costs escalated and why have you not commented upon this escalation?

Car Parking Equipment (EDAD05008)

This is a new project. It was not discussed with airline users in January 2005 and therefore no substantive comments would have been received. DAA have devoted two full pages (22 and 23) to car parking in your Capex document and yet inexplicably all relevant numbers have been blanked out. It is not possible to comment or consult on this project until these numbers are provided.

Passenger Links (Atrium) T2

Without the BAA Ready Reckoner or similar overview of the T2 project it is not possible to comment or consult on this project. Please provide this information.

Staff Car Park Relocations

This is a new project. It was not discussed with airline users in January 2005 and therefore no substantive comments would have been received. DAA have devoted two full pages (22 and 23) to car parking in your Capex document and yet all relevant numbers have again been blanked out. It is not possible to comment or consult on this project until these numbers are provided.

Car Hire Facilities (Decking)

What contribution to these costs will be made by car hire companies?

Windows Refurb Aer Lingus Cargo

Please confirm if the lease to the occupant requires DAA or the occupant to replace the windows.

T2 Master Plan Enabling Works

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

T2 Site Preparation (Environmental Decontamination)

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

Corballis Way R132

This project was not discussed with airline users in January 2005. Why is it necessary to connect sections of the long term car park which are currently operating as separate car parks?

GTC (Bus Park) Consult

Please confirm what contribution bus and coach operators will make to this project? Airlines should not be required to subsidise these competing forms of transport.

Internal Campus Roads

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

New Build Kerbs and Access Ramps

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

Reservoir Expansion

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information. Why is this project scheduled to be complete in 2009 if designed to serve 30 million passenger traffic. This project was not discussed with airlines in January 2005 and therefore no substantial comments could have been received.

Roadworks at Police Post 3

Ryanair supports this project.

Sewerage Upgrade

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

Utilities Provision and Diversion

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information. No consultation with users occurred in January 2005 and therefore no substantive comments could have been received.

Baggage Reclaim Carousels

Ryanair supports this project on the basis that DAA will accept liability for short shipped bags resulting from belt system failures.

Reconfiguration of Baggage System

This project was not discussed with airlines in January 2005. Why not? Please demonstrate how the efficiency of handling operations would be increased. What measures will be used - short shipped bags per 1,000 passengers, damaged bags, belt failures?

Upgrade HBS Dublin

Please confirm what improvements to efficiency will be achieved by this project. The justification is "ECAC Directives". Please indicate which ECAC Directives the current system does not comply with.

Airside Restaurant

This project was not discussed with airline users in January 2005 and therefore no substantive comments could have been received. The total capital expenditure of €2.5m. is wildly excessive. Please confirm what new structures are being built other than the staircase and elevator.

Apron Reconstruction Pier A

This project conflicts with the proposed location of one pier of the new terminal. The location for reconstruction is different on the map to that on the photograph enclosed. Please confirm the exact location.

Engine Run Up Area

Ryanair supports the creation of a second engine run up area at Dublin Airport. However, there has been no discussion on the location of this engine run up area and the costs are excessive.

Overlay 10/28

Ryanair supports the refurbishment of Runway 10/28. The single DAA cost benchmark is insufficient and another benchmark is required.

Parallel Runway Code E/Code F

This project is not required. London Gatwick Airport has traffic of over 30m. from a single runway. Dublin Airport already has two East/West runways. No mention of runway 11/29 is made in the Capital Expenditure document. It is the unanimous position of operators at Dublin Airport that the full use must be made of the existing runway system. Currently Runway 11/29 is used only on a "tactical" basis which fails to utilise available existing capacity.

Repl Centreline Lights 10/28

Ryanair supports this project.

South Apron Infill Phase 5B

This project was not discussed with airlines in January 2005 and therefore no substantive comments could have been received. Please confirm from where the demand for an additional four new wide body stands is derived.

Taxiway Centre Line Lighting

Please confirm if this project is in line with revised ICAO standards or is in excess of ICAO requirements.

Taxiway P1/P2 Bypass for Phase 6

Please confirm what additional capacity will be achieved from this project. This project was not discussed with airline users in January 2005.

10 Taxiway Bypass and Capacity Enhancements

Please confirm what capacity increases will be delivered by this project.

T2 North Apron Works

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

Airbridge 2

The proposed airbridge cost is wildly expensive. Please confirm if this airbridge is for wide body or narrow body use as we have no requirement for narrow body airbridge service.

T2 Planning and Design

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

T2 Construction

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

General Terminal Refurbishment

The costs of this refurbishment are excessive. Please define what is meant by "a reasonable standard of passenger and other user facilities".

Pier A Replacement

No consultation with users has occurred on this project. There is no requirement for passenger segregation under ECAC rules and the Immigration argument is bogus. The illustration enclosed incorporates the "skylink bridge" between an "extended" main terminal and Pier D. These projects are not supported by the users of Dublin Airport.

Pier B Additional Gate and Bussing Lounge

On what basis is the bus lounge designed to 250 sq. meters? Why is the lounge located at Departures level? This project was not discussed with airlines in January 2005. Why not?

Pier C Immigration INS

This project was not discussed with users in January 2005 and therefore no substantive comments would have been received. The cost of €715 to €1,500 per sq. meter is excessive. There is no requirement for an INS service at Dublin Airport. The project is essentially an Aer Lingus project and fit out should be to their cost.

Pier Refurbishments

This project was not discussed with airlines in January 2005. Please define "a reasonable standard of passenger and other user facilities".

Replace 8 Bay Floor Arrivals/Departure

The justification for this project is essentially decorative and is unjustifiable at a cost of €100 per sq. meter giving a total capex of €1m.

Pier E

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

Terminal Extension

Without the BAA Ready Reckoner or similar type overview of the T2 project it is not possible to comment on this project. Please provide this information.

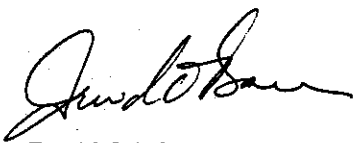
SUMMARY

- DAA failed to answer 90% of the questions raised on your Capex document of November 2004. This is not consultation.
- DAA provided users with a €1bn. Capex Plan with just 7 days notice of a meeting on this plan. This is not consultation.
- DAA refused to postpone the meeting, and held it in the absence of your largest customer. This is not consultation.
- Having secured our support on certain projects, you proceed thereafter to increase the costs of these projects by 33%. This is not consultation.
- New and proposed capex on projects has increased from November 2004 to May 2005 without comment or explanation. This is not consultation.
- You have blanked out key numbers from the capex document. This is not consultation.

If real consultation is to occur, DAA must:

1. Reply to the questions set out in my letter of 28th January 2005 and the additional questions raised in this letter.
2. Remove the blanks from the capex document and reissue the document.
3. Highlight, explain and justify all cost changes between the November 2004 and May 2005 documents.
4. Provide all combined forecasts in the form of the BAA Ready Reckoner or similar document using your proposed capex, current forecasts and planned rate of return.
5. You should use your best estimate of the opening regulated asset base at the commencement of the next review to predict the baseline charges figure.

Best regards



David O'Brien
Director of Flight & Ground Operations

- cc. Bill Prasifka, Commissioner for Aviation Regulation
cc. Mary Coveney, Dublin Airport Authority



Corporate Head Office
Dublin Airport
County Dublin
Ireland
Telephone: +353 1 8121212
General Fax: +353 1 8121213
Telex: 33588 FROP EI
Site: DUBHQFR
Reservations: +353 1 609 7800
Website: www.ryanair.com

Department Fax Numbers:
Finance: 01 8121330
Sales & Marketing: 01 8121331
Flight Operations: 01 8444404
Engineering: 01 8121338
Reservations: 01 6097901
Groups: 01 6097904

15th October 2003

Ms Carmel Kilcoyne
Airside Service & Facilities Manager
Aer Rianta
Head Office
Dublin Airport

Dear Carmel

I refer to your letter of 23rd June 2003 which, inexplicably, was received here some three months later.

You do not have the right to tell me what is or is not appropriate for a customer to raise at a consultation meeting. Measures to deal with a significant hazard at Dublin Airport are, of necessity, part of a masterplan for growth.

As a very large customer of Aer Rianta, we will raise whatever airport issue we wish at any consultation meeting. We will not be muzzled by those who, ostensibly, are seeking consultation with us.

Yours sincerely

David O'Brien
Director of Flight & Ground Operations



Ryanair Ltd.
Registered in Ireland No. 104547

V.A.T. REG. NO. 4749148U



18th September 2003

Corporate Head Office
Dublin Airport
County Dublin
Ireland
Telephone: +353 1 8121212
General Fax: +353 1 8121213
Telex: 33588 FROP EI
Site: DUBHQFR
Reservations: +353 1 609 7800
Website: www.ryanair.com

Department Fax Numbers:
Finance: 01 8121330
Sales & Marketing: 01 8121331
Flight Operations: 01 8444404
Engineering: 01 8121338
Reservations: 01 6097901
Groups: 01 6097904

Mr Bob Hilliard
General Manager - Dublin Airport
Aer Rianta
Dublin Airport

Dear Bob

I have reviewed the minutes of the last, so called, "Stakeholders Consultative Meeting".

This was not a consultative meeting. Relevant documentation was not provided in advance, as promised, and Aer Rianta refuses to identify as such, reports which have been commissioned by Aer Rianta.

Statements made by myself are represented as queries and it could be inferred from the Minutes that satisfactory responses were provided. Satisfactory responses to my statements were not provided. The minutes are not an accurate reflection of these meetings.

An alternative method of reviewing Aer Rianta plans needs to be established and we have commenced discussions with our airline colleagues at Dublin on this matter. There is a growing consensus that continued participation in this exercise lends it credibility and status it does not merit.

I believe we will have an alternative in place in the next month and will revert to you as soon as possible with details.

Yours sincerely

David O'Brien
Director of Flight & Ground Operations

cc. Mr Bill Prasifka
Commissioner for Aviation Regulation