

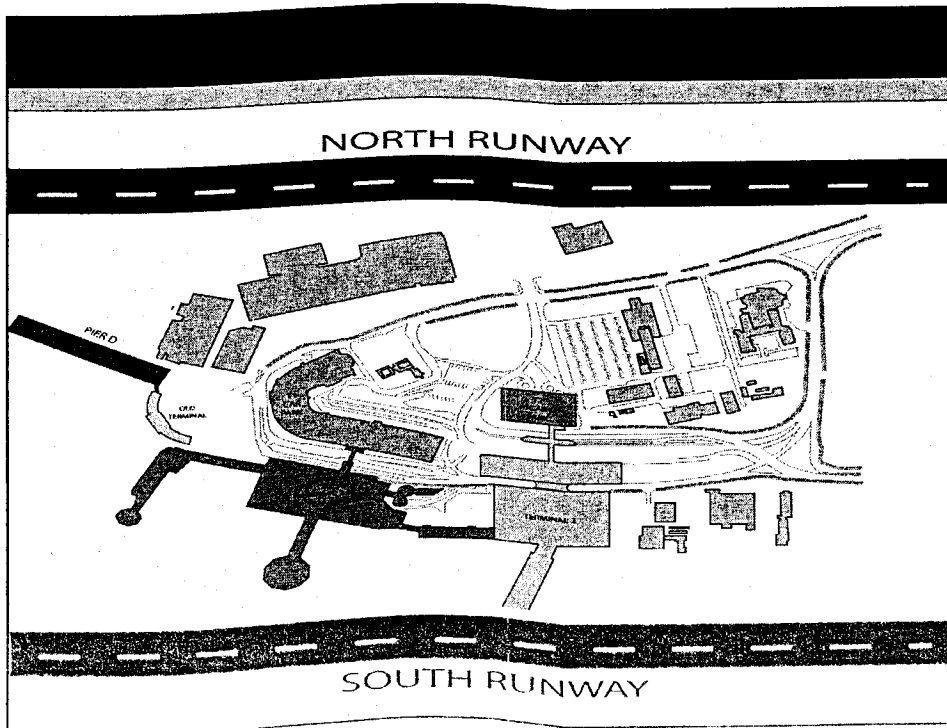
# DUBLIN AIRPORT T2

DAA WASTE €750 M

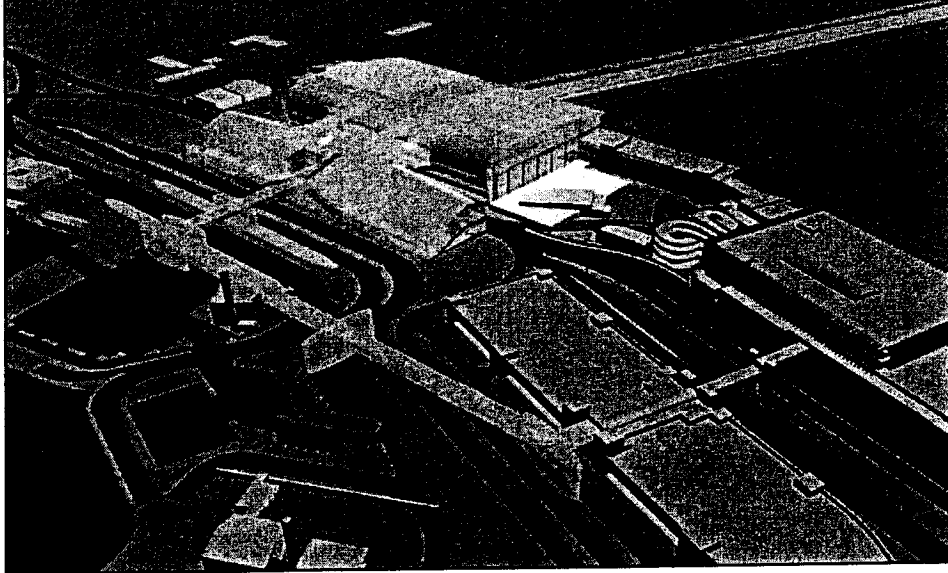
THERE IS A BETTER WAY

**RYANAIR**  
FLY CHEAPER

26/09/06



## Recommended Option - Option 4



## *What the DAA T2 will cost – Sept 2005*

**“The new terminal, which will become operational in late 2010, will have a capacity for up to 15M passengers per year. It will cost between €170M and €200M to build depending on detailed design specification.”**

DAA T2 announcement Sept 2005

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4

<b>Costs</b>	<b>€m</b>
Terminal 2	395
Enabling works	6
Access & Roads	39
Utilities/Energy Centre	12
Pier E Apron works	43
Pier E	114
<b>Total</b>	<b>€609</b>
Pier C write off	€150
<b>DAA Actual cost</b>	<b>€759</b>



## *What the DAA will cost... YOU*

**“Last year, when the airport charges at Dublin were approximately €5 per passenger, the DAA estimated an average increase in airport charges of approx €2.50 per pax was required. The DAA believes it can deliver its longer term development plan for the Airport for an average increase of approx €3 per passenger over the next 10 years.”**

**DAA Chairman Gary McGann Sept 06**

**€3 increases on €5 pax tax = +60%**

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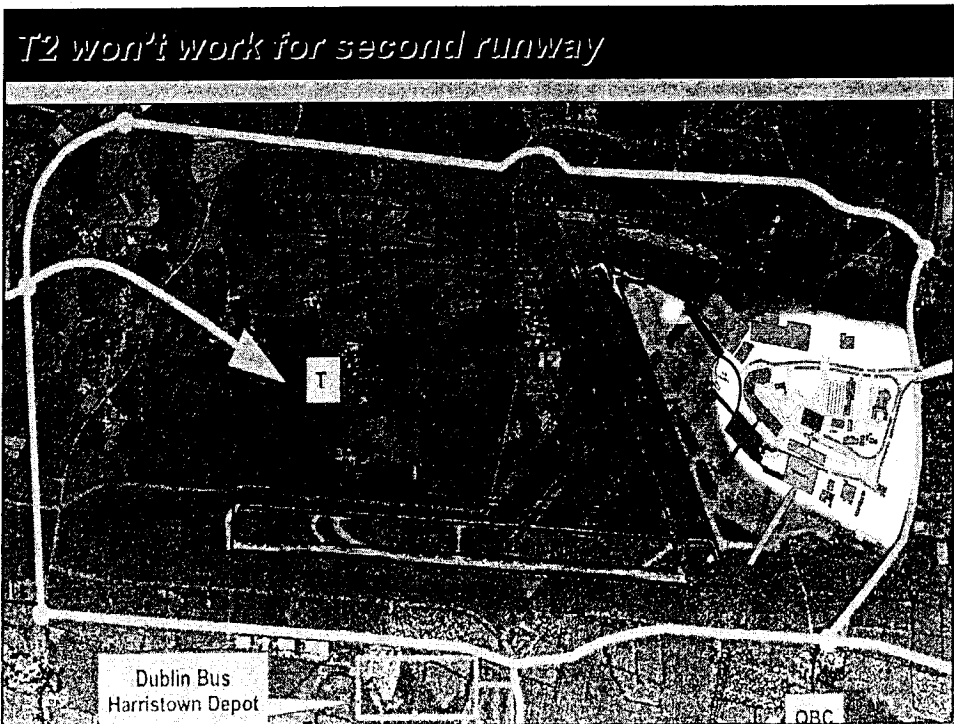
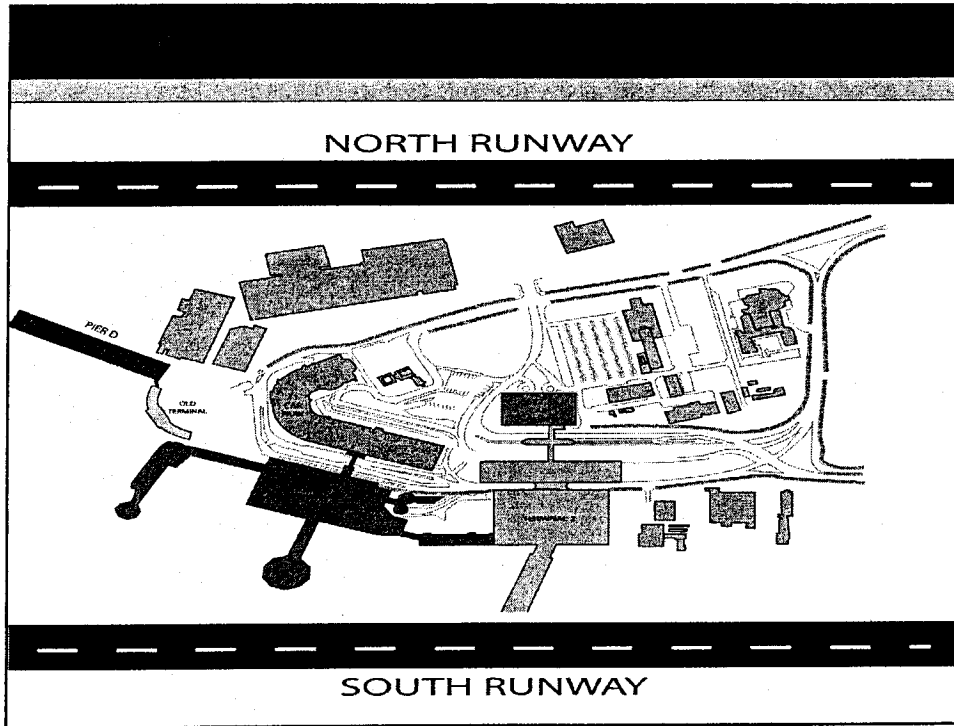
	Capacity	Cost €	Cost € per M Pax
Cork	3M	180M	60.0M
Dublin T2	15M	760M	50.6M
Luton	14M	60M	4.3M
Liverpool	7M	75M	10.1M
Frankfurt HHN	6M	25M	4.1M
Brussels CRL	5M	53M	10.6M
Marseille T2	3M	16M	5.3M
Ryanair T2	20M	250M	12.5M

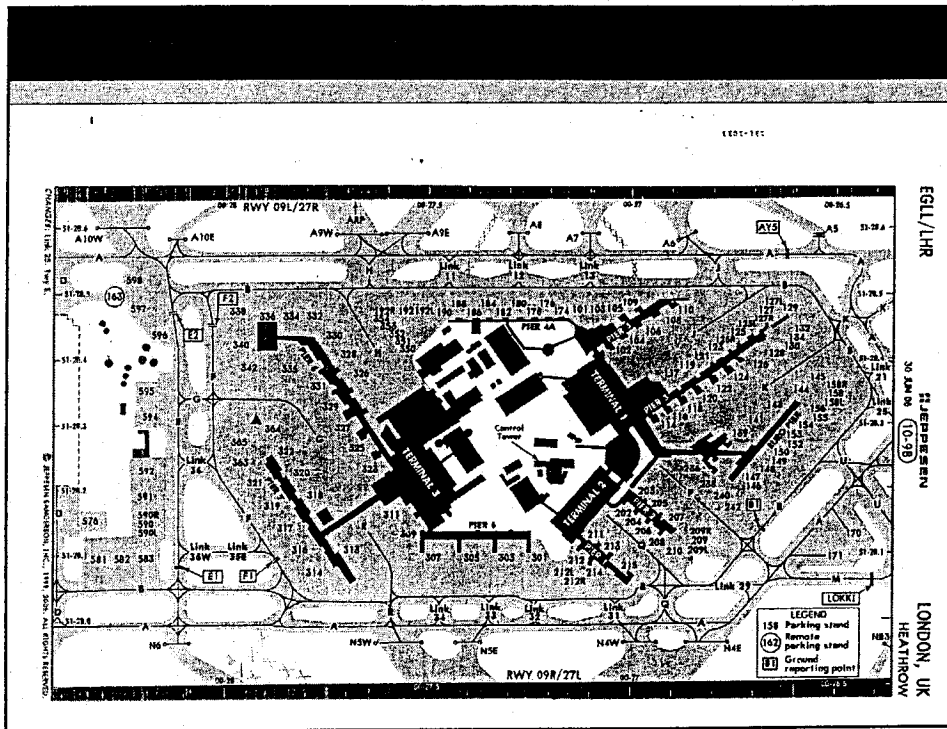
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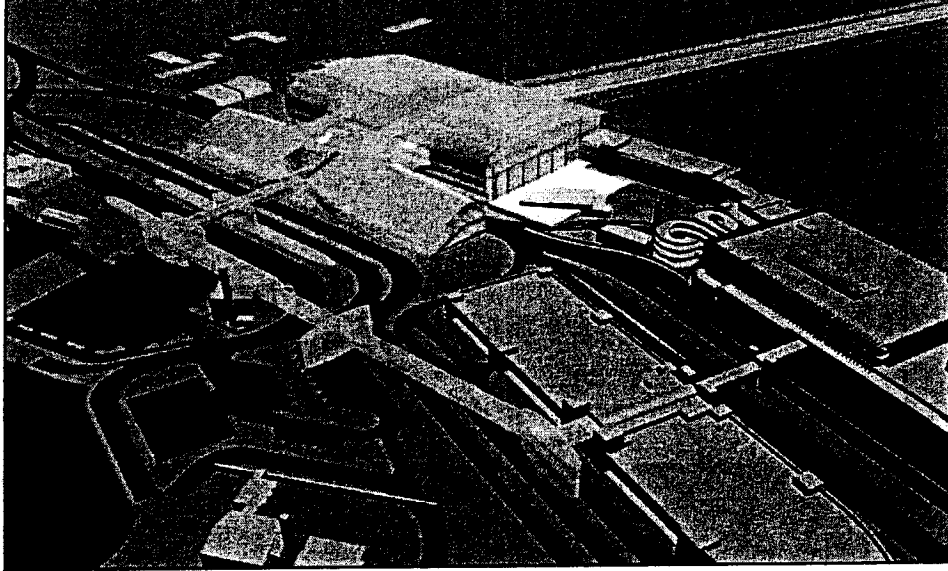
- ▼ Same entrance roads as T1 – increases congestion
  - ▼ Long distance from car parks
  - ▼ Long distance and inadequate connection to T1
  - ▼ Renders 7 yr old €150M Pier C redundant
  - ▼ Renders 3 yr old €150M T1 extension redundant
  - ▼ Location in cul de sac
    - ▼ longer taxi times
    - ▼ congestion delays
    - ▼ increased fuel burn
  - ▼ T2 should be adjacent to 2<sup>nd</sup> runway - Heathrow
- RYANAIR**  
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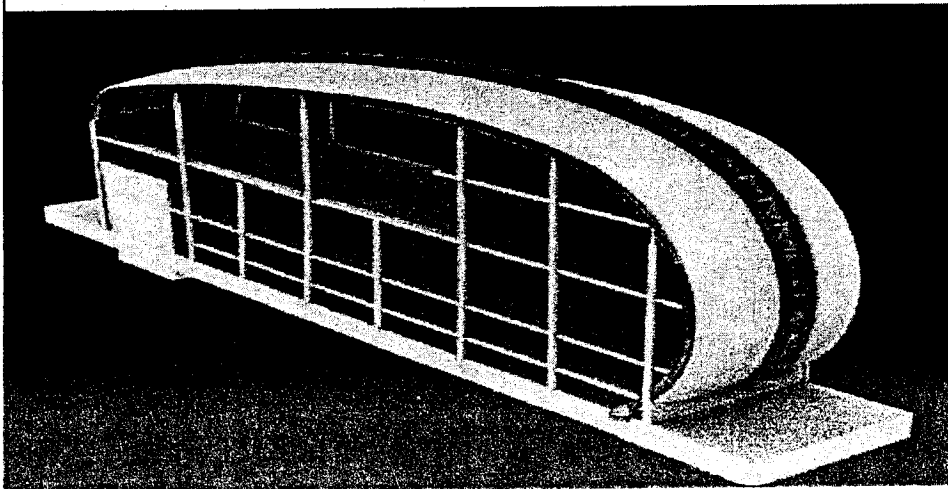
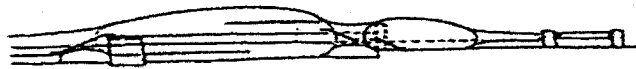
- ♥ 2 buildings instead of 1 – doubles cost
- ♥ Ck-in hall: deep Q space? - web check-in / kiosk check-in
- ♥ Built for Ryanair and A Lin LH growth???
- ♥ 2 buildings + long pier + walk thru retail – pax unfriendly
- ♥ 5 stories instead of 2 – multiplies costs
- ♥ Why demolish listed building? (Corballis House)
- ♥ Inadequate access to Terminal 1
- ♥ Waste of 7 yr old/ €150M Pier C

**Recommended Option - Option 4**



*DAA T2 - Wrong design*

Cost effective  
elegant design



- ❖ "By 06 pax no.s at Dub are forecast to reach 20M p.a." (DAA rpt 2000)
- ❖ "For the first time since mid 90s term. facil.s at Dublin have adequate capac. to support demand for next 5 yrs." (DAA rpt 2001)
- ❖ 2006 pax traffic of 20M+ – are facilities adequate?
- ❖ Record of DAA waste
 

- 1999 Pier C €150M – now scrapped
- 2002 T1 extens. €150M – now wasted
- 2006 Cork Apt €180M for 3 M pax
- ❖ DAA's T2 costings
  - Sep 05 - €170M & 50,000 m for 15M pax
  - Aug 06 - €750M & 75,000 m for 15M pax WHY?
- ❖ Terminal size inc: to cope with Ryanair growth??  
: to cope with A Lingus 1M LH growth??
- ❖ Costs explode 4 ½ times even before planning!!!

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15

- ❖ DAA want 25% increase in pax fees €6.00 to €7.50
- ❖ 15M pax @ €7.50 + 20M pax @ €1.50 = €142.5M - 5 yr payback!
- ❖ 60% of DAA pax funding T2 will never use it
- ❖ If competing T2 built – no pax tax increase – charges fall
- ❖ If DAA use other funds – no increase necessary
  - ❖ Sale of GSH € 280M
  - ❖ 25% of BHX € 370M
  - ❖ 40% of DUS € 640M
  - ❖ 10% of HAM € 110M
  - TOTAL € 1,400M
- ❖ Why are Irish pax subsidising overseas airports?
- ❖ Sell DAA investments to fund cap ex at home – no pax tax inc.

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16



## DAA Airport valuations

	PAX	VALUE	€VALUE
BAA	150M	£ 10.2 BN	€15.0 BN
LON CITY	2M	£ 0.7 BN	€ 1.0 BN
BIRMINGHAM (25%)	10M	£ 1.6 BN	€ 370 M (25%)
D'DORF (40%)	16M	€ 1.6 BN	€ 640 M (40%)
H'BURG (10%)	11M	€ 1.0 BN	€ 110 M (10%)

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17

## DAA T2 – Bertie's broken promises

- ♥ Jun 2002: Agreed "Prog for Govt" promises indep. T2
- ♥ Oct 2002: 13 exp. of int. received – build T2 at no cost to Govt.
- ♥ Feb 2003: Govt Review Gp confirms indep. T2 is viable
- ♥ May 2003: Govt Tourism Review Gp: "firmly backs" T2
- ♥ Oct 2003: Min of Trans – "expects Govt. decision by Christmas"  
- "Taxpayer gets this for free, mad to say no"
- ♥ May 2005: DAA is awarded T2
- ♥ Sep 2005: DAA announces 15M T2 at cost of €170M
- ♥ Aug 2006: DAA submits plan perm for 15M T2 – cost now €760M
- ♥ Sep 2006: DAA seek 25% pax taxes inc. to pay for broken promises

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18

## *Ryanair to oppose €750m DAA T2*

- ❖ Planning objection: wrong design, wrong location, destroy listed bldg
- ❖ CAR objection: no pax tax inc. - If built by competitor to DAA
  - If funded from DAA asset sales
  - If costs €170M as orig. planned
- ❖ Compl to Competition Auth – DAA abusing dominance
- ❖ Compl to Dir of C'mer Affs – can't force pax to pay if don't use
- ❖ European Commission – abuse of dominance and unfair state aid
- ❖ Controller and Auditor general – 4 ½ times cost inc. in 12 months!

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19

## *Ryanair's T2 – The better way*

- ❖ North apron location ideal for 2<sup>nd</sup> runway
- ❖ Cost of €250M for 20M capacity
- ❖ Easy pax access to T1 and ms cpark
- ❖ Eliminates long pax walk to Pier D
- ❖ Eliminates the scrapping of €150M Pier C
- ❖ Eliminates the destruction of listed Corballis House
- ❖ Eliminates any pax tax increase – (saves DAA €750M)

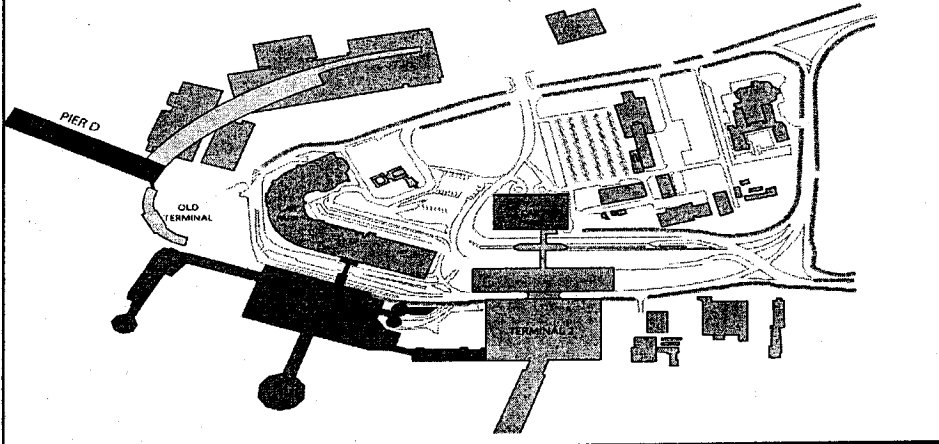
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20

*Ryanair's T2 – The better way*

NORTH RUNWAY



SOUTH RUNWAY



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Sales & Marketing: 01 8446625  
Flight Operations: 01 8444404  
Engineering: 01 8121338  
Reservations: 01 6097902

25<sup>th</sup> September 2006

Mr Cathal Guiomard  
Commissioner for Aviation Regulation  
3<sup>rd</sup> Floor  
Alexandra House  
Earlsfort Terrace  
Dublin 2  
**Fax No. 6611269**

### Meeting in GSH re review of the September 2005 Determination

Dear Cathal,

Thank you for your letter of 18<sup>th</sup> September. We remain concerned that the CAR appears to have pre-determined that a review will take place and that airport charges will increase. At the meeting on the 11<sup>th</sup>, you specifically used the phrase that *"the CAR has a presumption that a review is necessary"*. Indeed, the comments made by DAA Chairman, Garry McGann, at the announcement by the DAA of its Planning Application for T2 indicate that the DAA and CAR have already agreed to a review and that the current consultation is therefore a complete sham. Mr. McGann stated:

*"We acknowledge that due to the pressure of time the Regulator was unable to conduct a full assessment of the capital programme submitted by the DAA last September and that a promised review of our full capital requirements has just commenced. We will continue to work proactively with the regulator to carry out this review as swiftly as possible."*

You stated at the meeting that the CAR has had several (you estimated 6) bilateral meetings with the DAA to discuss their investments plans. This is unacceptable and the CAR should have attended the public meetings, given that you were made aware of the fact that the DAA was not properly consulting with users on these developments. We refute the fact that the bilateral meetings between the DAA and CAR were *"similar in substance"* to the series of meetings held with users in which the DAA consistently refused to discuss costs and then announced a proposed new terminal that will cost 450% more than their original estimates. Instead, the CAR chose to engage in private meetings with the DAA and apparently *"promised"* the DAA that there would be a review.

This is classic regulatory gaming by the regulated monopoly and the CAR's close relations with the DAA and its *"presumption of the need for a review"* in your own words or the *"promise of a review which is already underway"* in the words of Garry McGann demonstrate an extraordinary level of regulatory capture.

The current plans by DAA to spend some €600 million (the numbers keep increasing every time the DAA make a public statement) and to make the €150 million Pier C redundant after just 7 years, demonstrates a level of abuse the eclipses anything that has gone before. It is therefore crucial that you as the regulator adopt an extremely robust approach to ensure that the reasonable requirements of users are protected. Your recent actions tend to indicate that this will not be the case. We will therefore be calling on the Competition Authority and the European Commission to ensure that DAA is prevented from abusing their dominance by forcing users to pay for a facility that is clearly over specified and designed for the sole purpose of increasing airport charges under a flawed regulatory system.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Callaghan', written in a cursive style.

Jim Callaghan

*Head of Regulatory Affairs and Company Secretary*



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**STRICTLY CONFIDENTIAL**

Mr Cathal Guiomard  
Commissioner for Aviation Regulation  
Commission for Aviation Regulation  
3<sup>rd</sup> Floor  
Alexandra House  
Earlsfort Terrace  
Dublin 2

Dear Cathal,

I understand that David O'Brien has been copying you in on correspondence regarding the current so-called consultation process regarding Terminal 2 at Dublin Airport. Ryanair has expressed serious concerns about this process, where the DAA is clearly just going through the motions, with no intention of actually taking users comments on board. This is evident from the questionnaire they circulated to users, purporting to be consultation, but which contained only vague and meaningless questions. This is remarkably similar to the bogus consultation process in Cork, which led to the building of a grossly inefficient and costly terminal facility - costing some nine times what a similar facility in Frankfurt Hahn airport cost.

We are very concerned that this facility is being designed specifically for Aer Lingus at an unnecessarily high specification, which we will then have to pay for through higher airport charges, despite the fact that we will continue to use lower spec facilities. DAA's interest in providing over specified facilities is obvious as they will then receive a higher return on an inflated RAB. This is clearly unfair. Furthermore, we have expressed an interest in occupying and part funding the new facility but the DAA have refused to discuss this, which demonstrates that the outcome of this so-called consultation is pre-determined.

DAA have also claimed that there is a separate consultation process for the CAR. Could you confirm that this is the case? Was this at the CAR's request? I would note that in the UK, where users are encountering similar problems with BAA in Stansted, the CAA is starting to take a more active role in the consultation process, with high level CAA officials attending critical meetings. You will be aware that there is an important meeting on T2 tomorrow and it would be important for you to be in attendance in order to protect the reasonable interests of users. We also request an urgent meeting with you to discuss this issue.

Finally, we also continue to have severe difficulties with the DAA in terms of their capacity declaration. We have been promised copies of the NATS and ARUP reports (after two months of requesting these) but have yet to receive them. The capacity is to be definitively declared on the 7<sup>th</sup> of June and we will therefore not have an adequate opportunity to submit comments.

I will contact your office to set up a suitable time for a meeting, at which David O'Brien will also attend, to discuss these issues.

Yours sincerely,

Jim Callaghan

*Head of Regulatory Affairs and Company Secretary*



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24<sup>th</sup> May 2006

Mr Mark Foley  
Director of Capital Programmes  
Dublin Airport Authority  
Head Office  
Dublin Airport

*Strictly Private & Confidential*

Dear Mark

I refer to your email of 23<sup>rd</sup> May 2006 received here at 20:43 hours yesterday evening.

Regrettably your email again fails to answer the questions posed in my letter of 16<sup>th</sup> May (which summarised our questions of 28<sup>th</sup> April and 3<sup>rd</sup> May).

I agree we should meet as soon as possible to fully understand our respective positions.

I suggest a meeting today, along with Michael O'Leary and Declan Collier at 18:00 hours at a location convenient to you. As I will be away in Court all day today, I would appreciate it if you could confirm that this arrangement is convenient directly to Michael's office.

Yours sincerely

David O'Brien  
Director of Flight & Ground Operations

cc. Michael O'Leary  
cc. Declan Collier



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DAA

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Engineering: 01 8121338  
Reservations: 01 6097901  
Crews: 01 6097904

Ab/MOL/5095

22<sup>nd</sup> May, 2006

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Mr Mark Foley  
Director – Capital Programmes  
Dublin Airport Authority  
Dublin Airport  
Co Dublin

**Fax No. 8144966**

Dear Mark,

Your email of 17.38 on Friday 19<sup>th</sup> May was completely pointless, when we had already agreed during our telephone conversation the previous Tuesday, that you would reply fully to David O'Brien's letter of the 16<sup>th</sup> May and that once we had your full response we would then arrange a meeting you requested.

My letter of 10<sup>th</sup> May should clarify any confusion in your own mind as to where Ryanair stands in relation to the framework development plan. It also clarifies that Ryanair were not consulted by or involved in the Pascall+Watson Masterplan, in fact we were actually excluded from it.

There is no evidence to date of any attempt on the part of the DAA to develop Dublin Airport in a "*balance, systematic and cost effective manner*". The recent restoration of the ludicrously expensive walk-way bridge to Pier D is just the latest evidence of profligacy replacing cost effectiveness. The Pier D that is now under construction is not the cost effective alternative, but rather the original profligate design which is proceeding for planning convenience, rather than cost effectiveness reasons.

We continue for the moment to be positively disposed towards co-operating with the DAA in the development of effective and cost efficient facilities at Dublin Airport. This process however is being damaged by your repeated failure to provide us with information and your refusal to address the points that were addressed to you by way of correspondence. I hope your next reply to David O'Brien's letter will remove many of these concerns and pave the way for some real consultation and co-operation.

Yours sincerely

Michael O'Leary  
*Chief Executive*

c.c. David O'Brien  
Cathal Guiomard



## Deaton, Sylvia

---

**From:** Mark Foley [mark.foley@DUBLINAIRPORTAUTHORITY.COM]  
**Sent:** 23 May 2006 20:43  
**To:** Deaton, Sylvia  
**Cc:** Cathal Guiomard (E-mail); Declan Collier; Robert Hilliard; Oliver Cussen; Tom Haughey; Dervilla Mitchell - Arup; Dervilla.mitchell@arup.com  
**Subject:** Response to David O'Brien's letter of 16th May.



MF Response to  
DOB 23rd May 20...

Sylvia,

Attached, please find my response to the sixteen questions raised by David O'Brien in his letter of 16th May last. Dervilla Mitchell (ARUP) will in contact with your office tomorrow to progress the matter of meeting with David, with the clear objective of understanding and progressing Ryanair's requirements.

Regards,  
Mark Foley  
Director - Capital Programmes  
Dublin Airport, Co Dublin Ireland  
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+353-(0)1-8144966 fax  
+353-(0)87-9274653 mobile

<<MF Response to DOB 23rd May, 2006.doc>>

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e-mail :infosec@dublinairportauthority.com

Dublin Airport Authority

Head Office,

Dublin Airport

16<sup>th</sup> May 2006

Mr Mark Foley  
Director of Capital Programmes  
Dublin Airport Authority  
Head Office  
Dublin Airport

*Strictly Private & Confidential*

Dear Mark

I refer to your letter of 5<sup>th</sup> May 2006.

I note that Michael O'Leary has written to you directly correcting your erroneous claims regarding Ryanair's position on the Masterplan.

You have failed to answer the questions of my letter of 28<sup>th</sup> April and 3<sup>rd</sup> May. You have failed to answer the questions in my letter of 28<sup>th</sup> April to your consultants, ARUP (copy attached) and have not provided the information you promised at your presentation on 21<sup>st</sup> April.

For ease of reference, I have listed the questions and information requests below:

- 1 Please provide a copy of the ARUP capacity study for T1, indicating the methodology used and the standards applied.
- 2 Please explain the purpose of the tick boxes (Ryanair, Aer Lingus, DAA) in the original presentation.
- 3 Please demonstrate how the results of the ARUP questionnaire have been weighted or analysed.
- 4 Please demonstrate how any of the proposed options had been altered by the results of the questionnaire.
- 5 Please explain the method by which the claims provided by respondents are validated.
- 6 Please explain how ARUP could possibly establish "the robustness of airline assignment selection" (for T2) without any involvement by ARUP in forecasting.
- 7 Please explain how the airline assignment process for T2 was carried out.
- 8 Please provide a copy of the P&W report (not simply a copy of their presentation). You committed to do this at the presentation on 21<sup>st</sup> April last. Please provide a copy of the "advice and analysis" of your consultants which prompts your assignment decision.
- 9 Please demonstrate how the contents of the questionnaire was used to assess the assignment of airlines.

- 10 What is the traffic target which triggers the requirement for mixed mode instead of segregated mode?
- 11 Please confirm, in writing, that the Fingal Masterplan does not exclude the possibility of a North Terminal as proposed by Ryanair. You verbally confirmed this to be the case at the meeting on 21<sup>st</sup> April last but avoid the question in your letter of 5<sup>th</sup> May 2006.
- 12 Please confirm the basis on which the capital contribution of €21m. to Fingal County Council has been arrived at. In your letter you claim you have requested this of FCC. Please let us know their response.
- 13 Please provide the back up by destination, aircraft type and operator type which supports your detailed hour by hour forecasts for 2010.
- 14 Please provide costings for the terminal options.
- 15 Are we to understand that your statement that Ryanair's "comments re private investment conflict with the Government's explicit requirement that DAA construct the building" is a formal rejection of Ryanair's interest in occupying and part funding this terminal.
- 16 Please confirm if this is the formal DAA position and that DAA refuses to engage in consultation with Ryanair regarding Ryanair's possible occupation and part funding of the new terminal.

The questions and information request above are reasonable and specific. They have been numbered for ease of reference. Please now provide a direct response to each of these questions instead of the evasive and unhelpful response of 5<sup>th</sup> May 2006.

Yours sincerely

David O'Brien  
Director of Flight & Ground Operations

- cc. Mr Cathal Giuomard  
Commissioner for Aviation Regulation
- cc. Declan Collier, Chief Executive, DAA
- cc. Michael O'Leary, Chief Executive, Ryanair
- cc. Jim Callaghan, Head of Regulatory Affairs, Ryanair

- let to
- Q.1 DAA is in receipt of a draft report from ARUP, the internal review of which will be completed shortly. DAA will forward a copy of this report to you upon receipt of the final version. I expect such will be available to you by the middle of next week.
- Q.2 The "traffic lights" were a simple graphical representation used by Pascall + Watson in their deliberations last summer on the Masterplan. The colour designation was used to represent an assessment of the extent to which any option could gather the active or passive support of the key stakeholders. *- what opinions given.*
- Q.3 The responses to questionnaires have been analysed both individually and collectively to assess the range of user requirements and inform the planning and design of the facility as a whole. There has been no attempt to weight or prioritize the responses, rather the approach has been to accommodate, in so far as is practicable, the specific requirements of users.
- Q.4 The option layouts have been informed not only by the responses to the questionnaires but also through a series of bilateral follow up meetings, the views collated during the design workshop on 3 May 2006, and through the application of industry best practice design principles. These processes and contributions have been instrumental in informing the design process for the 3 options. I gave examples of such considerations in my letter to you of 5<sup>th</sup> May.
- Q.5 Contributions from respondents have been critically assessed with reference to industry best practice.
- Q.6 DAA are responsible for generating the traffic forecasts. The assignment and the planning of the facility are based on those traffic forecasts. Establishing the 'robustness' of the assignment has involved making sure that the assignment yields a demand scenario that suits both the capacity proposition for Terminal 2 and the residual capacity proposition for Terminal 1. It is a key objective that the solution delivers a reasonably balanced distribution of passengers across the two processors such that demonstrable benefits accrue to the vast majority of users.
- Q.7 In previous presentations we explained how the proximity to narrow and wide body stands on Piers B and E prompts the assignment of certain airlines to T2. The key conclusions of the master plan were that Piers E and B should be able to accommodate a mix of wide body and narrow body aircraft and that the assignment of airlines to Terminal 2 should aim to optimize the residual capacity remaining in Terminal 1 at the same time. The selection of the anchor tenant has primarily been made on that basis, with further airlines assigned to optimize asset utilization as far as possible given the profile of traffic at Dublin and the operating characteristics of its users.
- Q.8 The P&W report contains graphical material, and thus I am unable to e-mail a copy to you. I have organized for a hard copy to be hand delivered to you tomorrow.
- Q.9 Please see answers above (Q3, 4, 5, and 7).
- Q.10 The NATS study into airfield capacity for Dublin Airport estimated that Segregated Mode delivers 30 extra movements per hour above the declared capacity and Mixed mode delivers 43 extra movements per hour above the declared capacity. At the time of this study the declared capacity for Dublin Airport was 44 movements in the peak hour. On this basis, the trigger point would therefore be when there is a requirement for c. 74 movements per hour. *- pay?*

- Q.11 I have responded to you before on this issue, see section 5 of my letter to you of 5<sup>th</sup> May. The Fingal County Council Masterplan is primarily a land use plan, focusing on development zones within the airport operating area. In this context, the development zones for Terminal development are quite extensive and do not as such impose any major constraint. Fingal County Council have however expressed a clear preference for western development post 30 million passengers per annum. If you require further clarification on the matter, I recommend that you make direct contact with Fingal County Council.
- Q.12 Fingal County Council have applied a capital contribution strictly in accordance with the criteria set out in the Planning & Development Act of 2000. In practical terms, they have applied a slightly discounted commercial rate per sq.m. (€92.5 vs €114) for the area of the runway i.e. 233,000 sq.m.
- Q.13. The request in point 13 is a repetition of the one you made at our last Airline Consultation Event, and I will therefore repeat the response we gave to you at that time. We have constructed a detailed forecast peak day schedule, developed from the annual airport forecasts. However, we were able to construct such a schedule precisely because we have given assurances of confidentiality to those airlines who provided input into this process. Hence, it is not possible for us to divulge to you detailed information predicated upon commercially sensitive internal airline business plans. It is worth pointing out that this view was strongly expressed by Niall Walsh at the last consultation meeting. Niall specifically stated that Aer Lingus would have major objections to such material being made available, as it is commercially sensitive from an Aer Lingus perspective.
- Q.14. Work on the 3 Terminal options is ongoing, and in particular the schemes need further development before the draft cost plans can be completed. I can however assure you that cost data for the 3 options will be available no later than 26th May.
- Q.15 The optimum mechanism for financing of Terminal 2 is still under consideration and has yet to be decided by the board of DAA. Also, the issue of funding cannot be separated from the regulatory process.
- Q.16. The DAA is extremely concerned at the ongoing contentions by Ryanair in relation to consultation. The DAA has understood that Ryanair supports the Framework development Plan as enunciated by Declan Collier last year. This plan is firmly grounded in the Pascall and Watson Masterplan, which seeks to develop the airport in a balanced, systematic and cost effective manner such that the **broad constituency** of users benefit in a demonstrable way. Terminal 2 is one component of this plan, which also includes Pier D (now under construction) and significant planned improvements in Terminal 1 such as area 14 and the proposed northern extension. Through this response, and my invitation to Michael O'Leary via teleconference on Tuesday last, the team would like to meet with you with the clear intent of understanding and progressing your requirements with appropriate urgency.

Regards,

Mark Foley  
Director – Capital Programmes

DAD

[mark.foley@dublinairportauthority.com](mailto:mark.foley@dublinairportauthority.com)

17<sup>th</sup> May, 2006

Dear Mark,

I refer to our telephone conversation of last evening and suggest that the most appropriate way of bringing the matter forward is for you to reply fully to David's letter of the 16<sup>th</sup> May and then perhaps we should schedule a meeting with Declan Collier, at which we will try to table and discuss openly some practical solutions to the mounting problems with the current process.

We are keen to work constructively with the DAA to develop facilities that will actually work and that we can use, but this is not going to happen if you keep giving us the mushroom treatment at these sham consultation meetings.

You are in control of the process and we are disposed to working with you, but you are rapidly losing our good will.

Best wishes

Michael O'Leary  
*Chief Executive*

*c.c. David O'Brien  
Declan Collier*



16<sup>th</sup> May 2006

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Ms Gabrielle O'Donovan  
Stakeholder Manager  
Dublin Airport Authority  
Head Office  
Dublin Airport

Dear Gabrielle

I refer to your letter of 12<sup>th</sup> May 2006 which was received here on 16<sup>th</sup> May 2006.

1. There is no evidence to support your claim that "the consultation process has been formulated" to "meet the demands of all airlines including Ryanair with regard to their business plans".

Ryanair has confirmed its interest in occupying and funding T2. We have requested your advice as to how this interest can be advanced and have had no response except your claim that it conflicts with Government policy. Government policy is to build these facilities at the lowest possible cost, and Ryanair's offer allows you to comply with this objective.

The DAA are refusing to consult. As recently as 5<sup>th</sup> May 2006, Mark Foley refused to answer legitimate and reasonable questions or to supply requested information. I attach a copy of my letter to Mark Foley and would be obliged if DAA could now provide specific answers to the specific questions.

2. I can confirm that the Ryanair team attending the presentation on 26<sup>th</sup> May will include a legal advisor. Just as DAA employs advisors on T2, Ryanair also needs professional advice. This is even more vital when, as in this case, the DAA have refused to answer our direct questions and continue to withhold information from users until the date of your presentation.
- 3./4. Your claimed inability to provide us with cost information in advance of this meeting neuters any potential consultative value your presentation may have. How can users reasonably provide input into this process when you deny us any opportunity to study or understand these costings. Please confirm that you will postpone this meeting to allow users at least one week to consider the contents of your presentation and the costings on the facilities.

I note your claim that the "CAR is part of a separate consultation process". Please confirm if this is at the request of the CAR.

Yours sincerely

David O'Brien  
Director of Flight & Ground Operations

cc. Mr Cathal Giuomard  
Commissioner for Aviation Regulation



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16<sup>th</sup> May 2006

Mr Mark Foley  
Director of Capital Programmes  
Dublin Airport Authority  
Head Office  
Dublin Airport

*Strictly Private & Confidential*

Dear Mark

I refer to your letter of 5<sup>th</sup> May 2006.

I note that Michael O'Leary has written to you directly correcting your erroneous claims regarding Ryanair's position on the Masterplan.

You have failed to answer the questions of my letter of 28<sup>th</sup> April and 3<sup>rd</sup> May. You have failed to answer the questions in my letter of 28<sup>th</sup> April to your consultants, ARUP (copy attached) and have not provided the information you promised at your presentation on 21<sup>st</sup> April.

For ease of reference, I have listed the questions and information requests below:

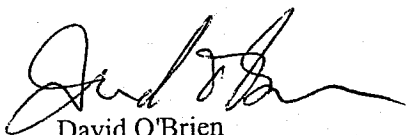
- 1 Please provide a copy of the ARUP capacity study for T1, indicating the methodology used and the standards applied.
- 2 Please explain the purpose of the tick boxes (Ryanair, Aer Lingus, DAA) in the original presentation.
- 3 Please demonstrate how the results of the ARUP questionnaire have been weighted or analysed.
- 4 Please demonstrate how any of the proposed options had been altered by the results of the questionnaire.
- 5 Please explain the method by which the claims provided by respondents are validated.
- 6 Please explain how ARUP could possibly establish "the robustness of airline assignment selection" (for T2) without any involvement by ARUP in forecasting.
- 7 Please explain how the airline assignment process for T2 was carried out.
- 8 Please provide a copy of the P&W report (not simply a copy of their presentation). You committed to do this at the presentation on 21<sup>st</sup> April last. Please provide a copy of the "advice and analysis" of your consultants which prompts your assignment decision.
- 9 Please demonstrate how the contents of the questionnaire was used to assess the assignment of airlines.



- 10 What is the traffic target which triggers the requirement for mixed mode instead of segregated mode?
- 11 Please confirm, in writing, that the Fingal Masterplan does not exclude the possibility of a North Terminal as proposed by Ryanair. You verbally confirmed this to be the case at the meeting on 21<sup>st</sup> April last but avoid the question in your letter of 5<sup>th</sup> May 2006.
- 12 Please confirm the basis on which the capital contribution of €21m. to Fingal County Council has been arrived at. In your letter you claim you have requested this of FCC. Please let us know their response.
- 13 Please provide the back up by destination, aircraft type and operator type which supports your detailed hour by hour forecasts for 2010.
- 14 Please provide costings for the terminal options.
- 15 Are we to understand that your statement that Ryanair's "comments re private investment conflict with the Government's explicit requirement that DAA construct the building" is a formal rejection of Ryanair's interest in occupying and part funding this terminal.
- 16 Please confirm if this is the formal DAA position and that DAA refuses to engage in consultation with Ryanair regarding Ryanair's possible occupation and part funding of the new terminal.

The questions and information request above are reasonable and specific. They have been numbered for ease of reference. Please now provide a direct response to each of these questions instead of the evasive and unhelpful response of 5<sup>th</sup> May 2006.

Yours sincerely



David O'Brien  
Director of Flight & Ground Operations

- cc. Mr Cathal Giuomard  
Commissioner for Aviation Regulation
- cc. Declan Collier, Chief Executive, DAA
- cc. Michael O'Leary, Chief Executive, Ryanair
- cc. Jim Callaghan, Head of Regulatory Affairs, Ryanair



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Ab/MOL/5041

10<sup>th</sup> May, 2006

**STRICTLY PRIVATE AND CONFIDENTIAL**

Mr Mark Foley  
Director of Capital Programmes  
Aer Rianta Technical  
Dublin Airport  
Co Dublin

Dear Mark,

I refer to your letter dated 5<sup>th</sup> May wherein you repeatedly refer to my support for the framework development plan for Dublin Airport.


Ryanair's general support for the framework development plan at Dublin Airport is not a blank cheque for the DAA to either ignore Ryanair's input into the consultation process or rewrite history. Turning specifically to some of the references in your letter:

1. Ryanair were accommodated in a series of visits by Pascall+Watson last year, during which our provisional views on an overall masterplan was comprehensively ignored. The final masterplan produced by Pascall+Watson had as little input from Ryanair (i.e. none) as the new terminal in Cork or the original terminal extension in Dublin, all of which have been proven to have been comprehensive and expensive failures. The DAA should be doing its utmost to avoid a repetition of this waste by actually consulting with and more importantly taking on board the input and views of Ireland's largest airline.
2. There was no "extensive consultation" surrounding Pier D in 2002. The final design of Pier D including the ludicrous and expensive bridge was the design that was rejected by Ryanair and the users at the time. What the DAA are building at Pier D is the failed and expensive design which is being proceeded with by the DAA for ease of planning purposes only, despite the fact that it is overspecified and inefficient.
3. The fact that the DAA now propose to restore the expensive and passenger inconvenient bridge instead of pursuing the matter of access through the OCTB is not one that has the support of Ryanair or other users. The construction of Pier D should proceed and the matter of access to it dealt with after you have resolved the planning issue, because the convenience of many millions of passengers should take precedence in any such appeal over the unrepresentative views of a tiny number of objectors.

4. Your claim in Section 6 that Ryanair participated in the P+W Masterplan Review Process last year is untrue. We met with Pascall+Watson on the written proviso that consultation could not occur without costings. Costings were never provided. In fact Pascall+Watson confirmed at our final meeting that they had reported to DAA, in writing, that consultation has not been completed. We have still not received a copy of their report.

I trust this now clarifies Ryanair's position. I hope that you and your colleagues in the DAA will now respond urgently to Ryanair's concerns so that you avoid making the same monumental cock-ups that you have perpetrated upon the airlines previously with expensive and failed developments such as the underground baggage hall, Pier C and the scandal of Cork Airport.

Yours sincerely



Michael O'Leary  
*Chief Executive*

c.c. David O'Brien  
Bob Hilliard  
Cathal Giuomard



28<sup>th</sup> April 2006

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Mr Stephen O'Driscoll  
ARUP  
13 Fitzroy Street  
London W1T 4BQ

*Strictly Private & Confidential*

Fax: 0044 207 755 2451

Dear Stephen

I refer to your email message of 24<sup>th</sup> April 2006.

At our meeting on 11<sup>th</sup> April, it was made clear that no consultation could occur until ARUP provided an explanation as to the purpose and use of your questionnaire.

Specifically, we requested the following information which you said you would provide:

- A copy of the demonstrably inaccurate ARUP capacity study for T1, indicating the methodology used and the standards applied.
- The purpose of the tick boxes (Ryanair, Aer Lingus, DAA) in the original presentation.
- The weightings to be applied to questionnaire answers by airlines.
- The method by which you would validate the claims provided by respondents.
- An explanation as to how you could possibly come to any conclusion on the basis of the questionnaire in the absence, as you claim, of any ARUP involvement in forecasting. How could you possibly establish the "robustness of airline assignment selection" without robust forecasting?
- How would the assignment process be carried out?

You confirmed that the main tenant of T2 was either going to be Aer Lingus or Ryanair and that the most likely tenant was Aer Lingus. You did not reveal at that meeting what Mark Foley confirmed as a prior decision that Aer Lingus would be the main tenant.

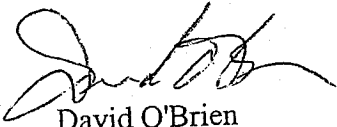
At the meeting on 21<sup>st</sup> April, your Dervilla Mitchell tried to claim (despite our explicit clarification to you) that your visit in some way represented consultation. This demonstrates clearly the cynical nature of the exercise.

In summary:

- You have provided no explanations as to the purpose or workings of your questionnaire.
- DAA have refused to release a copy of your report on T1 capacity on the basis that it is "not their policy".
- Your "clear recollection" of our meeting is in conflict with my notes and the notes of Jim Callaghan who also attended the meeting. It fails to address the questions which you agreed to take note of and respond.

Please now, in writing, respond to the questions which we posed. Please also demonstrate where and how this questionnaire altered any of the terminal options presented by ARUP at the meeting on 21<sup>st</sup> April. Please also confirm, in writing, when these option diagrams were prepared.

Yours sincerely



David O'Brien  
Director of Flight & Ground Operations

cc. Jim Callaghan



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28<sup>th</sup> April 2006

Mr Mark Foley  
Director of Capital Programmes  
Dublin Airport Authority  
Head Office  
Dublin Airport

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*Note: Correction of  
typo on page 3  
sent on 3<sup>rd</sup> May*

*"P&W confirmed that  
consultation was NOT  
completed"*  
*[Signature]*

Dear Mark

I refer to the presentation by DAA and your consultants ARUP on Friday 21<sup>st</sup> April last.

Your consultants confirmed that the event was not so much a consultation as a "presentation". We still await answers to our questions on the questionnaire provided by ARUP, who described the airline response to this questionnaire as "poor". This is not surprising as:

- The ARUP representative (Stephen O'Driscoll) who visited Ryanair on 11<sup>th</sup> April was unable to define the purpose of the questionnaire other than to test "the robustness of the airline assignment to T2". Given that (as you claimed) this assignment had already been determined by the P&W report of last year, the questionnaire had no purpose other than to create the illusion of consultation.

At the meeting, you committed to providing us with a copy of this P&W report - please do so.

- The ARUP representative was unable to demonstrate how the contents of the questionnaire would be used to assess the assignment of airlines.
- Neither ARUP nor DAA were able to demonstrate how the results of the questionnaire had been weighted or analysed.
- Neither Stephen O'Driscoll nor ARUP representatives at the meeting last week were able to demonstrate how any of the proposed options had been altered by the results of the questionnaire.
- While claiming to be in the process of assessing the robustness of the assignment, ARUP claimed to have no involvement or interest in traffic forecasting which must run to the core of the assignment process.
- Neither DAA nor ARUP were in a position to define how this assignment had occurred and confirmed that no consultation had occurred on this point.

Regrettably, this "consultation" style is reminiscent of the process which delivered the economic folly that is the new Cork terminal.

At our meeting on 11<sup>th</sup> April ARUP took note of our questions and a note of the fact that without an adequate explanation of the questionnaire it could not be completed by Ryanair and in no way could it be considered a consultation had occurred. The cynical attempts of ARUP's Dervilla Mitchell to claim that the fact that a meeting had occurred constituted consultation demonstrates clearly the bogus nature of that process.

#### **Commission for Aviation Regulation**

In response to our question as to whether the CAR had been invited to this meeting, DAA refused to answer directly, suggesting that the CAR were aware of the meeting and implying that they had chosen not to attend. Combined with ARUP's Dervilla Mitchell's assumption of the authority to determine the appropriateness of the attendance at these meetings, it is clear that this process is being choreographed and manipulated and not consultation at all.

#### **Pier D**

You confirmed that there has been no consultation whatsoever prior to or since the DAA decision to erect the elevated walkway between Terminal 1 and Pier D. The first the airlines learned of this DAA decision was through the Sunday newspapers. You confirmed that you intend to recover the monies for this excessive expenditure from airlines and that it has already been included in your CAP documents, while at the same time the DAA advised airlines that it was to be removed.

#### **Second Runway**

You confirmed that the runway separation was designed to achieve full mixed mode operation. Please explain why full mixed mode operation is necessary, given that segregated mode at Stansted (prior to any advances in GPS approaches) will deliver well in excess of 65 million passengers.

- What is the traffic target which triggers the requirement for mixed mode instead of segregated mode?

#### **Fingal Masterplan**

Your consultants, confirmed that the Fingal Masterplan does not exclude the possibility of a new terminal on the North side in the area of Ryanair's original proposal. You confirmed that DAA were involved in and supported the Fingal Masterplan.

- Please confirm that the Fingal Masterplan does not exclude the possibility of a North Terminal as proposed by Ryanair.
- Please confirm the basis on which the capital contribution of €21m. to Fingal County Council has been arrived at.

#### **Terminal 2**

Your consultants jumped from a top down GDP forecast to an hour by hour movement and traffic model by terminal. Nobody present was able to explain how this level of detail was achieved, electing to hide behind the "confidentiality" of a questionnaire which had received a "poor" response and for which no explanation as to weightings and analyses were available. You simply cannot expect your customers to accept the unsupported assertions as fact.

- You presented Options 5, 6 and 7 with no mention as to what had happened to the previous four (if indeed they existed).

- You invited comment without any reference to costs or even the relativity of costs between the three options you provided.
- You confirmed that none of these options had been altered as a result of the questionnaire of so called consultation.
- It is obvious that the options presented had been prepared prior to the receipt of the questionnaires as they do not show the recently introduced skyway but do cover other aspects of development in the Pier D area.

You claim your "assignment" of terminals is a decision already made, based on the P&W report of last year. P&W confirmed that consultation was completed in advance of publication. We have never seen this decisive report on which we were not consulted.

#### **Summary**

The presentation last Friday was the opposite of consultation:

- The first item (Skyway to Pier D) was a decision by DAA for which you confirm no consultation had occurred and which your customers learned about through the media.
- You confirmed that you had designed a runway system for traffic well in excess of your forecasts.

**Please explain why.**

- The so called "questionnaire" had no purpose whatsoever, other than to pose as consultation.

**Please explain how it was weighted and used.**

- You present detailed hour by hour forecasts for six years from now without any backup whatsoever.

**Please provide the backup by destination, aircraft and operator type**

- You provided no cost estimates for the terminal options.

**Please provide costings.**

We now seek your confirmation:

- That the assignment decision for T2 is cancelled until consultation with Ryanair is conducted.

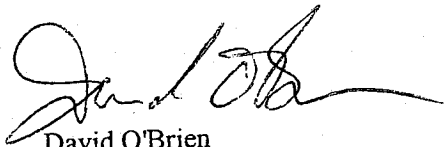
Ryanair is interested in occupying and part funding this terminal. An opportunity exists to develop a lower cost facility with private investment. DAA has discarded this possibility without any consultation.

Please advise how this matter can be advanced.



- That the Pier D walkway does not proceed without DAA committing to exclude costs from the Regulated Asset Base (RAB).
- That the additional costs associated with unnecessary mixed mode runway facilities are identified, provided to users and will be excluded from the RAB.
- That DAA confirm agreement to separating T2 and T1 costs into two RABs.

Yours sincerely



David O'Brien  
Director of Flight & Ground Operations

cc. Mr Cathal Giuomard  
Commissioner for Aviation Regulation

ps. Yet again the media seems to know more about your plans than the airlines. Today, the Irish Times reports that "the airlines demand" a larger facility. This you know to be false. Please write to the Irish Times to correct this misleading report.



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24<sup>th</sup> March 2006

Mr Mark Foley  
Director, Capital Programmes  
Dublin Airport Authority  
Dublin Airport  
Ireland

Dear Mark,

I refer to your letter of 21<sup>st</sup> March to David O'Brien. David is travelling at the moment so the comments below are preliminary in nature and do not constitute our response to the questionnaire.

Firstly, three days to respond to a rather detailed request for information on a €1.2 billion capex programme is extremely short and does not constitute proper consultation.

Secondly, from my initial review of the questionnaire, many of the questions appear leading while others are not terribly clear. We will require clarification on these before we can respond. I therefore suggest that it would be more appropriate to arrange a meeting with someone from ARUP for the purpose of clarifying these matters and we would then be in a position to respond. We will contact your office early next week to arrange this.

What we want to avoid here is another Cork-type situation where user responses to leading questions resulted in vastly over specified and costly facilities that do not meet their requirements.

Yours sincerely,

Jim Callaghan  
*Head of Regulatory Affairs and Company Secretary*

CC: David O'Brien



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30<sup>th</sup> November, 2005

**STRICTLY PRIVATE AND CONFIDENTIAL**

Mr Mark Johnson  
Pascall + Watson  
5 Carlson Court  
116 Putney Bridge Road  
London SW15 2NQ  
UK

Dear Mark,

Thank you for your letter dated 10<sup>th</sup> November.

Your attempts to justify your so called "*consultation*" process are without foundation. We met with you at Declan Collier's request on 22<sup>nd</sup> July last. At this meeting it was agreed that we would make a formal submission when you had provided us with the design elements and costings which you promised to give us as a prelude to a follow up meeting. No follow up meeting took place, because these meetings were deferred and/or cancelled by you despite a number of written requests from Ryanair for an update or a meeting. You yourself admitted at our meeting that your report to the DAA confirmed that consultation with the airlines had not been completed. The only response we received from Pascall + Watson as part of this consultation process was your email - on the day the DAA published its Masterplan - inviting us to the follow up consultation meeting! This was the entire extent of the discussions between Ryanair and Pascall + Watson and highlight not just the absence of consultation, but a deliberate attempt during the process to exclude and in fact circumvent the requirements of one of Dublin's major users. This resulted in the Chairman of the DAA misleading the public on the announcement of the Masterplan when he claimed that "*all users had been consulted*". This was patently untrue.

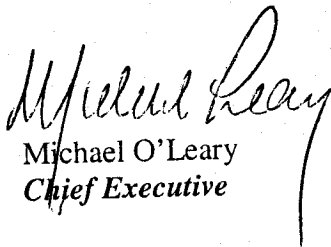
Turning to your response to our submissions on the design elements, may we respond as follows;

1. The purpose of any consultation process should be to establish and, as far as possible, meet the reasonable requirements of users. In this case one of those requirements is the provision of an independent low cost competing terminal facility at Dublin Airport and the new Masterplan fails to meet this requirement.

2. Your response to our submissions on the design elements is that the Masterplan should proceed in order to meet the convenience of the DAA. This reflects the failure of the consultation process which should be to establish and where possible meet the reasonable requirements of users. This Masterplan and your point by point response to our submissions shows yet again that the reasonable requirements of users at Dublin Airport are to be ignored or subjugated to the interests and requirements of the Dublin Airport monopoly, despite the fact that this will result in over specified and unnecessarily expensive buildings, and in some cases appalling inconvenience for passengers using these facilities, which users neither need nor want, yet are to be imposed upon us without consultation or input.
3. It is totally untrue to suggest that the cost information on this project was provided in the May 2005 CIP. This new Masterplan was only produced at the end of September, without any consultation with Ryanair (and perhaps other users) and certainly without any notification to those users. The new Masterplan is in large measure markedly different to the proposals contained in the May CIP and your suggestion that the costs were contained in the May CIP reinforces the fact that users have not been consulted, and have not received the cost information we sought.

Mark, the reason why Dublin Airport is in such a mess, is that facilities have been designed and built over the years without consultation with users, and in some cases (the present Pier C) despite the unanimous opposition of those users. The Pascall + Watson study and the new Masterplan was an opportunity for the new management of the DAA to engage in real consultation with users. You have failed to do so, and it is regrettable that both Pascall + Watson and the DAA have now reverted to the previous Aer Rianta policy of ignoring users and ploughing on to develop the over specified, expensive and inefficient facilities such as those that are contained in the new Masterplan. Yet another opportunity to work with users to meet their reasonable requirements has been spurned by the DAA.

Yours sincerely

  
Michael O'Leary  
*Chief Executive*

# Pascall+Watson architects

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Ref: MJ/sh/2772.102.01

10<sup>th</sup> November 2005

Michael O'Leary  
Chief Executive  
Ryanair  
Corporate Head Office  
Dublin Airport  
County Dublin  
Ireland

Dear Michael,

## DUBLIN AIRPORT

Thank you for your letter of the 10<sup>th</sup> October 2005.

At our meeting of the 7<sup>th</sup> October 2005 we sought to provide an executive summary of our 12 week intensive study, this being:

1. There were many potential enhancement capacity planning options, each with their own merits and constraints and, whilst P+W recognised the merits of the one Ryanair preferred, we had arrived at our recommendation duly considering the greatest number of merits, and least number of constraints to arrive at a plan that facilitated 30MPPA for both DAA and all users.
2. Pier E and extending Pier B align with a new T2 to the south; Pier D and extending Pier A align with a proposed northern extension to the existing terminal. These create much needed operational head room, thereby facilitating improvements and refurbishments to what will then be old yet important existing terminal assets.
3. All cost considerations had been fed back to DAA and, as these were indicative and within a tolerance of those submitted within the DAA CIP, the DAA were going to update the CIP document for issue to all users. The DAA wished to continue to inform based on the format already submitted to both Ryanair and the Commission for Aviation Regulation in May, thus ensuring continuity and clarity to all parties all at the same time. We were therefore constrained, but as confirmed at our meeting, this was for sound and practical reasons.
4. Within our 12 week allotted window to review, consult, deliberate and recommend (with in excess of 10 important interfaces), P+W had three formal and two informal meetings with Ryanair. It is therefore incorrect to say that Ryanair was not consulted as part of the process. We shared our deliberations with all Dublin based airlines and, in general, received positive formal and informal communiqués. The enhancement plan was based, inter alia, on the information to and from airlines, the capacity planning information generated by DAA and the masterplanning information from the PM/SOM 2002/2003 team.

Contd.

Pascall+Watson Limited

### Directors

Phil Holden BA (Hons) BArch RIBA Michael Haste BA (Hons) Dip Arch (Dist) MSc (Constr Law) RIBA  
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Certificate Number FS 13779

Your point on who builds and operates a terminal was never in our remit and was not part of our discussions, being as it must, a matter for the Government.

In response to your specific design element comments please note the following (Instead of Piers A, B, C, D, E we reverted back to Piers F, E, B, A, D so Pier E in your letter = Pier D, Pier D in your letter = Pier A, Pier C in your letter = Pier B, Pier B in your letter = Pier E):

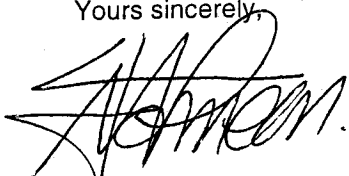
- a. Pier D (our initially Pier E) has already been designed, provides necessary flexibility given current constraints, received planning and is the only option that can be delivered by 2007. It therefore matches your initial point that "this is developed in priority....". Pier D, as highlighted in our presentation, also needs to be progressed with other developments that start to unlock constraints, such as critical apron works. Your more detailed points need to be evaluated by the DAA project team alongside the completed design, albeit any major re-design work would necessitate delay and additional cost, thereby conflicting with wanting delivery as a priority, and so cannot be supported. It should be noted, when operational cross flows need resolution, that tunnelling is a very expensive option, with bridging always the preferred design solution.
- b. No comment received, save for the need to reiterate that DAA is in the process of updating the CIP document for issue to users in due course.
- c. How Pier A (our initially Pier D) is best developed, following cost information pertaining to it being in the May CIP, is dependent upon a DAA detailed design study following appointment of a design team. Through the study continued consultation with users on the detailed design would occur, albeit any new extension is likely to warrant a substantially replaced existing Pier A as it is currently unsegregated and would not meet future building and environmental standards.
- d. We note your preference for a north apron terminal yet when weighed up on the basis of deliverability, cost, accessibility, constructability, planning etc the southern option was best on a range of criteria. Economic growth will generate the DAA traffic forecasts, and it is assumed that market demand will be responded to by all users. A balanced distribution of piers and new terminal provisions, as far as costs and logistics would allow, therefore formed the basis of our recommendation.
- e. We note your positive comments about Pier E (our initially Pier B)
- f. We had indicated, in line with your positive statement, the need for an additional MSCP next to the proposed metro box.
- g. Cost information on this project was provided in the May 2005 DAA CIP (CIP3.11 – New Build Kerbs and Access Ramps) and independent consultants for the Commission for Aviation Regulation concluded that the rates used appeared realistic. A solution that extends the departures kerb set-down now falls within a DAA detailed design study and, aligned with continued consultation with users, an affordable and operationally improved facility for vehicles and passengers should evolve.
- h. We indicated in our report our confirmation that strategic sign-off gateways, involving all key stakeholders, are an essential design development factor. The sign-off being a constructive acknowledgement of attendance, review, consultation and commentary, to aid (rather than constrain or veto) the necessary progress of a development.

Contd.

Expanding airports, that seek additional piers to increase the critical requirement of more aircraft contact stands, will result in facilities stretched across the airfield. Increased walking distances, albeit predicated by such measures as travellators are inevitable. This is the norm at a whole host of benchmark airports and is a consequence of balancing space, cost and operational needs. In addition, the development of the airport must respond not only to all users, but also have sufficient flexibility in its facilities to house changes in demand; factors all too often missing from your understandable but unilateral deliberations.

Although it is with regret that you have not supported our plan, we enjoyed meeting and deliberating business and facility needs with your team and, given the dynamics of what are now needed in the short to medium term, believe we have recommended the most appropriate way forward for all airport stakeholders.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'M. Johnson', written over a horizontal line.

MARK JOHNSON  
**For and on behalf of**  
PASCALL+WATSON LTD

Enc.

Cc: Mr Bill Prasifka  
Mr Declan Collier / Mark Foley

Aviation Regulator  
Dublin Airport Authority



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ab/MOL/7091

10<sup>th</sup> October, 2005

**STRICTLY PRIVATE AND CONFIDENTIAL**

Mr Mark Johnson  
Pascall+Watson  
Architects  
5 Carlson Court  
116 Putney Bridge Road  
London  
SW15 2NQ

**Fax: 00 44 20 8874 2584**

Dear Mark,

I refer to our meeting of Friday 22<sup>nd</sup> July on the draft Masterplan for Dublin Airport and our follow up second meeting on Friday 7<sup>th</sup> October last.

Firstly we are deeply disturbed at the total failure of the DAA and Pascall+Watson to honour the commitments given in relation to the consultation process at Dublin Airport. At our meeting of 22<sup>nd</sup> July last, we were promised follow up details of the draft Masterplan, together with costings. We were offered a second meeting as part of this consultation process only two weeks after the DAA had announced its final Masterplan, and even at Friday's meeting you confirmed that the DAA had forbidden Pascall+Watson from providing Ryanair with the promised cost information. We were also disturbed to learn that Pascall+Watson's report to the DAA advised the airport that consultation had not been completed with all customers including obviously Ryanair and yet despite this notification the DAA still announced a final Masterplan. It is clear that the DAA failed to consult with Ryanair, one of its major airline customers, and lied publicly in announcing its final Masterplan two weeks ago when the Chairman claimed that all airlines had been fully consulted.

We are not in agreement with any general masterplan between the DAA and Fingal County Council which excludes the principle of a second, third and potentially fourth terminal being built and operated by entities competing with the DAA. As the Government commissioned Mullarkey Report confirmed, there is no reason why competing terminals cannot be built at Dublin Airport, and indeed the effect of competition would be positive for improving efficiencies in, and lowering the costs of the DAA. Ryanair has initiated legal proceedings against the Irish Government, the DAA and others, to compel the ownership and operation of the second terminal to be put out to competitive tender as is required under EU competition and public procurement rules.

Subject to this overriding caveat, the following are our comments on the design elements you presented to us;

FA XED 11/10



- a) We agree with the location and design of Pier E, as long as this is developed in priority to all other facilities. The four design changes we would suggest are i) the lengthening of Pier E to shorten the walk from the Pier to the end aircraft stands, ii) reduction in width from the excessive scale originally proposed by Aer Rianta to the 18m width initially proposed by Pascall+Watson, iii) the relocation of the stairwells to the outside of the building to increase space for seating/retail within the pier, iv) placing a tunnel under Pier E so that ground equipment can easily access the North Apron, v) provision of external and security screening access to Pier E, north of the old CTB for departing passengers who have checked in on the web or in car park kiosks (in advance of full terminal facilities in that area). We are unconvinced as to the need for the glass tunnel outside the old CTB for arriving passengers, when perhaps an easier alternative would be to direct arriving passengers through the first floor of the old CTB, thereby integrating this building into the overall design. Finally we still await the proposal costings for these works, without which we cannot proceed.
- b) We have no comment to make on Phase 2 which we believe is the extension of the C Pier. Yet again, we have no cost information on this extension.
- c) We believe the third phase should comprise the construction of Pier D, but by building it as an extension from the existing Pier A, thereby saving and incorporating the existing pier into the design. It appears that by incorporating the existing Pier A into your proposed Pier D, you will still retain the four wide-body stands you seek. Yet again, we have no cost information on this extension.
- d) We are strongly of the view that the second terminal (which is presently proposed for the existing C Pier) should be sited on the North Apron on the location of the old hangar 1. It makes much more sense for the second terminal to be located in this area first, since this is where most of the growth will be delivered at Dublin Airport (through Pier E) by Ryanair on short-haul UK and European services, using its fleet of new Boeing 737 aircraft. Yet again, we have no cost information on this extension.
- e) The construction of Pier B can proceed from the existing Pier C, without the need for any wasteful and unnecessary terminal in front of Pier C for the foreseeable future. Passengers can then access the new Pier B through the existing extended terminal building.
- f) We are concerned that there appears to be no additional development of multi-storey carparking to accommodate the requirement for additional short-term carparking facilities as the airport traffic rises to 30 million pax per annum. We strongly recommend the building of additional multi-storey carpark facilities over the proposed coach station or to the opposite side of the proposed metro terminal.
- g) We believe that the proposed future road plan outside the main terminal building needs to be tightened up so that the costly extension to the existing departures concourse level is minimised. Yet again, we have no cost information on this extension.

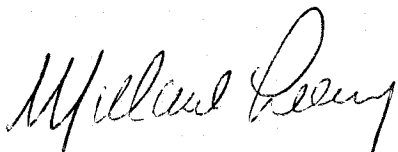
- h) Critical to all of these recommendations is the need for cost and facilities efficiency to be at the core of future development at Dublin Airport. The waste of vast sums of money on inefficient facilities such as the terminal extension and Pier C, which were designed and built despite the objections of the major airline users must not be repeated.

Finally, we remain deeply concerned that the DAA announced a final Masterplan for Dublin Airport two weeks ago without consulting with its major airline customers. We are concerned that they announced these plans despite the fact that Pascall+Watson confirmed that consultation had not been completed. We are concerned that despite the fact that these plans have been announced, Pascall+Watson still can't provide us with detail cost information, and indeed have been refused permission by the DAA to provide us with these costings. We are also concerned that the final plan for Pier E has reverted to the original Aer Rianta design, which is too wide, overly unnecessarily expensive, and profligate. It is a breach of the Irish Government's own "*triple safeguard*" under which it granted to the DAA the right to build a second terminal to the DAA, that these facilities have been finalised without proper consultation, without independent verification, and clearly without adequate regulations.

In these circumstances it seems clear that in the absence of any further consultation with the DAA and in the absence of any meaningful attempt to minimise the cost of these facilities or enhance their efficiency, that Ryanair would be forced yet again to oppose the developments of these facilities both during the regulatory process, during the planning process, and also in the Courts.

We sincerely regret that the DAA and Pascall+Watson have failed so lamentably to consult with airlines users, and indeed appear to have used this sham consultation process as an opportunity to design and finalise a Masterplan for Dublin Airport which is neither efficient nor cost effective and certainly doesn't meet the needs of users, particularly those passengers who will now have to walk inordinate distances to Pier E, which is now the furthest possible point away from the new second terminal.

Yours sincerely



Michael O'Leary  
*Chief Executive*

c.c. Mr Bill Prasifka, Aviation Regulator  
Mr Declan Collier, Dublin Airport Authority

JC/9060

27<sup>th</sup> September, 2005

**STRICTLY PRIVATE AND CONFIDENTIAL**

Mr Bill Prasifka  
Commissioner for Aviation Regulation  
3<sup>rd</sup> Floor  
Alexandra House  
Earlsfort Terrace  
Dublin 2

**STRICTLY PRIVATE AND CONFIDENTIAL**

**Fax No. 6611269**

Dear Bill,

We are deeply concerned by the announcements made by the Dublin Airport Authority last week. The DAA appear to have announced a Masterplan for a second terminal, yet it won't be available until late 2009, and are also seeking a €2.50 per passenger increase in current airport charges.

In relation to the terminal building itself, Ryanair, Ireland's largest airline, has not been consulted by the DAA on either the location, design or more importantly costs of these facilities. We have held one meeting with Pascall & Watson, and have for a period of some six weeks been waiting for them to revert to us with the details of design and cost, something which was promised again by Pascall & Waston as recently as last Tuesday, the same day that the DAA were announcing "*the finalised Masterplan*"!

We cannot understand how the DAA can announce a new Masterplan for Dublin Airport, without consulting with or obtaining the input of the major airline users at the airport. Until this consultation has been completed therefore, we urge the Regulator not to approve any cost increases being sought by the DAA.

Secondly, the cost increase of €2.50 per passenger is entirely unjustified on the following grounds;

- a) The cost increase is being sought from January 2006 onwards, which is some four years in advance of the provision of the promised T.2. It is fundamentally unfair and inequitable that consumers and users should be asked to pay for facilities four years before they are made available.
- b) An increase of €2.50 on the current maximum charge of €5 per passenger is an entirely unjustifiable 50% increase, at a time when inflation is running at just 3%.

- c) An increase of €2.50 per passenger on the current base of 18 million passengers will yield the DAA an additional profit of €45m per annum, four years in advance of any capital expenditure of new facilities. This is simply price exploitation by a monopoly which can and does abuse its dominant position.
- d) Based on the DAA's own forecast of 30 million passengers per annum, a maximum charge of €7.50 per passenger on the incremental 12 million passengers (those passengers between 18 and 30 million) will yield an extortionate €90m per annum in additional income. In total therefore the DAA are seeking €135m in additional income in respect of facilities which are announced to cost €1.2bn, generating a yield of over 10% per annum. There is no long-term capital expenditure in the private sector which can generate a 10% yield on capital expenditure. Current property yields are between 3% and 5%, which is less than 50% of the rate being sought by the DAA. This fee increase is excessive and unjustified.
- e) More significantly no attempt is being made by the DAA in these proposals to fund this capital expenditure from other means such as the sale of non-core assets such as the DAA's stake in Birmingham, Düsseldorf or Hamburg airports, or indeed the Great Southern Hotels chain. We estimate that these assets will generate a minimum of €700m at today's valuations and would, together with some modest borrowings fund the entirety of €1.2bn capex programme, without any need for a passenger fee increase.

It is clear therefore that the cost increase being sought by the DAA is simply the latest example of profiteering by this profligate and inefficient monopoly. Only a monopoly would seek to charge its customers for facilities four years in advance of their provision. Only a monopoly would seek a yield of over 10% in respect of facilities which they have designed and costed themselves, in secret, without consultation with their users.

We strongly urge you to deny any cost increases to the DAA until such time as we (and you) have obtained the detailed design and costings of this Masterplan. Furthermore no cost increase should be permitted until such time as other funding avenues have been explored, such as the disposal of non-core assets, and commercial borrowings. Ryanair have also offered to co-fund some or all of these facilities with the DAA, which would in turn reduce the DAA's capex and reduce the level of charges to consumers.

We request an urgent meeting with you to discuss these issues and look to you to defend the interests of users, which have for many years been totally ignored by the DAA here at Dublin Airport.

Yours sincerely



Jim Callaghan  
*Head of Regulatory Affairs and Company Secretary*

Attachment

EMMALED 4:50pm  
26/9/05

mark.johnson@pascalls.co.uk

**STRICTLY PRIVATE AND CONFIDENTIAL**

26<sup>th</sup> September, 2005

Dear Mark,

I refer to your fax dated 19<sup>th</sup> September, and your email of 21<sup>st</sup> September.

To say I was taken aback by the DAA's announcement of the DAA's final Masterplan and the location of the second terminal on Tuesday 20<sup>th</sup> last would be an understatement. I am mystified how you could have submitted your draft report without (i) reverting to us (as promised) with your draft recommendations, without (ii) our input, or without (iii) any estimate of costs of each of the different options comprised in that report.

At this time I am still awaiting the "*clear information and draft recommendation*" as you promised us back in August. We are also awaiting the detailed costings which were promised to us in July, again in August, and again in September.

I would also appreciate a presentation of the final approved Masterplan, together with the detail costings of this Masterplan, so that we may at least understand what is being proposed, even if we have not been consulted, and nor have we been afforded any opportunity to input our suggestions or recommendations into this scheme or its costings.

I would appreciate if you would let me know when you are available to brief us as a matter of urgency.

Yours sincerely

Michael O'Leary  
*Chief Executive*



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ab/MOL/9038

16<sup>th</sup> September, 2004/5

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Pascall+Watson  
Architects  
5 Carlson Court  
116 Putney Bridge Road  
London  
SW15 2NQ


**Fax: 00 44 20 8874 2584**

Dear Mark,

I refer to your fax of the 25<sup>th</sup> August and my reply of the same date. Since then I have heard nothing from you which is disturbing.

Can you please advise as to what is the revised timetable for completing the masterplan, and when we can expect to receive the frequently promised and repeatedly delayed cost estimates?

Many thanks

  
Michael O'Leary  
Chief Executive



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## FAX

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**To:** Mark Johnson, Pascall & Watson, Architects  
**From:** Michael O'Leary  
**Fax No:** 00 44 2088742584  
**Date:** 25<sup>th</sup> August, 2005  
**No of Pages incl. this one:** 1

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Dear Mark,

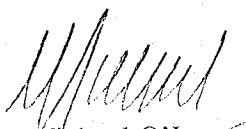
I thank you for your fax of today's date.

Can you please confirm when we will receive the promised cost estimates, and how much time we will have to consider these cost estimates and then finalise our position in relation to the draft masterplan?

It appears from your fax that the date for the finalisation of the masterplan has been put back one week to next Friday, but we won't receive the cost estimates until some time next week. There is no indication in your letter as to when we are going to get a presentation on the final draft masterplan. Similarly there is no indication as to how Ryanair input will be incorporated into the final masterplan.

I would appreciate your guidance on these points.

Yours sincerely

  
Michael O'Leary  
Chief Executive



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## FAX

---

**To:** Mark Johnson, Pascall & Watson, Architects  
**From:** Michael O'Leary  
**Date:** 25<sup>th</sup> August, 2005

---


Dear Mark,

Your continuing silence, despite the promise that we would receive the updated cost information last week, again on Monday of this week, or at the latest by yesterday, is concerning. According to your original timetable, you were hoping to finalise your recommendations on the masterplan by Friday, yet you have had no input whatsoever from Ryanair. We can't give you our input, because we are still waiting for the cost information which you have repeatedly promised and failed to deliver.

Can you please confirm when we will receive the promised cost information, and how our input is going to be incorporated into the final masterplan, if it is to be finalised by the end of this week? These repeated delays and the failure to give us the information promised has undermined this so called consultation process.

If you don't want our input, or if the DAA proposes to finalise a masterplan with which Ryanair does not agree, then just tell us, and we will stop wasting our time with this sham process.

Yours sincerely



Michael O'Leary  
Chief Executive



**Ryanair Response to Draft Decision on the Interim Review of 2005 Determination  
on Maximum Levels of Airport Charges at Dublin Airport.  
Comments on Commission for Aviation Regulation Paper 5/2007**

This response will deal with the points as raised in Commission Paper 5/2007, drawing on and commenting on as necessary material presented in the various supporting documents also published by the CAR. The following areas will be covered:

- The Capacity of Terminal 1 and the Requirement for Additional Capacity at Dublin Airport;
- Consultation and Failure to Provide Information, Including Forecasts;
- The Scale and Cost of Terminal 2;
- The Cost of Other Developments;
- The Charges Determination for the period 2006-2009;
- Further Considerations for the Charges Determination for the period 2010-2014.

The context for Ryanair's response is that the CAR's objectives in making a Determination are:

- *“to facilitate the efficient and economic development and operation of Dublin Airport which meet the requirements of current and prospective users of Dublin Airport;*
- *to protect the reasonable interests of current and prospective users of Dublin Airport in relation to Dublin Airport;*
- *to enable Dublin Airport Authority to operate Dublin Airport in a sustainable and financially viable manner.”* (emphasis added).

Whilst acknowledging a number of aspects of the CAR's Draft Decision, Ryanair considers that there are a number of important issues which require further and urgent consideration both in terms of settling the level of charges for the period 2006-2009 and in terms of the signals it gives to DAA in respect of future investment prior to the Determination of the Level of Charges for the period 2010-2014.

**The Capacity of T1 and the Need for Additional Capacity**

Ryanair considers that the CAR has started from the wrong point in considering the costs and sizing of Terminal 2 in isolation. Whilst the Aviation Action Plan 2005 calls for the construction of a new terminal at Dublin Airport to be operational in 2009, the CAR still has as its primary objective the delivery of *“efficient and economic development”* of Dublin Airport. This objective requires the need for Terminal 2 to be

considered in the context of the capacity of the Airport overall. In other words, the capacity of Terminal 1 and the capacity of the whole site are material considerations.

The overarching aim should be to ensure provision of sufficient terminal, apron and runway capacity at Dublin Airport in an efficient manner to meet the needs of users and future demand as it arises. The next increment of development needs to be sized according to the scale of capacity which exists currently not according to the pre-determined requirement for a new terminal. The logic which underpins the consideration of the size of Terminal 2 in isolation is negated by the fact that it will not be capable of independent operation and peak hour movements will in any event be split between the proposed Pier E and the existing Pier B on Terminal 1. The logic which says that Terminal 2 has to be large enough to accommodate all of Aer Lingus and partners' operations is hence flawed as operations will be split in any event. This begs the question of whether the operation of the new terminal can be tendered independently as required by the Aviation Action Plan in any event, but it is accepted that this is outside the scope of the current determination.

DAA is on record<sup>1</sup> as stating that Terminal 1 will have a departing passenger capacity of 4,800 passengers per hour once the proposed extension to the existing terminal (T1X) has been constructed, taking into account the capacity added by Pier D and Area 14. Ryanair believes that even without T1X, which is almost exclusively dedicated to retail (and storage) space, is capable of at least 4,800 passenger movements per hour. Using busy hour ratios and analysis similar to that applied by RR&V in their Report No. 4, when considering the true capacity of Terminal 2, this would imply an effective capacity of Terminal 1 of at least 25 mppa and possibly more as, if Terminal 2 proceeds, its predominant user will be Ryanair and, as such, available capacity will be used even more efficiently than today.

There is no case therefore of considering the capacity to be provided by Terminal 2 against a "comfortable capacity" in Terminal 1 of 18.5 mppa as claimed by DAA. Moreover, DAA announced that they intend to reduce the capacity of Terminal 1 down to just 15 mppa after investing a further €400m. This is a false threshold based on a highly inefficient use of Terminal 1 capacity, negating the value of existing and expensive investments there such as Pier D and Area 14.

A further factor which should determine the scale of Terminal 2 is the ceiling imposed on the capacity of the existing eastern airport campus by the Fingal Local Area Plan (LAP) at 30 mppa. This limit was imposed because of surface access constraints implied by the 'Airport Box'. Fingal County Council stated at the Oral Hearing into Terminal 2 that it would require a condition on Terminal 2 limiting capacity of the existing airport campus to 35 mppa. 30-35 mppa, hence, represents the absolute ceiling on capacity which can be provided across the two terminals. This suggests firmly that if the capacity of Terminal 1 will be of the order of 25 mppa +, Terminal 2 cannot provide usable capacity in excess of 10 mppa.

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<sup>1</sup> CIP workshop 2.3.07.

To the extent that the terminal is constructed to a larger size, this represents grossly inefficient and uneconomic investment. In view of the firm planning constraints set out in the Fingal Local Area Plan, any risks associated with the development of Terminal 2 sized to handle demand in excess of 10 mppa should fall to DAA alone. This would effectively be Box 3 if DAA proceeds with investment in a terminal which can never be effectively used. Any financing or other costs associated with Box 3 should not be added to the RAB in any circumstances unless and until there is a formal modification to the limits on the Eastern airport campus set out in the Local Area Plan. Ryanair generally supports the concept of Box 1 and Box 2, subject to the start and finish points for the Boxes being the 25 mppa capacity of T1 and the ceiling on the capacity of the eastern campus of 35 mppa. The 30 mppa achieved passenger threshold for the addition of the costs of Box 2 to the overall airport RAB appears reasonable, subject to the comments below on the scale and costs of development.

### **Lack of Proper Consultation and Failure to Disclose Information**

Ryanair has consistently complained about DAA's policy of refusing to disclose adequate information to users to enable them to consult on airport developments and its failure to take on board the requirements of users.

Ryanair is particularly concerned that despite having repeatedly raised these issues to the CAR, the CAR has taken no action and has refused to attend any of the so-called "consultation" meetings in order to witness this blatant failure of the regulated monopoly to properly consult with users. Annex 1 to this paper contains the key correspondence between Ryanair and DAA and Ryanair and the CAR. It is also clear from the correspondence that the CAR has been aware of this failure to consult since 2005.

The consultation process engaged in by DAA has been entirely a box ticking exercise, designed to game the regulatory process. There has been entirely too much focus in the reports of BoydCreedSweet, for the Government, and the RR&V work completed for the CAR on the process rather than the substance of consultation. The structured 'Gateway' process adopted by the DAA is meaningless given that the actual consultation at each stage was not effective and the regulated monopoly simply ignored the reasonable requirements of users. It is regrettable that those auditing the consultation process appear to have been largely taken in by the paper trail and failed to even approach airport users such as Ryanair to determine whether the users' requirements had been taken into consideration.

It is wholly unacceptable that consultation about Terminal 2 has excluded non-Terminal 2 users such as Ryanair and yet DAA is expecting all airport users to pay for the development. DAA's persistent refusal to share critical information, including the Gateway reports, with other airport users is symptomatic of the problem. Consultation has to take place on a transparent, fair and equal basis with all users if all users are expected to share the cost burden. Instead, the T2 consultation involved private meetings between a state-owned airport operator with the state-owned airline, (and between the regulated monopoly and the CAR) with no opportunity for other airlines to

express their requirements. Indeed, Ryanair had offered to pay for, build and use a low cost terminal to meet its growth requirements but this offer was repeatedly ignored by the DAA.

Ryanair agrees with the statements by the CAR that “*the Commission would be keen not to allow the DAA to recover the costs of investments that users do not want*” and that “*the Commission would not include investment on a project in the RAB that has not commenced if users all expressed the view that despite the DAA undertaking an extensive consultation process and reflecting all their suggestions, in the interim the situation had changed such that all users no longer felt the project would meet their needs.*” However, this does not go far enough. There should be an express requirement for DAA to have the agreement from carriers representing the majority of traffic at the Airport to the details of a project, including a willingness to pay for it. User comments should be a material consideration in determining how much of the proposed development plan should be allowed. Moreover, Aer Lingus is on record as stating that they would not support Terminal 2 if it meant them paying more for this facility than non-Terminal 2 users. This is simply not reasonable. Aer Lingus cannot expect to on one hand agree to a facility that is entirely over specified compared to other airport facilities and then expect not to pay more for this facility.

The Commission states that it may issue guidance on how it would expect consultation to proceed in future and the information which it would expect DAA to disclose to allow meaningful consultation to take place. At the very least, such consultation should include:

- attendance by the CAR at each DAA user meeting and an end to the private meetings between the regulator and the regulated monopoly;
- provision of detailed information by the DAA to users regarding the triggers for development in terms of overall demand (i.e., detailed forecasts which have been externally verified), changes in levels of service or commercial consideration;
- options for meeting user requirements, including those presented by the airlines, with sufficient detail regarding capital and operational cost implications and commercial revenues to enable users to make informed judgements.

Consultation should precede the inclusion of a project into the Capital Investment Programme and not focus merely on the programme as determined by DAA.

Ryanair expects the CAR to learn the lessons from the failure of Constructive Engagement at Stansted under the UK CAA’s regulatory process. Constructive Engagement only works in the circumstances where the airport operator is willing to disclose information and to openly discuss options. It is clear that neither Constructive Engagement nor the Annex 4 Information Requirements have proved to be effective tools to enforce consultation between a regulated airport monopoly and its users. The

CAA's Annex 4, as quoted by the CAR at page 57 of the Draft Determination, correctly identifies the minimum level of information which is required:

*“the high level options for the development of the airport, including details of the cost and output trade-offs involved in each option and the impact on user charges.”*

Such information has never been provided by BAA and the DAA's disclosure of information falls even further short of that requirement. For example, Ryanair's proposed option of constructing its own second terminal was never properly considered or evaluated by DAA. Furthermore, the DAA has repeatedly refused to explain why the size of T2 has increased by 50% with no increase in capacity and why costs have more than quadrupled.

The CAR is directed to the comments of the UK's Office of Fair Trading in its reference of BAA to the Competition Commission<sup>2</sup> in which there is extensive discussion about the failings of the current regulatory system, the tendency for airports to 'gold plate' investment under a RAB based regulatory regime, and the potential for regulatory gaming. All of these elements appear to be a feature of the RAB based system operated at Dublin. The OFT is clear in its referral to the Competition Commission that it considers the current regulatory approach applied by the CAA and the CAR has the potential to distort competition. Failure to adequately consult and to disclose the information necessary to effective consultation is a particular feature of 'regulatory gaming' by the airport operator.

The CAR needs, therefore, to put in place processes which ensure the timely disclosure of necessary information by DAA to its users. This can only be achieved through a more active involvement by the CAR in the consultation process itself to enforce disclosure.

## **Excessive Size and Cost of T2**

### **(i) Excessive Size of T2**

The work by RR&V in Report No. 4 at Annex 10 to the Draft Decision correctly identifies the fact that the passenger forecasts and peak busy hour rates claimed by DAA to justify the massive increase in the size and therefore the cost of T2 were entirely fictitious. The RR&V work concludes that the size of Terminal 2 is between 32% and 56% too large based on realistic passenger forecasts and busy hour rates. RR&V's analysis accords with that of Ryanair which identifies that DAA are trying to build a facility that will cater to well over 25 mppa, whereas the existing Fingal planning restriction only allows for a facility of 10 mppa (given that T1 is already capable of handling 25mppa). The details of Ryanair's views have been set out in evidence to the Terminal 2 Oral Hearing.

The RR&V report highlights the inconsistencies in the busy day schedule being used by DAA to design Terminal 2. This schedule has not been made available to users to

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<sup>2</sup> April 2007, Chapter 5.

scrutinise despite repeated requests both during the “consultation” process and at the planning inquiry. However, Ryanair remains concerned that RR&V have not analysed the total capacity of both the existing terminal and any proposed second terminal. In failing to do so, the RR&V report does not acknowledge the true extent to which DAA is building excess capacity in T2.

Ryanair notes that RR&V in Report No.4 have considered the runway capacity implications of accommodating Terminal 1 and Terminal 2 demand prior to the new runway becoming operational. The analysis (page 23) indicates that DAA plans to increase the departure capacity of the existing runways to 36 in 2009 and 38 in 2010 prior to the new runway becoming operational in order to accommodate Terminal 1 and Terminal 2 demand. This is inconsistent with the earlier findings of Jacobs for the CAR in terms of the scope to increase runway capacity in the short term and gives grounds for a review of the decision to impose full coordination.

Ryanair supports, in principle, the use of the two box approach to allowing the costs of Terminal 2 into the RAB, so long as the first box is genuinely sized to be the next increment of capacity over and above that provided by Terminal 1. This would suggest that the costs to be allowed into Box 1 would be those related to the costs of increasing airport capacity efficiently from 25 to 30 or 35 mppa. This would equate, at most, to the original €170 million to €200 million that DAA had stated to users, but more realistically should be closer to €150 million given the fact that it should only cater to 10 mppa under the Fingal LAP. Any additional costs relating to the need to:

- replicate existing facilities in T1 (e.g., customs pre-clearance at a cost of €30 million);
- accommodate all of Aer Lingus and its partners in a single terminal, despite the available capacity and split of airside operations with Terminal 1 in any event;
- accommodate an excessive peak of demand in Terminal 2;
- provide facilities to a higher level of service than are needed by and provided for Terminal 1 users;

should be placed into Box 2 to be funded by those users whose requirements are leading to the additional expenditure.

It should not be automatic that, when demand exceeds 30 mppa, the full costs of Box 2, if not otherwise funded by Terminal 2 users, will pass into the general RAB to be funded by all users as costs related to excessive peaking (inefficient utilisation) and higher levels of service should still fall to be funded by Terminal 2 users alone under the user pays principle.

As previously discussed, Box 2 should be capped at that expenditure necessary to efficiently achieve 35 mppa in the Eastern campus in accordance with the Local Area Plan limits. Any additional costs should be held in a third box and funded entirely at

DAA's own risk until such time (if ever) that the cap on passengers in the Eastern campus is lifted by the Council.

(ii) Excessive cost of T2

While supporting the principle of the three boxes as outlined above, Ryanair considers that insufficient work has yet been carried out to validate the appropriate and efficient investment costs required to enable the additional capacity to be provided at Dublin Airport. Ryanair does not agree with the CAR that the principle reasons for the excessive cost of Terminal 2 relate to the design capacity alone.

Whilst recognising that the CAR has decided not to allow some element of the project on-costs associated with Terminal 2, and similarly with other CIP projects, Ryanair considers that this approach fails to address the full extent of DAA's over specification of development requirements at Dublin leading to inflated costs and inefficient project delivery. Experience with Pier C, Pier D the various terminal extensions in the past gives ample evidence of DAA proceeding with over specified, inefficient and costly developments in a manner not supported by users. In fact, Pier C is now being scrapped after just 7 years of operation and the cost of this facility should therefore be clawed back from the DAA.

Ryanair is particularly concerned that RR&V, like BoydCreedSweet before them, have based their consideration of costs on DAA's own benchmarking reports, which were in turn based on reports for BAA dated 2003. Many of the projects included within this benchmarking exercise were DAA's own projects, so perpetuating any inherent cost inefficiencies arising from DAA's failure to take account of the needs of users, over specification of development and inefficient procurement. Most of the other terminals used to benchmark terminal costs were full service, multi-use airport terminals designed to a standard inappropriate to the Aer Lingus claimed short haul, low cost business model.

Significantly, the RR&V Report No.1 notes in the Executive Summary that anomalies came to light at a late stage in the process and that some of the lower cost facilities were excluded from the Benchmarking. The exclusion of comparable low cost facilities from the benchmarking is wholly unacceptable and further evidence of regulatory failure. Furthermore, it is not clear how the Jacobs work on low cost airport terminals has been used to inform the cost benchmarking exercise, although the Draft Determination notes at page 92, that there is scope for much lower cost facilities to meet the needs of low fares airlines or those operating in similar market segments. Given that the majority of traffic operating at Dublin is now short haul, low cost traffic (or in the case of Aer Lingus, claimed to be low cost) these low cost efficient facilities at other airports around Europe represent a more appropriate benchmark, as opposed to the projects and cost details supplied by DAA and considered by RR&V.

Furthermore, it should be stressed that IATA design standards cannot be used as a basis for determining the appropriate scale of facilities required at a particular airport without reference to the operational practices adopted by the airlines and the actual passenger

processing requirements. IATA Level of service C represents conditions of 'stable flow' and 'limited congestion' against a set of airline operational practices and facility requirements defined by the needs of full service scheduled airlines operating a mix of long haul and short haul flights.

If low fares airlines make efficient use of terminal facilities by, for example, handling more passengers per check-in desk by using manual methods, then the areas required to achieve the Level of Service C output conditions of 'stable flow' may be closer to those set out by IATA as equivalent to Level of Service D or E. In other words, IATA standards may be entirely irrelevant to Terminal 2, or Terminal 1, at Dublin given the overall mix of traffic. Using these design parameters will result in an oversized and over specified facility and is not appropriate to meeting the actual needs of its users. Ryanair believes that these same principles, as set out in the Jacobs report in relation to terminals at airports such as Marseilles or Frankfurt Hahn, should equally apply at Dublin. This would reduce dramatically the additional area required within Terminal 2, over and above any reduction due to more appropriate design hour parameters.

Even if the design hour capacities were right and the terminal size was right, the costs per m<sup>2</sup> proposed by RR&V appear extraordinarily high. For example, the cost per m<sup>2</sup> for Terminal 2 is cited as €4,767 per m<sup>2</sup>. Equivalent costs proposed by BAA for a second terminal at Stansted are approximately €3,500 per m<sup>2</sup> according to BAA's Stansted G2 consultation of December 2005. Users at Stansted consider the costs of G2 to be excessive to meet the needs of its airline users, with a similar composition traffic projected to that projected for Dublin Airport. At the very least, the cost of Terminal 2 as proposed by DAA is 36% too high. If low cost principles were applied, as they should be, costs would be substantially lower. Ryanair considers, based upon its own terminal proposal for Dublin, that sufficient capacity could be provided (i.e., 10 mppa) for approximately €150 million.

There are similar discrepancies in the benchmarked cost of the proposed Pier E. Currie and Brown undertook cost benchmarking work for IATA in connection with the UK CAA's Constructive Engagement process. The benchmark cost which they derived for a pier for low fares airlines, based on a pier at Edinburgh Airport, was around €2,500 per m<sup>2</sup>. This is some 42% less than DAA's cost for Pier D and 35% less than DAA's cost for Pier E. It is 46% less than RR&V's suggested benchmark costs for the construction of piers.

Ryanair considers that substantial further work is required to determine the appropriately efficient costs for development of new capacity at Dublin Airport. Until this is done, it would be inappropriate to give any indication of the extent to which additional costs might be allowed in future Determinations. To do otherwise, would provide a basis for regulatory gaming by DAA to ensure that the CAR was placed in a position where it has no choice but to allow these excessive costs.

To summarise, the costs for Terminal 2 allowed for by the CAR in Draft Determination are too high because:



- the size is excessive because of the fictitious peak profile of traffic being used to design the facility;
- the size is excessive because of over specification of the facilities required for the majority of traffic likely to use the terminal for short haul scheduled flights, for example the provision of deep check-in queuing when most passengers use kiosks or web check-in;
- the specification and cost basis upon which the terminal is being designed.
- The absence of benchmarking with comparable low cost facilities.

### **Excessive Cost of Other Developments**

Many of the concerns expressed about the costs of Terminal 2 apply equally well to the costs of other developments. So far, the CAR has not tackled the need to ensure efficient cost effective investment in facilities such as Pier D. The CAR has also failed to exclude the cost of Pier C which will be redundant under the DAA's planned Terminal 2. These issues now need to be tackled as a matter of urgency. Ryanair would expect that not only would DAA's excess costs not be allowed at the time of the next Determination but that there would be a claw back of excess costs already allowed from the RAB, consistent with those costs which were incurred by DAA beyond the expressed requirements of users through consultation. In other words, Ryanair would expect a  $P_0$  drop to remove from the RAB those capital costs which DAA has unnecessarily and inefficiently occurred which does not meet the needs of users.

There are particular concerns about the T1X development. At present it is being proposed by DAA primarily to reinstate lost retail and catering revenues as a result of the closure of Pier C to enable the construction of Terminal 2. Users have already paid for these retail and catering facilities, which are included in the existing RAB, so users should not have to pay again to replace these facilities simply to reinstate lost income within the single till. Moreover, this facility provides little or no additional passenger processing capacity.

Ryanair strongly opposes any further extension/refurbishment of T1, which according to DAA will cost €400 million, in the context of DAA's stated plans to reduce the capacity of T1 to just 15mppa or by 40% of its existing capacity. Moreover, it is wholly unacceptable for a development to be proposed at a cost €5,499 per m<sup>2</sup>, higher even than the cost basis for Terminal 2. This is simply not appropriate given the predominantly short haul, low fares operations within Terminal 1.

Ryanair has not had time to verify the costs of all other elements of the CIP but the examples above would suggest that substantial further work is necessary to verify the appropriate cost benchmarks before any signals are given to the regulated monopoly about what costs may be allowed into the RAB.

## **The Existing Charges Determination 2006-2009**

Ryanair is aware that there are significant elements of the costs allowed for in the existing 2005 determination which are excessive and are, therefore, presently contributing to inflated airport charges. In particular, the costs of Pier D are excessive to meet the needs of Ryanair, which will be the principal airline user of the pier. Ryanair believes strongly that not only should the additional costs of Pier D, which the DAA has sought to have included within RAB, be excluded but that the allowable costs should be reduced to reflect reasonably benchmarked costs of piers developed to meet the needs of low fares airlines.

It is also inappropriate to allow for the full financing costs of Terminal 2 until such time as the appropriate costs for this facility have been determined. On no account should even the financing costs related to that part of the terminal related to handling demand in excess of 35 mppa or to meet the specific inefficiencies or level of service requirements of Terminal 2 users be included within the RAB. In other words, the three box approach must also apply to financial costs as well as depreciation and within the current Determination period.

As made clear in this submission, there are strong grounds for arguing that the Determination for the period is excessive, not least in the FFO:Debt ratios for the period 2006-2009, which are substantially higher than those upon which the CAR based its earlier Determination. Ryanair believes that this, combined with recovery of excessive costs, will require a downwards adjustment to the cap at the start of the next quinquennium before considering future investment needs. Such  $P_0$  drops are not without precedent in the world of airport regulation having been applied by the UK CAA in some earlier airport reviews.

Of even greater concern are the signals which the CAR is giving in its Draft Determination in terms of how it might proceed in the next Determination. This will leave the CAR open to regulatory gaming by DAA.

Moreover, substantial additional traffic is being delivered by the airlines, over and above that originally forecast by DAA. The majority of this traffic is being generated by Ryanair, through a temporary facility and with no discount for using this very low standard building. Airlines are therefore pay a significantly higher charge than they should be and charges should therefore be reduced during the current regulatory period.

## **Further Considerations before setting the Charges for the period 2010-2014**

It could be argued that many of the issues raised in this submission could be left until the 2010-2014 review to resolve. There are two main reasons why this is not so:

- if costs are being inefficiently and unjustifiably incurred by DAA in constructing Terminal 2 prior to 2009, the financing costs of this inefficient and unjustified expenditure will already have been paid for by users;

- if DAA proceeds with the inefficient investment, as it has with Pier C, Pier D and the new terminal in Cork, and is not given clear signals in the current Determination that it does so entirely at its own risk, it will be almost impossible for the CAR not to allow the expenditure at the next Determination given that one of its objectives is to secure the financial viability of the DAA.

To the extent that the CAR signals any acceptance of a level of cost, there is a real danger that the full and proper consideration of the issues will have been pre-empted. Failure to address these issues head on in the current Decision will simply encourage DAA to engage in regulatory gaming by building an oversized and unnecessary facility to ensure that the CAR has no choice but to allow the expenditure in the 2010 Determination

Ryanair agrees strongly with the statement in the Foreword to CP5/2007 that “*the Commission would expect subsequent investments to give rise to lower or constant charges, in real terms*”, unless specific users state clearly that they are willing to pay directly for additional facilities than included within the base price. This applies not simply to those users which may want facilities at a higher level of service than is acceptable for the majority of passenger traffic using the Airport, such as facilities for first and business class passengers, but where an airline’s pattern of operation gives rise to inefficient use of facilities and demand for excess capacity. These considerations apply equally to Terminal 2 phase 1 as to any subsequent developments.

In principle, Ryanair supports the unitisation of depreciation to ensure that costs are spread across all users over the longer term on an equal basis as demand at Dublin Airport grows. Ryanair is, however, profoundly concerned at the suggestion, at page 127 of the Draft Determination, that the Commission may adjust depreciation rates in future to ensure DAA’s financial viability. This appears to indemnify DAA against any risk of imprudent or inefficient investment and to transfer the risk of such investment entirely to the airline users, who do not have such a cushion. Such injudicious promises have the effect of encouraging DAA to indulge in regulatory gaming. This applies equally to the suggestion (page 19 of the Draft Determination) that it should retain the benefit of any savings in the cost of capital projects unless the CAR is absolutely satisfied that the costs are reasonable, having regard to the type of traffic expected to use Dublin Airport.

Ryanair notes that the CAR’s financial model includes substantial costs for non-T2 projects, the details of which are not in the CIP and upon which users have not been consulted at all. These costs are also a major contributory factor to the proposed increased charges in the next Determination period. It is wholly inappropriate for the CAR to be signalling a price increase which has these costs implicit within it at this stage. Again, to do so would give the wrong investment signals to DAA and encourage further inefficiency and regulatory gaming by effectively endorsing the proposed investment, the substance of which users have not even been told about, with the exception of the new runway.

York Aviation has used the CAR's model to demonstrate the impact of correcting these factors, i.e.:

- Terminal 1 capacity at 25 mppa
- Ceiling on the eastern campus of 35 mppa
- Terminal 2 costs limited to €150 million for 10 mppa
- Other costs limited to €70 million per annum, plus the cost of the new runway.

The progressive impact of these adjustments is shown in the attached slides and indicates that there should be a substantial reduction in airport charges if the CAR properly regulates DAA and only allows it to recover for expenditure on facilities that actually meet the requirements of users. Ryanair considers that this analysis represents the basis upon which the Determination for 2010-2014 should be approached. To signal otherwise now would be a regulatory failure on a monumental scale as it would entirely prejudge proper consideration of the issues at the next review.

The analysis supplied by the CAR suggests that not only will DAA be substantially better off than expected at the time of the last Determination during the remainder of the period to 2009 (Figure 10) but the assumed FFO:Debt ratio in the draft Determination for 2010 to 2014 is higher (17.6%) than assumed by the CAR to be necessary (16.5%) in its 2005 Determination (Figure 11). No justification is given for this and Ryanair will expect this to be adjusted downwards to no greater than the level at the time of the last Determination.

In summary, Ryanair considers the CAR has a duty to ensure that:

- mechanisms are put in place to enforce effective consultation with users at Dublin Airport, including attendance by the CAR at consultation meetings;
- cost benchmarks appropriate to the mix of traffic at Dublin are used, with clear signals given to DAA that any costs in excess of these benchmarks are at its own risk;
- it does not give signals and guarantees to DAA which effectively encourage or legitimise inefficiency and regulatory gaming in terms of expenditure leading to inclusion of investment in the future RAB.

### **Proposed Actions**

Based on the above, we expect the CAR's Final Decision on the review of the 2005 Determination to:

1. *Permit DAA only to recover the financing costs on 10 mppa worth of capacity in T2, given the current planning restrictions on the Eastern Campus, taking into account the 25 mppa threshold of capacity provided by Terminal 1;*
2. *Permit DAA only to recover reasonable costs for T2, i.e., no more than €150 million necessary to build a 10 mppa terminal facility;*
3. *Require Aer Lingus and any other T2 users to pay for the cost of T2. Ryanair's passengers should not be forced to cross subsidise a terminal they will never use;*
4. *Claw back the cost of the €150m., 7-year old Pier C, which will now become redundant under DAA's plans for T2.*
5. *Claw back the excessive financing costs allowed in the current regulatory determination;*
6. *Claw back the grossly excessive costs of Pier D and other projects when benchmarked against other low cost developments elsewhere in Europe;*
7. *Disallow any future projects that do not meet the reasonable requirements of users, following proper consultation, and that do not have the agreement of the majority of airport users.*
8. *Provide for strict requirements regarding information disclosure, including the independently verified costs of each project, by the regulated monopoly and actual consultation with users regarding all of the options;*
9. *Attendance by the CAR at all future consultation meetings to ensure that the regulated monopoly is properly consulting with users.*



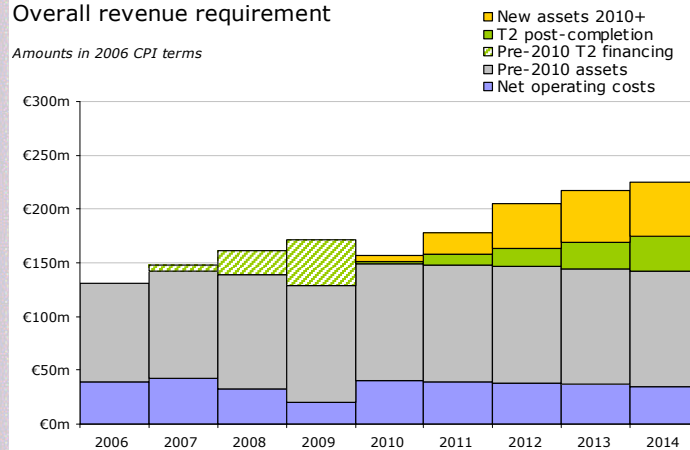


# York Aviation

**T1 capacity adjusted to 25 mppa, capacity capped at 35 mppa in line with FCC planning condition**

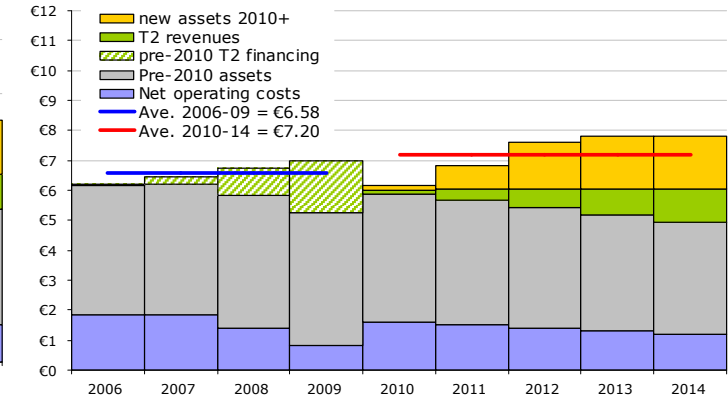
Overall revenue requirement

Amounts in 2006 CPI terms



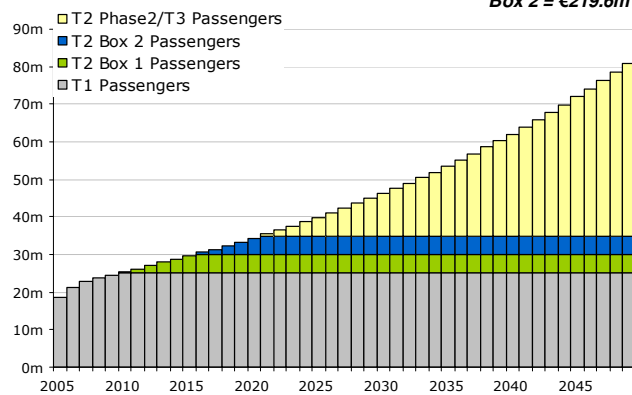
Possible airport charges per pax

Amounts in 2006 CPI terms



Passenger split at time of T2 decision

□ T2 Phase2/T3 Passengers  
 ■ T2 Box 2 Passengers  
 ■ T2 Box 1 Passengers  
 ■ T1 Passengers



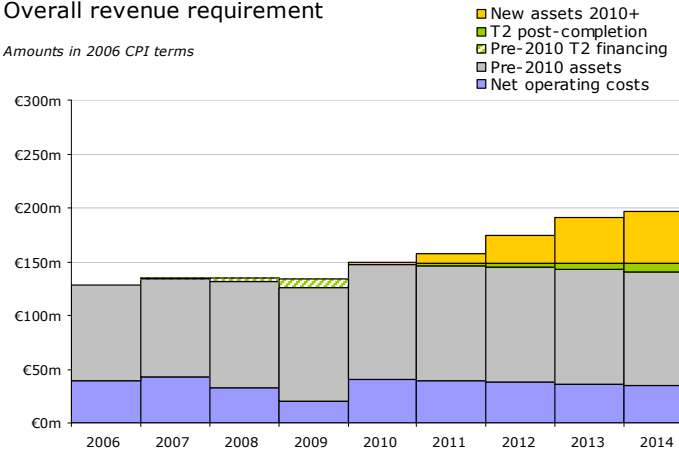


# York Aviation

**T1 capacity adjusted to 25 mppa, capacity capped at 35 mppa in line with FCC planning condition, T2 initial expenditure limited to €150m**

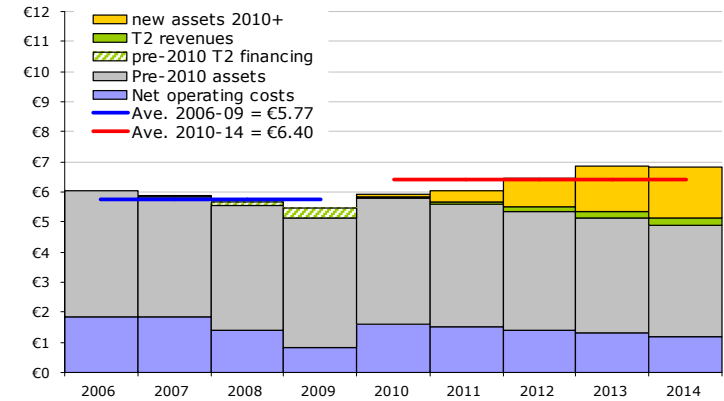
Overall revenue requirement

Amounts in 2006 CPI terms

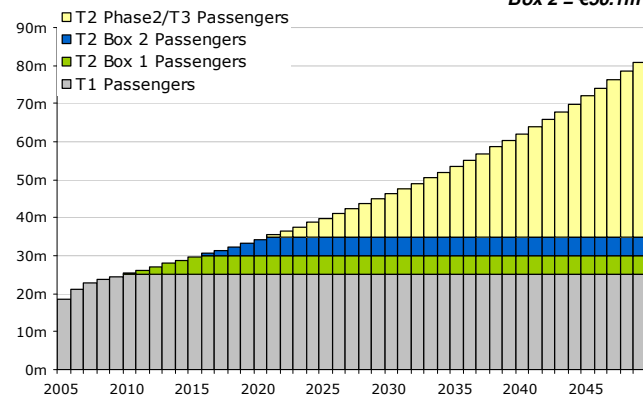


Possible airport charges per pax

Amounts in 2006 CPI terms



Passenger split at time of T2 decision

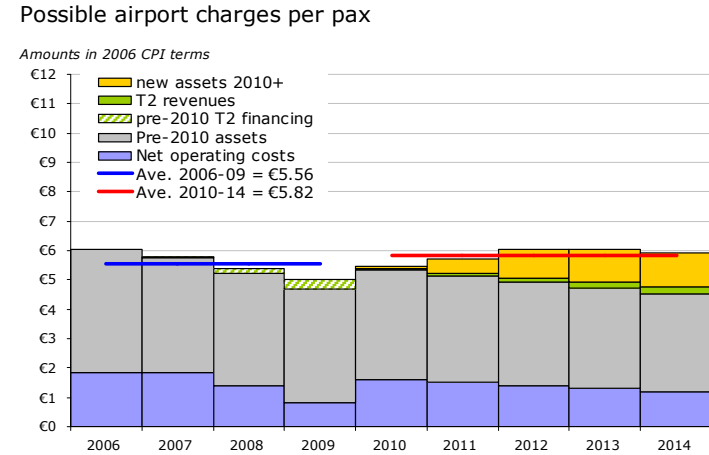
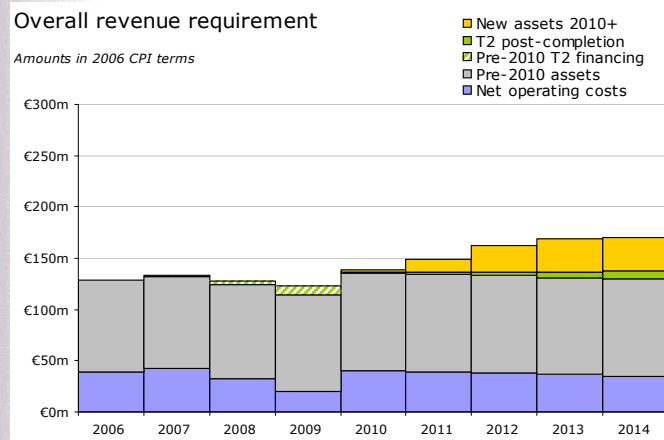






# York Aviation

**T1 capacity adjusted to 25 mppa, capacity capped at 35 mppa in line with FCC planning condition, T2 initial expenditure limited to €150m, other expenditure limited to €70m per year plus €200m for the new runway**



Passenger split at time of T2 decision

