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Sent via email: consultation@iaa.ie

17 September 2026

**British Airways response to the Irish Aviation Authority (IAA)'s
Draft Determination on Maximum Levels of Airport Charges at Dublin Airport for
2027-2031**

Dear Adrian

British Airways (BA) welcomes the opportunity to respond to the IAA's Draft Determination on Maximum Levels of Airport Charges at Dublin Airport for the period 2027-2031 (the Draft Determination).

BA fully endorses the detailed submissions made by our parent company, International Airlines Group (IAG), as well as the other IAG airlines, namely Aer Lingus, Iberia and Vueling.

BA operates at a number of airports subject to economic regulation and is currently engaged in the UK Civil Aviation Authority's H8 price control review (2027-2031) for Heathrow, our hub airport. We bring that perspective to the Dublin price control and to other major price control reviews currently underway. Many of the issues under consideration are common across European regulatory frameworks. Consistency and predictability in how those issues are addressed are therefore important, and BA seeks to take a consistent approach across the regulatory processes in which it participates.

We commend the IAA for the rigorous, evidence-based approach it has taken to date, its use of expert advice on important elements of the price control, and its engagement with users throughout the process. In our view, the Draft Determination is generally heading in the right direction, seeks to strike an appropriate balance between the interests of users and the need to ensure financeability, and reflects a number of principles consistent with good regulatory practice and the IAA's statutory duties. However, further improvements are required in a number of areas to strengthen the Final Determination, and these are addressed in this response.

Given that the **Weighted Average Cost of Capital (WACC)** is one of the most material drivers of the price cap, it is crucial that the assessment of beta reflects the actual level of systematic risk faced by Dublin Airport. In our view, this requires appropriate recognition of the

significant risk mitigants embedded within the regulatory framework. These include the reduction in systematic risk associated with the single-till model, as well as protections against a range of risks through mechanisms such as the pre-funding of triggered capital investment and the IAA's ability to reopen the determination in the event of extreme circumstances. In our view, those systematic risk reductions ought to be addressed through a relative risk adjustment.

We highlight in this regard the academic work undertaken by Professor Robin Mason for the airline community in the Heathrow H8 context which proposes a framework to adjust comparator airport group betas to reflect Heathrow's reductions in systematic risk in relation to traffic protections and single till. Similar considerations are relevant in the Dublin context and should be taken into account when assessing the appropriate beta for Dublin Airport.

We also note European regulatory precedent recognising that comparisons with large diversified airport groups, such as AENA and ADP, may introduce an upward bias into beta estimates given the influence of international airport investments, non-regulated activities and broader commercial portfolios that are not representative of the risks faced by a stand-alone regulated airport.

On **traffic forecasts**, we strongly support the IAA's independent and evidence-based approach and its decision to reject Dublin Airport's proposed shock factor and Asymmetric Risk Allowance. In our view, the Draft Determination rightly avoids introducing additional upward adjustments that are not supported by the available evidence and which would risk biasing the regulatory framework in favour of the airport. We also support the refinements to the traffic forecast proposed by Aer Lingus's consultants, Skylark, which we consider would further improve the robustness of the forecast.

More broadly, we support the IAA's approach to OPEX, including its application of a base-step-trend methodology, its closer scrutiny of key areas of expenditure and its proposed ongoing efficiency challenge. In our view, these features are consistent with good regulatory practice and align with approaches being applied by other regulators, including the UK CAA in its Heathrow H8 review.

We would welcome the opportunity to discuss the matters raised in this response with the IAA.

Yours sincerely,

Michael Petrides

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British Airways Plc

1. Approach

- 1.1. BA welcomes the overall regulatory approach adopted by the IAA in the Draft Determination. In particular, we support:
 - i. the use of a building-block, RAB-based framework to set the price cap;
 - ii. the continued application of the single-till model, which remains the approach most likely to replicate the outcomes of a competitive market and ensure that commercial revenues are used to benefit consumers; and
 - iii. a five-year regulatory period, with risks allocated predominantly to Dublin Airport as the party best placed to manage them.
- 1.2. We note the proposed use of capital triggers to link allowances to the actual delivery of capital expenditure. However, we have concerns about the use of pre-funding in determining the timing of those allowances. The interaction between pre-funding, risk allocation and the appropriate cost of capital is an important consideration and is discussed further in the WACC section of this response.
- 1.3. We also invite the IAA to give further consideration to the approach adopted for rolling forward the RAB, including the treatment of RAB indexation. We elaborate on this issue further in the WACC section of this response.

2. Traffic

- 2.1. BA strongly supports the IAA's decision to rely on its own independent traffic forecasts and, in particular, its decision to reject Dublin Airport's proposed asymmetric risk allowance for both extreme and transient traffic shocks. We are broadly supportive of the IAA's overall forecasting approach but consider that a number of refinements proposed by SkyLark, Aer Lingus's independent consultants, would further strengthen the robustness of the forecast. In particular, we support:
 - i. the use of the 1995-2025 dataset when estimating the econometric relationship between GDP/GNI and passenger volumes, given the stronger statistical relationship and lower standard error observed
 - ii. placing less weight on Eurocontrol forecasts and greater weight on the IAA's own demand-led forecasting model
 - iii. using the latest available GDP forecasts when updating the traffic forecast for the Final Determination, given current market conditions
 - iv. using 2026 as the baseline year for traffic forecasting.
- 2.2. In our view, these refinements would improve the robustness of the traffic forecast while remaining consistent with the IAA's evidence-based approach.

Asymmetric risk allowance

- 2.3. BA fully endorses the IAA's decision to reject Dublin Airport's proposed asymmetric risk allowance for extreme and transient traffic shocks. We agree with the IAA that such an adjustment is not justified for the following reasons:
- i. **Risk should be assessed across the price control as a whole.** The impact of traffic risk cannot be considered in isolation. The overall balance of risk and return must be assessed across the full package of the regulatory building blocks
 - ii. **Industry resilience has improved significantly.** The resilience of both airlines and airports to traffic shocks has improved materially in recent years, reflecting the experience gained through the pandemic, geopolitical disruptions and the adaptation of business models, financial planning and operational arrangements.
 - iii. **Any assessment of risk must consider upside as well as downside outcomes.** Risk is inherently two-sided and should not be assessed solely by reference to downside scenarios. During the current regulatory period, traffic at Dublin Airport has exceeded forecast levels and Dublin Airport has retained the benefit of that outperformance. It would therefore be inappropriate to recognise downside risk while disregarding the potential for upside outcomes.
 - iv. **Extreme events are already addressed within the regulatory framework.** The IAA has indicated that it may reopen the determination in the event of exceptional circumstances. This provides an appropriate mechanism to address genuinely extreme events. Introducing an additional allowance for the same category of risk would risk overcompensating Dublin Airport and amount to double counting.

3. Operating costs

- 3.1. We welcome the IAA's base-step-trend approach, under which the efficient operating cost baseline is developed through a bottom-up assessment and cross-checked against top-down benchmarks. We also welcome the greater scrutiny applied by the IAA to areas where Dublin Airport has proposed material cost increases. For example, we note through its detailed efficiency assessment, the IAA has been able to identify and reduce DUB's proposed 2031 opex by some € 55 million (real).
- 3.2. We broadly support the analysis and conclusions reached by the IAA and its consultants. However, there remain a number of areas where we believe further improvements are required to strengthen the Final Determination. These have been set out in detail by Aer Lingus's external advisers, Clarity and Grant Thornton, and include:
- i. Security
 - CEPA's model should fully reflect the productivity improvements expected as the C3 operating model matures, and these efficiencies should be appropriately reflected in staffing requirements.

- The IAA should also provide further explanation of the assumptions adopted for staff non-availability (28%) and roster coverage (12%), given the material impact of these assumptions on overall staffing levels and associated costs.
- ii. Facilities and cleaning
- It is unclear why the IAA has adopted the midpoint between CEPA's efficient FTE baseline and Dublin Airport's proposed FTE requirement. Given that the purpose of the exercise is to establish an efficient baseline, greater weight should be placed on CEPA's independent assessment unless there is compelling evidence to support an alternative approach.
- 3.3. We welcome the introduction of an ongoing efficiency challenge. It is reasonable to expect the efficiency frontier to improve over time as a result of technological advancements, improved working practices and operational learning. We also support the proposed efficiency challenge of 1% per annum, which is consistent with the approach adopted by the UK CAA in its Initial Proposals for Heathrow's H8 price control. In our view, this represents a reasonable and proportionate assumption and should, at a minimum, be maintained in the Final Determination.
- 3.4. We note the IAA's observation that Dublin Airport has focused on quantifying the operating expenditure increases associated with capital investment, but has provided less evidence on the scope for those investments to reduce operating costs. Where capital projects generate efficiencies, there should be a clear mechanism to ensure those benefits are reflected in expenditure allowances and shared with users.
- 3.5. We also support the IAA's decision not to broaden the scope of pass-through costs. Such mechanisms should remain exceptional, given their potential to dilute efficiency incentives and weaken the discipline normally provided by the price control framework.

4. Commercial revenues

- 4.1. BA welcomes the IAA's more granular approach to the assessment of commercial revenues. In particular, we support the use of disaggregated revenue streams, category-specific elasticities, and the separate identification of baseline adjustments and CIP-related uplifts.
- 4.2. Commercial revenues are a particularly important component of the single till framework and therefore require careful scrutiny. Dublin Airport has consistently and materially outperformed commercial revenue forecasts in previous regulatory periods. The Final Determination should therefore ensure that commercial revenue assumptions are sufficiently stretching and fully reflect the evidence available, so that consumers appropriately benefit from expected growth in these revenues.
- 4.3. We also support the improvements proposed by Aer Lingus in its submission. In particular, we encourage the IAA to:

- i. **Increase its direct retail uplift assumptions for the T2 redevelopment.** The current approach applies a lower uplift to T2 than to T1, despite the passenger mix at T2 suggesting a greater potential for commercial revenue growth.
 - ii. **Include a trend factor within its food and beverage forecasts.** While the IAA identifies Model 2 as the preferred specification, including an elasticity of 0.94 and a 1% trend factor, the latter does not appear to be reflected in the subsequent forecast. Targeted uplift assumptions and an ongoing trend factor capture different effects and should both be reflected in the Final Determination.
 - iii. **Ensure that the additional revenue associated with the new Pier 3 upper-level lounge is fully captured within the commercial revenue forecasts.** The expected benefits of the project should be reflected appropriately in the revenue assumptions adopted for the Final Determination.
- 4.4. These refinements would improve the robustness of the commercial revenue forecast and help ensure that the benefits of future commercial revenue growth are appropriately reflected in airport charges and shared with users.

5. Weighted Average Cost of Capital (WACC)

- 5.1. We support the analysis and recommendations set out in CEPA's WACC report prepared for Aer Lingus on the IAA's Draft Determination. The report provides a detailed assessment of each parameter of the WACC that we encourage the IAA to have regard to in its analysis for the Final Determination. In addition, we invite the IAA to consider the following issues, which we believe are also relevant to establishing a cost of capital that more accurately reflects Dublin Airport's risk profile:

Beta: Relative Risk Adjustment

- 5.2. We note that the estimation of the asset beta is based on the average of the two-year and three-year betas of a selected group of listed European airports (ADP, Fraport, AENA and Zurich). However, all of these airports operate under hybrid or dual-till regulatory frameworks, whereas Dublin Airport operates under a single-till model. Given that the single-till model provides an important reduction in systematic risk, we consider it important that the assessment of beta appropriately reflects the lower level of systematic risk faced by Dublin Airport. Similar considerations arise from other features of the regulatory framework, including the pre-funding of triggered capital investment and the IAA's ability to reopen the determination in the event of extreme circumstances, both of which provide additional protections against risk. In our view, the IAA should undertake an explicit adjustment to reflect these differences in systematic risk.
- 5.3. As part of the airline community's submission to the UK CAA's Heathrow H8 Initial Proposals, IATA commissioned Professor Robin Mason (University of Birmingham and Ordinary Member at the UK Competition Appeals Tribunal) to assess the relative risk differentials between Heathrow and the comparator airports used in the estimation of beta. Given that the UK CAA relied on a comparator set that is broadly

similar to that used by the IAA, and that both Heathrow and Dublin Airport operate under a single-till framework, we consider Professor Mason's analysis to be relevant in the Dublin context. In particular, it provides a structured approach to adjusting comparator betas to reflect differences in systematic risk arising from regulatory design, including the risk-sharing benefits associated with a single-till regime.¹

- 5.4. Professor Mason finds that the single-till model is one of the clearest and most relevant differences in systematic risk between Heathrow and the comparator airports, most of which operate under dual-till frameworks. In Professor Mason's view, the single-till model mitigates Heathrow's exposure to the equity consequences of traffic-driven commercial revenue shocks as those revenues are periodically reset at every price control, and therefore reduces the sustained commercial gains and losses that are retained by equity investors.
- 5.5. Professor Mason argues that this adjustment can already be done via the formula implied by the CAA's calculation of the reduction to Heathrow's asset beta from the application of the Traffic Risk Sharing mechanism². According to this "reduced form" formula, the reduction in Heathrow's risk differential compared to utility networks (β_N) brought about systematic risk reductions is subtracted from Heathrow's pre-adjustment beta calculated from the comparator airports (β_0). The extent of the reduction in HAL's risk is determined by the extent of the protections to traffic risk-exposure (t) (such as through capacity constraints) and by the extent to which Heathrow's traffic-related equity risk is mitigated by the framework, rather than being borne by investors (r) (such as through single till).

$$\beta = \beta_0 - tr(\beta_0 - \beta_N).$$

Source : Professor Robin Mason based on CAA's H8 Initial Proposals

- 5.6. Indeed, the approach recognises that airports are more traffic-exposed than utilities and that Heathrow sits somewhere between them owing to its protections due its capacity constraints, Traffic Risk Sharing mechanism and single till. Higher t and r factors mean Heathrow should be moved further away from the raw airport comparator and further toward the utility benchmark because Heathrow is not fully airport-like in its traffic sensitivity and because equity shocks are absorbed by the regulatory framework.
- 5.7. A similar approach can be applied for Dublin Airport. In particular, the reduction in systematic risk arising from the single-till model ought to be factored in when assessing the appropriate beta. We refer the IAA to Professor Mason's report for a detailed explanation of the approach and its quantification.
- 5.8. In addition to single till, we note that ADP, Fraport, AENA and Zurich operate diversified airport groups with international airport investments, non-regulated activities and broader commercial portfolios. As recognised by other European airport charge regulators, reliance on such comparators may introduce an upward

¹ Mason, R. (2026), *Heathrow Asset Beta: Relative Risk Calibration and the Impact of the Regulatory Framework*, report prepared for the Airline Community in response to the UK CAA's Heathrow H8 Initial Proposals, May 2026, available [here](#).

² See Initial Proposals, Table 9.7.

bias into beta estimates, as these activities are not representative of the risks faced by a stand-alone regulated airport such as Dublin Airport.

- 5.9. We draw specific attention to the recent opinion by the French Transport Regulatory Authority (ART) on the upcoming regulatory agreement at AdP (Paris Airport). The ART identifies the inherent upward bias in the comparison of AdP to airport groups with holdings in international airports such as AENA, Fraport and Zurich – which together with AdP are the same comparators the IAA uses in the peer group for estimating Dublin Airport's beta. The ART also underscores that, due to those activities, the overall risk profile may exceed that of the regulated activity alone and proposes how to adjust for that risk.

French ART opinion on AdP Economic Regulation Agreement 2027-2034, April 2026

"[T]he choices made by ADP in estimating the beta also result in a high end of the range. The sample of comparables selected, comprising AENA, ADP, Fraport (Frankfurt) and Flughafen Zürich, appears to be both particularly limited and focused on companies engaged in diversified activities, including in particular commercial activities or holdings in international airports.

*The Authority points out that a broader and more balanced sample, including operators with a narrower scope of activities, **provides a more accurate estimate of the risk within the regulated sector by limiting the upward bias associated with diversified groups.***

[...]Furthermore, listed airport groups most often engage in diversified activities, including in particular commercial activities or international investments, the overall risk profile of which may exceed that of the regulated sector alone."³ (our emphasis in bold)

- 5.10. In summary, we encourage the IAA to reflect the reduction in systematic risk arising from Dublin Airport's single-till framework through an appropriate adjustment to the comparator beta estimates. We also encourage the IAA to take account of the fact that a number of the selected comparators are diversified airport groups whose international investments and broader commercial portfolios may result in higher levels of systematic risk than those faced by Dublin Airport.
- 5.11. Similar considerations arise from other features of the regulatory framework, including the pre-funding of triggered capital investment and the IAA's ability to reopen the determination in the event of extreme circumstances, both of which provide additional protections against risk. This may in turn justify selecting a point estimate in the WACC range lower than the mid-point.

³ Autorité de Régulation des Transports (ART) (2026), *Opinion on the draft Economic Regulation Agreement of Aéroports de Paris (ADP) for 2027-2034*, 20 April 2026, paragraphs 233-235, available [here](#).

WACC and triggered projects

- 5.12. We note that the IAA applies a different WACC to triggered capital projects. However, this does not appear to constitute a “new” WACC to reflect any difference in the underlying risk profile of those projects. Rather, it reflects an assumption that triggered projects will be financed using new debt, thereby altering the relative proportions of embedded and new debt within the overall WACC calculation.
- 5.13. Moreover, it is our understanding that, had the cost of new debt been lower than the cost of embedded debt, the same methodology would have resulted in a lower WACC being applied to triggered projects. This suggests that the distinction is driven by financing assumptions rather than any assessment of incremental risk associated with the projects themselves.
- 5.14. The Final Determination should therefore clarify that the use of capital triggers does not alter the underlying risk profile of Dublin Airport.

‘Aiming up’

- 5.15. We support the IAA's proposal not to apply an aiming-up allowance. For the reasons set out in the Draft Determination, we do not consider such an adjustment to be justified. Indeed, there are features of the regulatory framework that point in the opposite direction.
- 5.16. In particular, the pre-funding of triggered capital investment allows funding to be recovered from users in advance of expenditure being incurred, rather than requiring shareholders to provide capital upfront and bear the associated financing risk. This represents a material risk mitigant and would not ordinarily be available in a competitive market. As noted above, together with other protections within the regulatory framework, this may justify selecting a point estimate below the midpoint of the available WACC range.

RAB indexation

- 5.17. The IAA calculates the WACC on a real basis. When estimating the cost of embedded debt, it converts a nominal cost of fixed-rate debt into real terms using forecast inflation assumptions. At the same time, the RAB is rolled forward using outturn inflation. This creates the potential for windfall gains or losses where outturn inflation differs materially from forecast inflation.
- 5.18. This issue arose at Heathrow, where the airport benefited materially from the divergence between forecast and outturn inflation, particularly since the inflationary shock brought about by the Russia-Ukraine war. In response, the UK CAA is consulting on a proposal under which the portion of the RAB financed through fixed-rate debt would be indexed using the same inflation assumption used to convert fixed-rate debt costs into real terms⁴. The IAA may wish to consider a similar approach for the Final Determinations or as part of a future review of the framework.

⁴ UK Civil Aviation Authority (2026), *H8 RAB Indexation and Allowed Return on Debt*, consultation document on policy options, August 2026, available [here](#).

Avoiding perverse incentives

- 5.19. To the extent that a higher cost of debt is applied to triggered projects, Dublin Airport may have an incentive to prioritise expenditure delivered through the trigger mechanism, as this would attract a higher allowed return. This would appear inconsistent with the rationale for the adjustment, which is intended to reflect financing assumptions rather than any difference in underlying risk.
- 5.20. The IAA should therefore consider appropriate safeguards. As suggested by Aer Lingus, the IAA could apply the higher cost of debt only to capital expenditure that is genuinely incremental to the baseline programme, require reasonable delivery of the untriggered programme before Trigger A activates, and/or periodically retest the aggregate Capex condition. This would ensure that the adjustment reflects genuine financing requirements rather than creating incentives to favour triggered investment.

6. Capital expenditure

- 6.1. We welcome the IAA's detailed assessment of Dublin Airport's CIP as it seeks to establish an efficient level of capex for the next regulatory period. We also support the distinction between triggered and untriggered expenditure as a means of addressing Dublin Airport's historical under-delivery of capital investment. By linking remuneration more closely to delivery, the trigger mechanism helps strengthen accountability and ensures that users fund capital expenditure only once it has been delivered. We also support the comments made by Aer Lingus in relation to the level of capital allowances and the deliverability of the proposed programme.

Clawback

- 6.2. We fully support the need for a clawback, given that Dublin Airport received allowances for capital expenditure that was ultimately not delivered. We note the IAA's estimate of a clawback of € 161.7 million and its proposal to recover this amount during the 2027-31 period. In this regard, we encourage the IAA to take into account the following considerations:
- i. **Phasing.** We encourage the IAA to bring forward the clawback to earlier in the regulatory period. As the adjustment relates to allowances provided in the previous price control, it is reasonable that consumers receive the benefit of the correction as soon as practicable.
 - ii. **Time value of money.** If the IAA retains its proposal to back-end load the clawback, it should take account of the time value of money associated with the delay in returning funds to users.
 - iii. **Outperformance against an inflated price cap.** The allowances associated with undelivered capital expenditure would have increased the allowed revenue and, consequently, the price cap during the period. Given that outturn traffic exceeded forecast levels, Dublin Airport will have benefited from this through higher revenues than would otherwise have been the case. While we do not seek

to revisit the allocation of traffic risk, we do not consider that Dublin Airport should retain any benefit arising from capital expenditure that was not delivered.

Capital triggers

- 6.3. We welcome the additional safeguard that Capital A triggers apply only where annual capital expenditure exceeds €570 million. This helps ensure that the trigger mechanism is linked to genuinely incremental investment requirements rather than being applied automatically.
- 6.4. While we recognise that the IAA's prefunding approach provides an additional degree of protection to Dublin Airport, as discussed in the aiming-up section of this response, we support Aer Lingus's proposal to revisit the 79% prefunding allowance. In our view, the allowance appears to be based on a highly conservative set of assumptions, including the full delivery of the capital programme, reductions in commercial revenues, limited scope for cost mitigation by the airport, no shareholder equity contribution and restrictive assumptions regarding financing flexibility such as credit rating agency rigidity. The IAA should therefore consider whether a lower level of prefunding would be sufficient to achieve its financeability objectives.

7. Quality of service

- 7.1. BA supports Aer Lingus' views on the IAA's Draft Determinations proposals for Quality of Service. In addition, we reiterate our long-standing position that there should be no upside service quality incentives. We do not agree with the principle of Dublin Airport receiving additional remuneration for delivering service standards that should be expected of a monopoly airport infrastructure provider and which users already fund through airport charges. In our view, the purpose of the service quality framework should be to protect users from poor performance through appropriate penalties rather than reward the airport for meeting expected standards.