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The Times Building, 11-12 D'Olier Street  
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August 1st, 2025

Re: IAA Consultation on Revised Draft RP4 Performance Plan (2025–2029) and 2024 Actual Costs

Dear Adrian,

Aer Lingus welcomes the opportunity to respond to the Irish Aviation Authority's consultation on the revised draft RP4 Performance Plan and the 2024 actual costs, published on 9 July 2025.

Aer Lingus remains committed to engaging constructively with the IAA and other stakeholders to ensure the delivery of a performance framework that supports operational efficiency, cost-effectiveness, and sustainable growth over the RP4 reference period.

Like the IAA, we place the highest priority on the safety and resilience of our airspace. However, that does not mean that ANS providers should be any less cost efficient than the competitive airlines and their passengers for the benefit of whom they provide their services.

### **Comments on 2024 Actual Costs**

At a headline level, it is encouraging that, once adjusted for higher-than-expected inflation, actual 2024 costs appear broadly aligned with the Performance Plan. We also welcome the IAA's decision to impose a financial adjustment on ANI for failing to meet the arrival ATFM delay target. This sends an important signal that performance-targets are being taken seriously, and that users should receive the level of service for which they pay.

However, this aggregate picture conceals some more challenging underlying trends. We have consistently raised concerns that the current cost settlement is overly generous. As such, the fact that en route costs are only marginally aligned with the Plan in real terms should not be seen as a success, but rather as a missed opportunity to improve cost efficiency.

Moreover, the apparent headline alignment does not confirm that all cost components are subject to the same inflationary pressures. The fact that applying a single inflation index to all nominal costs happens to result in real costs approximating the Plan should not be mistaken for evidence of improved efficiency across the board.

A closer examination of the data presents a more concerning picture. The IAA itself acknowledges that en route costs are 0.2% above the determined level. These costs should only be rolled into the RP4 baseline if they can be demonstrably justified as efficient.

We would particularly highlight the following areas of concern:

#### **1. Labour Costs**

Wage costs are rising significantly. ANI's nominal wage costs are now 15% above the determined level, and MET ASD's are 34% higher. This raises questions about cost discipline and the effectiveness of controls on headcount and pay growth.

#### **2. Operating Expenditure**

Broader operating costs are also running high, NSA/State costs are 26% above the determined level, and MET ASD's operating costs have increased by 32%.

### **3. Underrealised Investment Benefits**

Despite capital expenditure commitments, expected efficiencies have not been fully delivered. MET ASD, for example, has not reduced staffing levels due to limitations in its weather observing system diminishing the value of planned automation (as noted on page 6 of the IAA's document). Similar delays and under-delivery are also visible at ANI.

While these pressures may be obscured by inflation adjustments and stronger performance on terminal costs, they are material and must not be overlooked. The forthcoming revision to the RP4 Performance Plan provides an opportunity for the IAA to undertake a comprehensive reassessment of performance and to recalibrate the cost base accordingly. This should include a firmer emphasis on efficiency, clearer incentives, and stronger accountability going forward.

### **Revised Draft Performance Plan**

Aer Lingus acknowledges the considerable work undertaken by the IAA in preparing the revised draft RP4 Performance Plan. We recognise the IAA's efforts to respond constructively to the PRB's request for a more robust and efficient submission.

We also again acknowledge the extensive and diligent work in preparing the initial draft Performance Plan. We recognise the efforts made in line with the key objectives of IAA in this case – to set fair and reasonable prices and to incentivise value amelioration. The initial draft included reductions from AirNav's proposal in most areas including staff costs, other operating costs, its capital programme and cost of capital.

We were not surprised by the PRB's decision to reject the initial draft of the RP4 plan. As highlighted in our submission of August 2024, we believed the original plan was overly generous and inconsistent with the Union-wide unit cost (UC) target of - 1.2% per annum. We questioned whether the emphasis on capacity to the detriment of cost efficiency was reasonable, given the good capacity performance and the failure to meet the cost efficiency targets. We understand that the PRB agreed with our concerns, and we are grateful to the PRB for acting in the interests of airspace users and passengers by requesting a revised submission that better aligns with the Single European Sky performance framework.

### **Support for Scenario 1.3**

In the light of these concerns and the feedback of PRB, we were surprised not to see any scenarios proposed that met the cost efficiency targets. It would have been useful to assess such a scenario to fully understand the make-up of a compliant plan and the impact this would have had on proposed capacity measures and on performance.

Of the scenarios proposed, Aer Lingus supports Scenario 1.3 as the most appropriate and balanced option. In our view, Scenario 1.3 offers the best path toward delivering the required improvements in capacity, accountability, and performance delivery whilst to some extent mitigating the continued failure to hit cost efficiency targets through various adjustments to cost and baseline plus a more realistic approach to AirNav's investment plan.

Scenario 1.3 provides a more realistic basis for a revised RP4 plan that reflects traffic trends, enhances value for money for users, and ensures that ANS providers are incentivised to operate at efficient cost levels. We agree with the IAA's rationale for not updating the traffic forecasts as set out in the proposal. While it is preferable to use the most recent forecast there are specific factors that make the use of the STATFOR February 2025 traffic forecast inappropriate. This forecast is artificially understated due the

imposition of a seat cap at Dublin Airport in Winter 2024/25, since stayed and no longer applied. It is also understated due to a temporary shift in transatlantic flows in 2024, which has since reverted. The forecast does not reflect the reality of 2025 realised demand. Using this forecast which artificially limits Dublin Airport capacity would require IAA to comprehensively reassess the effect of this constraint on all the other building blocks and require completely revised business plans from the ANS providers.

We understand from the IAA that there is a reasonable case for a further 10% reduction in the allowance for AirNav's new RP4 investments, on top of the initial proposal's 20% blanket reduction. Assuming that our understanding is correct and that this reflects a reasonable expectation of AirNav's capital programme delivery, we support this further reduction.

On the other hand, we are disappointed that the cost efficiency targets have not been met and encourage the IAA and AirNav to take a cost-focused approach across the remainder of RP4 to identify efficiencies and opportunities to achieve a compliant cost trajectory. This should be supported by derived efficiencies from planned investments.

### **Capital Investment Programme**

We remain concerned that the proposed capital investment plan has been revised primarily through top-down reductions, rather than through a structured prioritisation process. A more appropriate and robust approach would involve a bottom-up review, identifying investments that are essential to safety, regulatory compliance, operational efficiency, or measurable passenger benefits.

We recommend that the IAA:

- Apply clear and objective criteria to project selection (e.g., legal/safety obligations, demonstrable ROI).
- Introduce post-investment assessments to verify the delivery of benefits as promised to airlines and passengers.
- Avoid including projects with a history of delay or underperformance unless accompanied by clear recovery plans.

Given the historic challenges with benefit realisation, this more targeted and disciplined approach to capex would significantly improve value for money and overall plan credibility.

### **Incentive Schemes**

We welcome, in principle, the IAA's proposal to introduce two new capacity-based incentive schemes. We recognise that, in a monopoly environment, well-calibrated regulatory incentives can play an important role in encouraging efficient service delivery.

That said, the current proposals would benefit from further refinement. In particular:

- The focus is currently on inputs (e.g., hiring targets) rather than outcomes or service-level performance. A shift towards outcome-based measures would reduce the risk of perverse or inefficient results.
- The link between staffing, capacity, and traffic forecasts needs further clarification and validation.
- We urge the IAA to clarify that these schemes are temporary, reflect the failure of ANS providers to plan and recruit adequately, and should not be used to justify changes to the WACC or the risk profile of the providers.

### **Terminology – “Penalties”**

Throughout the consultation documentation, the term *penalties* is used to describe service-level adjustments. We respectfully suggest this terminology is unhelpful. These are not punitive sanctions but repayments or revenue adjustments resulting from failure to deliver contracted services, standard

mechanisms in performance-based regulation. They are designed to align incentives with user outcomes and should be described accordingly.

## Regulatory Principles

We share the IAA's view that regulatory certainty and a holistic review are important features of a stable regulatory framework. However, the application of these principles must reflect the specific context of a rejected plan.

- Regulatory Certainty - This principle applies only when the regulatory baseline is efficient and aligned with policy objectives. Using regulatory certainty as a justification for limited change in the context of PRB rejection is, in our view, inappropriate.
- Holistic Adjustments - While it is usually desirable to avoid partial revisions, we believe that in this instance, where the plan has been rejected, more fundamental adjustments are both necessary and proportionate.

## Section 5 Commentary

We reserve our position on the contents of Section 5, which largely outlines the IAA's disagreement with the PRB's conclusions. As this section relates primarily to regulatory process rather than user impact, we consider it a matter for the PRB and the European Commission. We remain open to further engagement if any elements merit stakeholder input.

## Conclusion

In conclusion, Aer Lingus remains committed to supporting a high-quality, safe, and efficient ANS system that delivers value to passengers and airlines alike.

Of the scenarios proposed we believe Scenario 1.3 provides the IAA with the best opportunity to deliver a credible, efficient, and sustainable performance plan for RP4. It offers a stronger basis than the other scenarios proposed for ensuring that costs are proportionate, transparent, and aligned with actual service delivery.

Cost-effectiveness remains a core priority for Aer Lingus. In a context of an industry that is constantly at threat from geopolitical uncertainty and other destabilising factors, we need an agile cost base that can react to downturns. It is essential that ANS charges reflect efficient provision of service and deliver demonstrable value. All elements of the plan including cost assumptions, investment priorities, and incentive structures should be designed to support this principle.

We would be pleased to discuss any of the points raised in this response.

Yours sincerely,



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Aer Lingus