

Adrian Corcoran
Irish Aviation Authority
The Times Building
11-12 D'Olier Street
Dublin 2, D02 T449

Oct 3, 2025

Re: Aer Lingus response to the Irish Aviation Authority (IAA)'s Issues Paper for the upcoming 2026 Determination on Airport Charges at Dublin Airport.

Dear Adrian,

Aer Lingus is pleased to respond to the Irish Aviation Authorities (IAA)'s 2026 Issues Paper for the Determination on Airport Charges at Dublin Airport.

The structure of our response sets out the Aer Lingus position and identified issues on the IAA's approach to regulation and the individual building blocks used to determine the maximum level of Airport Charges per passenger at Dublin Airport.

Aer Lingus welcomes the opportunity to provide this response for your consideration and look forward to engaging with you further ahead of the upcoming determinations.

Yours sincerely,



Steve Ronald
Director of Schedules Planning and Alliances

Aer Lingus

1. Approach to regulation

High level approach

We support the continued use of the Building Blocks approach, provided the IAA applies a forecasting standard that is both “challenging but achievable”. Our concern is that to date, passenger forecasts, which are a critical component of the Building Blocks approach, have prioritised being achievable whilst largely ignoring the component of being challenging and stretching. We discuss this in further detail in Section 2 of our response.

We continue to support the IAA setting a single maximum permitted average charge per passenger for each year of the regulatory period. This provides clarity and transparency for airlines and passengers alike.

A five-year price control period seems to provide an appropriate balance between stability of passenger charges, but the IAA should not disregard that longer periods increase the risk of misalignment on forecast and outturn costs, traffic, or inflation that may result in a charge at odds with actual performance, typically resulting in excess return for the airport operator.

In terms of setting the cost of capital, Aer Lingus are of the view that there is no strong basis in principle to ‘aim up’ in the context of a regulatory regime. We set out our arguments for this in Section 8, and suggest the IAA carefully consider our recommendations on this ahead of its determinations.

Till structure

We strongly agree with the IAA’s decision not to review the single till structure as requested by Dublin Airport as part of the determinations process. The single till approach remains best aligned with the IAA’s statutory objective in relation to users’ interests, given that it best replicates the incentives faced by airport operators under competitive market conditions. This includes the incentive to invest efficiently in airport assets, considering the airport’s full revenue-generating potential. We refute Dublin Airport’s claim that the single till approach results in charges being “artificially low”. Based on this logic, Dublin Airport appear to admit that a dual till approach would result in higher airport charges, which would be to the detriment of users and passengers. Moreover, as evidenced across many jurisdictions, a dual till approach negatively affects customer choice, air connectivity and economic growth due to higher air fares, as a direct result of higher charges. For example, IATA has estimated that the impact of having dual-till at Paris airports was a loss of over 19,000 jobs and €1.5bn in GDP as of 2023.¹

¹ IATA (2023), ‘Regulating French Airports – where ART we a year later?’ – available [here](#).

The IAA is right to note the increased complexity of a dual-till approach, and the challenges with cost and asset allocation. Our experience in other jurisdictions is that dual or hybrid tills create additional complexity and further reduce transparency, leading to legal disputes and a significant administrative burden on users, airports and regulators alike.

We firmly support the IAA's statement that "it is not apparent that any unbounded or further strengthened incentive to maximise Commercial Revenues would be better aligned with [the regulator's] Statutory Objectives, particularly where any resulting benefit would accordingly be retained by Dublin Airport rather than passed on to Users."² Indeed, the IAA's existing allowed WACC already reflects the risk profile of the mix and composition of Dublin Airport's activities.

We also agree with the IAA's finding that a single till is more credit protective by reducing volatility³. Unlike Airports in dual till, single till airports benefit from risk mitigations for non-aeronautical activities. We elaborate on this argument in the section on the cost of capital.

Finally, contrary to Dublin Airport's claims, the single-till does not dampen incentives on investment given there is no evidence of any issues with attracting investment, nor does it distort investment in non-aeronautical activities. Indeed, Dublin Airport's consistent outperformance against its Commercial Revenues demonstrates the contrary, as evidenced by the IAA's benchmarking report published alongside the Issues Paper.

It is important that the IAA's assessment of the cost of capital considers the risk-sharing properties of the single-till framework, a point we return to in Section 7 of our response.

Independent Reporter

We note Dublin Airport's proposal to jointly appoint an 'Independent Reporter' to facilitate or report on its consultations. However, we remain unconvinced on whether an Independent Reporter is required to support the IAA's determinations process.

If an Independent Reporter were to be established, it is important that it is not used as a substitute or to circumvent the IAA's role in independently reviewing and assessing Dublin Airport's submissions, or the Dublin Airport-led consultation process. Additionally, it would be critically important that the scope and remit would be very well defined, and that the Independent Reporter would be jointly procured by the airlines and Dublin Airport, to ensure it was not biased and that it would not duplicate the IAA's role or the responsibilities of Dublin Airport, and the airlines.

² IAA 2026 Determination on Airport Charges at Dublin Airport: Issues Paper Consultation - 4.23

³ IAA 2026 Determination on Airport Charges at Dublin Airport: Issues Paper Consultation - 4.25

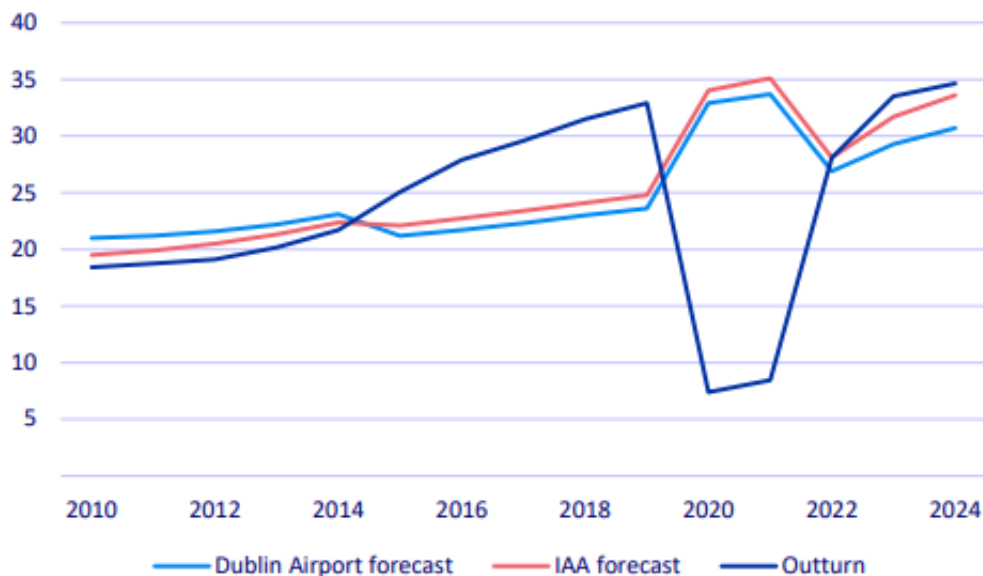
The IAA should also recognise that an Independent Reporter would represent an additional cost to Dublin Airport which it would likely expect to recover from airlines through charges – without any clear benefit to the current consultation process for airport users.

2. Passenger Forecast

Dublin Airport's actual outturn passenger numbers have again significantly exceeded not only the IAA's forecast but also its own forecast, with airport passenger traffic expected to reach 36.1 million in 2025 (versus forecasts of 34.7 million). This is a not a new story, with outturn passenger numbers consistently exceeding Dublin Airport's forecasts from 2014 onwards (with the exception of COVID impacted years).

Dublin Airport claim its forecasts have been heavily influenced by its views on capacity constraints, the effect of which has led it to estimate significantly lower forecasts. Given the anticipated removal of the capacity constraints, we expect to see more accurate passenger forecasts from Dublin Airport ahead of the 2026 determinations. However, Aer Lingus remain concerned that Dublin Airport have failed to produce a credible forecast at a number of previous price controls – this can be seen in Figure 1 below.

Figure 1: IAA and Dublin Airport passenger forecast and outturns, 2010-2024



Source: IAA 2026 Determination on Airport Charges at Dublin Airport: Issues Paper Consultation.⁴

⁴ IAA (2025), 2026 Determination on Airport Charges at Dublin Airport: Issues Paper consultation, chart 5.7.

The IAA should recognise that by bearing volume risk, Dublin Airport is strongly incentivised to underestimate passenger forecasts to place upward pressure on the per-passenger charge, something which we have seen materialise in previous determinations. This has driven systematic excess profits for Dublin Airport.

The IAA proposes to produce its passenger forecast by assessing all of the forecasts and evidence available. Historically (as at 2009, 2014, 2019 determinations) this has included the IAA's own causal forecasting-based approach based on forecast Irish GDP growth. This link was severed during COVID, and a new methodology was used in 2022-2024 to establish baselines/projections based on airline schedules, actual traffic/load factors, and industry forecasts. Aer Lingus remain broadly supportive of these approaches and welcome the IAA's proposal to develop its own forecasts, independent of Dublin Airport's, while also seeking to utilise a range of available evidence, including forecasts from key stakeholders. The IAA should carefully consider the weights that it will place on each source of information and in determining a reasonable centreline forecast. While considering a wide range of forecasts has its benefits, the IAA should not just choose the midpoint and should ensure the forecast is underpinned by robust and balanced evidence. With this in mind, Aer Lingus recommends that the IAA focus on setting the forecast using the principle of a 'fair bet', guided by its modelling but not be rigidly tied to it, and the range of evidence submitted to it.

In support of this approach, and in advance of the IAA's determinations, Aer Lingus proposes to develop and share its own passenger forecasts. This will include a "bottom-up" estimate utilising internal network planning insights, fleet plans, market dynamics, economic and industry outlook, historic benchmarks and route development, cognisant of structural limits at Dublin Airport. While we are respectful of other forecasts developed, we would encourage the IAA to consider our estimate ahead of its determinations.

Aer Lingus are strongly of the view that a robust and balanced passenger forecasting approach is essential and will enable the IAA to set more accurate Airport Charges, which is in the interests of all airport users. Our concern is that outturn passenger numbers over the last few price control periods suggest this has not been achieved.

3. Opex

As raised in previous determinations, Aer Lingus's priority is to see the IAA set Dublin Airport a challenging (but achievable) opex target, one that encourages the realising of operational efficiency.

Historical opex overspend

Over the past two years, opex performance has remained in line with the IAA forecast on a total basis, but below the Dublin Airport forecast submitted to the IAA in 2022.

Disregarding COVID impacted years, opex per passenger has remained somewhat flat, in line with IAA's forecast and elasticity assumptions. While at a high level, this implies the IAA forecasts have been in the right ballpark, Aer Lingus notes the following:

- While a steady level of opex per passenger is somewhat comforting, it could indicate that Dublin Airport is not realising ongoing efficiencies and is content to only achieve the targets set. This suggests a lack of ambition and lack of innovation where significant unit cost reductions are not being realised despite rising passenger numbers (assuming output quality is also at a steady level).
- The headline overall opex number disguises the story of what is going on in different opex categories, which have been subject to material under/overspends.

When considering different opex categories, staff costs have remained lower than Dublin Airport's forecasted outturn since 2022. However, they have continued to remain marginally higher than the IAA forecast. We would expect that the changes in staffing levels and terms and conditions since 2019 should provide a basis for closing this efficiency and cost gap. Aer Lingus are of the view that the rise in outturn staff costs requires further review, alongside a deeper dive on cost areas where costs have risen – including security and facilities and cleaning.

Opex estimation approach

In both 2019 and 2022 determinations, the IAA used a bottom-up efficiency assessment, combined with top-down sense checks. The bottom-up efficiency assessment, involved deconstructing Dublin Airport into the component parts using an analytical framework commonly referred to as “base-trend-step”, which involved:

- Examining the efficiency of historic expenditure to produce a baseline efficient year estimate.
- In 2019, the baseline was derived from the available 2019 year-to-date outturn. In 2022, a ‘reference year’ was constructed based on a bespoke analysis of the most appropriate baseline in the case of each cost category. Due to the impact of the pandemic (making certain more recent outturns unreliable) in some cases 2019 actual costs were used instead.
- The efficient baseline estimate was then projected across the price control annually, using sensible volume/price drivers and elasticities.
- To produce the final estimates, step changes (based on the needs, Additionality, efficiency test) were applied to expenditure.

The IAA considers that this approach remains optimal and is likely to provide reasonable and reliable cost forecasts for Dublin Airport. Aer Lingus supports the continuation of this methodology to estimate opex and considers it to be in line with best practice.

Aer Lingus welcomes the IAA conducting a detailed efficiency assessment of the security operation at Dublin Airport, building on previous assessments carried out in 2019 and 2022. This is particularly important given this area has previously been subject to appeal

by Dublin Airport, and the need to avoid any possible gaming opportunities in terms of the inefficient inflation of costs.

The IAA should consider detailed deep dive efficiency assessments across other cost categories, particularly where costs have risen beyond their forecasted allowances, and those linked to areas where Dublin Airport are under performing against its Quality of Service (QoS) incentives. One such area is facilities and cleaning, where despite increasing opex, the Dublin Airport performance has remained below the rebate threshold since 2023.

Additionally, Aer Lingus would expect to see Dublin Airport realise opex benefits and efficiency improvements as a direct result of its capex – in the same way that we have seen Dublin Airport increase its commercial revenues from certain capex projects. Indeed, many of the business cases put forward by Dublin Airport for capital projects, such as South Apron Hub, are based on reducing opex as passenger demands increase, while providing new commercial opportunities, increasing potential revenue and reducing overall passenger charge. Capacity enhancing capex projects like this should drive economies of scale which should lead to opex efficiencies over time. However, to date there is little evidence that these efficiencies are being generated. The IAA should carefully consider these types of unrealised efficiencies by Dublin Airport when carrying out its opex estimation.

Opex Efficiency

Aer Lingus expects Dublin Airport to become more efficient and productive over the period, but as noted above, there is little evidence that this is being achieved in practice. This is a concern and is not in the interests of airport users.

To drive opex efficiencies, the IAA should set Dublin Airport an ongoing efficiency challenge, the purpose of which would be to encourage Dublin Airport to adopt new technologies and management practices over time, replicating the forces of competition to drive out continual cost efficiencies.

Ongoing efficiency challenges are common across other jurisdictions, and indeed other Irish regulated sectors (such as electricity, water, gas). The CAA for example determines a fixed ongoing efficiency per annum that Heathrow must strive to achieve, while ART (the Italian transport regulator) take a softer approach, setting a range which it determines is suitable for the airports to achieve. The airports propose a figure within that range as part of the response to the airport charges consultation.⁵

⁵ ART (2023), Airport charges regulatory models, paragraph 10.1.4 – available [here](#).

It is not clear why Dublin Airport should not also be subjected to an ongoing efficiency challenge. While supportive of the IAA's current approach, we consider this to be a material gap.

Additionally, this should be considered by the IAA in the context of setting the glidepath to an efficient level of opex. It is important that the glidepath is not excessively long and that Dublin Airport should strive to move to an enduring efficient baseline as soon as possible to minimise the time where passenger charges are unnecessarily high.

Opex risk

Under the current framework, Dublin Airport are responsible for opex overspend risk and conversely benefit from any efficiencies for underspend (with the exception of costs subject to opex passthrough mechanisms). Aer Lingus continue to support this approach and the retention of the opex passthrough mechanism.

We would strongly oppose any move to re-allocate the risk of cost overruns away from Dublin Airport and onto airlines. Dublin Airport remains best placed to carry opex risk, given it fully controls the level of opex that it spends. This approach is in line with best practice, and is adopted across other airports, such as Heathrow, ADP, Vienna and Fraport - where operators bear all opex risk.

4. Commercial revenues

Excluding the COVID impacted years, since 2014 Dublin Airport has significantly outperformed both its own lower and the IAA's higher commercial revenue forecasts. Dublin Airport has strong incentives to generate additional commercial revenues, which we support as this leads to lower charges for airport users. However, if forecast commercial revenues are understated and regularly outperformed, as has been the case, airport users end up paying higher charges than necessary.

Aer Lingus would strongly encourage the IAA to recognise this when forecasting Dublin Airport's commercial revenues and to review the current approach to estimating commercial revenues to ensure a realistic forecast is estimated.

Historical outperformance

Dublin Airport's historical outperformance was particularly evident in 2023 and 2024, with steep increases in revenues beyond the previous peak in 2019. While we acknowledge that Dublin Airport experienced higher passenger growth and that this is a reason for outturn commercial revenues exceeding forecasts, this does not sufficiently account for the majority of the outperformance. The IAA correctly notes that in 2023 and 2024, outperformance beyond passenger effects accounted for 70% and 86% of the total

variance from forecasts, respectively.⁶ This clearly evidences the need for the IAA to reflect on and refine its approach to estimating commercial revenues.

Forecast approach, data sources, and time ranges

Historically, commercial revenue has been forecast at a disaggregated level across eight activity groups. The IAA previously applied a high-level base-step-trend approach to estimate the forecast, this involved:

- using outturn data from 2001-2019 to estimate the elasticity of each category.
- selecting the most appropriate driver for each category based on the robustness of the results.
- constructing a baseline by taking the previous outturn per passenger for each category and scaling it to the baseline passenger forecast; and
- using the baseline, the estimated elasticity, and forecasts for the selected driver to arrive at the target for each revenue category in each price control year.

While, this is a simple and transparent approach, it risks missing efficiencies and revenue opportunities and has led to forecasts that consistently underestimate outturn commercial revenues (with the exception of COVID impacted years). Aer Lingus would support the consideration of a refined econometric model with improved drivers for a more accurate forecast.

We strongly encourage the IAA to consider Dublin Airport's significantly underestimated historic commercial revenues when developing and comparing new forecasts. To further strengthen the forecast, the IAA should consider benchmarking Dublin Airport against both its close comparators and its own past performance. This benchmarking should serve as a sense check to ensure forecasts are appropriately set.

In line with international practice (such as the CAA's approach at Heathrow) the IAA should consider using Dublin Airport's plan as a foundation and then strengthening it through benchmarking and bottom-up analysis for a more accurate forecast. As part of this it may be appropriate to reflect a degree of 'stretch' in the revenue forecast where there is evidence that there is scope for Dublin Airport to further grow its revenues. For example, Dublin Airport is investing significantly in T1 retail space, which is expected to drive increased commercial revenues in future price control periods. Aer Lingus would fully support the IAA in taking this approach, and believe it is firmly aligned with the IAA's "challenging but achievable" forecasting standard.

As previously noted, Aer Lingus strongly support the single till approach as the model that best protects airport users and replicates competitive market outcomes. To ensure the full benefits of this framework are realised in practice, it is important that the IAA carefully

⁶ IAA (2025), 2026 Determination on Airport Charges at Dublin Airport: Issues Paper consultation, paragraph 7.13.

scrutinises Dublin Airport's commercial revenue forecasts. Since non-aeronautical revenues offset aeronautical charges, there is a risk that Dublin Airport underestimates its revenue forecast to its advantage. Conservative forecasts result in unnecessarily high charges passed down to airport users. A balanced and objective forecast is essential for ensuring that the benefit of strong commercial performance is appropriately shared between Dublin Airport and the airlines.

Categories of commercial revenues and drivers

Aer Lingus are supportive of the IAA's categorisation in its forecasting approach, but would like to make the following key points for the IAA to consider:

- **Car parking:** We acknowledge that a competitor carpark reopening is likely to dampen car parking revenues. However, it should be anticipated that Dublin Airport will explore innovative opportunities to sustain higher revenue levels in this category.
- **Retail:** Duty-free sales have been a significant driver of increased revenue. The step increase, which is likely linked to Brexit, should inform a new baseline level.
- **Further commercial revenue:** We expect continued growth in additional categories, particularly in:
 - **FastTrack** services, including "Tap and Go" options. This is discussed in greater detail in the following section.
 - **US preclearance:** Aer Lingus wish to engage further with the IAA on the till treatment of US preclearance including Dublin Airport's responsibilities under the NCASP. The IAA should investigate how the motivations of Dublin Airport would differ were this to be treated as commercial or aeronautical revenues, or as an exceptional activity with a separable regulated charge.

Dublin Airport are incentivised to exercise natural monopoly power on the above schemes (especially on rents for lounges and office space), to create an artificial market to command greater revenues at their discretion. Ultimately, this reinforces the point above that the commercial revenues forecast should be as accurate as possible and not overly conservative.

Risk and Rolling Schemes

Aer Lingus do not object in principle to maintaining rolling schemes for commercial revenues for the purposes of limiting Dublin Airport's incentive to artificially profile commercial revenues. We also support the use of the 10% cap such that the per passenger charge is not excessively high compared to what it would be in the absence of the rolling schemes.

5. FastTrack

Aer Lingus is seeking clarity from the IAA on the regulatory treatment of FastTrack. Aer Lingus, as well as the wider airline community, have faced difficulty over the past two

years regarding Dublin Airport's proposed changes to the treatment and access to the Dublin Airport FastTrack service. Aer Lingus's concerns on this matter have been escalated to the IAA separately, but we wanted to take this opportunity, in response to the IAA's Issues Paper, to reinforce the need for the regulatory framework for the IAA's upcoming determinations to appropriately set out the treatment of FastTrack.

For the avoidance of doubt, Aer Lingus' view is that FastTrack must remain within the single till as a regulated charge where airlines wish to make such a service available for its passengers.^{7,8} It is a key service offering for certain of Aer Lingus's passengers, as the hub carrier at Dublin Airport, and thus retaining the ability of such passengers to access FastTrack services remains a critical issue.

For context, up until 2025, FastTrack access (along with lounge access) has formed a core part of Aer Lingus' service offering to its business passengers and passengers purchasing its premium short haul fares along with of the members of the upper tiers of its frequent flyer programme.⁹ However, Dublin Airport have since sought to limit airlines' use of FastTrack by amending the eligibility criteria to first or business class passengers only despite no evidence whatsoever being presented that such eligibility changes are required due to capacity constraints or any degradation of service in the FastTrack facility. Rather, it is clear that these changes in eligibility criteria are solely driven by Dublin Airport's desire to increase its commercial revenues. This is clearly evidenced by Dublin Airport simultaneously increasing the direct sale of FastTrack access by Dublin Airport from online sales, increasing promotion of the product (via frequent 20% discount campaigns), and introducing 'tap and go' services, and more recently, an unlimited fast track membership, accessible to all passengers regardless of ticket type.

While we remain supportive of Dublin Airport's exploration of additional commercial revenue streams where there is excess capacity, this cannot come at the detriment of airline-determined access or quality of service. Dublin Airport's current strategy in relation to FastTrack (i.e. restricting access to Aer Lingus, and other airlines, while simultaneously driving additional commercialisation of FastTrack) is not in the interests of airport users.

In accordance with the principles of the Airport Charges Directive (as implemented into Irish law by the European Communities (Dublin Airport Charges) Regulations 2011), access can only be limited to a differentiated facility where airline demand exceeds the capacity of that facility. This is clearly not the case. Moreover, where demand exceeds

⁷ Dublin Airport previously engaged with airlines to determine a fixed fee per passenger. This was determined to be €0.82 for 2025, which would be charged for access to FastTrack. The regulatory treatment of the revenues generated by Dublin Airport for FastTrack would be split between their commercial revenues and aeronautical revenue buckets.

⁸ Dublin Airport (2024), Dublin Airport Aeronautical Charges and Incentives, paragraph 2.1.1 – available [here](#).

⁹ Dublin Airport (2024), Dublin Airport Charges 2024 Including Terms & Conditions of Use in relation to Airport Charges, paragraph 3.7, footnote 1 – available [here](#).

capacity, access must be rationed among airlines on the basis of relevant, objective, transparent, and non-discriminatory criteria. Dublin Airport has not provided any objective or relevant justification for its proposed restriction of access to first or business class passengers.

The IAA should carefully consider Dublin Airport's incentive with regard to FastTrack services. Dublin Airport stand to benefit from direct FastTrack sales by commercialising sales to passengers who have to date been subject to a regulated charge.¹⁰ Dublin Airport can offset any potential loss in aeronautical charges by increasing their charges on the airlines elsewhere, while capturing additional commercial revenues generated by FastTrack sales.

For Dublin Airport, the incentive is primarily revenue driven. Given these incentives, the IAA should strongly challenge Dublin Airport's limiting of airlines' access to FastTrack services.

Aer Lingus therefore asks the IAA to require that Dublin Airport produce its forecasts of total capacity of the FastTrack service, as well as a forecast of demand based on current eligibility criteria to determine the extent (if any) to which the FastTrack facility is capacity constrained.

To the extent that it is demonstrated that the facility is constrained, we ask that the IAA provide guidance on how access can be rationed in such circumstances on the basis of relevant, objective, transparent, and non-discriminatory criteria in line with the requirements of the Airport Charges Directive.

6. Capital Expenditure

Dublin Airport's delivery of consulted on and approved Capital Investment Programme (CIP) projects is critical to supporting traffic growth, improving the efficiency and operation of the airport, and realising economic benefits for Ireland.

Aer Lingus supports the IAA's regulatory approach to and treatment of capital expenditure (capex), including the RAB-based approach, use of the StageGate process and triggers to manage needs case, timing and cost uncertainty. However, we remain concerned that Dublin Airport's historic capex has been well below both forecasts and allowances from 2022. Dublin Airport has not demonstrated the capability to deliver large scale capital projects in a timely manner and the consequences of this are being felt by all airport users. Continued failure by Dublin Airport to successfully navigate the planning processes and efficiently deliver on the capital projects within the CIP will increase inefficiency, deprive users of operational cost benefits at the airport, constrain growth, and delay wider economic benefits for Ireland.

¹⁰ Dublin Airport (2024), Dublin Airport Aeronautical Charges and Incentives, paragraph 3.4 – available [here](#).

With this in mind, we think the IAA should carefully consider the incentives associated with capex across the regulatory regime. In particular, attention should be given to ensuring cost efficiency and the timely delivery of capital projects. This is essential to guarantee that Dublin Airport's infrastructure can accommodate the business models of Aer Lingus and other airlines, while also supporting the objectives of Ireland's National Aviation Policy (NAP), the National Development Plan, and Programme for Government at efficient cost.

Historic capex trends

In recent years, Dublin Airport's capex has been trending up, but as noted by the IAA in its Issues Paper, this is still well below the forecast/allowance levels set in the 2022 Review Decision,¹¹ and is still significantly below 2019 and 2020 levels.

Historic underspends are a result of Dublin Airport's inability to progress various capacity expanding and passenger experience-based trigger projects through the planning processes, as well as capex for untriggered projects being significantly below the assumptions from the IAA's 2022 Review Decision.

To help address these concerns, Aer Lingus would support the expanded use of triggers. We consider triggers to be an appropriate and proportionate tool to manage uncertainty relating to the need for and timing of capital projects and incentivise timely delivery. In addition, we think the IAA should carefully review historic capex underspends in the context of the need for stronger incentives to ensure timely and efficient delivery of infrastructure, for example, through the introduction of reverse triggers in instances where Dublin Airport's actions have led to delays in infrastructure delivery, that would have otherwise been avoided by a competent, efficient operator.

We comment further on the use of triggers in the subsequent sections.

Approach to capital costs

Aer Lingus remain supportive of the RAB-based approach to estimating capital costs i.e. the return on capital and return of capital (depreciation), and the IAA's annuities-based approach to depreciation profiling. We would welcome confirmation from the IAA that for assets with prolonged build times, only assets that are in use should be allowed to enter the RAB and be remunerated. We consider this an important principle as only accepting capex into the RAB when in use incentivises Dublin Airport to deliver capital projects in a timely manner.

¹¹ IAA (2025) 2026 Determination on Airport Charges at Dublin Airport: Issues Paper consultation, paragraph 9.6 – available [here](#).

Aer Lingus strongly supports the IAA's proposal to provide efficient allowances for CIP27 projects that are in the interests of current and future airport users. We also agree with the IAA's definition of an efficient allowance i.e. the minimum cost required to deliver a required or desirable project outcome. It is important that Aer Lingus, and indeed all other airport users, are not charged for capex that is either inefficient or generates no or little value. In practice, only efficiently incurred capex that delivers value should be allowed to enter the RAB and be remunerated.

Aer Lingus has been a supportive voice and proponent of the previous CIPs, particularly those projects that release capacity at Dublin Airport. We continue to support the ex-ante approach to assessing capex including the Dublin Airport-led consultation process to agree the need for and timing of capital projects. We also continue to support the role of the Independent Fund Surveyor (IFS) and the IAA's proposals to carry out airfield/airspace and terminal building analysis in assessing Dublin Airport's proposed CIP. The IFS and IAA assessments should be robust, well balanced and transparent and Aer Lingus looks forward to working collaboratively with all parties on this ahead of the IAA's determinations.

One of the most critical steps in the IAA's proposed methodology is to adjust the opening RAB for outturn capex. It is imperative then that the IAA provides significant weight and attention on the ex-post review of Dublin Airport's CIP to ensure that only efficiently incurred capex is indeed added to the RAB. There have been well documented instances where Dublin Airport have not managed capital projects effectively, such as Critical Taxiways projects, where delivery was delayed and the project was subject to significant disruptions that could have been avoided. As noted, Aer Lingus remains concerned around the incentives associated with the CIP, including those to control costs, as well as Dublin Airport's track record in delivery.

Flexibility and Ongoing Oversight

Aer Lingus supports the IAA's regulatory regime for providing flexibility and ongoing oversight across Dublin Airports capex and CIP. Specifically, the continued use of the StageGate process, the designation of grouped allowances as either 'Flexible' or 'Deliverable', and the use of triggers.

Aer Lingus considers that the IAA's regulatory approach to flexibility and oversight over Dublin Airport's capex is in line with best practice. Aer Lingus welcomes the opportunity to engage in the StageGate process and considers this a critical step in ensuring that Dublin Airport are appropriately controlling costs and managing project uncertainties and scope changes. Again, we support the design of the StageGate process and think it has been successful to date. However, the IAA should note that no project has completed the full StageGate lifecycle thus far, and the end-to-end process has not been fully tested in practice. The IAA is right to highlight in its Issues Paper that for most projects, current

capex estimates exceed the original StageGate 0 allowances.¹² While this will be consulted on further, the IAA should recognise the need for a robust ex-post efficiency assessment for all StageGate projects and capex will be required.

Aer Lingus supports the StageGate process. However, we recognise that applying it to projects below the materiality threshold may not be proportionate. Consistent with the IAA's approach to classifying projects as Deliverable, we consider that designation is appropriate where there is certainty on the needs case and solution, confidence in the efficient level of capex required, and concerns regarding delivery. We consider that this approach is in line with regulatory best practice, and provides strong incentives for Dublin Airport to deliver.

However, we also recognise that for a robust and consulted on CIP, flexibility should be accommodated in the context of how Dublin Airport meets stated objectives.

As noted, Aer Lingus would encourage the IAA to expand its use of triggers as part of the 2026 Determination and ensure that they are used in a manner that incentivises Dublin Airport to deliver capacity related infrastructure in a timely and efficient manner. Aer Lingus also considers that there is a role for 'reverse triggers', which would clawback allowed capex where avoidable delays in infrastructure delivery have been realised. This could be a powerful tool to incentivise timely delivery and avoid situations where submission of a planning application triggers a price cap uplift, but poor quality of application from Dublin Airport leads to delays in planning decisions, with planners then cited or as the main cause of delay. We would welcome the opportunity to engage further with the IAA on the enhanced role of triggers in the upcoming determination.

Sustainability

The IAA must not allow capital projects that deliver over and above mandatory sustainability obligations to be included in the price cap calculation. While Aer Lingus welcome any sustainability ambitions that exceed mandatory obligations, Dublin Airport's ambition over and above mandated obligations must be funded by the airport itself, not by airport users.

Aer Lingus would not support prioritisation of sustainability projects over capacity related projects given the extent of the infrastructure deficit at Dublin Airport, other than for explicitly mandated, time-bound sustainability projects.

¹² IAA (2025) 2026 Determination on Airport Charges at Dublin Airport: Issues Paper consultation, Chart 9.3 – available [here](#).

7. Quality of Service

We welcome this opportunity from the IAA to review the appropriateness of the existing Quality of Service regime. Aer Lingus has concerns around with the current regime and thinks there is room for improvement.

The current IAA approach allows Dublin Airport to receive bonuses and pay rebates in relation to its performance (on a per passenger basis). Overall, while we support the existing regime, improvements could be made to the scope of service quality areas included in the regime, the specificity of the metrics and of the data reporting required, and the strength of the targets and associated reward/rebates.

Minimum standards missed: Aer Lingus is of the view that the incentive scheme is insufficient to incentivise Dublin Airport to allocate its resources towards meeting the minimum threshold on services paid for by customers through the price cap, and instead it allocates resources to areas where it can receive rewards. In 2023 and 2024, Dublin Airport faced penalties for not meeting targets on security queue time, cleanliness of washrooms and information on ground transport. Despite this, Dublin Airport achieved “exceptional” standards in other areas eligible for bonuses minimising the overall size of the rebate.^{13,14}

Aer Lingus would encourage the IAA to review the targets set for Security, washroom cleanliness and wayfinding to ensure they are both stretching but attainable for Dublin Airport. The targets should be considered alongside the opex, and capex allowances and it should be clear what the base level of quality in these areas is expected from a given opex/capex allowance. A minimum quality standard should be met for all targeted services before any bonuses are paid for over-performance on any single metric.

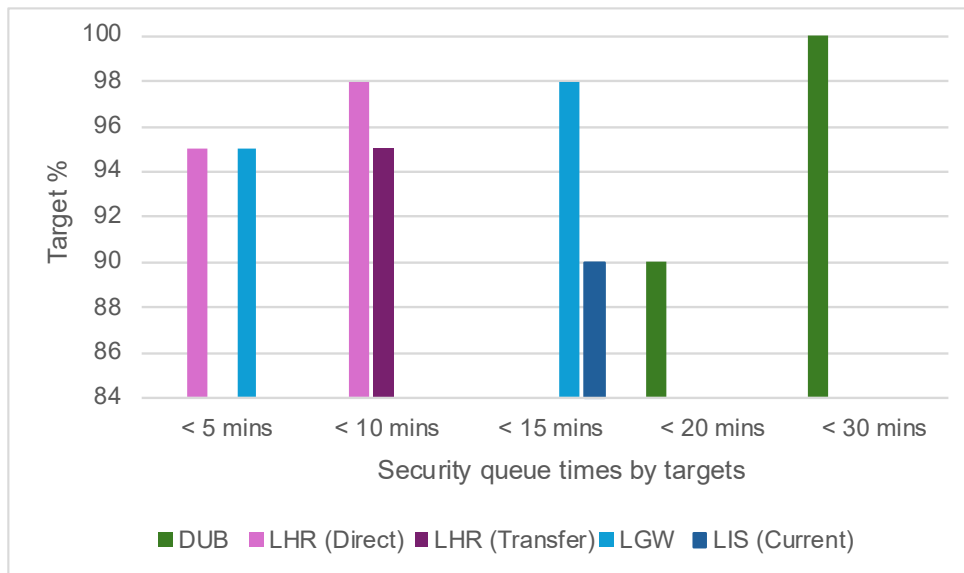
The IAA has specifically sought views on the security target, and Aer Lingus agree it should be recalibrated to a level that is stretching but achievable. Figure 2 below compares security queue times by targets across Dublin Airport, London Heathrow, London Gatwick and Lisbon¹⁵. Dublin Airport is clearly an outlier in its security queue time targets. We would advise the IAA to consider a lower percentage achievement but on a shorter wait time to bring the expectation on Dublin Airport in line with other airports.

¹³ IAA (2025) Statement of Dublin Airport 2024 Final Price Cap – available [here](#).

¹⁴ IAA (2024) Statement of Dublin Airport 2023 Final Price Cap – available [here](#).

¹⁵ Standing for London Heathrow, London Gatwick and Lisbon Airport.

Figure 2: Security queue times by targets



Source: CEPA analysis of security queue time targets.

Passengers should not pay for higher than necessary service quality: Aer Lingus has previously opposed the introduction of the bonus scheme as it could amount to introduction of a double charge on users. Given the current achievement rates, we request the IAA to review whether truly exceptional performance is being rewarded, and whether the bonus targets are set at a high/stretching enough level. Aer Lingus are of the view that bonuses should be used sparingly as rewarding a level of service higher than that required is not a benefit for the airlines and is simply unnecessary.

Suite of metrics and data sources

A new price determination period is prime opportunity to understand whether the performance against existing metrics truly captured the experience of airport users. The metrics used should represent the value added to the users, this is not currently captured using the existing metrics. Therefore, Aer Lingus request the IAA to consider expanding the service areas included in the Quality of Service assessment to include the following three key areas:

- Lounge services (Appendix 1 of Issues Paper shows this as an SQM metric that is measured but is not currently in use as part of the rewards and rebates package).
- Airside metrics (stand congestion, aircraft movements) such as the delays in aircraft towing. Aer Lingus is of the view that while these activities can be impacted by external factors, elements of airside activities are within Dublin Airport's control.
- Baggage arrival rate. Introduce an additional KPI that targets on-time baggage arrivals and reduces the rate of 'missing' baggage. Like the point above, while baggage delivery can be impacted by external factors, a large portion of this activity

is within Dublin Airport's control and they must strive to ensure there is a high quality of service.

As well as these key areas, Aer Lingus would like to see revisions to the incentive scheme in a targeted way to encourage service quality improvements in the following areas:

- acceleration of the Biometric Customer Journey delivery.
- improvements in the hub connection experience particularly for transfer passengers to a level similar to Helsinki airport and other best-in class connector hub airports.
- improvements in wayfinding and terminal navigation, particularly in relation to gate numbering (particularly surrounding gate 408).
- more proactive customer service & effective communication to passengers in baggage reclaim.
- check-in desk availability and growth.
- stand availability and airfield performance reporting.
- improvement to staff security checks to reduce the occurrences of staff being processed in passenger screening area which are already busy and delayed; and
- improvement in traffic management systems as congestion is progressively worsening year on year.

Data sources

Aer Lingus expects bonuses being supported by objective metrics as well as subjective survey metrics (CSM), with this benchmarked against performance at other airports. Aer Lingus also expects survey information to be collected from transfer passengers.

We would also like to see greater transparency and frequency of reporting by Dublin Airport. In particular, access to real time service quality data that can be used to notify customers of longer security times or other real time advisory notifications.

Calibration of the overall risk package

Dublin airport can be rewarded for good performance by up to €0.15 (+2%) of the passenger price cap, and face rebates up to €0.36 per pax (-5%).

Aer Lingus do not disagree with the level of the revenues placed at risk by non-attainment of service quality targets, to a maximum price cap reduction of €0.36, and consider it a proportionate level of incentivisation (noting the areas of incentivisation mentioned above). Aer Lingus would not be supportive of an increase to the level of bonus rewards in particular.

Notwithstanding, a new price determination period is the prime opportunity for the IAA to compare the balance of risk and reward at Dublin Airport with that at other similar airports. For example, at Heathrow Airport, it is +1.44% for rewards and -7% for rebates.

It is common for other regulated airports to have financial incentives on service quality. For example, London Gatwick has 7% of the price cap at risk while not being eligible for a bonus if targets are exceeded.

While Aer Lingus note it is difficult to compare the amount of revenue at risk for quality of service between airports and that it can't be considered in isolation from the price cap, we still encourage benchmarking. Aer Lingus would also encourage the IAA to review the incentive package on a RoRE basis.

The total price cap at risk is calculated as a percentage of the price cap at the start of the price control period but then fixed in € terms. We support the IAA's approach of setting it on a constant real basis at the start of the price control period and uplifting it by inflation throughout the price control period as the price cap itself is.

Exemptions

Aer Lingus agree that the burden of proof should lie with Dublin Airport to demonstrate evidence of extenuating circumstances leading to the underperformance against a Quality of Service metric, and that the IAA should set a high threshold for when these exemptions are permitted.

8. Cost of Capital

Aer Lingus is supportive of the overall WACC approach (a split cost of new and embedded debt, and the CAPM approach for the cost of equity). However, using the same detailed methodological choices that informed the 2019 and 2022 Determination is likely to result in a WACC figure that overstates Dublin Airport's true cost of capital, largely driven by the size of beta, and the overly generous aiming up.

We suggest the IAA consider the recommendations below, and also present analysis to show the gap between the WACC estimate and Dublin Airport's true cost of capital from 2020 to 2025.

Throughout each building block, the IAA's focus on purposeful selection of averaging periods that best suit the intended purpose is welcome. The most appropriate interpretation of the evidence on each parameter will consider:

- the balance of signal vs. noise in fluctuations in the underlying data.
- the extent to which changes in conditions tend to be transitory or persistent.
- the optimal and historic allocation of risk regarding changes in parameters between Dublin Airport and its customers; and
- the time horizon over which investors are likely to assess different parameters.

The balance of these factors will vary by component. The IAA should take a case-by-case view. We provide our thoughts on this issue for each of the parameters below.

Risk-free rate, TMR and ERP

For risk-free rate, the IAA's overall approach has remained consistent for some time in using Irish and German government bond yields as a benchmark. In 2022, the IAA's Final Decision was to use a short-term averaging period of 6-months, citing that recent periods of higher than usual inflation meant historic data was less relevant (compared to longer averaging periods used previously varying from 1 to 5 years). The IAA also combined this with forward curves. Aer Lingus has the following views:

- Aer Lingus supports use of Eurozone bond data as being most appropriate given investors may view Dublin Airport in a class of euro airports. If, in using Eurozone (German) bond yields as a risk-free rate proxy, the IAA consider an Irish adjustment is required this could be done through an adjustment to the inflation expectations between Ireland and Eurozone.
- Aer Lingus agrees with the IAA's more bespoke approach to assessing the appropriate averaging period. Interest rates have increased materially in the past few years, and longer-term trailing averages may no longer reflect the prevailing market conditions.
- The IAA's advisors have historically used forward curves to uplift the risk-free rate and new cost of debt. As raised in our 2022 responses, Aer Lingus consider that the evidence supports short-term averages having better predictive power than forward-curve evidence, when estimating the risk-free rate. As such, we do not consider that forward-curve adjustments are necessary for the 2026 determination.

To estimate the Equity Risk Premium, the IAA made a methodological change by switching to a stable TMR approach. It is important that the IAA's approach to this parameter is consistent, as changing approach at a time when government interest rates have also changed risks introducing unintended consequences.

Aer Lingus is supportive of the use of Dimson, Marsh and Staunton's historical data and the use of Arithmetic and Geometric means.

Beta

For the IAA's 2022 decision, Dublin Airport's asset beta was estimated at 0.6 informed by estimates of seven comparator airports, higher than the 2019 decision estimate of 0.5. The corresponding equity betas, considering notional gearing, were 1.13 and 0.94. Whilst we recognise that comparator measured betas had been elevated in the run-up to that 2022 decision, the resulting equity beta is inconsistent with the Thessaloniki Forum expectation that regulated airport equity betas be below one, equivalent to the assumption that regulated airports are likely to face below market average risk exposure. The level of

Dublin Airport's asset beta should be re-assessed in light of the impact of COVID and post-pandemic evidence available since 2022.

As noted previously, the measures taken by the IAA/CAR protected Dublin Airport from the worst impacts of COVID. This demonstrates the extent to which Dublin Airport is protected from global events and is a less rather than a riskier investment. Therefore, Aer Lingus strongly opposes the overall approach of increasing the beta observed between 2019 and 2022 decisions and insist the IAA review its methodology.

Focusing on the choice of comparator airport, Aer Lingus propose the IAA review the relative weightings placed on each. In the 2022 determination, the IAA placed most weight on three airports, but these sat at the high and low end of the asset beta range, making it difficult to conclude what the IAA's view of Dublin Airport's risk is relative to comparators.¹⁶

While we support some of the existing considerations to determine the weightings, we specifically encourage the IAA to consider the following in its assessment for relative weightings:

- Aer Lingus note that "Economic Regulation" is one of the assessment criteria, however given the relative weightings from 2019 were adopted, Aer Lingus do not feel the following are captured in the existing approach:
 - The protection that each airport receives during high stress periods, specifically signalled during the COVID pandemic.
 - Ireland's passengers are hugely centred at Dublin airport, and Dublin city is served only by this one airport. This is different to some of the comparators in the comparator set. For example, AENA operates a network of 46 airports, many being smaller, regional and unconstrained airports facing higher traffic risk. Additionally, AdP and Fraport both operate internationally and smaller regional activities in Africa and Latin America are prone to demand volatility and political instability.
- In its 2022 decision, the IAA excluded Sydney Airport from the comparator sample following the stock's delisting in 2022. However, data from Sydney Airport while it was listed can still provide useful insights for Dublin Airport, particularly as we consider Sydney Airport a good comparator to the size and activities of Dublin Airport.
- In line with our support for the single-till framework, the IAA should take into account the risk-sharing properties of the single-till framework, as this should accordingly drive a lower systematic risk for Dublin Airport.
- As far as we are aware, all listed regulated airport comparators used in the peer group operate under a dual or hybrid till framework and do not benefit from the same risk

¹⁶ In its 2022 decision, the IAA adopted the relative weightings from the 2019 determination. 7 airports were considered. Most weight was placed on Auckland (AIA) which had the highest empirical asset beta of the group, 15% on AENA which sits second highest, and 15% on Vienna (FLU) at the bottom of the range. Swiss Economics (2022), Dublin Airport Cost of Capital for 2022 Interim Review – Final Report, page 51 – available [here](#).

mitigations for non-aeronautical activities that exist under the single till model. A downward adjustment to Dublin Airport's beta is therefore required to account for the reduced risk compared to dual till airports in the peer group,

The measured betas of listed airports span a very wide range and also vary over time. As a result, the overall assessment of the cost of equity is highly sensitive to the IAA's conclusions (whether or not these are made explicit) on which comparators are selected and Dublin Airport's risk exposure relative to these comparators. We would welcome transparency in this assessment. Although a mechanistic approach to weighting different comparators may appear to improve transparency, the IAA should not be a slave to the mechanics of its approach and should ultimately reach its estimate on the basis of its expert judgement.

Cost of debt

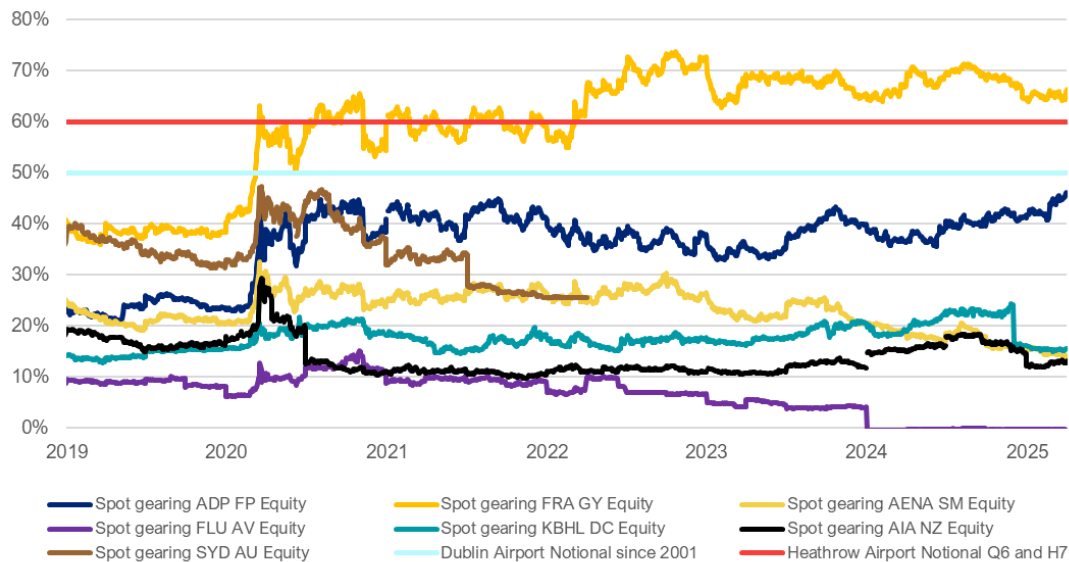
For calculating an allowed cost of debt for Dublin Airport, Aer Lingus remain supportive of the IAA's approach of a separate new and embedded debt calculation. However, we observe two reasons why we think the existing approach could provide an overly generous allowance:

- For the cost of new debt, Aer Lingus are supportive that the European non-financial corporate market is appropriate for benchmark data, but suggest the IAA review its choice of BBB rated comparators. Dublin Airport has successfully maintained a minimum A- credit rating since 2015, suggesting a higher rating is more appropriate. Aer Lingus also suggest whether 10yr+ (with a current average "Year to maturity" of 13 years) continues to match the average tenor on Dublin Airport's expected new debt.
- Aer Lingus note that given the cost of embedded debt is based on actual debt costs, Dublin Airport do not face any risk here.

Gearing

The notional gearing assumption of 50 percent is significantly higher than the actual gearing of the most listed airports. Therefore, the methodology implicitly assumes that marginal investments for Dublin Airport are almost entirely financed by debt. While the impact on the WACC is small, this high assumed level of gearing puts pressure on credit metrics above and beyond that faced by efficiently financed peer airports. The IAA should not allow the high notional gearing assumption to serve as the basis for unwarranted adjustments to maintain financeability.

Figure 3: Dublin Airport Notional Gearing versus Comparator Actual Gearing



Source: CEPA analysis of Bloomberg data

Aiming up

Aer Lingus recommends that the IAA re-assess whether it is necessary to aim up, and if so, how it determines the magnitude of its aiming up.

Reasons for aiming up: While justified under certain specific circumstances these have not been met in the case of Dublin Airport.

The IAA cite the following reasons for aiming up in the 2019 and 2022 determinations:

- Risk of measurement errors in the WACC components.
- Asymmetric economic effects of underinvestment relative to overinvestment, since underinvestment is likely to have asymmetric dynamic effects on welfare.
- No implicit aiming-up was included in the other WACC components.

The risk of measurement error is not necessarily a reason to “aim-up” as this is making a selective assumption on the direction of the measurement error - in principle the measurement error could overestimate as well as underestimate the WACC. The risk of measurement error on the cost of debt is also not as material as the IAA present because the cost of embedded debt allowance is based on Dublin Airport’s actual cost of debt (this made up 73% of the cost of debt allowance for the 2022 determination, the risk on the debt side is minimised). On the cost of equity, we are of the view that the methodology adopted by Swiss Economics already builds in over-estimates of Dublin Airport’s WACC through a generous beta, therefore additional aiming up is unwarranted.

The IAA should also take into consideration the interaction with potential measurement or forecasting error in other building blocks. Historically, the impact of aiming up has been

two-fold. Not only has Dublin Airport benefitted from a WACC above an efficient level, but this has been levied on a higher than forecasted number of customers.

While we acknowledge that under-investment – were it to materialise – would be unfavourable to all parties, it is not appropriate for airline customers to pay 50 bps on the WACC (30c per pax) simply because of the *possibility* that the initial WACC is set too low, given there is no symmetry to pay back customers if the WACC was set too high.

Size and approach to aiming up: In addition to disagreeing with the need for an aiming up adjustment, we note that the 50 bps uplift applied by the IAA is out of proportion to the level of uncertainty and lacks a credible evidence base. The scale of the adjustment also compares unfavourably to that used by other Irish regulators such as the CRU recently have opted for the 67th percentile of its WACC range, representing 18 to 25bps uplift over the midpoint of the range (as has been done by the Commission for Regulation of Utilities for PC5 (Gas), PR5 and PR6 DDs (Electricity)).

In our view it would be more appropriate for the IAA, as the final step in its process, to consider the selection of a point estimate which could in principle be above or below the midpoint of its range. The term “aiming up” itself risks biasing decision-making, and some criteria relevant to selecting a point estimate (such as parameter uncertainty) may equally be consistent with aiming down as with aiming up.

Aiming up in principle: Aer Lingus is of the view that there is no strong basis in principle to aim up in the context of a regulatory regime in which decisions are revisited (and therefore recalibrated) every five years, which means its incentive to invest does not need to be enhanced by a rate of return artificially above its evidence-based cost of capital.

Cross-checks

The IAA should cross check the overall WACC in the following ways:

- Cross check against Dublin Airport’s actual data including credit-ratings, actual gearing and actual cost of debt.
- The level of actual gearing chosen by Dublin Airport can inform the IAA of the Dublin Airport’s actual level of and perceived level of risk exposure.
- While cross-checks using market valuation can be informative in principle, limitations exist as it requires control for differences in circumstances.

9. Risk, Return and Financeability

Aer Lingus believe discussion of financeability goes hand in hand with discussion of the overall Risk and Return package, and would like to see the following set out by IAA:

- In the absence of a specific financeability duty, the IAA can now review its obligation on ensuring financeability of the actual airport.

- Any financeability issues Dublin Airport face that arise from Dublin Airport's own financing choices should be managed in the first instance by Dublin Airport and any excess cost incurred should not be paid for by passenger
- Dublin Airport has maintained a minimum A- credit rating consistently since 2016 despite the existential threat to the industry of COVID. The IAA should review the baseline return the airport earns and how reflective it is of the risk it faces, as the right balance is currently not being achieved.

Approaches to assessing financeability

Given the IAA's change in statutory objectives, the IAA should set out what it feels is its responsibility in taking into account the financeability of Dublin Airport. We agree it is in customers' interest to allow investors and lenders to earn their cost of capital in expectation, and to be exposed to a range of potential outcomes consistent with the level of return. It is not up to customers to fund additional financing costs resulting from the actual financing structure the daa choose to employ. We would therefore encourage the IAA to focus on a notional financeability assessment.

Aer Lingus agrees overall with the metrics and approach Centrus take to assess financeability. Rather than commenting on specific scenarios, we highlight some principles that should underlie the IAA's selection and use of scenario modelling. The scenario modelling should model a range of outcomes, both likely and rare but extreme outcomes, and identify what risks Dublin Airport should be able to manage given its high credit rating and the cost of capital permitted.

The IAA should continue with downside scenario modelling, but it should be purposefully chosen. This means that in combination and for each individual scenario, the IAA should:

1. transparently set out the range of probabilities that it is reasonable for Dublin Airport to manage before specific outcomes occur (such as a credit rating downgrade); and
2. indicate as precisely as possible its expectation of the likelihood of the scenario in question occurring.

The IAA should also consider modelling upside scenarios, to be transparent about the financial benefit from outperformance under a range of circumstances, and how the airport can equally benefit on the upside.

Approaches to addressing financeability issues

We disagree with the principle of adjusting efficiently determined Capex allowances on financeability grounds. Dublin Airport benefits from significant market power and its regulated charges are backed by a RAB-based regime. Its ability to recover the costs of efficiently incurred Capex (including its cost of capital) is not in doubt, and perceived financeability issues should not be an obstacle to the optimal timing and implementation of Capex plans.

The IAA should expect that periods of particularly high Capex may temporarily affect some cash-based financeability metrics. But airport users have a reasonable expectation that Dublin Airport will manage such periods without requiring additional support. Any exceptions to this are likely to relate to instances where Capex budgets are many multiples of the RAB, but this is not what we envisage here.

Risk and Return

While we support the existing overall structure for risk and return, the levels of each component in the package should be reviewed. Aer Lingus's view is that the risk and return package is structured well (i.e. its composition of the WACC, the incentives package is clear), but there are inconsistencies across the different risk and return components that result in Dublin Airport being overcompensated for the downside risks it faces in the round without the requirement for it to share benefits from outperforming with its customers.

- Firstly, the use of an aiming-up allowance of 50bps on the WACC is overly generous when the beta is already set at a higher level reflective of an entity that bears demand risk when Dublin Airport have received support through a large, unprecedented demand shock.
- Dublin Airport has been able to maintain an A- credit rating consistently over the last 10 years even when a large demand shock materialised. While we do not wish to comment on the exact target credit rating appropriate for Dublin Airport, we would have expected its credit rating to decline somewhat during this time.
- Dublin Airport have been able to persistently outperform on passenger numbers and commercial revenues. While outperformance should not be discouraged, the current mechanism does not require the financial benefits from outperformance to be shared with passengers.

10. Other

Legislation and Statutory Objectives

Aer Lingus note that the IAA's Statutory Objectives changed in 2022 and that this is the first determination where the new objectives apply. We support the IAA's careful consideration of how this impacts its ongoing responsibilities, particularly for the next price determination. At present, we do not have any specific comments on the interpretations set out in the Issues Paper, but we look forward to engaging on this further, ahead of the IAA's determinations. This includes the areas identified in this response document, including on commercial revenues and FastTrack where we believe Dublin Airport are abusing their monopoly position.

Inflation

We support the IAA's approach intended to make best use of available data and minimise the degree of forecast error requiring correction through the 'Z factor'. Provided that the IAA satisfies itself that the approach taken is neutral (i.e. that it ultimately ensures that charges reflect outturn inflation).

Environmental incentive schemes and sub-caps

Dublin Airport has asked the IAA to consider the question of environmental modulations to the price-cap as part of the determination process. Aer Lingus does not directly oppose environmental modulation of airport charges based on the information in the Issues Paper, and we will engage further when more details are provided on both eligibility for the sub-cap and size of the discount.

Over and Under Collection

Aer Lingus does not have any opposition to the current k-factor adjustment approach, and is supportive of the 5% cap.