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Sent via email: consultation@iaa.ie

3 October 2025

Dear Mr Corcoran,

British Airways response to the IAA Issues Paper Consultation on the 2026 Determination on airport charges at Dublin Airport

1. Introduction

British Airways welcomes the opportunity to input to the Issues Paper consultation regarding the 2026 Determination on airport charges at Dublin airport.

We carry over [...] passengers annually to and from and Dublin, providing onward connections via our hub at London Heathrow, contributing to Ireland's air connectivity and the wider economy as well as offering greater choice to consumers.

We fully endorse the detailed responses submitted by our sister airline Aer Lingus and our parent company International Airlines Group (IAG) to this consultation. Building on these, we concentrate our response on the issues we regard as most critical for the regulatory framework at Dublin Airport, informed by our experience of regulatory regimes in the in the UK and across Europe.

2. Overall regulatory approach

We support the continuation of the building blocks methodology provided that forecasts for all the key components are set at levels that are challenging yet achievable.

We also agree with the IAA's thinking of setting the price control period for five years which in our view strikes a reasonable balance between the need for stability in pricing and the level of risk on forecasting. That said, the IAA should recognise that multi-year regulatory periods risk misalignment in forecast versus actual costs, traffic and inflation which often results in excessive returns for the airport over and above a fair return on its investment.

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Till structure

British Airways strongly supports the IAA's decision not to review the single till structure as requested by Dublin Airport (daa) as part of this determination process.

As the IAA rightly observes, *"a single till approach yields airport charges more in line with those that would be observed in a competitive environment, and thus better aligns with the interests of users."* The IAA is therefore correct to reiterate that the single till approach continues to best align with its statutory objectives to protect the interests of users.

Dublin Airport's claim that the single till keeps charges *"artificially low"* is tantamount to admitting that charges would be higher under a dual or hybrid till. This is consistent with the Swiss Price Watchdog's finding that dual till regimes had allowed Zurich and Geneva airports to impose charges above the level expected of a regulated monopoly, and that the only way to *"guarantee fair charges"* was to revert to the single till model.¹

The single till has important practical advantages, one of its key benefits being regulatory simplicity. By contrast, dual or hybrid tills create additional complexity and reduce transparency, as the IAA recognises in this consultation document. The issues relating to additional complexity and regulatory burden are widely acknowledged, such as the allocation of common assets and costs, including by the Thessaloniki Forum of European Regulators on airport charges², the UK Competition Commission³ and the French Transport Regulator ART⁴.

Our experience in a number of jurisdictions in Europe has indeed shown that these models frequently lead to legal disputes, costly administrative processes, and significant burdens for airports, regulators, and users alike. The root of this complexity lies, among other areas, in the need to artificially separate aeronautical and non-aeronautical activities, despite them being inherently interlinked in airport operations.

Finally, contrary to Dublin Airport's claims, the single till does not weaken incentives in investment. There is no evidence that single till has hindered Dublin Airport's ability to attract investment, nor that it distorts incentives for non-aeronautical development. On the contrary, Dublin Airport has consistently outperformed on commercial revenues, as confirmed in the IAA's benchmarking report published alongside the Issues Paper.

We therefore 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

¹ Price Supervisor, 2015, Recommendations of the Price Supervisor to the Federal Council regarding the revision of the Airport Fees Ordinance.

² Thessaloniki Forum paper, [Airport Till Structure Cost Allocation paper TF-Adopted January 2021](#)

³ Competition Commission (2002), 'Report on Dual Till Proposals for BAA London Airports'

⁴ ART (2023), 'Thematic Study Issues and Perspective of Till Systems in the Airport Sector

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retained by Dublin Airport rather than passed on to Users.”⁵ Indeed, the IAA’s existing allowed WACC already reflects the risk profile of the mix and composition of Dublin Airport’s activities.

We equally agree with the IAA’s finding that single till is more credit protective by reducing volatility⁶ through the periodical resets of commercial revenues over regulatory periods. Airports in dual till do not benefit from the same risk mitigations for non-aeronautical activities that exist under the single till model. This should accordingly drive a lower systematic risk for Dublin Airport compared to dual till airports used in the peer group for establishing the asset beta. 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. We elaborate on this argument in the section on the cost of capital.

3. Passenger Forecasts

Actual passenger numbers at Dublin Airport have once again exceeded the IAA’s forecast and to an ever greater extent, Dublin Airport’s own forecast. This is not an isolated case. Since 2014 (excluding the COVID-19 period) outturn traffic has consistently and materially exceeded Dublin Airport’s forecast.

While Dublin Airport attributes its low forecasts to its assessment of capacity constraints, it should be recognised that, as Dublin Airport bears volume risk, it has every incentive to underestimate traffic. Lower forecasts drive higher per-passenger charges and boosts profits. The regulator must account for this when setting the traffic forecast.

We therefore strongly support the IAA’s proposal to develop its own independent passenger forecast rather than defaulting to a midpoint between competing forecasts. The IAA’s approach of undertaking extensive economic modelling and drawing on multiple sources of evidence should provide a more robust outcome. The IAA must, however, be deliberate and transparent about how it weighs different sources of information.

The IAA has an opportunity to correct this systematic issue, ensuring charges are set fairly while the airport is able to earn a fair share on its investment.

4. Operating Expenditure (“OPEX”)

We encourage the IAA to set a challenging but achievable OPEX target for Dublin Airport, accompanied by an ongoing efficiency target that drives year-on-year productivity gains.

OPEX efficiency target

OPEX per passenger has remained broadly flat in recent years (excluding the Covid-19 period), in line with the IAA forecast. However, given the substantial growth in traffic, we would have expected unit costs to fall. A flat trajectory indicates the airport may be meeting baseline regulatory requirements but is not pursuing meaningful efficiency gains.

⁵ Point 4.23.

⁶ Point 4.25.

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We therefore encourage the IAA to consider setting an ongoing OPEX efficiency target for Dublin airport, consistent with other jurisdictions in Europe which take a similar approach. For example, the UK CAA mandates fixed annual efficiency targets at Heathrow while Italy's regulator (ART) establishes a range of OPEX efficiency which it believes a given airport can achieve⁷.

Individual cost categories

The overall OPEX figure masks over/underspend in individual cost categories. We therefore encourage the IAA to take a more detailed view in categories for which costs have risen, including security and cleaning.

Efficiency dividend from capital investment

We reasonably expect the airport's capital investment programme to deliver demonstrable operating cost efficiencies. Business cases put forward by the airport, such as the South Apron Hub, were explicitly justified on the basis they would reduce OPEX as passenger numbers grow. However, there has been little evidence so far that these efficiencies have materialised. The IAA should reflect this when setting its OPEX forecast and hold Dublin Airport to account for delivering on promised efficiencies.

OPEX risk

We strongly support OPEX risk remaining fully with the airport, other than for genuinely uncontrollable passthrough costs. Dublin Airport remains best placed to manage its own operating expenditure. This approach is in line with international best practice at other hub airports including Heathrow, Paris, Vienna and Fraport, where the airport operator remains fully accountable for cost management.

5. Commercial revenues

Dublin Airport has consistently and significantly outperformed commercial revenue targets since 2014 (excluding the COVID-19 period), exceeding both its own conservative forecasts and those set by the IAA.

While we support strong incentives for the airport to maximise commercial revenues under the single till framework, persistent understatement of forecasts has the effect of inflating airport charges to the detriment of consumers. The IAA should recognise this track record and take steps to strengthen the robustness of future forecasts.

We support the development of refined econometric models with improved underlying drivers, alongside benchmarking against both comparable airports and Dublin Airport's own historic performance. In line with international best practice, the IAA could use Dublin Airport's commercial plan as a starting point but then strengthen this through bottom-up analysis and benchmarking. Where

⁷ Italian ART Airport Charges Regulatory Model, Annex "A" to Decision No 38/2023 of 9 March 2023
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there is clear evidence that Dublin Airport can achieve higher revenues than it has assumed, the forecast should reflect an appropriate degree of stretch so that it is both ambitious and realistic.

Risk and rolling schemes

We do not object in principle to the continuation of rolling schemes for commercial revenues, recognising that they help to limit incentives for the airport to artificially profile revenue over time. We also support the retention of the 10% cap as a safeguard to ensure the per-passenger charge does not diverge excessively from the level that would apply in the absence of rolling schemes.

6. Fast track

Fast Track is a core element of British Airways' premium product at Dublin Airport, used by business class passengers and Executive Club members in the upper tiers. These high-value travellers are important to Dublin's attractiveness as a hub, encouraging repeat business and supporting same-day journeys through a seamless airport experience.

The integrity of Fast Track access is therefore critical. Any arbitrary limitation of airline access risks undermining airline product offerings and weakening Dublin Airport's appeal to premium passengers. This is not a matter of physical capacity as claimed by the daa - all passengers must pass through security, and daa has demonstrated strong competence in managing queues and flexing resources across lanes. By aggressively commercialising Fast Track through frequent discount campaigns, tap-and-go entry, and unlimited memberships, while at the same time seeking to limit airline access, daa risks distorting the balance between regulated service provision and commercial activity.

For Dublin Airport to remain competitive in attracting and retaining premium traffic, passengers must have reliable, efficient Fast Track access. British Airways therefore believes Fast Track should remain firmly within the regulatory till, subject to strengthened oversight from the IAA. Clear governance, in line with the objectives of the EU Airport Charges Directive, will ensure access remains fair, service quality is protected, and Dublin Airport continues to deliver the premium experience expected by high-value passengers.

7. Capital expenditure ("CAPEX")

While British Airways in principle supports the IAA's regulatory approach to capital expenditure (including the RAB framework, StageGate process, and use of triggers) we remain concerned that Dublin Airport has consistently underspent against both forecasts and allowances since 2022.

The IAA should carefully examine the incentives within the CAPEX framework to ensure projects are delivered on time and at efficient cost. We support the continued use and expansion of triggers as a proportionate tool to manage uncertainty and incentivise delivery, and see merit in exploring reverse triggers where avoidable delays arise from Dublin Airport's own actions.

British Airways remains supportive of the principle that only assets in use should enter the RAB which incentivises timely delivery. Equally, only CAPEX that delivers clear value to users should be



remunerated.

The StageGate process, combined with the use of deliverable and flexible allowances, provides a sound framework for controlling costs and managing project risk. However, it should be recognised that there has not been a project yet that has completed the full StageGate cycle, and cost estimates for many projects already exceed initial allowances. A strong ex-post efficiency assessment is therefore vital.

Overall, we continue to support the IAA's approach but urge the regulator to strengthen incentives for delivery, expand the use of triggers, and ensure that only efficient, value-adding CAPEX is reflected in airport charges.

8. Cost of Capital

In line with Aer Lingus and IAG, we are concerned that replicating the methodological choices taken for the 2019 and 2022 Determinations risks overstating Dublin Airport's true cost of capital. This risk arises primarily from the beta assessment and the inclusion of an unnecessary "aiming up" allowance. Our comments therefore focus on these two areas:

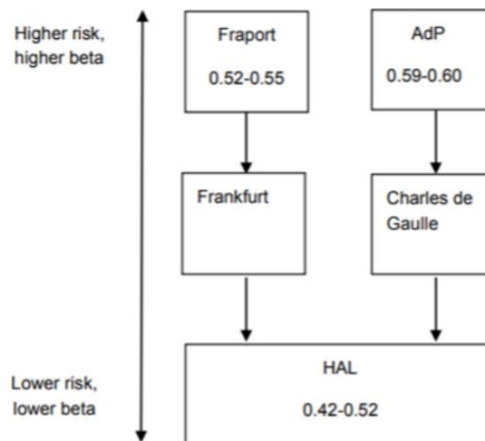
Beta

In 2022, the IAA set Dublin Airport's asset beta at 0.6 (equity beta 1.13 with notional gearing), an increase from the 2019 Decision of 0.5 (equity beta 0.94). While market betas were temporarily elevated at the time, the resulting equity beta is inconsistent with Thessaloniki Forum guidance that regulated airport betas should be below one to reflect their low risk exposure⁸.

Furthermore, the IAA ought to consider the relative risk of Dublin airport compared to its peers to the extent that daa is faced with a lower systematic risk. We believe there are two relevant factors where we consider there to be a material difference between daa and its comparators:

- **Traffic and business risk profile:** daa's risk exposure differs materially from peers that run large airport groups. These include AENA, which operates a network of 46 airports across Spain, many of them small and unconstrained, and from ADP and Fraport, which hold significant overseas investments, including in politically and economically volatile markets. daa does not face the same level of risk. Indeed, the UK CAA applied a two-step framework at Q5 and Q6 price control reviews, namely to adjust the empirical comparator group to reflect the risk relative to the hub airport, then comparing that hub airport to Heathrow.

⁸ Thessaloniki Forum "Recommendations for the Setting and the Estimation of the WACC of Airport Managing Bodies" (2016)
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Source: UK CAA, Q6

- **Single till:** daa operates under a single till framework which is credit protective and reduces volatility through the periodical resets of commercial revenues, unlike most comparator airports that operate under dual or hybrid tills.

We therefore ask that the IAA adjusts for these factors. We advocate for a relative risk adjustment framework to adjust the empirical comparator group to reflect the risk relative to a constrained hub such as daa. We are keen to provide our views to the IAA on how such a relative risk adjustment framework can work in practice.

Taken together, these factors suggest that daa's risk profile is lower than implied by the IAA's 2022 beta assessment, and that a more conservative approach is appropriate for the 2026 Determination.

Aiming-up allowance

As a matter of principle, we do not believe an aiming up allowance is justified for Dublin Airport. The airport has never faced difficulty attracting investment, and the 50bps uplift applied by the IAA appears arbitrary and unsubstantiated. In our view, the risk of underinvestment is overstated, particularly given Dublin Airport's sustained credit rating and the five-year review cycle in its regulatory framework which already allows recalibration.

The asymmetric nature of the aiming up allowance also undermines its rationale. There is no equivalent mechanism to compensate users if and when the WACC is set too high, despite this risk of overestimation being as likely to materialise as underestimation. In addition, the risk of error on the cost of debt is minimal since embedded debt costs are based on Dublin Airport's actual debt (accounting for 73% of the 2022 allowance). On the equity side, the methodology already results in generous estimates through an inflated beta. Adding a further aiming up allowance double-counts this risk.

The IAA should also consider precedent in other sectors. Other Irish regulators, such as the CRU, have applied much smaller uplifts (c. 18–25bps above the midpoint, via the 67th percentile) compared with the IAA's 50bps. A more proportionate approach would be to select a point estimate within the range, which could lie above or below the midpoint depending on the evidence, rather than defaulting



to an "aiming up" adjustment.

In summary, we see no basis for applying an aiming up allowance which effectively acts as an incremental WACC in this determination. A state-owned entity does not require an artificially high return. A beta reassessment and removal of the aiming up component would produce a more evidence-based and proportionate WACC, in our view.

9. Risk, Return and Financeability

Financeability should be assessed on a notional basis, with Dublin Airport responsible for managing its own financing choices. Consumers should not be required to subsidise the airport's individual decisions. Scenario analysis should take account of both upside and downside risks, applying realistic probabilities. At present, the framework appears weighted towards protecting the airport against downside scenarios while allowing it to retain the full upside from stronger-than-forecast passenger traffic and commercial revenues. A more balanced approach is needed to ensure that consumers are shielded from inflated charges and that risk and return are shared more fairly.

10. Quality of service

We welcome the IAA's intention to review the effectiveness of the current Quality of Service framework which should include an overview of whether the scope of the areas covered is appropriate, an evaluation of whether existing metrics genuinely capture the airport user experience on the ground, and whether the strength of the targets and associated reward and penalties are effective.

We believe there is scope for improvement to ensure that baseline standards funded through airport charges are consistently delivered. Dublin Airport has repeatedly underperformed in core areas such as security queue times, washroom cleanliness and ground transport information, yet has been able to offset penalties by earning bonuses elsewhere. This, in our view, dampens the incentive on the airport to deliver on its core areas.

The security queue target in particular (100% within 30 minutes), is too generous compared with targets at peer airports (90-98% for 5-10 minutes) and recommend this be recalibrated.

We also recommend the framework be broadened to cover additional areas of user experience, including lounges, airside operations, arrival baggage delivery, and transfer passengers experience.

On calibration, we support the retention of the existing 5% rebate cap but oppose any increase to the bonus component. Benchmarking against peer airports should be undertaken to ensure the overall package is balanced and proportionate.

Finally, exemptions for underperformance should only be granted in genuinely exceptional circumstances, with Dublin Airport required to demonstrate clear evidence in such cases.



11. Other

Independent reporter

We note Dublin Airport's proposal to appoint an 'Independent Reporter' for consultations. While every consultation process is different, we do not feel this is necessary in this case as the consultation process works relatively well, and there is no evident need for an additional layer.

If an Independent Reporter was to be considered, it is important that the role does not replace or dilute the IAA's role in independently assessing submissions, nor duplicate the consultation process led by Dublin Airport. Its remit would need to be tightly defined, with procurement undertaken jointly by airlines and the airport to ensure impartiality.

Due consideration should be given to the fact that an Independent Reporter would in this case add unnecessary costs which Dublin Airport would likely seek to recover from users through higher charges, without delivering clear benefits.

12. Conclusion

British Airways appreciates the opportunity to contribute to this consultation and welcomes the IAA's commitment to ensuring a fair, transparent, and balanced regulatory framework for Dublin Airport. In summary, we support the continuation of the building blocks approach, the single till framework, and the IAA's intention to strengthen its independent forecasting and oversight functions. At the same time, we encourage the IAA to take firm steps to address persistent issues with Dublin Airport's forecasting, cost efficiency, capital delivery, and service quality, and to ensure that incentives are calibrated to deliver timely investment, tangible efficiency gains, and consistently high standards of service.

A framework that is evidence-based throughout, proportionate, and balanced will best serve consumers and ensure fair charges, in line with the IAA's Statutory Objectives.

British Airways looks forward to continue its engagement with the IAA as it develops its 2026 Determination.

Yours sincerely,

Michael Petrides
Head of Economic Regulation
British Airways

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