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Sent via email: consultation@iaa.ie

3 October 2025

Re: IAG Response to the IAA Issues Paper Consultation on the 2026 Determination on Airport Charges at Dublin Airport

Thank you for giving us the opportunity to input to the Issues Paper consultation regarding the 2026 Determination on airport charges at Dublin airport from 2027 onwards.

This response is submitted by the International Airlines Group ("IAG") from an airline group perspective, representing our operating companies Aer Lingus, British Airways, Iberia and Vueling which collectively carry in excess of 12.1 million passengers from and to Dublin every year, providing a wide choice to consumers, enhancing Ireland's air connectivity and contributing to Ireland's economic growth and hub aspirations.

IAG fully endorses the response submitted by the home carrier Aer Lingus, individual responses submitted by British Airways and Iberia as foreign carriers providing short-haul operations and connections to their respective hubs, as well as Vueling that operates multiple point-to-point routes into Dublin.

Summary of Feedback

Our detailed observations and objections are set out in the Annex. In summary:

1. Approach to Regulation

IAG supports the continued use of the Building Blocks approach, contingent on the IAA applying a forecasting standard that is both challenging and achievable. Historical passenger forecasts have tended to be conservative, leading to higher-than-expected traffic and in turn, additional gains for the airport over and above a fair return on its investment.

IAG also endorses a single maximum permitted average charge per passenger per year, and considers a five-year price control period to be appropriate.

We strongly support the IAA's decision not to review the till structure and fully agree with the IAA that single till continues to be the best model in terms of mimicking market forces and aligning with the IAA's Statutory Objectives, in the interest of users.

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We also question the need for an Independent Reporter to the current consultation process', citing limited added value and potential cost implications.

2. Passenger Forecasts

IAG maintains that accurate passenger forecasts are the foundation of fair and sustainable airport charges. Dublin Airport's repeated underestimation has led to inflated per-passenger charges and systematic over-recovery of revenues that are not passed back to users or their passengers. In 2025, traffic is expected to exceed 36.1 million compared with Dublin Airport's forecast of 34.7 million, continuing a pattern evident every year since 2014 (excluding the COVID-19 period). Independent forecasts are required to ensure charges are efficient, fair, and in the best interests of passengers and the wider Irish economy.

3. Operating Expenditure ("OPEX")

IAG supports a challenging but achievable OPEX target for Dublin Airport, alongside the introduction of an explicit ongoing efficiency requirement. While recent OPEX performance aligns with IAA forecasts, cost discipline remains open to scrutiny, and efficiency gains from capital investment are not being realised.

We endorse the IAA's base-trend-step methodology and urge its rigorous application across all cost categories, especially where service quality has lagged despite rising costs. The current risk allocation model, where the airport bears full OPEX risk, should be maintained.

4. Commercial Revenues

IAG is concerned by the consistent under-forecasting of Commercial revenues. Commercial revenues are a regulated component of the single till framework, intended to offset aeronautical charges for the benefit of passengers directly. Yet, just as with passenger traffic, Dublin Airport has consistently under-forecast these revenues, with actual performance regularly surpassing both its own projections and those of the IAA. This systematic understatement negatively distorts charges and requires stronger regulatory scrutiny.

5. Fast Track

Fast Track is a regulated service that underpins IAG carriers' premium products, supporting business-class product offerings and eligible frequent flyer benefits. While it has been subject to a form of dual treatment, daa has attempted to restrict airline access on claimed "capacity" grounds while significantly expanding its own direct sales channels and products. The apparent issue is not operational but economic, with daa overstating constraints to limit airline access while commercialising Fast Track directly. IAG urges the IAA to ensure Fast Track remains firmly within the regulatory till, with transparent governance.

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6. Capital Expenditure (“CAPEX”)

IAG supports the IAA’s regulatory framework for capital expenditure. However, Dublin Airport’s continued under-delivery of CIP projects is constraining growth and delaying benefits for users.

We advocate for stronger incentives, including expanded use of triggers and reverse triggers to claw back capex where delays are avoidable. Only assets in use should enter the RAB, and all CAPEX must be subject to robust ex-ante and ex-post efficiency assessments.

7. Quality of Service

IAG welcomes the IAA’s review of the current Quality of Service framework and identifies a number of improvements needed to ensure it drives meaningful outcomes for consumers. Key concerns include consistent underperformance in core areas such as security queue times, washroom cleanliness, and ground transport information. IAG urges the IAA to recalibrate targets, particularly for security processing, to align with peer airports and ensure they are both challenging and fair.

IAG also advocates for expanding performance metrics to better reflect the passenger experience, including lounge facilities, baggage delivery and airside operations. Bonuses should only reward truly exceptional performance, and survey data needs to include transfer passengers. The current 5% risk on the price cap for service failures should remain in place and any bonus due to exceeding targets must not increase. Finally, IAG supports stricter exemption criteria and enhanced transparency in data reporting to ensure accountability and encourage continuous improvement.

8. Cost of Capital

We outline our views on each component of the WACC in the annex, with particular emphasis on a reassessment of the previously inflated beta value, the removal of the aiming up allowance, and a reduction in the cost of debt taking account of Dublin airport’s A- credit rating over the past 10 years. It is our view that this would produce a more evidence-based and accurate WACC.

9. Risk, Return and Financeability

IAG supports a notional financeability approach and urges the IAA to clarify its role following changes to its statutory objectives. Dublin Airport’s robust credit rating and resilience through COVID-19 provides strong evidence that its risk profile is overstated, and the current return allowance may be excessive.

Financeability concerns arising from the airport’s own financing choices should not be passed on to users. IAG opposes adjusting efficient capex allowances on financeability grounds and calls for greater transparency in scenario modelling, including upside cases.

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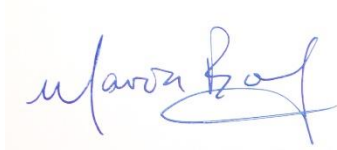
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The current risk-return balance overcompensates the airport for downside risk without requiring it to share upside gains. The 50bps aiming-up allowance on WACC is unsubstantiated, lacks justification, and therefore should be removed.

10. Other

We share our views on inflation, incentive schemes, and over and under-collection.

Yours sincerely,



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ANNEX

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 and achievable. However, our concern is that to date, the setting of passenger forecasts - a critical component of the Building Blocks approach, has lent more towards being achievable while largely neglecting the requirement to be challenging, resulting in consistently higher than forecasted traffic. 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 which provides clarity and transparency for both airlines and passengers.

A five-year price control period appears to strike an appropriate balance in terms of charge stability. However, the IAA should recognise that longer periods increase the risk of misalignment between forecast and outturn costs, traffic or inflation which may result in charges that are at odds with actual performance, often likely to result in excessive returns for the airport operator over and above a fair share.

Regarding the cost of capital, IAG is of the view that there is no basis to 'aim up' in the context of Dublin Airport as the risks the airport faces are already adequately reflected in the other components of the WACC. We elaborate further on this point in Section 8.

Till structure

IAG welcomes the IAA's decision not to review the single till structure as requested by Dublin Airport as part of the Determination process. We believe the single till framework continues to best serve the IAA's statutory obligations to airport users as it mirrors the commercial incentives present in competitive markets. Crucially, this includes encouraging efficient capital investment, taking into account the airport's entire revenue base.

Dublin Airport's assertion that single till creates "artificially low" charges implicitly confirms that alternative till structures (such as hybrid or dual till) would drive charges higher; an outcome that would clearly disadvantage both airlines and passengers. International evidence consistently demonstrates that dual till regimes have adverse consequences for passenger choice, route connectivity, and broader economic activity through excessive airport charges. IATA's analysis of Paris airports illustrates this impact, quantifying losses exceeding 19,000 jobs and €1.5bn in GDP by 2023.¹

¹ IATA (2023), 'Regulating French Airports – where ART we a year later?'

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We agree with the IAA's observation regarding the operational complexities inherent in dual till structures, particularly concerning cost and asset allocation. These issues have also been well documented by multiple sources including the Thessaloniki Forum², the French Regulator ART³ and the UK Competition Commission⁴.

Drawing on our own experiences in multiple jurisdictions in Europe, we have observed that the cost and asset allocation component of dual and hybrid till models invariably introduce greater complexity while transparency is severely limited. This frequently results in protracted disputes and places substantial demands on resources for all parties, not least the regulator. Even in jurisdictions where regulators have invested significant effort and resources into cost allocation guidelines and reviews, achieving genuinely equitable outcomes remains difficult as the complexity of this exercise inevitably exceeds the practical capacity of regulatory oversight, regardless of how diligently it is pursued.

Dublin Airport claims that single till undermines investment incentives, however, the evidence does not support this claim at all. There has been no indication or evidence of Dublin ever facing difficulty in attracting investment nor that single till distorts investment in non-aeronautical activities. On the contrary, Dublin Airport has sustained significant outperformance in Commercial Revenues, as documented in the IAA's benchmarking report accompanying the Issues Paper.

We therefore strongly endorse the IAA's observation 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"*. The current WACC already incorporates the risk profile associated with Dublin Airport's diverse activities.

We also support the statement in the consultation document that the single till approach offers greater credit protection to airports by smoothing out fluctuations in commercial revenues across regulatory cycles. In contrast, airports operating under a dual till framework are more exposed to volatility in non-aeronautical income, lacking the stabilising features inherent in the single till model. This structural difference should therefore drive a lower level of systematic risk for Dublin Airport relative to the dual till airports used as comparators in determining the asset beta. As such, a downward adjustment to Dublin Airport's beta is warranted to reflect this reduced risk exposure. Further detail on this point is provided in Section 8.

² Thessaloniki Forum paper on Airport Till Structure and Cost Allocation (January 2021)

³ French ART, 'Thematic Study Issues and Perspective of Till Systems in the Airport Sector (2023)

⁴ UK Competition Commission, 'Report on Dual Till Proposals for BAA London Airports' (2002)

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Forecasting of the individual building blocks

We are concerned that in previous determination processes, Dublin Airport has demonstrated a consistent pattern of conservative forecasting across multiple parameters, including traffic volumes and commercial revenues. This suggests a systematic issue which, were it to be left unchecked, could result in windfall gains for the airport. We would therefore encourage the IAA to give this concern due consideration when setting targets for the individual building blocks.

Independent Reporter

We note Dublin Airport's recommendation for an Independent Reporter to oversee or document consultation activities. Nevertheless, we question whether such an appointment is required in the current consultation process and what additional benefits could be generated from this.

Were the IAA to proceed with this proposal, it would be essential to establish clear boundaries ensuring the Independent Reporter does not supplant or undermine the IAA's core function of independently scrutinising Dublin Airport's submissions and the Dublin airport-led consultations. The precise definition of the Reporter's mandate would be equally important, with procurement undertaken jointly by airlines and the airport to ensure impartiality and prevent overlap with existing regulatory oversight or stakeholder responsibilities.

We would also draw the IAA's attention to the financial implications. An Independent Reporter would constitute an incremental cost that Dublin Airport would presumably seek to recover through airport charges. On balance, we do not see the need for such an appointment.

2. Passenger Forecasts

As outlined above, forecasting, in particular passenger forecasts, is a key concern to IAG. They are the most material driver of Dublin Airport's price-cap model. Because per-passenger charges are determined by dividing allowed revenues by forecast traffic, underestimation results in inflated charges. When outturn volumes then exceed forecast, daa retains the upside in full, leading to systematic over-recovery of revenues that are not passed back to airlines or their passengers. This creates an incentive misalignment at the heart of the regulatory framework.

In 2025, traffic is projected to exceed 36.1 million passengers versus Dublin Airport's own forecast of just 34.7 million, ie. a material discrepancy of nearly 1.5 million passengers. This is not an isolated event. Apart from the COVID-19 period, actual traffic has exceeded forecasts every year since 2014. Such a consistent bias cannot be explained by forecasting uncertainty alone; it reflects a structural incentive for daa to take a conservative approach at the determination stage.

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Daa has historically defended its forecasting by citing capacity constraints. Yet these constraints have often been overstated or failed to materialise. With capacity issues expected to ease over the coming period, this rationale no longer holds. The outcome has been inflated charges, additional profits for daa over and above a fair share on its investment, and higher costs for passengers.

The IAA's proposal to develop its own independent forecasts is therefore strongly supported. Past methodologies, including GDP-linked econometric models (2009, 2014, 2019) and more recent schedule/load factor approaches (2022–2024) each have merits, but they must be complemented with robust evidence and bottom-up inputs. In particular, airline forecasts, grounded in real commercial decisions around fleet and route deployment, provide the most credible forward-looking evidence available. IAG and its carriers can commit to providing robust forecasts ahead of the IAA's determination.

The IAA must also avoid simply averaging across forecast sources. A midpoint approach risks embedding conservative projection bias. Instead, the regulator should apply balanced judgement to establish a credible centreline forecast, guided by the principle of a “fair bet” ensuring risks are allocated fairly between daa and its users.

IAG supports breaking the cycle of conservative forecasting. Accurate, transparent, and evidence-led forecasts will ensure Dublin Airport's charges are set at efficient levels, directly benefiting passengers through lower costs, supporting route development and connectivity, and contributing to Ireland's economic growth.

3. Operating Expenditure

IAG's position remains consistent - the IAA must set a challenging yet achievable operating expenditure target for Dublin Airport that delivers value for airport users. The IAA should also set an ongoing efficiency target for Dublin airport to incentivise the airport to drive meaningful efficiency improvements, similar to any business in a competitive market.

Historical OPEX overspend

While total OPEX performance has broadly aligned with IAA forecasts over the past two years, it has consistently fallen below the levels forecasted by Dublin Airport in its 2022 submission. Excluding the pandemic-affected period, OPEX per passenger has remained relatively flat, consistent with IAA elasticity assumptions. However, this apparent stability masks deeper concerns:

- A flat OPEX per passenger trajectory may indicate that Dublin Airport is merely meeting regulatory expectations rather than striving for continuous improvement. This suggests a lack of ambition and innovation, particularly given rising passenger volumes and the opportunity to realise economies of scale.
- The aggregate OPEX figure conceals significant variability across cost categories, with some areas experiencing material over or underspending.

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For example, staff costs have remained below Dublin Airport's own forecasts since 2022 yet continue to exceed IAA projections. Given the changes in staffing levels and employment terms since 2019, this gap should be narrowing. Instead, the upward trend in staff costs warrants further scrutiny, particularly in areas such as security, facilities, and cleaning, where cost increases have not been matched by improvements in service quality.

OPEX estimation methodology

The IAA's current approach of combining a bottom-up efficiency assessment with top-down validation remains appropriate and aligned with international best practice. The "base-trend-step" framework, which deconstructs cost categories to establish a baseline and applies volume drivers and step changes, is a sound methodology.

IAG supports the continued use of this approach. However, it is essential that the IAA applies it rigorously and transparently, particularly in areas where Dublin Airport has historically challenged efficiency assumptions, such as security. A detailed, category-level efficiency assessment is critical to avoid gaming risks and ensure that cost forecasts reflect genuine operational needs.

Moreover, the IAA should expand its deep-dive assessments to other cost categories where actual expenditure has exceeded allowances, or where performance against Quality of Service (QoS) targets has been persistently poor. Facilities and cleaning are one such area: despite rising OPEX, Dublin Airport has failed to meet the QoS rebate threshold since 2023.

CAPEX-OPEX linkages

IAG expects to see OPEX efficiencies materialise as a direct result of capital investment. Dublin Airport has successfully increased commercial revenues from certain CAPEX projects, and many business cases, such as the South Apron Hub, explicitly cite OPEX reductions as a benefit. These projects are intended to deliver scale efficiencies and reduce the per-passenger cost burden. Yet, there is little evidence that these efficiencies are being realised in practice. The IAA must critically assess these unrealised benefits when setting future OPEX allowances.

Ongoing efficiency challenge

There is a clear need for the IAA to introduce an explicit ongoing efficiency challenge for Dublin Airport. This would replicate the pressures of a competitive environment and incentivise the adoption of new technologies and management practices. Such mechanisms are standard in other regulated sectors and jurisdictions. For example:

- The UK CAA applies a fixed annual efficiency target at Heathrow;

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- The ART in Italy sets a range of efficiency expectations, within which airports propose their own targets.⁵

There is no justification for exempting Dublin Airport from a similar requirement. The absence of an ongoing efficiency challenge represents a material regulatory gap.

This should also inform the IAA's approach to the glidepath toward efficient OPEX levels. The glidepath must not be excessively long; Dublin Airport should be required to reach an efficient baseline as quickly as possible to avoid prolonged periods of unjustifiably high passenger charges.

OPEX risk allocation

IAG supports the current framework under which Dublin Airport bears the risk of OPEX overspend and retains the benefit of underspend, excluding costs subject to passthrough mechanisms. This aligns with international precedent and ensures that the airport operator remains accountable for its cost base.

Any attempt to shift this risk onto airlines would be strongly opposed. Dublin Airport is best placed to manage its own expenditure and should continue to bear full responsibility for OPEX outcomes. This model is consistent with practices at other major airports including Heathrow, ADP, Vienna, and Fraport.

4. Commercial Revenues

As with passenger forecasting, commercial revenues are a critical element of the single till framework. In principle, strong commercial performance should directly reduce per-passenger charges, ensuring passengers benefit from the revenues generated by the airport. In practice, however, repeated under-forecasting has undermined this mechanism. Conservative forecasts inflate aeronautical charges at the outset, leaving airlines and their customers overpaying while the airport captures excess profits when revenues exceed projections.

The IAA's current approach relies heavily on a base-step-trend methodology, using elasticities derived from historic data to project future outcomes. While simple and transparent, this approach has repeatedly failed to reflect Dublin Airport's true revenue potential. It overlooks new revenue streams, efficiency gains, and structural changes in the market, such as the post-Brexit step change in duty-free sales, which has clearly reset the retail baseline. The IAA itself has acknowledged that the majority of outperformance in recent years cannot be explained by passenger growth alone, underlining that the issue is structural rather than incidental.

⁵ Italian ART Airport Charges Regulatory Model, Annex "A" to Decision No 38/2023 of 9 March 2023

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IAG supports a more rigorous and transparent forecasting framework. This should combine refined econometric modelling with benchmarking against comparable European airports and Dublin Airport's own historic outperformance. International precedent supports this approach: at Heathrow, the UK CAA begins with the airport's business plan but applies independent benchmarking and bottom-up analysis to ensure forecasts are "challenging but achievable." A similar standard should apply in Dublin.

The importance of realistic forecasts is not abstract. daa has previously argued during determinations that commercial revenue opportunities were "exhausted," only to roll out new initiatives and ramp up activity once charges were fixed. This pattern of understatement during the regulatory process followed by innovation post-determination highlights the need for the IAA to apply a degree of evidence-based "stretch" in setting forecasts.

Key categories require particular scrutiny:

- **Car parking:** While competitor re-entry may potentially dampen growth, daa is likely to innovate to sustain performance e.g. through new product offerings like recent launches of "Drop and Go".
- **Retail:** Duty-free sales have increased substantially post-Brexit, and this higher baseline must be reflected in forecasts.
- **Fast Track:** As outlined separately, this must remain a regulated charge, its commercialisation should not come at the expense of airlines' ability to offer it to their eligible passengers.
- **US preclearance:** Treatment requires review, with consideration of whether revenues are best categorised as commercial, aeronautical, or a separable regulated charge.

Rolling schemes may remain a useful safeguard against artificial profiling of revenues, and the 10% cap helps ensure per-passenger charges do not deviate excessively. But the central issue is the forecast itself. Without realistic baselines, users continue to face inflated charges and daa retains the upside.

Daa's repeated underestimation of commercial revenues mirrors its approach to passenger traffic - conservative projections that shift risk onto users while allowing the airport to profit from outperformance. Given this pattern, IAG encourages the IAA to adopt a stronger, evidence-led methodology, applying robust econometric analysis, benchmarking, and appropriate stretch, to ensure forecasts are credible, transparent, and balanced. Only then will the single till model work as intended, ensuring that the benefits of commercial success are passed through fairly to airlines and their passengers.

5. Fast Track

Fast Track is a regulated service that forms a core part of IAG carriers and other airlines' premium offerings. It underpins business-class fares and eligible frequent flyer benefits, all of which depend on reliable and predictable access. Its role is particularly significant for business

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passengers undertaking same-day returns, where speed and certainty are essential. Premium and business travellers deliver wider benefits to Dublin Airport and Ireland's economy through repeat travel, higher spend, and enhanced connectivity which supports inward investment. Regulatory oversight must be robust, ensuring that airlines retain priority access. While the service has got a regulatory and commercial treatment, it should clearly be prioritised in the interests of users rather than treated as a purely commercial product.

Over the past two years, daa has attempted to restrict airline access by citing "capacity constraints." At the same time, daa aggressively commercialised Fast Track through heavy promotion and discounting, tap-and-go entry, and the introduction of unlimited annual memberships. These efforts required escalation to the IAA, underlining both the inadequacy of current safeguards and the risks of unilateral action. Airlines were told access would be restricted while passengers were simultaneously encouraged to buy access directly through daa's channels. Access currently available to eligible airline passengers cannot simply be withdrawn and sold back to them by the daa without ramifications. This raises significant concerns about daa's motives.

The claim of capacity constraint does not withstand scrutiny. All passengers must ultimately pass through security, meaning the staffing and infrastructure resources are already in place. Fast Track therefore represents a management choice on allocation rather than a true capacity limitation and should not be used as a lever to restrict airline access while monetising direct sales. In practice, daa has demonstrated strong competence in managing queues and lanes, with well-established processes for handling Fast Track demand at peak times and for flexibly using the facility as overflow when regular security lanes are under pressure. These capabilities demonstrate that capacity can be effectively managed without arbitrary restrictions.

The issue, therefore, is not operational but economic. Just as with passenger forecasts and commercial revenues, daa has selectively presented constraints, overstating them when it suits them, and downplaying them when pursuing its own commercial objectives. This behaviour has created unnecessary uncertainty for passengers and airlines and risks undermining trust in premium products that are central to hub connectivity, and damages confidence in Dublin Airport as a hub for high-value traffic.

The EU Airport Charges Directive clearly states that access to regulated services must be transparent, objective, and non-discriminatory. Where genuine constraints exist, allocation must be based on relevant, equitable, and transparent criteria. Daa's conduct of restricting airline access while simultaneously expanding its own direct sales is inconsistent with these requirements.

IAG supports daa in developing new and expanding existing commercial revenue streams, where this does not compromise essential airline offerings. But Fast Track is not an optional add-on, it is a regulated service and must remain treated as such. The IAA should require daa to publish transparent forecasts of Fast Track demand and capacity and establish objective, enforceable rules for allocation where genuine constraints arise.

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Fast Track is an essential regulated service that supports premium traffic, enables same-day returns, and strengthens Dublin Airport's hub competitiveness. IAG carriers, particularly Aer Lingus which delivers the majority of premium passengers through Dublin Airport, need to be sure of the long-term reliability of this service. Given the concerns outlined above stronger oversight from the IAA is evidently required.

6. Capital Expenditure

Dublin Airport's delivery of consulted and approved Capital Investment Programme (CIP) projects is essential to supporting traffic growth, enhancing operational efficiency, and unlocking economic benefits for Ireland.

IAG supports the IAA's regulatory framework for capital expenditure, including the RAB-based approach and the use of StageGate processes and triggers to manage uncertainty around needs, timing, and costs. However, we remain concerned that Dublin Airport's historical capex has consistently fallen short of both forecasts and allowances since 2022. The airport has not demonstrated the capability to deliver large-scale capital projects in a timely manner, and the consequences are being felt by all users. Continued failure to navigate planning processes and deliver CIP projects efficiently will exacerbate inefficiencies, deprive users of operational cost benefits, constrain growth, and delay broader economic gains.

The IAA must carefully evaluate the incentives embedded in the regulatory regime to ensure cost efficiency and timely delivery of capital projects. This is critical to ensuring that Dublin Airport's infrastructure supports the business models of airlines and aligns with Ireland's National Aviation Policy and National Development Plan.

Historic CAPEX trends

Although Dublin Airport's capex has been trending upward, it remains well below the forecast and allowance levels set in the 2022 Review Decision, and significantly below 2019 and 2020 levels. These underspends stem from the airport's inability to progress capacity-expanding and passenger experience projects through planning, as well as lower-than-expected investment in untriggered projects.

To address these concerns, IAG supports the expanded use of triggers. Triggers are a proportionate tool to manage uncertainty and incentivise timely delivery. The IAA should also consider implementing reverse triggers to claw back allowed capex where delays were avoidable and attributable to the airport's actions.

Approach to Capital Costs

IAG supports the RAB-based approach to estimating capital costs, including the annuities-based depreciation profiling. We urge the IAA to confirm that only assets in use should enter the RAB and be remunerated, as this principle incentivises timely project delivery.

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We strongly support the IAA's proposal to provide efficient allowances for CIP27 projects that benefit current and future users. Only efficiently incurred capex that delivers value should be added to the RAB. IAG continues to support the ex-ante assessment of capex, the Dublin Airport-led consultation process, and the role of the Independent Fund Surveyor (IFS). These assessments must be robust, balanced, and transparent.

The IAA must place significant emphasis on the ex-post review of Dublin Airport's CIP to ensure only efficient capex is added to the RAB. Past examples, such as the Critical Taxiways project, highlight the need for stronger incentives and oversight.

Flexibility and ongoing oversight

IAG supports the IAA's regulatory regime for providing flexibility and oversight across Dublin Airport's capex and CIP. This includes the continued use of the StageGate process, the classification of grouped allowances as 'Flexible' or 'Deliverable', and the use of triggers.

The IAA's approach aligns with best practice. IAG welcomes engagement in the StageGate process, which is critical for controlling costs and managing project uncertainties. While the process design is sound, it is important to note that no project has completed the full lifecycle to date. The IAA must ensure robust ex-post efficiency assessments for all StageGate projects. We recognise that applying StageGate to projects below the materiality threshold may not be proportionate. The 'Deliverable' designation is appropriate where there is certainty on the needs case, solution, and efficient capex level, and where delivery concerns exist. This approach provides strong incentives for timely delivery.

Flexibility should be accommodated in how Dublin Airport meets its stated objectives. IAG encourages the IAA to expand the use of triggers in the 2026 Determination and to consider reverse triggers to claw back capex where avoidable delays occur. This would prevent situations where poor planning submissions lead to delays, despite triggering price cap uplifts.

Sustainability

The IAA must not support capital projects that exceed mandatory sustainability obligations. While IAG welcomes sustainability ambitions beyond regulatory requirements, such initiatives must be funded by the airport itself, not by users.

IAG does not support prioritising sustainability projects over capacity-related investments, except where mandated sustainability projects are time-bound.

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7. Quality of Service

We welcome the IAA's initiative to reassess the adequacy of the current Quality of Service framework. While we recognise the value of the existing regime, we believe significant enhancements are needed across several dimensions, including:

- the breadth of service areas monitored;
- the precision of performance indicators and reporting requirements; and
- the robustness of targets alongside their corresponding incentives and penalties.

Consistent underperformance in core service areas

Our primary concern is that the current incentive structure is not adequately motivating Dublin Airport to prioritise resources towards meeting baseline standards for services funded through airport charges. Instead, the airport appears to direct efforts towards areas that offer bonus opportunities. Throughout 2023 and 2024, Dublin Airport incurred penalties for failing to meet standards in security queue times, washroom cleanliness, and ground transport information. However, by achieving "exceptional" performance in bonus-eligible categories, the airport substantially offset these rebates, minimising the financial impact.

We urge the IAA to reassess the targets for security processing, washroom cleanliness standards, and wayfinding to ensure they are appropriately challenging. These targets should be evaluated in conjunction with the approved operating and capital expenditure allowances, with clear expectations on the expected minimum service quality levels corresponding to these funding provisions.

Security queue target

Regarding the security target specifically, we agree that recalibration is necessary to establish a challenging but realistic target. Comparative analysis of security queue time targets across comparable airports in Europe such as London Heathrow, London Gatwick, Lisbon, Paris and Rome reveals Dublin Airport as a clear outlier, requiring 100% achievement instead of a 90-99% rate but against a much more generous 30-minute threshold than the typical 5-10 minute range.

We recommend the IAA consider a revised framework with a slightly lower achievement percentage applied to a shorter wait time, aligning Dublin Airport's requirements with peer airports.

Risk of over-reward

We have long-standing concerns that the bonus mechanism may effectively constitute double-charging for airport users. Given current achievement patterns, we request the IAA examine whether bonuses are genuinely reserved for exceptional performance and that the thresholds are set at sufficiently high levels.

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In our view, financial rewards should only be applied in exceptional circumstances as otherwise the airport would be getting rewarded for essentially doing what is expected of it in return for the remuneration it receives. Over-compensation does not provide any benefit to users or passengers and represents an inefficient use of regulatory allowances.

Expansion of performance metrics and data collection

A new regulatory period presents an ideal opportunity to evaluate whether existing metrics genuinely capture the airport user experience on the ground.

Current indicators should reflect value delivered to users, something we believe is inadequately addressed at present. We therefore recommend the IAA broaden the Quality of Service framework to encompass the following priority areas:

- **Lounge facilities** (noting that Appendix 1 of the Issues Paper identifies this as an SQM metric currently measured but excluded from the incentive framework);
- **Airside operational metrics** (stand congestion, aircraft movement efficiency), including aircraft towing delays. While acknowledging external influences, this is no different to other European airports which have similar targets and similarly, substantial elements of airside operations remain within Dublin Airport's control;
- **Baggage delivery performance:** Introduction of a KPI targeting on-time baggage arrival and reducing instances of mishandled luggage. As with airside operations, while external factors exist, Dublin Airport retains significant control over baggage handling standards, and again, this is no different to any other European airport subject to targets in this area.

Beyond these core areas, IAG advocates for targeted revisions to the incentive framework to drive improvements in:

- Expedited deployment of biometric passenger processing;
- Enhanced transfer passenger experience, particularly for hub connections, benchmarked against best-in-class connector hubs such as Helsinki airport;
- Improved wayfinding and terminal navigation, with particular attention to gate identification;
- More proactive passenger communication and customer service in baggage reclaim areas;
- Check-in desk availability and expansion;
- Stand availability and comprehensive airfield performance reporting;
- Dedicated staff security processing to prevent staff from utilising passenger screening lanes during peak periods;
- Enhanced traffic management systems to address increased issues with congestion.

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Data transparency and collection methods

If bonuses are to be retained, they should be underpinned by objective metrics alongside subjective customer satisfaction metrics (CSM), with performance benchmarked against comparable airports. Additionally, survey data should be collected from transfer passengers to ensure this customer segment is adequately represented as well.

We also call for enhanced transparency and frequency in Dublin Airport's reporting, particularly real-time access to service quality data that would enable proactive passenger communication regarding security wait times and other operational issues.

Calibration of the overall bonus/penalty scheme

Dublin Airport currently faces potential rewards of up to €0.15 per passenger (+2% of the price cap) for good performance, and rebates of up to €0.36 per passenger (-5% of the price cap) for underperformance.

We consider the current rebate level of €0.36 (maximum 5% price cap reduction) to represent a proportionate incentive structure, noting the specific areas requiring enhanced focus outlined above. We would oppose any increase to the bonus component in particular.

This new determination period offers an opportune moment for the IAA to benchmark Dublin Airport's risk-reward balance against comparable facilities. For instance, Heathrow Airport operates under a +1.44% reward and -7% rebate structure. On the other hand, London Gatwick faces a 7% risk on its price cap with no bonuses eligible if targets are exceeded.

While we acknowledge the difficulty of direct cross-airport comparisons and that revenue at risk cannot be assessed independently of the overall price cap level, we nonetheless encourage this comparative analysis. We also recommend the IAA evaluate the incentive package on a Return on Regulated Equity (RoRE) basis.

We support the IAA's methodology of establishing the total at-risk amount as a percentage of the initial price cap, then fixing it in nominal terms and uplifting by inflation throughout the regulatory period, consistent with the price cap itself.

Exemptions framework

We concur that Dublin Airport should bear the burden of demonstrating genuine extenuating circumstances when seeking exemptions for Quality of Service underperformance, and that the IAA should maintain a stringent threshold for granting such exemptions.

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8. Cost of Capital

IAG supports the IAA's overall approach to estimating the Weighted Average Cost of Capital (WACC). However, we believe that replicating the detailed methodological choices from the 2019 and 2022 Determinations **will result in a WACC that overstates Dublin Airport's true cost of capital**, due to:

- an inflated beta, and
- the inclusion of a deeply flawed and overly conservative aiming-up allowance which is severely lacking in sufficient evidence to be included in the WACC calculation.

We strongly recommend that the IAA revisit these assumptions and present analysis that quantifies the gap between the WACC estimate and Dublin Airport's actual cost of capital over the period 2020 to 2025.

IAG welcomes the IAA's emphasis on purposeful selection of averaging periods across the building blocks. The most appropriate interpretation of the evidence for each parameter should reflect:

- The balance between signal and noise in underlying data fluctuations;
- Whether observed changes are transitory or persistent;
- The historical and optimal allocation of risk between Dublin Airport and its users;
- The time horizon over which investors assess each parameter.

These considerations will vary by component and we encourage the IAA to adopt a case-by-case approach. We provide our views on each parameter in the sections that follow.

Beta

IAG strongly opposes the upward revision of beta between the 2019 and 2022 decisions and urges the IAA to review its methodology.

While we acknowledge that comparator betas were elevated in the lead-up to the 2022 decision, the resulting equity beta is inconsistent with the Thessaloniki Forum's expectation that regulated airport equity betas should be below one, reflecting below-market average risk exposure.

Regarding comparator selection, IAG recommends that the IAA revisit the weightings applied to individual airports. In 2022, the IAA placed most weight on three comparators, yet these sat at opposite ends of the asset beta range, making it difficult to discern the IAA's view of Dublin Airport's relative risk.

While we support some of the existing criteria used to determine weightings, we specifically encourage the IAA to consider the following:

- The IAA must factor in the risk-sharing characteristics of the single-till framework, which warrant a downward adjustment to beta. To our knowledge, all listed comparator

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airports operate under dual or hybrid-till regimes which typically expose them to greater commercial risk.

- The exclusion of Sydney Airport from the comparator set following its delisting in 2022 should be reconsidered. Historical data from Sydney remains relevant and offers useful insights, particularly given its similarity in scale and scope to Dublin Airport.
- Although “Economic Regulation” is listed as a criterion, the weightings adopted from 2019 do not appear to reflect:
 - The degree of protection each airport received during high-stress periods, particularly during COVID.
 - Dublin Airport’s unique position as Ireland’s primary international gateway, serving a highly concentrated passenger base. This differs from comparator airport bodies such as AENA which operates a network of 46 airports, many of which are regional and unconstrained, and ADP and Fraport, which have exposure to politically and economically volatile regions in Africa and Latin America.

Measured betas across listed airports vary widely and fluctuate over time. As a result, the cost of equity is highly sensitive to the IAA’s comparator selection and its assessment of Dublin Airport’s relative risk. We would welcome greater transparency in this process. Ultimately, the beta estimate should reflect expert regulatory judgement, including adjustments for the regulatory frameworks of comparator airports where clear differences exist in till regimes.

In summary, we expect a downward revision of the beta compared to the previous determination, driven by the below factors:

- Any airport comparators being used in the calculation of Dublin airport’s beta with a beta above one should be adjusted downwards to align with the Thessaloniki Forum expectation that regulated airport equity betas be below one;
- Materially less risk is associated with the single-till framework vs dual or hybrid-till regimes of listed comparator airports;
- The extent that Dublin Airport carries a lower systematic risk given the difference in traffic and business risk profile compared to comparator airports;
- The market evidence post-COVID-19 and the previous determination that betas were over inflated.

Aiming up

IAG recommends that the IAA reassess both the necessity and the magnitude of any aiming-up adjustment to the WACC.

Justification for aiming up

While aiming up can be justified under certain regulatory circumstances, IAG does not believe these conditions are met in the case of Dublin Airport. In its 2019 and 2022 determinations, the IAA cited the following reasons for applying a 50 basis point uplift:

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- Risk of measurement error in WACC components
- Asymmetric welfare effects of underinvestment versus overinvestment
- Absence of implicit aiming-up in other WACC components

However, the assumption that measurement error justifies aiming up is flawed. It selectively assumes that errors will underestimate the WACC, when in reality they could just as easily overestimate it. Moreover, the risk of error in the cost of debt is overstated, as the embedded debt component, comprising 73% of the 2022 allowance, is based on Dublin Airport's actual debt costs, eliminating risk in that area.

On the equity side, IAG believes the methodology adopted by Swiss Economics already embeds generous assumptions, particularly through an elevated beta. Additional aiming up is therefore unwarranted.

The IAA should also consider how aiming up interacts with potential forecasting errors in other building blocks. Historically, the impact has been twofold: Dublin Airport has benefited from a WACC above efficient levels, and this uplift has been applied to a higher-than-forecasted passenger base, amplifying the cost to users.

While underinvestment is undesirable, it is not appropriate for airline customers to pay an additional 50bps on the WACC (equivalent to c.€0.60 per departing passenger) simply to guard against the possibility of a low initial WACC estimate, especially when there is no mechanism to refund users if the WACC turns out to be too high.

Scale and approach

Beyond questioning the need for aiming up, IAG believes the scale of the adjustment lacks a credible evidence base. The 50bps uplift applied by the IAA is disproportionate to the level of uncertainty and compares unfavourably with other Irish regulators. For example, the Commission for Regulation of Utilities (CRU) has opted for the 67th percentile of its WACC range, typically resulting in uplifts of 18-25bps in recent determinations (PC5 for Gas, PR5 and PR6 for Electricity).

A more appropriate approach would be for the IAA to select a point estimate within its WACC range—potentially above or below the midpoint—based on a balanced assessment of uncertainty. The term “aiming up” itself risks introducing bias, and some criteria used to justify it (e.g. parameter uncertainty) could equally support aiming down.

Aiming up in principle

IAG sees no strong principled basis for aiming up in a regulatory regime where decisions are revisited every five years and can be recalibrated. The airport's incentive to invest is not dependent on a WACC uplift beyond its evidence-based cost of capital.

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Risk-Free Rate, Total Market Return (TMR), and Equity Risk Premium (ERP)

IAG supports the IAA's use of Eurozone government bond yields—particularly German bonds—as the most appropriate proxy for the risk-free rate, given Dublin Airport's positioning among euro-area airports. If an Irish-specific adjustment is deemed necessary, it should be applied via inflation differentials between Ireland and the Eurozone.

We agree with the IAA's tailored approach to averaging periods. Given recent interest rate increases, longer-term averages may no longer reflect current market conditions. However, we do not support the continued use of forward curves to uplift the risk-free rate or cost of debt, as short-term averages have shown stronger predictive reliability.

On the Equity Risk Premium, IAG notes the IAA's shift to a stable TMR methodology. While consistency is important, changing approaches at a time when government interest rates have also changed risks unintended distortions. We support the use of Dimson, Marsh, and Staunton's historical data, and the application of both arithmetic and geometric means.

Cost of Debt

IAG supports the IAA's approach of separately estimating the cost of new and embedded debt. However, we believe the current methodology may result in an overly generous allowance for two key reasons:

- For new debt, while benchmarking against the European non-financial corporate market is appropriate, the use of BBB-rated comparators should be reconsidered. Dublin Airport has consistently maintained a minimum A- credit rating since 2015, indicating that a higher credit rating benchmark is more suitable. It is particularly important to note that the A- rating held throughout and beyond the pandemic. Additionally, the IAA should reassess whether the current average tenor of 14 years aligns with Dublin Airport's expected debt profile.
- For embedded debt, since the allowance is based on actual incurred costs, Dublin Airport faces no risk in this component, and this should be reflected in the overall calibration of the WACC.

Gearing

The IAA's notional gearing assumption of 50% is significantly higher than the actual gearing observed across most listed peer airports. This implies that marginal investments for Dublin airport are almost entirely debt-financed, which places unwarranted pressure on credit metrics relative to efficiently financed comparators.

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While the impact on WACC may be modest, this high assumed level of gearing puts pressure on credit metrics beyond that faced by efficiently financed peer airports, therefore the IAA should not allow this high gearing assumption to justify adjustments for financeability that are not grounded in market realities.

Cross-checks

IAG recommends that the IAA apply robust cross-checks to validate the overall WACC estimate. These should include:

- Comparison against Dublin Airport's actual financial data, including credit ratings, gearing levels, and 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 market valuation cross-checks can be informative, they must be treated with caution due to the need to control for differences in context and circumstances.

These checks are essential to ensure the WACC reflects Dublin Airport's true cost of capital and does not embed unnecessary conservatism.

9. Risk, Return and Financeability

IAG considers that any discussion of financeability must be framed within the broader context of the overall risk and return package. We encourage the IAA to clearly set out its position on the following points:

- In the absence of a specific statutory duty on financeability, the IAA should reassess its role in ensuring the financeability of the actual airport entity, rather than a notional one.
- Any financeability challenges arising from Dublin Airport's own financing decisions should be managed by the airport itself. Costs resulting from inefficient financing structures should not be passed on to passengers.
- Dublin Airport has consistently maintained a minimum A- credit rating since 2016, including through the unprecedented disruption caused by COVID-19. This resilience calls into question whether the baseline return currently allowed by the IAA accurately reflects the true level of risk faced by the airport. The balance between risk and return appears misaligned.

Approaches to assessing financeability

Following the IAA's change in statutory objectives, it is important that the regulator clarifies its responsibility in relation to Dublin Airport's financeability. IAG agrees that it is in customers' interests for investors and lenders to earn their cost of capital in expectation and to be exposed

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to a range of outcomes consistent with the allowed return. However, customers should not be expected to fund additional financing costs arising from the actual capital structure chosen by the airport. We therefore advocate for a notional financeability assessment.

IAG supports the general approach and metrics used by Centrus in assessing financeability. Rather than commenting on specific scenarios, we propose a set of principles to guide the IAA's use of scenario modelling:

- Scenario modelling should cover a range of outcomes, including both likely and rare but extreme events.
- The IAA should transparently define the probability thresholds that Dublin Airport is expected to manage before adverse outcomes (e.g. credit rating downgrades) occur.
- The likelihood of each scenario should be clearly stated to ensure proportionality in the assessment.

In addition to downside scenarios, the IAA should also model upside scenarios to demonstrate the financial benefits Dublin Airport may realise through outperformance, and to ensure transparency around the airport's ability to benefit from favourable conditions.

Approaches to Addressing financeability Issues

IAG does not support adjusting efficiently determined capex allowances on financeability grounds. Dublin Airport operates under a RAB-based regime and enjoys significant market power. Its ability to recover the costs of efficiently incurred capex, including its cost of capital, is not in question. Perceived financeability concerns should not delay or distort the optimal timing of infrastructure delivery.

The IAA should expect that periods of elevated CAPEX may temporarily impact cash-based financeability metrics. However, airport users reasonably expect Dublin Airport to manage through such periods without requiring additional regulatory support. Exceptions should apply only where CAPEX levels are multiples of the RAB, which is not the case here.

Risk and Return

While IAG supports the overall structure of the risk and return framework, the levels of individual components require review. The composition of the WACC and incentive mechanisms is clear but inconsistencies across components result in Dublin Airport being overcompensated for downside risk without any obligation to share upside benefits.

- The use of a 50bps aiming-up allowance on the WACC is excessive, particularly given the elevated beta assumption, which already reflects demand risk. As previously noted and due to the lack of supporting evidence, it is difficult to comprehend what rationale there is for including an aiming-up allowance for Dublin airport in the upcoming determination period.

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- Dublin Airport's ability to maintain an A- credit rating throughout the past decade, including during COVID-19, suggests that its risk exposure may be overstated. A temporary downgrade would have been expected under such conditions.
- Dublin Airport has consistently outperformed on passenger volumes and commercial revenues. While outperformance should be encouraged, the current framework does not require any sharing of financial gains with passengers.

10. Other

Legislation and Statutory Objectives

IAG has no concerns on the IAA's interpreted of its updated Statutory Objectives that have applied since 2022. We find the interpretations outlined in the Issues Paper reasonable and look forward to further engagement as the process advances. We will particularly focus on areas where we believe Dublin Airport may be exploiting its market position, including Commercial Revenues and Fast Track services.

Inflation

IAG supports the IAA's approach to minimising forecast error and Z factor adjustments.

Environmental Incentive Schemes and Sub-caps

Dublin Airport has requested consideration of environmental price cap modulations. IAG does not oppose this concept in principle based on current information but will engage substantively once details regarding eligibility criteria and discount levels are provided.

Over and under collection

IAG supports the existing k-factor adjustment mechanism and the 5% cap.

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