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Irish Aviation Authority,  
The Times Building,  
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July 2, 2024

**Re: Draft Decision in relation to a complaint received on airport charges at Dublin Airport (the "Draft Decision").**

Dear Adrian,

International Airlines Group (IAG), alongside our operating companies British Airways, Aer Lingus, Iberia, Vueling, and IAG Cargo, appreciates the opportunity to provide feedback on the IAA's draft decision regarding Ryanair's complaint about Dublin Airport charges. We fully support Aer Lingus' submission and wish to emphasize the importance of maintaining a balanced and fair charging structure at Dublin Airport, one that considers the needs of all airport users rather than favouring a single airline.

IAG fully endorses Dublin Airport's hub model supported by National Aviation Policy, which is essential for economic growth and connectivity. The IAA's Draft Decision, which appears to favour Ryanair's complaints, jeopardizes the balanced and fair charging structure necessary for all airlines and passengers. We underscore the importance of differentiated charges for larger aircraft and transfer passengers, practices that are standard at global hubs, in terms of maintaining hub connectivity and the economic benefits it brings. This is a long-standing approach which we believe is in the public interest. The priority should be addressing the passenger cap to accommodate growing demand, ensuring Dublin Airport's success and its role as a key hub.

**1. IAG Position**

IAG operates a diverse mix of long-haul and short-haul flights, utilizing both widebody and narrowbody aircraft, and providing point-to-point and connecting services, including cargo operations, at Dublin Airport. In June, IAG successfully completed the collocation of its airlines to Terminal 2, championed by Aer Lingus, solidifying the hub proposition and demonstrating the effectiveness of daa's airport strategy in attracting further investments. This strategic move enhances the customer experience by providing a seamless and

convenient travel process while driving substantial operational and cost efficiencies at Dublin Airport.

IAG's significant investment in the hub proposition, underpinned by the current structure of charges, is crucial for maintaining a competitive and attractive hub. However, we caution against the IAA altering the charging structure which would undermine these benefits. Such changes could erode the efficiencies and customer advantages achieved through our investments, potentially impacting the economic development of Ireland that the hub model supports. It is essential that any review of airport charges considers the broader impact on all stakeholders to ensure the continued success of Dublin Airport as a major hub.

We believe that the current charging structures are aligned with the Airport Charges Directive (ACD), the European Communities (Dublin Airport Charges) Regulations 2011, the principles set forth by the Thessaloniki Forum and the International Civil Aviation Organization (ICAO). It is crucial that the IAA, rather than focusing on a single airport user's perspective, engages all stakeholders to ensure fairness and a comprehensive evaluation of the impacts on all airport users.

## **2. Addressing the IAA's Concerns and Ryanair's Complaints**

Ryanair has raised concerns about the differentiation in transfer charges and banded movement charges, alleging that it constitutes discrimination against point-to-point carriers. Ryanair is known for aggressively lobbying both airports and regulators to secure favourable pricing, often at the expense of broader industry stability. The IAA, by seemingly aligning with Ryanair's position without a thorough review and engagement with all users, risks creating a precedent that further benefits one airline—one that already significantly benefits from the current structure of charges—at the expense of the overall aviation ecosystem.

If the IAA determines that specific airport charges need to be reviewed, then all airport charges at Dublin Airport must be reviewed, given the symbiotic framework in which the modulation of the charges exists. This comprehensive review should ensure that any adjustments are fair, equitable, and supportive of the overall health and competitiveness of the aviation sector at Dublin Airport.

### **Non-Discrimination and Fairness**

The differentiation in transfer charges specifically is not discriminatory but reflects the competitiveness of attracting transfer passengers to travel through the airport, the additional economic benefits that they bring and their lower incremental costs. The Netherlands Competition Authority has previously upheld similar differentiation, recognizing that different

types of passengers can justifiably incur different charges based on their cost profiles and economic contributions.

The current structure ensures a balanced and proportionate approach, benefiting all carriers operating at Dublin Airport. Seasonal pricing, for instance, reflects demand variations and incentivizes traffic during off-peak periods. Ryanair benefits from this charging structure, which is available to all carriers. If Ryanair were truly affronted by the transfer charges, it could adapt its strategy to benefit from them, demonstrating the flexibility and fairness of the charging model. If however, transfer charges were to increase this would have marginal benefit to Ryanair, but significant impact to IAG carriers and specifically Aer Lingus' longer term strategy.

These practices align with ICAO's principle of equitable treatment, ensuring that all users are treated fairly, and charges reflect the economic impact on different types of carriers.

### **3. Strategic Role of Dublin Airport**

#### Economic Contributions

The hub model supported by IAG's operations at Dublin Airport significantly contribute to Ireland's economy and is therefore aligned with the public interest. Numerous studies support this, including one by Oxford Economics that indicated that increased connectivity boosts GDP by facilitating international trade and tourism. The hub status of Dublin Airport, supported by IAG, leads to substantial job creation in the aviation sector and related industries, which cannot be sustained by point-to-point traffic alone.

#### Enhancing Connectivity

Ireland's National Aviation Policy (NAP) aims to enhance connectivity by ensuring secure and competitive access for business, tourism, and consumers. Dublin Airport's hub status is pivotal in achieving this goal. IAG's operations connect Ireland to Europe and North America, attracting international visitors, trade, and foreign investment. This connectivity supports economic benefits such as job creation and regional development, with studies by InterVistas, Oxford Economics, and KPMG demonstrating that enhanced connectivity contributes to GDP growth and trade.

The high volume of passengers and flights at Dublin Airport generates economies of scale, reducing operational costs. These efficiencies are passed on to all airport users, including Ryanair, through lower charges, supporting a competitive environment. Other airlines, like Ryanair, also benefit from the hub model through the increased passenger flows and

connectivity, capturing those passengers on a self-connect basis or through passengers who use Ireland as their first port of call for European travels.

#### **4. Economic Studies**

The value of the Dublin Hub underscored by the charging mechanisms at the airport have been highlighted through numerous studies and reports specifically.

##### **InterVistas Economic Impact Study**

An economic impact study conducted by InterVistas for daa valued the catalytic impact of Dublin Airport at over €5.7 billion in 2022. This study highlights the substantial benefits of enhanced connectivity, including increased trade, tourism, and foreign investment. It underscores the importance of Dublin Airport's role as a hub, which attracts international businesses and supports regional development.

##### **Oxford Economics Report**

Oxford Economics has demonstrated that enhanced air connectivity facilitates trade, tourism, and investment, directly contributing to GDP growth. The presence of a robust hub at Dublin Airport, supported by IAG carriers, is essential for maintaining and expanding these benefits. The report highlights how increased connectivity leads to economic growth by improving access to international markets and creating jobs. Enhanced connectivity supports Ireland's position in the global market, making it more attractive for foreign direct investment and business operations.

##### **KPMG Analysis**

A KPMG analysis on the economic impact of aviation emphasizes that hubs like Dublin are critical for attracting foreign direct investment (FDI) and supporting high-value industries. The connectivity provided by IAG carriers enables Ireland to remain competitive in the global market, attracting businesses that rely on efficient international transport links. The analysis shows that aviation hubs drive economic growth by supporting trade, tourism, and investment, contributing significantly to national and regional economies. The presence of a strong aviation hub at Dublin Airport is crucial for Ireland's economic development and competitiveness. The charges at Dublin airport underscore the development of the hub with both the transfer charge and the banded movement charge as key drivers. Without this charging model, some routes and capacity may become unviable and this would be to the detriment of the hub model Dublin Airport has been trying to ensure.

## 5. Transfer Charges

### Role and Impact

Dublin Airport, and daa, supported by the NAP, provide a platform for a competitive aviation market, encouraging airlines with varying business models to operate to and from Dublin. In line with National Aviation Policy, daa has a public interest requirement to drive connecting traffic that supports network growth and global connectivity.

Airports compete for transfer traffic and often need a pricing policy enabling them to do so. Indeed, transfer passengers are typically indifferent to their transfer location, making it highly competitive to attract transfer passengers to any airport. The current transfer charge at DUB supports lower fare opportunities, promoting the development of the hub (and investment from IAG to support the development of the hub), which benefits both Irish and international consumers as well as Ireland's economy overall. The pricing strategy at DUB is aligned with levels at other major and secondary hubs, ensuring it remains competitive and appealing to passengers who could otherwise transfer through other hubs. It is notable the volume of routes and connectivity that Dublin has proportionate to its population base which could not be achieved without this strategy. This discount level is neither excessive nor disproportionate, but necessary to maintain and grow Dublin Airport as a vital hub in the aviation network.

Dublin Airport's justification for offering discounted charges to transfer passengers includes:

1. A return transfer passenger pays four sets of airport charges.
2. Many transfer passengers remain airside, requiring fewer terminal facilities.
3. Competing with other capital city airports for transfer passengers aligns with national strategic objectives.

The implementation of the NAP therefore underscores the public interest, serving as an "objective justification" under Regulations 6(1)(d) and 11(2)(a) of the 2011 Regulations. The discount level is proportionate when benchmarked against other major and regional hubs, reflecting a fair and reasonable assessment.

### Economic Impact

We emphasise that hubs are vital economic drivers, contributing through direct and indirect employment and catalytic effects such as trade, inward investment, and tourism. The discount level for transfer passengers is reasonable and cost-related, as they use fewer services and cost less, while generating more revenue through increased airport spending

due to their dwell times. Furthermore, a significant number of routes and capacity to Dublin Airport could not be sustained without the hub model. Without the hub model, and with the associated charging structure to support the development and growth of the hub, Dublin Airport and Ireland would not have secured the level of connectivity it now benefits from IAG and other airlines, and the IAA should ensure this public interest factor is front and centre to their final determination.

### Impact on Charges

Increased transfer passengers reduce overall charges by boosting passenger numbers and increasing commercial revenue (including significant revenues generated through the CBP charge of €9.20 per pax and other ancillaries at the airport including lounges, F&B, parking etc), thereby reducing aeronautical charges for all users. The ACD does not require individual tariffs to be justified solely based on precise cost calculations however daa's decision to charge transfer passengers a different rate from O&D passengers can be justified on all grounds - cost relatedness, economic contribution to the country and public interest and therefore their current level should be supported by the IAA given the transfer charge has already increased by a significant 30% in the past 2 years.

## **6. Runway Charges**

### Justification for Band 2 Discounts

IAG believe that the proposed discount for Band 2 aircraft meets the requirements of the ACD relating to transparency, relevance, and objectivity. The IAA has argued that daa has not justified the rationale or percentage for the discount, and has asked for further justification to ensure no double-counting with other incentives. However, IAG disagrees with the IAA's decision for several reasons. Firstly, while Band 2 aircraft require marginally more airport infrastructure than Band 1 aircraft, the additional infrastructure is not proportional to their higher MTOW, and charging the same per MTOW would result in over-charging Band 2 aircraft, thus disincentivizing their use. It is common industry practice to charge for runway usage based on aircraft movements, which incentivizes efficient use of aircraft capacity. Additionally, while the runway charge is based on aircraft size, the cost burden is ultimately transferred to passengers via airfares, and irrespective of the discounted level, a wide body passenger pays higher than a narrow body passenger while delivering arguably more economic benefits thus nullifying IAA's concern. Moreover, differentiated landing charges for winter and summer, which are not challenged, show tacit acceptance of daa's discretion to charge other than for reasons of cost relatedness.

With IAG airlines operating both narrow-body and wide-body aircraft to Dublin Airport, we believe that the Band 2 aircraft charges are fair as they support the delivery of additional passengers and cargo, ultimately benefiting all airlines. Thus, daa's discount for Band 2 aircraft aligns with the principles of transparency, relevance, and objectivity, and supports the efficient use of airport resources while fostering a competitive and balanced airport environment.

### Supporting Cargo

Dublin Airport is a crucial hub for cargo transport, supporting Ireland's export economy. The belly hold capacity of widebody aircraft operated by IAG carriers is instrumental in transporting high-value and time-sensitive goods. This capacity supports Ireland's export economy by enabling the efficient transport of goods to global markets. The synergy between passenger and cargo transport enhances the overall economic impact of Dublin Airport, contributing to trade and economic growth.

## 7. Environmental Charges

### Low Emissions Aircraft Discount (LEAD)

IAG as outlined in its response to the 2024 Airport Charges consultation supports the IAA's draft decision regarding LEAD charges, recognizing that environmental issues should be addressed globally to avoid market distortions. Local actions could displace and potentially increase emissions.

- **Global Solutions:** We support the Thessaloniki Forum's conclusion that carbon emissions are a global issue requiring global solutions. International mechanisms like ICAO engine standards, CORSIA, and EU-ETS must be considered.
- **Database Choice:** daa's choice of the ICAO Emissions Database is inappropriate for measuring engine fuel efficiency, as noted by ICAO itself.

### Nitrogen Oxide (NOx) Charges:

IAG agrees with the IAA's position that there is no rationale for NOx charges, as the proposed scheme fails the criteria of transparency, objectivity, and relevance.

- **Fleet Decisions:** Airlines make fleet decisions on a 20+ year investment cycle, and short-term pricing fluctuations at individual airports are unlikely to influence these decisions.
- **Technological Trade-offs:** Engine technology has developed to reduce noise, fuel burn, and carbon at the expense of NOx. daa needs to recognize this trade-off and propose consistent pricing.

- Source of NOx: Most NOx around Dublin Airport comes from road traffic, specifically on the M1 and M50, and not from aircraft.

## **8. The Complexities of the 32 Million Cap**

The 32 million passenger cap at Dublin Airport limits its growth potential. Addressing this cap is crucial for maximizing economic benefits and ensuring efficient airport operations. The cap restricts the airport's ability to fully realize its potential as a hub, constraining the economic benefits that could be generated from increased connectivity and passenger volumes. We believe that the primary focus should be on resolving the cap issue rather than adjusting the charging structure in year. The removal or adjustment of the cap would enable Dublin Airport to accommodate more passengers, thereby increasing efficiency and reducing costs for all users. This would further support the airport's role as a critical hub for both passenger and cargo transport.

## **9. Conclusion: A Holistic Approach to Airport Charges**

We value the IAA's oversight of airport charges and appreciate the opportunity to engage in this process. While we do not support all elements of the current structure and recognize that one airline may be using this process to skew charges further in their favour, it is crucial that the IAA does not evaluate specific charges in isolation. A comprehensive review should consider all charging areas as part of the established annual consultation process, ensuring that charges are balanced to recognise the diverse mix of airlines operating at the airport. This balance is essential to support the public interest of the hub model, which benefits consumers and drives the economic development of Ireland. IAG will, if we believe the charging structure to be wholly unbalanced in the future, reserve the right to address our concerns directly and through the established consultation process.

We look forward to further discussions on these charges and encourage a meeting in the coming weeks to continue this dialogue.

Yours sincerely,



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