

18 August 2026

Mr Luke Manning
Irish Aviation Authority
The Times Building, 11-12 D'Olier Street
Dublin 2, D02 T449

By e-mail to: consultation@iaa.ie

Ref: Response to Consultation on 2025 Actual Air Navigation Services Costs

Dear Mr Manning,

Thank you for the opportunity to respond to the Irish Aviation Authority's consultation on 2025 actual air navigation services costs and the intended unit rates for 2027.

On behalf of our Group airlines (Aer Lingus, British Airways, Iberia, LEVEL and Vueling), IAG sets out its comments below. These comments should be read alongside our responses to the original and revised Irish RP4 Performance Plans.

Overall position

IAG welcomes the fact that 2025 en-route and terminal costs were below the determined allowances and that the ATCO and ATSEP incentive schemes have generated a rebate for users. We also note the proposed reduction in the 2027 en-route unit rate.

Nevertheless, the outturn reinforces several concerns raised in our earlier RP4 responses. A significant part of the underspend appears to arise from staffing shortfalls, deferred pension payments and delayed capitalisation, rather than demonstrated structural efficiency. It is therefore important that the IAA distinguishes clearly between actual regulated costs, accounting timing differences, incentive rebates and cost-risk sharing adjustments, and ensures that all amounts due to users are returned promptly and transparently.

Staffing and incentive rebates

Average 2025 staffing was materially below the RP4 targets: 301 ATCOs against a target of 326 and 105 ATSEPs against a target of 116. We support the resulting rebate of approximately €3.7 million and expect it to be returned in full through the 2027 unit rates.

We would, however, welcome clarification of the following:

- The IAA presentation states that the incentive schemes are penalty-only, relate only to en-route services and that the rebate will reduce the 2027 en-route unit rate (IAA consultation presentation, slide 10), whereas AirNav Ireland states that the €3.7 million will be

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returned through both en-route and terminal unit rates (AirNav Ireland presentation, slide 15). Please confirm the precise allocation and calculation.

- Please provide the reconciliation between the €3.7 million total rebate and the separate ATCO and ATSEP amounts shown by AirNav Ireland, including the charging zones to which each amount is attributed.
- Please explain how contractor costs, overtime and operational outcomes were treated when assessing the staffing shortfall. AirNav Ireland attributes the lower en-route cost partly to recruitment challenges and separately refers to the use of other operating cost headroom to offset contractual staff costs, while its terminal presentation refers to overtime requirements. The incentive should not inadvertently reward substitution of funded permanent resources with more expensive temporary or overtime arrangements.
- Please continue to report the relationship between staffing, traffic, capacity performance and cost efficiency. The current material reports 2025 and projected staffing, traffic and cost information in separate sections without fully reconciling those elements. As previously stated, input-based headcount incentives should remain temporary and should not alter AirNav Ireland's WACC or regulatory risk allocation.

Pension cost treatment

AirNav Ireland's actual pension costs were €4.6 million below determined costs for en-route services and €0.7 million below for terminal services. The consultation indicates that approximately €3 million of an en-route pension-in-payment amount was paid in 2026 but is regarded as relating to 2025, and this amount is added back to the IAA's '2025 Actual Adjusted' presentation. Before any adjustment or exempt-cost treatment is accepted, IAG requests:

- The exact amount, payment date, legal basis and accounting treatment of the deferred payment, including why the liability was not recognised in the 2025 regulated accounts if it represented a 2025 obligation. The material describes the amount only as approximately €3 million and states that it was incurred after December.
- A clear split between the variance caused by lower headcount and that caused by payment timing, as the presentations identify both factors without quantifying the pension effect by cause.
- Confirmation of how the payment is recorded in 2026 and the mechanism that will prevent recovery in both 2025 and 2026. The IAA anticipates that 2026 outturn pension costs will exceed the RP4 determined level but does not show the corresponding reconciliation.
- A reasoned assessment against the applicable requirements of Article 28 of Implementing Regulation (EU) 2019/317. The consultation explains that pension costs are passed through only in exceptional circumstances but does not set out the assessment applied to this amount, including why it is considered unforeseen and outside AirNav Ireland's control rather than an ordinary timing or employment-cost risk.

AirNav Ireland also refers to possible future pension costs arising from historic collective disputes and says that their form, timing and financial effect were not sufficiently certain or measurable when the RP4 cost base was established. IAG does not consider that such costs should automatically be passed through to users. Any future request should be assessed

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individually and supported by evidence that the amount is legally unavoidable, genuinely unforeseen, efficiently incurred and eligible under the regulatory framework.

Presentation of adjusted actual costs

We are concerned that the ‘2025 Actual Adjusted’ measure adds both the deferred pension amount and the €3.7 million staffing rebate to reported actual costs. These items have different regulatory and accounting characteristics. In particular, the staffing rebate is not an operating cost: it is a regulatory adjustment arising from the non-delivery of funded staffing levels as described in the incentive methodology.

For transparency, the final decision should show separately: (i) reported regulated actual costs, (ii) any evidenced accounting timing adjustments, (iii) incentive rebates, (iv) cost-risk-sharing adjustments, and (v) the resulting amounts and dates of refunds to users. The present consultation discusses these elements across separate slides without providing a single reconciliation.

Capital investment and delayed capitalisation

IAG previously questioned whether AirNav Ireland’s capital-delivery assumptions remained too optimistic even after the programme-level reductions. The 2025 outturn – including depreciation and cost-of-capital underspends and AirNav Ireland’s acknowledgement that record cash expenditure has not produced corresponding capitalisation – reinforces our concern. The IAA itself had already assumed that only 70% of the wider capital plan would be delivered on time.

We request the following information:

- A project-level reconciliation of planned expenditure, actual expenditure, work in progress, capitalisation, commissioning dates and delivered benefits for 2025. AirNav Ireland reports record expenditure but says it has not yet resulted in corresponding capitalisation.
- Identification of projects that were delayed, descope, cancelled or completed but not yet capitalised, together with recovery plans. The IAA presents only programme-level capital-cost comparisons and explains that it applied a programme-level reduction rather than disallowing individual projects.
- The equivalent reconciliation for TopSky ATC One and the justification for excluding that programme from the general delivery adjustment.
- Confirmation that no depreciation or return is charged before assets are commissioned and that users will not fund the same outputs again in RP5. The current material reports lower depreciation and cost of capital but does not provide a project-level audit trail.
- An explanation of why the proposed €2.7 million en-route and €1.23 million terminal capex returns are to be deferred over RP5 rather than returned at the earliest opportunity through RP4 rates, including the legal and financial treatment of the intervening period.

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Operating expenditure and MET ASD

AirNav Ireland's en-route other operating costs were approximately €3 million below allowance, with the presentation indicating that this was partially used to offset contractual staff costs. Please provide a reconciliation showing the relevant contractor expenditure, its cost-category treatment, the functions supported and whether any amounts were capitalised or reflected in the staffing incentive calculation, none of which is separately quantified.

MET ASD's total cost was broadly aligned with the determination. We nevertheless request greater transparency on the 80:20 route/terminal cost allocation, the composition of the exceptional items and the reasons for depreciation exceeding the 2025 determination, and the measurable aviation-user benefits of its investment programme. This would respond to the concerns about cost justification and customer engagement in our original RP4 submission.

Conclusion

The lower 2025 outturn is welcome but should not be interpreted as demonstrating that the RP4 cost base is structurally efficient. The variance largely reflects resources and investments that were funded but not delivered or capitalised as planned. IAG therefore asks the IAA to ensure that refunds are made promptly, that pension and other exceptional-cost claims are rigorously tested, and that the final decision provides a transparent audit trail from actual costs to the 2027 unit rates.

IAG would welcome the opportunity to discuss these matters further.

Yours sincerely,

A handwritten signature in black ink, reading 'Anna J Sanecka'.

Anna J Sanecka
Airport and Air Navigation Charges Lead
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