

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

From the outset, Ryanair highlights the extent to which the IAA has allowed daa to game the system to ensure that the Price Cap is set with substantial headroom. It is telling that, according to paragraph 4.12 of the Issues Paper, users have been overcharged by €1.32 per passenger in 2023 and €1.17 in 2024, 18% and 14% respectively, even assuming that Dublin Airport is operating efficiently and competitively (which it is not). This overcharging is not consistent with the overarching statutory objective of the Air Navigation and Transport Act 2022 (“ANTA”) to “*promote the reasonable interests of current and prospective users of Dublin Airport*”.

This strongly suggests that the IAA should revisit large parts of its methodology to ensure that the future regulation of Dublin Airport is effective and meets the IAA’s Statutory Objectives in this regard.

In this response, we address the specific questions posed in the Issues Paper and make suggestions as to how the methodologies adopted by the IAA could be improved.

Legislation and Statutory Objectives

• *Do you agree with our interpretations outlined in this section, and regarding the focus of our statutory mandate?*

The ANTA included clear changes to the statutory objectives for the price regulation of Dublin Airport. The IAA needs to rebalance regulation at Dublin Airport in favour of users’ interests given the principal objective of IAA under section 33(1) of the Aviation Regulation Act, 2001 (as amended (the “2001 Act”)) is now to “*protect and promote the reasonable interests of current and prospective users of Dublin Airport*”. The ANTA changes were clearly intended to reflect the 2015 National Aviation Policy objectives to foster the competitiveness of the Irish aviation industry and to enhance Ireland’s connectivity. Both of these are frustrated by setting airport charges at Dublin higher than they should be relative to “*the hypothetical competitive price which could be charged if it was operating efficiently in a competitive market*” (Issues Paper para. 3.10), noting that one of the Due Regard Factors under section 33(2) of the 2001 Act requires consideration to the “*cost competitiveness of airport services at Dublin Airport*”. This should be IAA’s overarching focus.

As highlighted at para. 3.94 of the Issues Paper, one of the key policy objectives underpinning the changes made in ANTA was to encourage airline competition at Dublin Airport to increase choice, capacity and international connectivity. This can best be achieved by ensuring that airport charges at Dublin Airport are set at the lowest practicable level.

One area where we expressly disagree with IAA is its position regarding financial viability. This requirement was explicitly removed by the legislator so it is not for the IAA to re-introduce it under a spurious justification linked to efficient and economic development. Past Determinations have placed too much weight on this factor, leading to excessive Price Caps. We address the need for any financial viability adjustment later in this submission, but any such adjustment must be seen in the context of both the ownership of daa and ensuring that its requirement for financing reflects an efficient operation, including necessary and efficiently costed capital investment. Concern about financeability largely stems from the sheer size of the capital programme that daa has sought to finance, despite investment on the scale proposed not being supported by airlines or required to meet the needs of users. Assuming that all of the building blocks are set at a proportionate and efficient level, there should be no requirement for any such adjustment in the next Determination.

Recognising that there are national level requirements to achieve net zero carbon and sustainability, this should not be taken as an automatic pass-through of such costs. Bearing in mind that airlines are already incurring significant costs to decarbonise their operations, any incremental costs ‘on the ground’ should be carefully scrutinised to ensure that they are strictly required in the context of airport operation and that they are not initiatives that are more appropriately financed from the public purse.

In relation to the Appeal Process, we note that IAA is suggesting that future appeals can only be made in relation to points that have been raised during the Determination process. Indeed, IAA claims that parties are “*not permitted to raise new points or adduce further evidence*”. We reject this to the extent that airport users must retain their right to add further evidence to any points raised previously. Furthermore, to the extent that IAA varies its final Determination from that consulted on, such as was the case in the last Determination in relation to forward looking inflation, there must be a right of appeal on such points.

In overarching terms, the approach to an Appeal must be caveated by the ultimate right to challenge something that is unlawful.

• Do you think that there are any other relevant policies which we have not addressed, and how should any such policies be taken into account for the 2026 Determination?

The objectives for regulation are sufficiently set out in ANTA and are expressed by the current government in the context of the Programme for Government commitment to abolish the illogical passenger cap, and these should be adhered to.

• Do you agree that we have identified the key aspects of the relevant policies for the purpose of making the Determination? If not, please identify what other aspects you consider to be important.

The key policy aspect relates to cost efficiency, across operational and capital costs, as well as efficient generation of commercial revenues. It is in this way that the primary objective will best be served to “*protect and promote the reasonable interests of current and prospective users of Dublin Airport.*”

• What weight should we afford to such aspects in our decision-making when making the 2026 Determination, and what decisions or prioritisations should that lead to?

Overarching weight should be accorded to prioritising cost-competitiveness of Dublin Airport, as ultimately that promotes traffic growth and connectivity as well as ensuring that commercial revenues are maximised to provide revenue for investment to ensure that capacity keeps pace with demand.

Approach to Regulation

• Do you agree that we should continue to use the Building Blocks approach based on a ‘challenging but achievable’ forecasting standard?

In general, Ryanair supports the retention of the ‘building blocks’ approach, not least as it provides regulatory certainty and consistency, but it is important that greater consideration is given to setting appropriately challenging targets.

It is clear from recent Determinations that daa has consistently exceeded commercial revenue targets, while the allowed level of Opex has not incentivised improvements in Opex efficiency. As was clear in the 2019 Determination, IAA has historically not addressed Opex inefficiency and allowed too high a start point for daa, compounded by a lenient ‘glide path’ to its consultants’ assessment of an efficient level, which Ryanair appealed. Ryanair looks to IAA this time to be rigorous in assessing whether the current level of Opex is efficient – as recovery from Covid-19 can no longer be an excuse for higher costs – and apply this level of efficiency from the beginning of the new Determination.

Beyond this, there is a case for applying a further stretch target for ongoing efficiency to reflect general trends for increased efficiency in the economy. The UK CAA is committed to setting stretching efficiency targets for Heathrow in the next regulatory period¹ and the Italian ISA sets an annual % efficiency target to secure ongoing efficiencies beyond those applicable in the baseline². This would be consistent with the application of incentive based regulation. It is important that ‘a fair bet’ is not set so as to allow daa a margin for failure. By doing so in past Determinations, across a range of building blocks including commercial revenues, Opex and financeability, IAA has erred on the side of de-risking the targets it has set for daa so that they no longer represent ‘a fair bet’ and effectively penalise users by setting the cap at too lax a level and allowing excess returns. To be consistent with ANTA, IAA must change its approach.

While appreciating that a ‘building blocks’ approach requires all of the elements to be taken in the round and a balanced decision taken, Ryanair does not agree with the approach to financeability of Dublin Airport by the IAA (para. 4.34). daa is a state-owned entity backed by the Minister for Finance as sole shareholder. Hence, daa should not be considered as subject to the same expectations regarding shareholder returns as a private company. We return to this topic under the financeability heading later in this submission.

¹ UK Civil Aviation Authority, H8 Method Statement, para. 1.16.

² Italian Autorità di Regolazione dei Trasporti, Decision No 38/2023, Annex A: Airport Charges Regulatory Models, annual coefficient of productivity improvement π .

A further consideration of the regulatory structure is the cost pass-through of some items as this serves to further de-risk daa and disproportionately transfers the burden of risk from daa to users. Ryanair would oppose any addition to the list of pass-through items. We address this in more detail below.

Ryanair is opposed to any change away from the single till and supports IAA's position in this regard.

Similarly, Ryanair also supports IAA's intention to review cost allocation between Dublin Airport and the broader daa group (para. 4.24) as there is currently no transparency on how 'shared services' are allocated. This section in the Issues Paper, on the proposed approach to regulation, is surprisingly light on the treatment of capacity issues at Dublin Airport. Ryanair welcomed the change made in the 2022 Interim Review to remove the presumption in favour of allowing many large capex projects into the RAB in line with daa's capital programme in favour of positive triggers i.e., projects only enter the RAB when there is certainty of delivery. Ryanair would support a continuation of this approach especially given the uncertainty regarding the timing and nature of any future planning consent for Dublin Airport.

However, the IAA should keep in mind that if a greater proportion of the CIP is to subject to Price Cap triggers, then airport users will have less clarity on the development of the Price Cap over the period – which undermines the cost-certainty a multi-year Determination should bring. This is something that will warrant further consideration as the scale of the capital programme becomes clearer during the Determination process.

• Do you agree that the Determination should again take the form of a single maximum permitted average charge per passenger in each year of the regulatory period?

Yes, Ryanair supports IAA's intention to retain the approach of setting an average Price Cap, leaving individual airport charges to be determined during the annual charges consultation process in accordance with the requirements of the Airport Charges Directive.

• Do you agree that a 5-year Determination period continues to strike an appropriate balance? If proposing an alternative period, you should look to show how an alternative period would better align with our Statutory Objectives.

In broad terms, Ryanair agrees with the retention of a 5 year Determination period as the normal practice. Extending the regulatory period would potentially allow daa to earn excessive returns for a longer period, even if it would provide greater pricing certainty for users. A shorter period would not provide that degree of pricing certainty. We note that many other regulated airports in Europe also use a 5-year regulatory period e.g., AENA, Brussels, Rome, etc.

• Do you agree with our high-level thinking to continue the existing approach to allocation of risk into the 2026 Determination? If not, what changes should we make and why?

Ryanair disagrees with the IAA's view that "daa holds volume risk associated with a per pax Price Cap". For example, in the context of growing passenger numbers, the K Factor is open to regulatory gaming. It can be demonstrated that carrying a per passenger under-collection into a future period with more passengers overall allows daa to earn more total revenue. This is unfair. If a strategic choice is made to under-collect, daa should not automatically be entitled to recoup this in subsequent years if the under-collection was deliberate.

Ryanair continues to hold the view that the existing risk sharing and pass-through mechanisms favour daa at the expense of users and these should be reduced in scope. Ryanair, as in previous Determinations, resists any suggestion of further risk sharing mechanisms being introduced. daa is best placed to manage risk, including traffic risk, which is largely a function of its pricing strategy.

• Do you think that there is merit in Dublin Airport, and airlines, jointly appointing an Independent Reporter to report on the Dublin Airport-led consultation process?

Ryanair does not believe that there is any merit in jointly appointing an independent reporter. IAA states that it intends to attend these meetings (para. 4.77) and will therefore be able to form its own view on the adequacy of consultation and the balance of views. Any additional entity being involved is an unnecessary duplication and adds costs without any obvious benefit.

Ryanair's previous complaints regarding the CIP consultation were related to daa proposing investments after the meetings took place and that, ultimately, the IAA approved basically all of daa's requested projects despite opposition from airport users. An 'independent reporter' will not resolve these issues.

Passenger Forecast

- *Do you agree with our overall proposed approach? If not, in what respect(s)?*

It is evident that the current approach of both the IAA and daa has systematically understated demand, resulting in the Price Cap being set too high. IAA's approach to passenger forecasting has not proven to be overly robust as shown in Chart 5.7, especially over the period 2014-2019.

Ryanair has previously advocated a more comprehensive approach to demand forecasting, including an airport charge term, as well as a demand term (GDP). When charges fell at Dublin Airport following the 2014 Determination, airlines including Ryanair accelerated growth at Dublin, but this was not foreseen by CAR (as the IAA was known then) and led to daa being allowed to earn windfall profits at Dublin Airport. This demonstrates that cost / pricing factors should be taken into account in demand forecasts.

The IAA should also take into account that the two largest airlines at Dublin Airport have orderbooks stretching into the 2030s, meaning unlike in other markets, the ability to respond to demand at Dublin Airport will not be constrained by OEM delays. In particular, Ryanair has an orderbook of over 300 aircraft to be delivered by 2034, many of which could be based in Dublin provided the key requirements as outlined in our cover letter are met.

We note that the IAA intends to consider a range of third party forecasts and, while these may provide benchmark references, they are not a substitute for robust forecasting.

Given there are different incentives that impact daa's own forecasts or individual airline's forecasts, this highlights the importance of IAA developing robust independent forecasts, as the UK CAA is doing in Heathrow.

- *What data sources/traffic forecasts do you consider relevant to our projections?*

As noted above, Ryanair believes that it is imperative that IAA produces an independent forecast of demand growth at Dublin Airport, having regard to the scope for market growth across Ireland and Dublin's share within that market. This should use best practice data and methodologies.

- *For any GDP (or related metrics) based models, should we continue to rely solely on IMF forecasts, or use a blend or midpoint of different forecasts?*

In the short term, there may be merit in placing more weight on domestic data sources, such as the Central Bank of Ireland, ESRI and Department of Finance, as these forecasts have tended to more closely match the outturn / be more realistic. However, we acknowledge only the IMF have issued longer term forecasts.

- *How should we address the pandemic period within any GDP based modelling? What time period should we consider to be the 'pandemic period' for that purpose?*

Ryanair considers that the years 2020-2022 should be excluded as 'pandemic years' in the GDP based modelling.

- *If we were to estimate a multivariate causal forecast, what explanatory variables would be important to include?*

As noted above, IAA must take account of airport charge developments.

- *Should we consider using a more disaggregated passenger forecast?*

In so far as IAA can demonstrate that using a disaggregated passenger forecast would have delivered more accurate estimates of actual traffic outturns, we are open to consider it.

- *Do you have any views in relation to the other approaches we used in 2022, in particular the use of the EUROCONTROL forecast together with load factor assumptions, or the slot demand based forecast?*

Ryanair has concerns that Eurocontrol's forecasts are based on aircraft movement projections and may not be a robust indicator of passenger traffic, which is the required metric for Price Cap regulation. IAA must account for airlines' up-gauging plans and also the likely nature of route development e.g., between long haul and short haul. Therefore, a disaggregated econometric forecast is likely to be more robust.

While slot data can be a useful tool to consider demand within a 12-month period, it is not suitable as a basis for demand forecasting over a 5-year period, other than to define the likely base year traffic.

• *How should we take account of any Operating Restrictions and/or any potential capacity constraints on a demand-led forecast?*

By definition, a demand-led forecast should not take into account any operating restrictions or capacity constraints. Notwithstanding this, Ryanair brings the following points to the IAA's attention.

Section 33(1)(d) of the 2001 Act states that IAA shall seek to "take account of the policies of the Government on aviation...". The current Programme for Government states that the 32mppa cap at Dublin Airport will be lifted and the Government recently announced that it will introduce legislation to remove the cap.

An Coimisiún Pleanála's ("ACP") decision on 17 July 2025 (including the application of a night movement cap of 35,672 annually) has been judicially reviewed by Ryanair, amongst others. The European Commission is also examining the decision as to its completeness/validity. There is no certainty as to whether ACP's decision (or any part thereof) will come into force, and what any night-time operating restrictions will ultimately look like.

Regarding potential capacity constraints, these should have no material bearing on the forecast. Airlines have demonstrated their ability to meet demand despite pinch points in capacity, such as using larger aircraft, flying with higher load factors and/or adding capacity to periods when infrastructure is less well utilised.

There is therefore little reason for the IAA to consider operating restrictions or capacity constraints. IAA should rely solely on a demand-led forecast.

OPEX

• *How Opex should be expected to evolve over the Determination period? Is there scope for Dublin Airport, if managed effectively, to become more efficient/productive over the period of the next Determination? Or will cost pressures lead to a productivity degradation? What factors or relevant considerations are likely to drive this outcome?*

Yes, Ryanair believes that there is scope for efficiency and productivity improvements – see the 'Approach to Regulation' section of our response.

It is clear from Charts 6.1- 6.3 that daa has systematically overstated Opex in many areas. As the IAA acknowledges at para. 6.3, the fact that total Opex has been slightly above the allowance in the 2022 Interim Review is solely due to passenger volumes being above forecast. In other words, daa has easily be able to achieve the efficiency target set by IAA.

This would strongly suggest that there is scope for further efficiency gains in the future and this should be taken into account by IAA in setting an appropriate target that is a 'fair bet'. Setting a target at the level that daa can easily achieve would not be a fair bet and would favour daa over its users.

• *How efficient is Dublin Airport currently? Do you see areas of particular efficiency or inefficiency, and on what basis?*

The key point here is that daa's efficiency in operating Dublin Airport needs to be properly scrutinised. Users are not provided with the information required to interrogate whether the costs of delivering the services required is efficient. It relies on the IAA to do so.

- *Do you agree with our proposed approach to estimating Opex, namely a bottom-up analysis, supported by top-down sense checks? Are there any other categories of Opex that you think would benefit from a 'deep dive' bottom-up review, such as is currently ongoing in relation to security, and why?*

Ryanair supports the continuation of the approach adopted in 2019 and 2022 of IAA commissioning a detailed bottom-up assessment of Opex, focussing on key areas of expenditure. In particular, Ryanair expects to see substantial efficiency savings from the investment in new generation security equipment now that the transition has been completed and the new rules are in force.

Ryanair also supports a parallel exercise to look at overall operating costs and efficiency. In this regard, it is important that an appropriate set of comparators is used and that the exercise considers cost differences between countries e.g., purchasing power parity.

- *Should any efficiency possibilities be assumed from the outset of the period (if identified), or should a period of rectification be allowed to account for such potential inefficiencies?*

Any identified efficiencies should be adopted in creating an efficient baseline. If inefficiencies are found to exist, users have already been penalised in terms of paying for these inefficiencies. This has been the case in past Determinations whereby users have paid more than they should to reward daa's inefficient operation. There can be no justification for allowing further periods for rectification. Ryanair successfully challenged the 2019 Determination for allowing too long a 'glide path' period towards an efficient Opex allowance.

As noted above, there is growing regulatory precedent across Europe for adding a headline efficiency target on top of the efficient baseline Opex estimate. This approach reflects productivity gains achievable across the economy as a whole i.e., to define an efficiency frontier or the extent to which there will be a frontier shift in productivity attainable through new technologies, flexibility in ways of working etc. This approach also incentivises the entity itself to find productivity improvements, rather than relying solely on an ex-ante reduction in specific allowances or line items.

- *Do you agree with the proposed allocation of Opex risk? Are any changes required to the Opex passthrough mechanism, and if so, what should be adjusted?*

Ryanair considers that Opex risk should remain with the entity best placed to manage that risk i.e., daa as the monopolist airport operator. Fundamentally, Ryanair believes that the existing pass-through mechanism already results in daa's position being de-risked too much and we are opposed to any further transfer of Opex risk from daa to users. Ryanair does not accept that daa has no ability to influence these additional costs or how they are managed into the business. As noted at para. 6.40, IAA accepts in principle that Dublin Airport is in a position to take "*reasonable measures to limit those costs*", which is an acknowledgement that an automatic full pass-through would not be a 'fair bet'.

Notwithstanding our objection to any Opex pass-through mechanism, if it is to be retained the IAA must make the mechanism fairer. In line with regulatory practices in other EU countries, daa must first demonstrate savings / efficiencies to offset the unforeseeable costs before pass-throughs can even be considered. Where daa has made savings in other Opex categories, there should be no ability to pass-through additional Opex in the defined categories i.e., the headroom in overall Opex should be used first to absorb the costs of pass-through items. It will be important that IAA defines the mechanism by which an assessment of reasonableness of any cost increases will be carried out.

Ryanair considers that there may be some merit in considering a banded approach, which means that costs would only be passed through if they exceed a certain threshold. This would be fairer as this would provide a mechanism for daa taking some risk in terms of managing the additional costs.

Provided daa fulfilled the above conditions, a further condition before unforeseeable Opex would be passed through should be whether daa is earning its regulated WACC. If returns exceed the WACC, no cost pass-through should be allowed. While one could argue that moving away from allowing extra returns to be retained would undermine the incentives inherent in Price Cap regulation, this line of argumentation ignores that unforeseeable costs by their nature cannot be predicted and therefore cannot affect incentives. In other words, it is not plausible that daa would shy away from outperforming on the basis that any future outperformance may be partially reduced due to an unforeseeable cost that arose.

Commercial Revenues

- *What factors, in your view, have driven the outperformance in the period from 2023 to date?*

Ryanair does not agree that there has been commercial revenue outperformance for which daa should be rewarded by retaining the upside. Rather this apparent outperformance is the result of systematic under-forecasting of commercial revenues that has gone on for many Determination periods. It is clear from Charts 7-5 and 7.6 that the main element of discrepancy is in relation to the under-forecasting of revenues per passenger, i.e. the outperformance is not solely the result of Dublin Airport handling more passengers than expected. IAA acknowledges in para. 7.14 that it under-forecast commercial revenue per passenger by 10% and 12% for 2023 and 2024.

It is significant, albeit not acknowledged by the IAA, that strong commercial revenue growth has been achieved despite a cost-of-living crisis / -2% fall in real average weekly earnings in 2023. This also suggests that there is scope for continued strong revenue growth across both retail, F&B and car parking as real earnings continue to improve.

There is a strong need for an improved forecasting methodology for the next regulatory period. The simple elasticity based approach adopted by IAA simply extrapolates current performance rather than factoring in stretching targets to improve revenues as would be good regulatory practice and consistent with a 'fair bet'. Simply extrapolating past performance almost certainly guarantees that an efficient airport operator would exceed that target through new initiatives and enhancements. It is good regulatory practice to apply some form of 'management stretch' to the setting of commercial revenue targets to reflect the scope for innovation to derive additional revenues.

Issues Paper Annex: Benchmarking of Airport Charges at Dublin Airport

One approach to improving the estimation of commercial revenues would be to consider benchmarking performance as a basis for stretching revenue targets. We also address here comments on the benchmarking report annexed to the Issues Paper that principally set out to consider both aeronautical and non-aeronautical revenues.

Ryanair welcomes the attempt by IAA to benchmark Dublin Airport's performance, however we believe a number of inconsistencies raise concerns about the validity of the data and call into question its suitability for comparative purposes. We outline some illustrative examples which highlight issues with the benchmark:

- Doesn't sufficient into account incentives / net airport charges – the turnaround costs rarely reflect what an airline pays given the number of modulations / incentives on offer across Europe. While IAA assume aeronautical revenue could capture this, in reality many airports fund incentives from the non-aeronautical revenue.
- Data skewed by traffic mix – Cologne's aeronautical revenue per passenger is c. €20, which incorrectly implies Dublin Airport is much cheaper than a mid-size German city. However, this ignores that Cologne-Bonn is a major cargo hub, which results in the Airport earning revenue from many non-passenger flights. A crude revenue per passenger estimate without accounting for traffic mix is therefore inaccurate.
- Data skewed by intra-network passengers – Aena count a return domestic journey as four passengers, e.g. one departing, one arriving and then one departing and one arriving. Given airport charges are only levied on departing passengers and that most commercial revenue is earned by departing passengers, this understates the revenue per passengers relative to Dublin's.
- Data skewed on airport groups – the annual reports of ANA Portugal, AdR and Schiphol vary in terms of discussing airport level and group level data.

- *What approach(es) should we adopt to forecasting Commercial Revenues? What considerations do you think should be accounted for?*

Ryanair recognises that the principal driver of most categories of commercial revenue relate to passenger growth, but other Dublin Airport can also innovate to drive additional revenue growth above passenger growth. Indeed, we note that 70% of the revenue outperformance came from higher revenue per passenger rather than passenger growth.

It does not follow automatically that limits on supply of car parking spaces or hotel rooms should necessarily limit revenues per passenger. For example, prices could rise in response to demand in those circumstances.

Consideration should also be given to the scope for income growth through new facilities e.g., the additional hotel at T2.

- *How should we ensure that the forecast balances challenge with achievability?*

Clearly past forecasts have failed to achieve that balance as they have consistently been exceeded. IAA should err on the side of setting more stretching targets unless and until there is clear evidence that such targets are not being achieved. This would be consistent with a 'fair bet' approach.

- *Do you see any benefit from further disaggregation of the Commercial Revenues forecasting categories, relative to the 2022 Review Decision?*

There may be merit in, but not limited to, considering retail income separate from catering income as the latter has been a strong area for growth at European airports post-Covid.

- *Should we consider a broader range of drivers? If so, which drivers?*

Consideration might also be given to including floor area considerations into the metrics, especially if the forecasts assume growth and additional infrastructure.

- *What data should we rely on? Given the varied trends over time, should we continue to place weight on significantly dated data (such as pre-2010 data)? Or, like is done commonly in relation to cost of capital analysis, should we place more or exclusive weight on more recent data?*

Greater weight should be applied to recent data as there have been changes in consumer preferences for retail, catering and parking post-Covid and post-Brexit. Reliance on pre-Covid data is likely to understate revenue potential. As noted earlier, it is important that challenging targets are set in relation to commercial revenues and that these might benefit from looking at specific targeted benchmarks e.g., what would be the best in class catering performance.

- *Should we continue to use rolling schemes in some or all categories? If so, should we retain a cap on total outperformance of the rolling schemes? Does 10% remain appropriate?*

Ryanair has always opposed the use of rolling schemes to incentivise commercial revenue performance. There is no evidence that such rolling schemes are needed or that they have led to improved commercial revenue performance.

To the extent that the rolling scheme is intended to incentivise investment in revenue earning activities during the Determination period, Ryanair does not consider that further incentivisation is required. Dublin Airport already stands to benefit from including such investment within the RAB at the next Determination and so providing a rolling incentive effectively double counts the benefit to daa at the expense of users. This is inconsistent with the IAA's key objective.

- *Do you think we should make any changes to the regulatory accounting treatment of any revenue lines as between commercial and aeronautical revenues?*

In general, Ryanair is content with the current allocation between commercial and aeronautical revenues. However, IAA must ensure that the charges on facilities, paid for as part of the RAB, but used only by some e.g., US Pre-Clearance, are enough to cover the full cost of the service and not passed through to users that do not use it.

- *Do you agree that we should not make any changes to the allocation of Commercial Revenue risk?*

Yes, Ryanair agrees that there should not be any changes to the allocation of commercial risk. Any commercial revenue risk must remain with Dublin Airport.

Cost of Capital

• To what extent we should rely on 'rolling forward' the 2019 and/or 2022 methodology into the 2026 Determination? Are there WACC components where we should now take a different approach, and if so, which ones and why?

Ryanair broadly agrees with rolling forward the existing methodology. However, a number of adjustments should be made by the IAA, as outlined below. In particular, there should be no aiming up allowance in the WACC.

Ryanair considers that guidance on the approach to be adopted more generally is given in the BEREC Report³. This provides appropriate guidance in response to many of the questions posed in this section. The BEREC Report is used by other regulators across the EU, for example, the CNMC in Spain use it when estimating Aena's Cost of Capital and the report complements the European Commission's Communication (2019/C 375/01) on estimating the cost of capital for legacy infrastructure.

• What data sources should we use, for each component?

In addition to the existing sources currently being used, we recommend incorporating the ERP estimates from the BEREC report.

• To what extent should we rely primarily or exclusively on recent data versus data over a longer time horizon; should this vary by component and why?

To the extent that it is thought necessary to use data over a longer time period in order to avoid short term noise in data, it will also be important that consideration is given to their relevance to the 2027-2031 time frame, which may require adjustments to be made to reflect anticipated market conditions for the period, such as expected changes in interest rates.

• In calculating the RfR, what is the most appropriate averaging period to use, and does the use of both Irish and German government bonds remain appropriate?

We agree with the IAA that there is no purpose for continuing to use the shorter 6-month averaging period to estimate the RfR. A longer term returns period should be used to be as consistent as possible with the time period for equity returns to estimate the equity risk premium. We believe the use of both German and Irish bonds are still appropriate.

• How should we estimate Dublin Airport's asset beta?

This needs to be approached with some care, as determination of the asset beta is very subjective. Caution is also needed to ensure that beta estimates are not unduly influenced by the pandemic period, noting that more recent estimates have tended to be lower than those made immediately following the pandemic period. The beta would be therefore expected to be lower than assumed in 2019 and 2022.

Ryanair continues to be concerned that the IAA's reliance on a small sample of listed airports include irrelevant comparators for Dublin Airport and non-European airports which distort the estimation of the beta. While these can act as a sense check, it is important that the beta estimate is specific to Dublin Airport and accurately reflects its relative exposure to systematic risk.

It is also worth noting that beta estimates from regulatory determinations in other industries, such as the PR6 WACC decision for utilities, should also be considered. This is in line with the Thessaloniki Forum Guidance, which states that beta estimates from similar industries like utilities may also be used.

• Does it remain appropriate to estimate the ERP using the TMR, or are there any compelling reasons to estimate the ERP in isolation?

³ [BEREC Report on WACC parameter calculations according to the European Commission's WACC Notice of 6th November 2019 \(WACC parameters Report 2025\)](#)

It remains appropriate to estimate the ERP using the TMR approach, provided there is consistency in the sample period of the cost of debt, the risk-free rate and ERP. As noted above, IAA should also consider the BEREC report and its emerging use in the economic regulation of airports across the EU.

• With respect to the cost of debt, is it appropriate to continue to use the 2022 methodology, or is there merit to returning to a debt-premium approach, or a combination of both?

In general, Ryanair cannot see any reason to change from the 2022 approach. Ryanair does not support the adoption of the debt premium approach across the board. This may be a reference point for the current cost of debt for borrowings today but it does not reflect that likely cost of debt across the whole of daa's portfolio, which will be a combination of new and embedded debt. The cost of debt should be based on both daa's existing obligations and any future borrowings within the cost of debt methodology. That being said, in the context of new debt, we remain open to considering the use of indexation under a debt premium approach, recognising that the precise borrowing rate at the time of issuance cannot be known in advance and a market proxy would be needed. This would also ensure transparency by reflecting both the potential benefits of lower costs when interest rates fall and the risks of higher costs when rates rise.

• Are there any compelling reasons to change the notional gearing approach?

Ryanair is concerned that the IAA appears to be under the misconception that the optimal notional gearing should be 50/50, despite the fact that daa and many other airports successfully raise substantial amounts of debt as a source of capital. In line with regulatory best practice, the optimal gearing should be that which delivers the lowest cost of capital. If a suboptimal gearing is chosen, at a 50/50 ratio or otherwise, then airport users would be burdened with inefficient or higher than necessary capital costs.

At present, an efficient notional capital structure is likely to be debt-heavy, as debt remains, in many cases, a cheaper form of financing. There is a strong case for increasing gearing to 60%. By contrast, the perceived 'risk' of higher debt appears largely academic; in practice, infrastructure companies are capable of managing significant levels of debt without impacting the perceived equity risk.

• In what circumstances (if any) should we include an 'aiming up' allowance?

Consistent with its position in past Determinations, Ryanair does not agree that any aiming up allowance is required to calculate an efficient and sustainable cost of capital. Indeed, the adoption of such an allowance is inconsistent with the general practice of setting other building blocks based on a central case. Hence, setting an aiming up allowance is fundamentally inconsistent with the IAA's primary objective as it favours Dublin Airport at the expense of users. It also undermines the IAA's stated aim of having an internally consistent building blocks methodology.

We appreciate the IAA's approach in asking about a circumstance in which an 'aiming up' allowance would be required, compared to previously, whereby a compulsory aiming up was added on top of the cost of capital. IAA could consider a similar approach to the Italian airport charge regulatory model, whereby an uplift can be made to the WACC earned on a particular project, only in exceptional circumstances and if there is a specific concern that the project would not be financed otherwise.

• What cross-checks or sense checks should we carry out in relation to the WACC components and/or the overall WACC?

Ryanair is concerned that, in past Determinations, IAA has focussed too heavily on the risk of setting the WACC too low in case it provided a disincentive to invest. Clearly this has not been the case, even where triggers have been in place that would have allowed a return, daa has not necessarily invested. If there are concerns relating to investment incentives for specific projects, this could be addressed by a surcharge on the WACC that is project specific and tied to a trigger, as mentioned above.

Furthermore, given its government ownership, for the reasons identified elsewhere in this submission, the investment incentives are not purely in relation to a financial return but can be realised through broader economic benefits from growth of the air transport sector in Ireland, which is one of the specific 'due regard' factors under the ANTA. All of these considerations would suggest that the WACC should not be set at a level higher than a midpoint of a range and certainly would argue against any aiming up allowance.

Capital Expenditure

• Do you agree with our proposed approach to modelling capital costs, and assessing CIP27? If not, what do you think we should do differently and why?

Ryanair is supportive of the continuation of an annuitized depreciation.

However, as Ryanair has made clear in response to previous Determinations that the IAA should ensure that it considers the need for a project and whether the proposed project is the most cost effective way of meeting that need rather than solely considering only whether the project, as defined by daa, has been efficiently costed.

Ryanair is concerned that the past simulation modelling carried out on behalf of IAA has focussed on the wrong question, namely whether the proposed project would deliver sufficient capacity to meet the forecast. Such an approach only ensures that the capacity deliverable by the project is sufficient, rather than if other approaches could meet the need more cost effectively. The current approach allows Dublin Airport to set the agenda in terms of the projects it chooses to bring forward, without adequate checks and balances, as to whether these are the best solutions to meeting the needs of users. Given the IAA's revised primary statutory objective, this is a key test over and above cost efficiency only.

Although the Issues Paper, at para. 9.37, states that it would expect the CIP to address the need for a project by reference to capacity analysis and/or business case, Ryanair's experience of the CIP consultation process is that daa does not robustly present alternatives and that the business case, especially in terms of the costs and benefits to users from a project, is seldom given. Previous rounds of CIP consultation have been highly unsatisfactory in terms of the detail of information provided by Dublin Airport and the extent to which it has been willing to modify or remove projects based on users' feedback.

Fundamentally, Ryanair is requesting IAA to take a more rigorous approach to reviewing not just the cost of the proposed projects, but also the need of the proposed projects.

A clear example of why the IAA must challenge the need and due justification for a project can be seen in the West Apron Underpass. In 2019, Ryanair challenged the need for the tunnel on the grounds that it is not required and that an above-ground crossing of Runway 16/34 was perfectly feasible given its limited, infrequent use. Nonetheless, IAA allowed the project. Now it has become clear that Runway 16/34 is to be decommissioned, meaning that any crossing would be over a taxiway. The decommissioning of Runway 16/34 removes any claimed need for the tunnel and the IAA's justification for forcing airlines and passengers to pay for it, as the route from the east to the possible future west campus would not cross an active runway at any point.

The continued, albeit infrequent operation of Runway 16/34 has been consistently put forward by daa as a justification for building the tunnel under the existing functioning surface route. Despite evidence from other airports that "level crossings" are safe, the IAA allowed this unnecessary project despite the fact that under existing planning conditions there is a risk that passenger buses will never be allowed to use the tunnel. The entire rationale behind the IAA's decision to allow recovery from airlines and passengers of the cost of this project is now undermined following daa's decision to decommission Runway 16/34. Any claimed justification for the tunnel that Runway 16/34 will be used as a taxiway are not credible given there are multiple other crossings of taxiways used by vehicles. This further weakens the case for this investment to be allowed at all.

• Do you agree with our proposed approach to flexibility, in respect of the StageGate process and grouped allowances, with the minor modifications outlined above? If not, what do you think we should do differently and why?

Ryanair's position remains unchanged from 2022. In general terms, we accept the logic of grouping smaller projects and providing Dublin Airport with some flexibility in terms of how it uses the grouped allowance to deliver required improvements.

However, Ryanair remains of the view that the threshold for a project to require consultation with and agreement by more than 50% of users should be set at a lower value than currently adopted given the lack of agreement to the CIP overall in terms of airline agreement. Accepting the need for some flexibility, Ryanair could accept a figure in the range €6-8 million as an appropriate threshold.

- *If we retain the current flexible/deliverable/StageGate approach, what factors should we consider when designating a project as Deliverable?*

Ryanair is generally content with the definition of a deliverable project as set out at para. 9.31.

- *If we allow for a flexible delivery approach within a group, would you be in favour of more or fewer groups? Fewer groups would afford Dublin Airport more flexibility by allowing it to reallocate the allowance to a larger number of projects while more groups would restrict the allowance to a smaller number of related projects.*

Generally, we believe that it is important that groupings are fairly narrowly defined to ensure that there is a relationship between the capex allowance and what it is intended to deliver. A smaller number of broader groups would weaken the relationship between the level of capex allowed and outputs. It would allow Dublin Airport too much freedom to move capex away from projects that are considered essential to users to those that would deliver most benefit to daa. This would allow 'gaming' of the system in a manner not consistent with the objectives of regulation.

- *What threshold(s) or criteria should lead to a project being designated as StageGate? Should a project's inclusion in StageGate be purely cost based?*

Ryanair remains of the view, expressed in 2022, that a lower threshold is required for determining definitively that a project should be subject to the StageGate process, potentially in the range €6-8 million. However, there are further considerations beyond price. In particular, these relate to projects that at the time of the Determination are not sufficiently mature and/or where users have ongoing concerns about the need for the project expressed through the consultation process. There is a case for widening the scope of the process to consider the need and business case for projects at the initial stage to ensure that the right projects are brought forward. This goes beyond simply reviewing the costs of projects as defined by daa.

- *Do you have any feedback on the interim capex consultation process? Are there any changes you think are needed/ what worked well?*

Ryanair's longstanding concern is that the process focusses too much on the cost of daa's proposed solutions to a problem rather than identifying what the most efficient and cost-effective solution would be. Ryanair does not believe there has been any improvement. The focus needs to change to a process that agrees the objectives for any project at the outset and then works towards identifying solutions rather than being presented with solutions developed by daa in isolation.

- *Do you support the continued use of triggers in relation to certain capital projects? Do you propose any modification to the current approach to triggers?*

Ryanair believes that the use of triggers regarding larger capital projects is important. Given the scale of investment that daa proposes for Dublin Airport and current planning uncertainties, it would be unfair to current users to allow these into the RAB prior to demonstrable commitment linked to the time when the benefits to users will be delivered.

Ryanair supports the approach adopted by IAA in the 2022 Interim Review whereby triggers are positive, i.e., recovery is only allowed when projects are committed rather than the previous approach of assuming that costs would be incurred to a programme, with recovery of costs removed if projects do not meet defined timescales.

However, brief consideration should be given to the effect on the Price Cap of substantial sums of capex being subject to triggers, which would negatively impact pricing stability and commercial planning. The impact of this would be mitigated to some degree if the need for and timing of the project is subject to more intense scrutiny by IAA, reducing the number of projects over which uncertainty regarding their delivery remains.

That said, Ryanair recognises that achieving this certainty is challenging in the current circumstances regarding planning caps at Dublin Airport and it does seem likely that some degree of uncertainty will remain at the time of the next Determination. In order to mitigate the impact of pricing uncertainty, the IAA might consider some cap on the combined impact of all triggers on the Price Cap and a carry forward of remuneration to the next regulatory period.

- *What factors should we consider when deciding if a trigger should be applied to a project?*

Triggers should apply to any project where there is a genuine uncertainty regarding the timing or need for a project, including where a project or solution is ill defined at the time of the Determination process and still subject to consideration through the StageGate process.

A further consideration in relation to triggers is cost uncertainty. It may not be realistic to set a precise trigger amount until such time as a project has reached a level of maturity through the StageGate process.

- *Given the importance of Dublin Airport delivering capital projects which will support it in achieving its climate targets, do you think the IAA has a role in incentivising Dublin Airport to deliver the sustainability-related projects in a bespoke manner? E.g. by designating more sustainability projects as Deliverables and/or through incentive mechanisms?*

Ryanair does not believe that IAA needs to take special measures to incentivise delivery of mandatory sustainability related projects as other legal requirements should provide sufficient incentive. Rather, IAA has a role in ensuring that sustainability requirements are met efficiently and cost effectively. Placing too great a priority on sustainability projects could result in Dublin Airport focussing more on these than on projects from which users would more directly benefit. This would unbalance investment incentives and could even result in incentives to inflate the RAB through over-investment in sustainability initiatives.

- *More broadly, would you support the introduction of a sustainability reputational incentive as part of the Quality of Service system? Do you think it would be appropriate to set a target and/or financial incentive for this type of metric, alongside the other service quality metrics?*

Ryanair does not support the introduction of further subjective or qualitative level of service metrics. The compliance with sustainability objectives should be addressed through other regulatory regimes not through economic regulation.

Financing and Financial Viability

- *Do you agree with our overall approach and methodology? Why or why not, and how should we otherwise assess this issue?*

We fundamentally disagree with the concept underpinning IAA's financeability approach. Consideration of financeability is no longer a statutory requirement and, for the reasons outlined earlier in this submission, Ryanair does not consider that this requires special consideration of additional safeguards for daa over and above the setting of the building blocks based on a 'fair bet'.

Ryanair notes that daa Group will have paid €99m in dividends to the State for the first two years of the current regulatory period. It is notable that 65% of the Group's profit was earned from Dublin Airport (IAA regulatory accounts show €154m net profit just from Dublin Airport's regulated activities). It is unclear why an entity which is paying dividends at this scale requires a financeability adjustment.

Rather than incentivising daa to operate more efficiently, this adjustment provides an unnecessary comfort buffer that allows daa to benefit from additional income. As illustrated in Charts 10.3–10.6 of the Issues Paper, the combined effect of aiming up the cost of capital and applying a financeability adjustment has only served to improve daa's financial metric, granting them a riskless reward without requiring any meaningful effort or exposure.

It is important to note that, insofar as regulation is intended to replicate an airport operating commercially in a competitive market, a private sector airport owner of an unregulated airport would not benefit from any financeability adjustment.

Furthermore, given that all of the equity in Dublin Airport is owned by the government, the balance of risk is necessarily different from that which would apply if a solely private entity was delivering these services. Put simply, the Government does not require any additional reward to ensure that Dublin Airport delivers the services required as these are fundamental to delivery of the broader national Aviation Strategy, which are the key metrics by which Government measures its 'reward'.

Ryanair continues to believe that it is wrong that the Determination takes into consideration an automatic and fixed right to a dividend to the Government as this is simply not what would apply in the case of a private sector airport owner whereby returns would vary dependent on the actual performance.

As noted above, we urge the IAA to view the financeability adjustment just as a tool when needed, such as in the case of the economic regulation of Italian Airports, where a limited uplift to the cost of capital applied to certain projects is granted in specific circumstances.

An economic regulatory framework that drives efficiency can often be seen as an attractive feature by lenders. By contrast, a guaranteed financeability adjustment signals to the market that the airport lacks the efficiency to deliver a major programme independently. A more credible approach would be to introduce a back-up mechanism, such as a conditional uplift to the WACC, applied only if required. This would give lenders greater confidence and send a stronger signal that daa is capable of delivering this programme itself.

• Without prejudice to the first question, do you agree with the detailed application of this approach as applied in 2022? In what way (if any) should the detail of the approach be amended for the 2026 Determination?

Ryanair does not agree with the approach adopted in 2022 and considers that, assuming the WACC is properly set, no financeability adjustment would be required.

We consider IAA's heavy focus on metrics to be excessive, particularly given that airports often successfully raise debt even when their metrics fall outside the prescribed range.

Without prejudice to Ryanair's view that no financeability adjustment is to be applied, it should be benchmarked against a BBB- rating, representing minimum investment-grade standards. Only if these minimum metrics are not met should a risk arise—and only then should an adjustment be considered. This would represent a more appropriate and targeted approach as, in practice, lenders assess a much broader set of factors, making rigid adherence to numerical thresholds both unnecessary and potentially misleading.

• What reasonable downside scenarios should we model, and how?

In the circumstance where Ryanair does not support a financeability adjustment, if properly set, the WACC should provide sufficient incentive to invest without the need for further adjustment for the reasons set out earlier in this submission.

In any event, there is likely to be symmetry in terms of the chance of either downside or upside risk to financeability such that leaving the WACC as a 'pure' calculation would represent a 'fair bet'.

• In what circumstances (if any) should we look to reduce or re-profile Capex allowances on the basis of identifying a financeability issue?

An airport operating competitively, as regulation is intended to mimic, might reprofile or defer capex in the event of a financeability issue. Equally, they could seek a further equity investment from shareholders. Ryanair believes that it is this latter approach that should be adopted, for example the Government agreeing to defer dividends for a period to allow for required investment to be financed.

Furthermore, the risk of financeability difficulties is substantially mitigated by daa's state ownership reducing the perceived risk for lenders.

A further consideration is the extent to which any financeability adjustment would, of itself, create negative signals to the markets that daa is unable to work in an efficient manner and independently raise funds for a large capital programme.

Quality of Service

The service quality regime must not lead to perverse outcomes whereby it incentivises inefficiency in service delivery in order to overprotect outcomes. This means that the airport is effectively rewarded for overperforming. This position would be substantially worsened if daa was able to earn bonuses for over-delivery, which Ryanair specifically opposes.

Other Issues

- *Which approach(es) to inflation adjustments should we use? Do you have an alternative specific proposal for the construction of the inflation adjustment terms?*

Ryanair does not support the Z factor and believes it should be removed. Both the ex-post and ex-ante adjustment add unnecessary complexity to the Determination and annual Price Cap setting. They are also open to regulatory gaming.

Generally speaking, the IAA's focus on "real" prices adjusted by the Consumer Price Index is highly academic and not relevant for a liberalised and deindexed economy like Ireland's. CPI does not represent Dublin Airport's expenditure and as such it is futile to attempt to perfectly adjust the Price Cap to a given price level.

In particular, no ex-ante inflation adjustment is required. This approach is not adopted by other EU regulators – indeed, many regulators do not even allow a full pass-through the consumer inflation index, let alone future increases. It is notable that airports in economies which are more indexed, like for example Belgium, there is a simple annual inflation adjustment to the Price Cap. In Austria the inflation adjustment is based on the rolling average 12-month average of inflation, while in Denmark the adjustment is based on the wage and producer price indexes, weighted to the airport's opex level. IAA should be moving in this direction rather than focusing on an unreachable perfectly nominal price level at Dublin.

Nor is there any need for ex-post adjustments in the current environment. The IAA's justification when introducing this mechanism without consultation was the volatile inflation environment, which has since passed and is no longer relevant.

- *Do you think that there is any merit in setting sub-caps as part of the 2026 Determination? If so, what sort of sub-caps and why?*

Ryanair does not support sub-caps.

- *Do you agree with the proposal to retain the current approaches to under-collection and overcollection?*

In general, Ryanair agrees with the current approach but where excess profit has been earned in excess of the WACC, Ryanair considers that there is no justification for 'K' factor adjustments to be made in favour of daa while the situation of excess profit pertains.

Ryanair believes that non-discriminatory incentives underpinning growth and volume, which substantially de-risk Dublin Airport's exposure to traffic, should fall outside the Price Cap and daa should not be able to recoup any discounts in future years. Under the current approach, daa gets to keep the additional commercial revenues earned from the extra traffic supported by the incentives, as well as getting to recoup the discounted airport charges in future years. This is unfair and not how incentives work in all other European airports.