



Corporate Head Office,
Dublin Airport,
County Dublin,
Ireland.
Telephone: +353 1 8121212
General Fax: +353 1 812 1213
sita; DUBHQFR
Reservations: +353 1 2497700
Website: www.ryanair.com

Department Fax Numbers
Finance: 01 8121373
Sales & Marketing: 01 8446625
Flight Operations: 01 8444404
Engineering: 01 8121338
Reservations: 01 6097902

22nd February 2007

Mrs Brídín O'Leary,
Economist,
Commission for Aviation Regulation,
Alexandra House,
Earlsfort Terrace,
Dublin 2
661 1269

Dear Brídín,

Draft Determination re ATCS, CP10/2006

I refer to the Commission's paper CP10/2006 regarding its draft determination on ATCS.

As a general comment we are concerned regarding the manner in which this consultation process has been undertaken. Voluminous consultation papers have been issued on complex issues such as capital expenditure plans and yet no public consultation meetings have been held during which the service provider could explain and be challenged on the proposed, substantial price increases. The Draft Determination only provides two possible scenarios, one leading to an almost doubling of charges over the 5-year period, the other to a 33% increase. Neither of these scenarios is acceptable.

We fail to understand why prices should increase by anything other than CPI and neither the draft determination nor the previous consultation papers have adequately explained why prices should increase by the amounts cited in the two scenarios. The CAR itself has recognised that the IAA failed to inform it of the methodology employed in determining the cost of their planned projects. The IAA also have not provided this information to users or explained what benefits these investments would bring to users. Why is a new tower necessary at either Cork or Dublin? How will any of the planned capex or opex expenditure improve efficiency and reduce unit costs? We cannot be expected to comment upon the IAA's investment plans when they have not provided the necessary information to enable users to determine whether such investment is justified and cost effective.

It is unacceptable for the CAR to include any investment (other than that necessary to ensure the continued safe operation of the system) into the determination until proper consultation has taken place with users. Any investment in facilities must ensure more efficient provision of services and a reduction in the unit rate.

We agree with the comments made by BMI regarding the overly generous rate of return of 6.7% proposed by the CAR. The IAA has a complete monopoly over the provision of terminal services and therefore have little or no risk. Moreover, in its submission, the IAA claims only to want to "*ensure the recovery of its costs of terminal services provision*". We therefore fail to understand why any cost of capital, over and above the actual cost of capital, is being applied by the regulator.

We further agree with BMI that there should be a mechanism put in place to incentivise/penalise the IAA to ensure that they maintain a high level of service and minimise delays. It is unacceptable that the CAR has failed to propose alternatives for such a system despite the fact that it has been raised.

The failure of the CAR to organise a public meeting in order to facilitate proper consultation on the issue of ATCS has led to a situation where users are not properly informed on the issues (apparently neither is the CAR) and any determination at this stage would be subject to legal challenge.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'J. Callaghan', written over a horizontal line.

Jim Callaghan

Head of Regulatory Affairs and Company Secretary