

22 July 2020

- 1.1 This report concludes the first iteration of the StageGate process, confirming the StageGate 1 allowances for **Taxiway W2 Rehab** and **HBS Standard 3 in Terminal 2**.

StageGate Process

- 1.2 The 2019 Determination on the maximum level of Airport Charges at Dublin Airport introduced a new process for certain large scale Capex projects. In total, 17 projects were identified for inclusion in the process, which was termed StageGate.¹
- 1.3 StageGate is a rolling iterative process intended to add flexibility for the scope and/or cost of these projects to develop over the regulatory period. It features an Independent Fund Surveyor (IFS) to provide independent expert views on any such developments to inform airport users and the Commission. The Commission has appointed Steer to act as IFS.
- 1.4 The 2019 Determination included initial allowances for each of the 17 projects; these allowances are termed the StageGate 0 allowances. When a project has reached a sufficiently detailed level of design and is ready to be progressed, the project is advanced to StageGate 1. Dublin Airport provides an up-to-date costing together with supporting detail to the IFS for assessment. The IFS assesses the Dublin Airport proposal; where it considers that the Dublin Airport proposal is reasonably costed and effectively scoped, it will agree with the proposal.
- 1.5 There are two factors which drive the decision on the StageGate 1 allowance, namely the IFS' conclusions on technical scope/cost efficiency and the views of airport users. The StageGate 1 decision permutations are appended to this document.
- 1.6 Following the completion of the StageGate 1 phase, the project enters StageGate 2. This phase allows for ongoing consultation as the project is being delivered. Any stakeholder may submit material for IFS consideration during the StageGate 2 phase, which the IFS will report on in the subsequent iteration of the process. In the absence of any further developments being highlighted to the Commission and the IFS, no further assessments will be carried out.
- 1.7 The outcome of the StageGate process drives the final level of remuneration for the project over its asset life. When reconciling actual expenditure against the allowance in the subsequent determination, the Commission's starting point will be the StageGate 1 allowance. The Commission will also consider any developments which may have occurred and been consulted on during the StageGate 2 phase.

2020- First Iteration

- 1.8 Two projects were advanced by Dublin Airport to StageGate 1 in the first iteration in 2020 (one in whole and one in part):
- The rehab of Taxiway W2, which forms part of a broader taxiway rehab project encompassing a number of taxiways.
 - The implementation of Hold Baggage Screening (HBS) standard 3 EDS (Explosive Detection Systems) in Terminal 2.

¹ <https://www.aviationreg.ie/fileupload/2019%20Determination/Final%20Determination/2020-2024%20Determination.pdf> , see sections 9.99 to 9.121

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- 1.9 The IFS report on these projects was circulated to airport users on 29 April. A videoconference was then held on 7 May, with presentations from the Commission, the IFS, and Dublin Airport. The videoconference was attended by Aer Lingus, Etihad, IATA, Ryanair, Stobart Air, TUI, and United Airlines. As per the StageGate process, users were invited to provide written submissions, including indicating whether it objected to the proposed StageGate 1 allowance. Written submissions were subsequently provided by Aer Lingus and Ryanair.

Taxiway W2

- 1.10 The IFS concluded that the intended scope would meet the requirements of rehabilitating, strengthening and future proofing this taxiway, with 10 years before the first 'major maintenance' requirement once the rehab is completed. The design approach adopted by Dublin Airport provides construction programme benefits and will minimise operational disruption on the airfield.
- 1.11 The IFS report noted that the more detailed cost assumptions underpinning the proposed StageGate 1 allowance had changed relative to StageGate 0; the area of taxiway to be rehabbed had increased substantially, but this was largely offset by a lower unit rate per square metre. Overall, the proposed StageGate 1 allowance was 5% (€0.2m) higher than the StageGate 0 allowance. Based on the evidence it assessed, the IFS concluded that the proposed StageGate 1 allowance is reasonable.
- 1.12 The IFS noted that it had not been presented with a full cost plan or procurement strategy in relation to the works, an issue which it expects will be addressed in future. Dublin Airport noted that it had initially produced a cost plan but had taken the opportunity to combine the rehab of W2 with other works. The IFS report noted that the decision to combine these appeared to have led to cost efficiencies being achieved.
- 1.13 Airline submissions expressed concern over the lack of procurement strategy and cost plan, as well as the 5% increase relative to StageGate 0. Clarification was sought on the nature of the 'major maintenance' requirement after 10 years.
- 1.14 Following clarification by the Commission in relation to both written responses received, respondents confirmed that they did not object to the proposed StageGate 1 allowance. In relation to the 'major maintenance' requirement after 10 years, we confirmed that this refers to the potential for Opex-funded works which is not a new requirement arising from any amendment to the project scope at the StageGate 1 phase.

T2 HBS Standard 3

- 1.15 The IFS concluded that the project as scoped is an effective way of delivering the associated output, however it noted that achieving the regulatory deadline for the upgrade to Standard 3 EDS is a significant challenge, identifying a number of risks to the intended programme. It stated that these risks could manifest as cost escalation and/or delays to the project programme.
- 1.16 The IFS identified that the total proposed StageGate 1 cost allowance was unchanged from StageGate 0, although there had been some movement within the line items making up the costing. The IFS had minor points of disagreement which overall would have slightly increased the cost estimate relative to that proposed by Dublin Airport. However, it did not consider that these points of disagreement were substantial enough to warrant an alternative cost proposal from the IFS. It therefore agreed with the Dublin Airport proposal.

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- 1.17 Airport users did not object to the proposed StageGate 1 allowance (which in any case is unchanged from StageGate 0). One respondent expressed concern at the potential for delays in delivery of this project, stating that it is imperative that the project meets the intended timeline.

Conclusions

- 1.18 In line with the StageGate process permutations, we therefore confirm that Dublin Airport's proposed StageGate 1 allowances are adopted as the StageGate 1 allowances for both projects.

Table 1: Allowances for both projects

| CIP Code | Project | StageGate 0 Allowance | StageGate 1 Allowance |
|---------------|-----------------------|-----------------------|-----------------------|
| CIP.20.01.003 | Taxiway W2 Rehab | €4.02m | €4.23m |
| CIP.20.07.031 | T2 HBS Standard 3 EDS | €39.72m | €39.72m |

- 1.19 These StageGate 1 allowances will be the starting point for the Commission in the next determination for comparison against outturn expenditure. The projects are now considered to be at the StageGate 2 phase. Any further developments which are identified during the StageGate 2 phase will also be considered at the time of the next determination.

Appendix: Permutations for StageGate 1 allowance decisions

