



## StageGate Concluding Report Iteration 2 2023

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- 1.1 This report concludes the second iteration of the StageGate process for 2023. This cycle focused on the StageGate 1 assessment of the **Apron 5H & North Apron Taxiway Rehabilitation** project, and the StageGate 2 assessments of the **HBS Standard 3 – Terminal 1** project and the **Airfield Taxiway Rehabilitation Programme** project.

### 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 known as StageGate. 17 projects were initially identified for inclusion in the process. This was increased to 27 projects in the Interim Review of the 2019 Determination in relation to 2023-2026.<sup>1</sup>
- 1.3 StageGate is a rolling iterative process intended to add flexibility for the scope and/or cost of the StageGate projects to develop over the regulatory period. A key component of the process is the Independent Fund Surveyor (IFS) which provides independent expert views on any such developments to inform airport users and the Irish Aviation Authority (IAA). The IAA has appointed Steer to act as the IFS.
- 1.4 The 2019 Determination (and subsequently the Interim Review of the 2019 Determination in relation to 2023-2026) provided initial allowances for each of the StageGate projects; these 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. At this stage Dublin Airport provides an up-to-date costing, together with supporting detail, to the IFS for assessment. The IFS then assesses the Dublin Airport proposal, and if it considers it to be 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: 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 this 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

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<sup>1</sup> [https://www.iaa.ie/docs/default-source/car-documents/1c-economic-regulation/final-decision-on-the-maximum-levels-of-airport-charges-at-dublin-airport-2023-2026.pdf?sfvrsn=6b8110f3\\_1](https://www.iaa.ie/docs/default-source/car-documents/1c-economic-regulation/final-decision-on-the-maximum-levels-of-airport-charges-at-dublin-airport-2023-2026.pdf?sfvrsn=6b8110f3_1)



IAA 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 IAA's starting point will be the StageGate 1 allowance. The IAA will also consider any developments which may have occurred and been consulted on during the StageGate 2 phase.

## 2023 – Second Iteration

- 1.8 One project was included for StageGate 1 assessment in the second iteration in 2023:
- Apron 5H & North Apron Taxiway Rehabilitation.
- 1.9 Two projects were included for StageGate 2 in this iteration:
- HBS Standard 3 – Terminal 1;
  - Airfield Taxiway Rehabilitation Programme.
- 1.10 The final IFS report on this project was circulated to airport users on **5 July**. A videoconference was then held on **13 July**, with presentations from the IAA, the IFS, and Dublin Airport. The videoconference was attended by Aer Lingus, daa, Department of Transport, IAA, IALPA, IATA, IFS, and Ryanair. A written submission was subsequently provided by Aer Lingus.
- 1.11 As per the StageGate process, users were invited to provide written submissions, which should include an indication of whether it objected to or supported the proposed project as per the IFS' recommendation.

## StageGate 1

### *Apron 5H*

- 1.12 The Apron 5H project was the only StageGate 1 project to be submitted for Iteration 2 2023. Dublin Airport initially proposed a StageGate 1 allowance for the project of €135.73m, however this was later reduced to €125.27m. The revision was due in part to the Airports successful appeal against the €5.03m planning contribution demanded by Fingal County Council, which had originally been included in the project submission.
- 1.13 The IFS' report detailed its main findings at the StageGate 1 phase, these are summarised as follows:
- The IFS determined that the scope and specifications of the project will meet the required outputs, but that certain solutions adopted may not have been the most effective, as it believes opportunities to make savings may have



not been explored either in sufficient detail and/or at a sufficiently early stage.

- The IFS determined that while the majority of the costs were reasonable, the rates for reinforcement in the substation section of Dublin Airports cost estimate are significantly higher than the IFS would expect, and it has therefore reduced them in its assessment. In addition, the contractors fee is higher than the IFS would expect, and it has also reduced this in its assessment. This created a variation between the IFS estimate and Dublin Airport's proposal.

1.14 The IFS therefore proposed an alternative allowance of €122.26m, which is its estimate of the efficient cost of delivering this project.

### *Other Stakeholder Views*

1.15 Aer Lingus supports the Apron 5H project, stating that it remains critical to ensuring an efficient two-runway airport and enabling the development of the hub infrastructure. However, it noted its disappointment at the cost increases and that it agrees with the IFS cost assessment. It also requested that the IAA instruct the IFS to holistically assess Dublin Airports procurement processes and timelines to ensure that inefficiencies and poor cost management on the part of daa are avoided in future schemes.

1.16 Dublin Airport noted in its presentation during the consultation meeting that it acknowledged the IFS assessment of Apron 5H and that it will progress the project according to that value. However, regarding the IFS assessment of the rates for reinforcement in the substation section of Dublin Airports cost estimate, it noted that steel prices have seen significant volatility in the market and were particularly impacted by the war in Ukraine. It also noted in regard to the IFS assessment of contractors fees that the fee percentage included is competitively tendered on the open market, and that it was assessed as part of the award criteria for the award of the overall Airfield Framework. It further noted that this fee percentage is fixed across the framework and compared favourably in overall terms to other tenderers during the Framework procurement. Finally, it noted that as this is now set at the framework level; it applies to all tenders let under the framework.

## **StageGate 2**

### *HBS Standard 3 – Terminal 1*

1.17 Terminal 1 Hold Baggage is the first project to be brought to StageGate 2 by Dublin Airport. The IFS assessment of the Airports StageGate 1 submission for this project had been shared with users on 2 October 2020 and a videoconference was held on 8 October 2020. The Airports submission had proposed a cost of €191.99m, an increase of €31.69m over its StageGate 0



allowance. Following its assessment, the IFS recommended an alternative StageGate 1 allowance of €183.58m. However, this was not agreed to by Ryanair, and so the StageGate 1 allowance remained in line with the StageGate 0 allowance<sup>2</sup>. As agreement has not yet been achieved among stakeholders, we noted that the IAA would need to make a decision on the final allowance for this project at the time of the next determination.

- 1.18 Dublin Airport's previous StageGate 2 submission proposed an allowance of €185.05, an increase of €1.47m over the allowance previously recommended by the IFS. Following its assessment of this project's StageGate 2 submission the IFS proposed an allowance of €185.05m for StageGate 2, which was its estimate of the efficient cost of delivering this project. We did not receive any other stakeholder comments in relation to this assessment.
- 1.19 As part of this second StageGate cycle of 2023 Dublin Airport made a second StageGate 2 submission for this project. The submission proposed cost increases of €14.87m. The IFS assessed the submission and found that the efficient cost increase was instead €14.64m, €0.24m lower than proposed. This brings the current IFS estimate of the efficient cost of delivering this project to €199.69m.
- 1.20 Aer Lingus was the only user to comment on this cycle of the project. It noted its continued support for the project but expressed disappointment at the inefficiencies identified in the project submission by the IFS.
- 1.21 Given the disagreement as outlined above, the final allowance for this project will be set by the IAA at the time of the next determination.

### *Airfield Taxiway Rehabilitation Programme*

- 1.22 The Airfield Taxiway Rehabilitation Programme project has a StageGate 0 allowance of €20.46m, intended to cover a number of separate sections of taxiway. Sections of the project have been submitted to StageGate 1 on several occasions previously, including as part of Critical Taxiways North in Cycle 1 2021. Critical Taxiways North had a StageGate 0 allowance of €12.29m and the Airport proposed a StageGate 1 allowance of €36.93m. The section of the Airfield Taxiway Rehabilitation Programme project proposed for assessment as part of Critical Taxiways North was Taxiway F-outer, which had an IFS estimated StageGate 0 allowance of €4.53m and for which the Airport proposed an allowance of €7.30m.
- 1.23 The IFS assessed that €7.30m was a reasonable and efficient cost of delivery. However, the total allowance for Critical Taxiways North was objected to by Ryanair and so, in line with the StageGate process permutations, the projects

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[https://www.iaa.ie/docs/default-source/car-documents/stagegate-reports/concluding-report\(1\).pdf?Status=Master&sfvrsn=ebcb14f3\\_0](https://www.iaa.ie/docs/default-source/car-documents/stagegate-reports/concluding-report(1).pdf?Status=Master&sfvrsn=ebcb14f3_0)



StageGate 1 allowance remained in line with its StageGate 0 allowance, with the final decision to be made by the IAA. The final allowance for the Taxiway F-outer portion of the Airfield Taxiway Rehabilitation Programme project and for Critical Taxiways North overall will be set by the IAA at the time of the next determination.

- 1.24 The Taxiway F-outer portion of the Airfield Taxiway Rehabilitation Programme project was submitted to StageGate 2 by the Airport, along with Taxiway P1. The submission proposed cost increases of €1.235m. The IFS assessed the submission and found that the efficient cost increase was instead €1.153m, €0.08m lower than proposed. This brings the current IFS estimate of the efficient cost of delivering this portion of the project to €8.45m. It also brings the current IFS estimate of the efficient cost of delivering the Airfield Taxiway Rehabilitation Programme project to €29.77m and the efficient cost of Critical Taxiways North to €33.08m.
- 1.25 Aer Lingus was the only user to comment on this cycle of the project. It noted its continued support for the project but expressed disappointed at the inefficiencies identified in the project submission by the IFS.
- 1.26 As this portion of the Airfield Taxiway Rehabilitation Programme project was objected to at StageGate 1, its final allowance will be set by the IAA at the time of the next determination.

## Conclusions

### StageGate 1

- 1.27 The estimated cost of delivering the Apron 5H project has increased since the StageGate 0 allowance was set. No airline user has objected to the project, in line with the StageGate process permutations, the StageGate 1 allowance is set according to the IFS assessment. We note the continued support from Aer Lingus for the delivery of the project.

**Table 1: StageGate 0 and StageGate 1 allowances in nominal prices**

CIP Code	Project	StageGate 0 Allowance	IFS recommendation	StageGate 1 Allowance
CIP.20.03.081	Apron 5H	€111.42m	€122.26m	€122.26m

- 1.28 The project is 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.

### StageGate 2

- 1.29 The IAA notes the IFS recommended efficient estimates of €199.69m for the



HBS Standard 3 – Terminal 1 project, which is €14.64m higher than the IFS' estimate at SG1, and €29.77m for the Airfield Taxiway Rehabilitation Programme, which is €9.31m higher than the IFS' estimate at SG1. The IAA also notes that the IFS recommended efficient estimate for Critical Taxiways North is now €33.08m.