21st June 2007

Response to Draft Decision

Interim Review of 2005 Determination on Maximum Levels of Airport Charges at Dublin Airport.

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Executive Summary

The focus of this interim review is primarily on the updated capital expenditure programme presented in DAA's October 2006 CIP. In this regard, DAA welcomes the Commission for Aviation Regulation (CAR's) acknowledgement that

- The airport's current position is one of *"comparatively low charges and comparatively poor service quality"*[1]
- The benchmarking process whereby costs were arrived at is *"comprehensive, appropriate and professional"*[2]
- The costs proposed for capital expenditure are *"generally reasonable for what DAA proposes to build"* [3]

Since the DAA's capital programme was first announced in September 2005, DAA has repeatedly stated that it requires an average airport charge of €7.50[4] in the current pricing period and ca.€8.50 in the next period to fund it. This equates to an average charge of ca.€8.00 over the life of the plan, which is less than many airlines charge to check in a bag. In effect, DAA has proposed to deliver a c100% increase in airport capacity and a greatly enhanced passenger experience for less than a 50% increase in the per passenger charge. This represents extremely good value, particularly given that the current airport charge at Dublin is amongst the lowest of comparable airports in Europe. We have included research in our submission that illustrates clearly that a majority of passengers, who ultimately pay airport charges, are willing to pay the necessary additional airport charges to fund improvements in key services/facilities.

Financeability

Despite recognising the appropriateness of DAA's requirements, the current low charges base from which it is operating and the statutory requirement for it to enable DAA to operate in a sustainable and financially viable manner, CAR is not proposing to allow an increase in charges in the period 2006-2009. DAA is disappointed the Commission has not approved the modest immediate increase in airport charges that would have provided full funding clarity for the building programme at Dublin Airport as soon as the planning appeals process is complete.

The problems with CAR's remuneration mechanism can be broadly grouped into two categories: increased risk and pressure on DAA's financial position. Under CAR's proposals remuneration for a significant portion of the capital programme will be deferred and backloaded. The company is therefore being required to commit to expenditure without an acceptable degree of certainty on whether it will receive remuneration, how much it will receive and when it will receive it.

Indications regarding the potential for DAA to recoup its investment in the future are shrouded in uncertainty, for example:

[1] Page 4, CP5/2007
[2] Page 4, Annex 7 to CP5/2007
[3] Page 93, CP5/2007
[4] 2004 prices as per 2005 determination

- In evaluating the impact of the charges outlined for 2006-09 and 2010-14 on DAA's financeability, the Commission has disregarded the financial projections that it sought from DAA during the interim review. The Commission updated its own projections on the basis of the passenger forecasts contained in DAA's model, but failed to acknowledge the fact that there is an inconsistency between CAR and DAA projections when assessing the charges level of €7.75 for the next regulatory period.
- The illustration of how the price cap might evolve in the next Determination period is issued as a *"guide only"*, with the outcome *"subject to consultation and evaluation at the appropriate time prior to making the next Determination"*[5].
- The Commission acknowledges that "*there remains some uncertainty around how the two box approach will work in practice*"[6] and suggests that *"precise details of the two stage approach"* to the recovery of T2 investment costs will only be agreed with the DAA and users *"as part of the consultation for 2010-2014 price cap"*[7]
- Proposals regarding the time profiling of the return of and on the T2 investment are subject to the proviso that "*Should the need arise in the future…CAR…would consider changes to the treatment of the investments in the RAB*".[8]

In this context, it is important that the financial markets are provided sufficient clarity that the regulatory environment will support capital investment into the future as this affects the company's credit profile and thereby its ability to access optimal, long term, uncovenanted debt finance. Unfortunately, at present the impression from the decision could be that CAR's primary imperative is to keep airport charges low (in particular due to the approach adopted re unitisation and the two box approach to T2 remuneration) rather than incentivise much needed investment in capacity as required by the large majority of users and as mandated in the Government's Aviation Action Plan.

A number of specific changes in the final decision would provide greater confidence to DAAs funders:

- adoption by CAR of DAA's projections for net operating expenditure in arriving at the illustrative price for 2010-14, consistent with the treatment of capital expenditure and passenger forecasts
- acknowledgement by CAR that the additional risks placed on DAA by the interim review will be considered when CAR assesses the appropriate cost of capital for DAA;
- confirmation that CAR does not intend to change the regulatory regime for the period 2010-14 and that DAA will continue to be remunerated for properly-incurred capital and operating expenditure through the familiar "regulatory building blocks" mechanism;
- confirmation that the possible price for 2010-14 indicated by CAR represents the minimum required to appropriately compensate DAA for its costs and would in any event be subject to being sufficient to maintain DAA's financeability (interpreted as maintaining a strong investment grade credit rating);
- acknowledgement that CAR recognises the role that DAA's capital plans have to play in allowing CAR to fulfil its statutory duty to facilitate the development of Dublin airport.

[5] Page 118, CP5/2007
[6] page 108, CP5/2007
[7] page 9, CP5/2007
[8] page 16, CP5/2007

Defining the safeguards it will put in place to ensure incentives to invest remain, it will better enable CAR to deliver to deliver on its statutory objectives to the detriment of the airport, its airline users, the passengers and the wider Irish economy.

Consultation

It has been demonstrated in previous submissions to CAR, and reiterated in this submission, that the DAA has followed best-in-class master-planning, consultation and design processes in the development of its Capital Investment Programme. The constituent projects in the 2006 CIP are the result of an extended planning process, all in the context of maintaining a coherent long-range development plan for Dublin Airport. At each step in this planning process the DAA has made appropriate decisions by combining its own expertise and in-house knowledge of Dublin Airport with the input of consultants with a strong international reputation in the field, and by following best practice planning and consultation processes. The extensive consultation on detailed aspects of the plans carried out by DAA with users has been recognised by the independent verifier as according with international best practice. It also resulted in significant user buy-in to the 2006 CIP. Detailed evidence on this process has been submitted and it is not clear that the Commission has adequately considered this.

Passengers are the primary users of airports. It is incorrect to assume that the best interests of users are synonymous with the interests of airline companies as the latter are large commercial companies focussed on their profitability and shareholder returns and not necessarily the interests of passengers as users of airport facilities.

In this context, a requirement to have “all users agreeing” before capex is incurred is simply unrealistic, and would amount to an abdication of CAR’s statutory responsibilities to protect the needs of prospective users and passengers. In any event, full agreement is not possible by definition as existing users are not the same as prospective users. In this context, DAA (and CAR) must work to provide an appropriate solution even if this does not receive the universal support of incumbent airlines, or is subject to opposition for singular commercial advantage.

Capital Expenditure

The DAA welcomes the Commission's findings that the vast bulk of the company's near-term, Eur1.2bn investment programme for Dublin Airport is both necessary and reasonably-priced.

However, the Commission has made some reductions to the CIP, which DAA believe are unwarranted based on the evidence. It has also suggested deferring remuneration for some of T2 the basis that it is too large. The adoption of a short-sighted view of infrastructure development has caused problems for Ireland in the past (M50, Metro links etc). It also ignores the cost efficiencies of building a little more headroom into the first tranche of capacity compared to building several smaller additions.

In arriving at its proposals CAR has depended on the work undertaken for it by consultants RRV. The timeline afforded to RRV to conduct their review, did not remotely compare with the process undergone by DAA’s advisers to arrive at their recommendations. Though a more limited timeframe might be expected for a verification

of DAA's work on cost, sizing and other considerations, it would not allow for alternative proposals to be properly developed by either RRV or CAR on such issues. In this context, we believe that the arguments relied on to support the proposed reductions to the capex programme, and the implementation of a Box 1/Box 2 approach to the remuneration of T2 based on RRV's sizing analysis, are inappropriate and should be revisited.

CAR also appears to be supporting a view that only basic facilities like those at much smaller airports like Hahn should be provided at Dublin Airport by suggesting that DAA should only provide what airlines are willing to pay for even if this is a low standard of facilities and services. DAA's research shows that passengers do not appreciate inferior quality airport facilities at the primary gateway to Ireland and are prepared to pay extra to achieve a better standard than currently pertains. The research further demonstrates a uniformity of willingness to pay for service enhancements across passengers, regardless of airline used.

Pricing Policy Issues

CAR has introduced a significant degree of uncertainty, complexity and ambiguity into the regulatory framework. Complexity has been added with the introduction of a number of new methods for the remuneration of capital (e.g. trigger pricing, unitisation/back loading, differential treatment of T2 and non-T2 capex) in a mid-term review. At the same time, uncertainty has been increased with discussion of other methodology changes that may be implemented in the future e.g. peak pricing.

DAA has outlined its opposition to the effect of these proposals and has made some specific suggestions to mitigate the downside implications of some of them. For example, CAR should be more focussed in relation to the scale of investment encompassed in its Box1/Box2 and unitisation approaches and should ensure that it addresses the serious practical difficulties and disadvantages raised by DAA and other consultation respondents in relation to peak and differential pricing initiatives.

Regulatory Approach

The DAA has previously commented on CAR's tendency to accept downwards adjustments to the DAA position, while not accepting adjustments that would operate in DAA's favour. Unfortunately this asymmetric approach is replicated in some elements of the current draft decision. For example, in relation to the sizing of T2, given the time available, the caveats expressed in CAR's consultants own reports, the fact that DAA's methodology accords with an industry standard approach and the lack of interaction with DAA to test the consultants hypotheses, it would, at the very least, have been more reasonable for CAR to have taken a mid point in the range between RRV and DAA rather than merely accepting the lowest number.

As a further illustration, CAR has reflected in the RAB and financeability assessments the somewhat speculative potential for lower capex costs in the assessment of contingency for a range of projects and the potential that lower priced tenders may be achieved for certain airside spend. By way of contrast, the very real risks highlighted by DAA to CAR in previous correspondence concerning the impact of construction inflation exceeding general CPI and the potential costs in respect of the development of the

Metro under Section 49 of the Planning and Development Act 2000, have simply not been addressed by CAR in CP5/2007.

DAA is concerned that, by failing to give any significance to the conclusions from the independent verifier and by refusing to remunerate the full size of T2 from the outset, the Commission does not appear to have complied with the Ministerial Direction in the draft decision. The Commission also appears to be pursuing its statutory objective regarding economic efficiency to the detriment of an appropriate consideration of its other statutory objectives.

In making its final decision, the Commission should ensure that it adopts a balanced approach to risk, and incorporates possible downsides as well as upsides in its analysis of possible outcomes. This approach is required if the Commission is to protect the interests of existing and prospective users and allow for the continued financial viability of DAA.

1. Introduction

DAA is making this submission in response to the Commission's request to interested parties and the public to make written representations in respect of CP5/2007, Draft Decision regarding the Interim Review of the 2005 Determination on Maximum Levels of Airport Charges at Dublin Airport.

A large volume of material was published as part of the Draft Decision on 21st May. DAA would like to note that it has focused its response on what it believes are the key areas of importance in the draft decision. Lack of commentary in respect of a particular point should not be interpreted as agreement with same.

This submission is structured as follows:

Section 2 discusses regulatory risk, how regulators elsewhere have endeavoured to contain it and what options are open to CAR to do likewise.

Section 3 outlines DAA's position with regard to Financeability and its understanding of the implications of the Draft Decision for funding the capital programme at Dublin Airport.

Section 4 reviews the Commission's interpretation of the consultation process with respect to both the Terminal 2 project and the CIP. Appendix 6 – Turner & Townsend: Response to Draft Decision Comments on CIP Consultation, supplements this section.

Section 5 deals with the Commission's treatment of capital expenditure and the reductions proposed by the Commission in CP5/2007. This section highlights the inadequacies of the RR&V reports and appendices 2-4 to this submission further supplement this analysis. Also dealt with is an analysis of the report undertaken for CAR by Vector with regard to the sizing methodology for Terminal 2. Finally, the Section discusses the Box 1 / Box 2 approach suggested by the Commission and makes recommendations for improving the efficiency of such a proposal if it is retained.

Section 6 comments on the totality of the work presented by the Commission in relation to Pricing Options. This outlines the DAA's views with respect to Trigger Pricing, Time Profiling of Charges, Peak Load and Differential Pricing.

Section 7 details some legal issues relating to the Commission's approach. It also examines the extent to which the Commission may have adhered to the 2007 Ministerial Direction.

DAA would welcome the opportunity to discuss this submission in detail with the Commission or to answer any queries that may be raised by the points made.

2. Regulatory Risk

CAR is proposing to introduce a significant degree of uncertainty, complexity and ambiguity into the regulatory framework in this Interim Review. Complexity has been added with the introduction of a number of new methods for the remuneration of capital (e.g. trigger pricing, unitisation/back loading, differential treatment of T2 and non-T2 capex). At the same time, uncertainty has been increased with discussion on other methodology changes that may be implemented in the future. Taken together, these increase the level of risk for the company going forward.

Since a key driver of regulatory risk is the lack of binding commitment, risks associated with deferred remuneration can be reduced by increasing regulatory commitment. We recognise that, in practice, binding regulatory commitment cannot be attained – regulators cannot legally commit future regulators to certain policies. Regulators can however deal with the disincentives to invest and the financial implications resulting from this position in a number of ways.

The first is to ensure the cost of capital is fully reflective of the level of risk pertaining and is increased where risks increase. The second is to advance revenues, such that the relative significance of these risks is reduced. The third is to improve regulatory commitment, which aims to reduce regulatory risks.

2.1 Steps Other Regulators Take to Reduce Risk

The CAA undertook a combination of all three approaches in setting the price cap for BAA in 2003. As well as reducing regulatory risk, these were designed to reflect the impact of T5 on BAA's finances and charges.

- On the cost of capital, the CAA allowed 7.75%, reflecting an approximate 0.25% premium recommended by the Competition Commission to account for the additional risks implied by T5.[9,10]
- The CAA advanced revenues on the basis of the relative size of BAA's investment programme, combined with financing considerations and a desire to improve regulatory commitment to T5.[11,12]

[9] *"Large investment projects tend to be risky in a number of ways. The scale of Terminal 5 will increase BAA's risks, not only with respect to construction risk but also risks of uncertain demand and risks associated with the Terminal 5 triggers as pointed out by the Competition Commission. Regulatory commitment is another issue influencing risk. The degree to which these risks are diversifiable will differ"* CAA (2003) "Economic Regulation of BAA London Airports (Heathrow, Gatwick and Stansted) 2003 – 2008 CAA Decision", February 2003.

[10] The Competition Commission recommended that the uplift in the cost of capital be applied to all airports, arguing that T5 impacted all London Airports owned by BAA: *"Although these factors arise because BAA is undertaking the T5 project, there are also potential implications for Gatwick and Stansted. For instance, if demand for air travel were to decline severely in response to an event similar to 11 September, the airport most likely to be adversely affected is Gatwick, with traffic moving from there to fill any capacity becoming available at Heathrow. Similarly, if financial problems occurred on the construction of T5, these would apply more generally to BAA and affect the rates at which the group could raise capital for investment at other airports. In our view the factors in paragraph 4.71 can best be recognized by way of a further T5-related uplift to the WACC of some 0.25 per cent."* Competition Commission (2002) "BAA plc: A report on the economic regulation of the London airports companies (Heathrow Airport Ltd, Gatwick Airport Ltd and Stansted Airport Ltd)"

In the case of NATS (2003), the CAA attempted to increase regulatory commitment at the time of the Composite Solution by publishing a Regulatory Policy Statement. The purpose of this statement was described as follows:

> *"The CAA recognises the importance for all stakeholders in NATS of clarity and predictability in the carrying out of its functions, since this reduces uncertainty and ultimately benefits users by means of a lower cost of capital. In order for a long term resolution to NATS' financial difficulties to be achieved it is important that the CAA sets out, as far as it can, its views on regulatory policy and regulatory commitments that it is prepared to enter into in order to provide clarification as to how it will interpret its duties under statute and in connection with the Licence. These can give greater clarity as to the risks that NATS is expected to face and greater certainty as to regulatory policy in the future. NATS and its investors will then be in a position to move to a sustainable financial structure that is consistent with this framework."*[13]

The CAA has used the Regulatory Policy Statement (RPS) as part of price reviews for NATS since. The RPS is intended to set out how the CAA expects to regulate NATS over forthcoming regulatory periods. A number of details of proposed regulation were set out in the first 2003 RPS, including process and timelines for reviews, preferences for regulation approach, commitments to remunerating the RAB, descriptions of when and how clawback would occur, clarification on incentive mechanisms and views on risk allocation.

Where possible the RPS attempts to clarify and make explicit its approach in order to reduce regulatory risk, given that *"clearly, the CAA cannot fetter its discretion"*.[14] The 2005 RPS sets out a detailed description of the CAA's proposed methods for assessing and calculating a number of components of the price cap in the forthcoming and (where possible, future price reviews). Areas covered include a description of the commitment to incentive-based regulation, treatment of volume risk, operating cost roll forward, regulatory reporting, approach to financial issues and tax, and programme of work during the forthcoming regulatory period, amongst others. In particular, the 2005 RPS sets out explicit details of the formulae governing the roll-forward of the RAB.

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[11] *"Clearly revenue advancement will facilitate the financing of the programme. Given the scale of BAA's ten year investment programme that is more than 120% of BAA's current RA, the CAA agrees with the Competition Commission that financing considerations together with improving regulatory commitment provide a strong rationale for revenue advancement."*

[12] *"To address regulatory commitment issues and in line with the Competition Commission's recommendations, the CAA has adopted an approach based on a 10-year profile to assist setting of a 5-year price cap to better achieve the CAA's statutory objectives. However, ultimately neither the CAA nor the Competition Commission can commit its successors. Some degree of regulatory risk will therefore remain an issue and hence is likely to increase the cost of new equity."* This was based on the Competition Commission's recommendations, which rejected the CAA's initial proposals for a future price commitment path and instead recommended smoothing of prices over a longer profile (relative to the price cap): *"In our view, a preferable, alternative approach to promoting adequate incentive to invest is to allow for assets in the course of construction (AICC) subject to a series of triggers relating charges to progress particularly of T5, but together, where necessary, with an element of smoothing of return between quinquennia, reducing reliance on future large increases in charges."*

[13] CAA (2003) "NATS' Application to Re-open the Eurocontrol Charge Control: Consultation on CAA proposals", October 2002

[14] CAA (2005) "NATS Price Control Review 2006-2010 CAA Decision", Appendix 2, para. 35.

The RPS also includes statements of previous commitments honoured (for example the commitment made in March 2003 to uplift the RAB by 12%, and how CAA has retained, unaltered, the mechanism by which this uplift may be clawed back).

Other regulators in the UK are also increasingly attempting to find ways to improve regulatory commitment and motivate investment in long lived assets. In early 2006, Ofgem and Ofwat published a joint paper on financeability issues.[15] One of the key issues discussed was the problem of regulatory commitment. The two main approaches to ameliorate this problem suggested by the paper were:

- Extending price control periods, in combination with enhanced intra-period flexibility mechanisms. The paper noted that regulators have already adopted some flexibility mechanisms to address unanticipated changes in certain costs e.g. logging up/down, interim determinations etc.

- Setting allowed revenues in respect of depreciation and the cost of capital - for sunk capital and capital expected to be incurred over the forthcoming review period - for the full life of those assets (or at least for a considerably longer period than 5 years). Ofgem and Ofwat argued that this approach would reduce regulatory uncertainty, therefore lowering the cost of capital.

With respect to the first proposed solution, Ofwat consulted on the length of the regulatory price control period in place in the UK water sector (currently five years), noting the importance of regulatory commitment in ensuring financeability of long term asset investment:

> *"Price limits therefore, however long the period, must be able to take account of projects which cover two or more periods. The system can and already does do so, but we recognise that there may be a need to provide clearer assurances to companies and investors for very long-term major projects. There may also be a need to define more clearly intermediate outputs for single price limit periods."*

More recently, Ofwat has informally discussed options regarding funding for Thames' Tideway project, an asset with a lifespan extending over a number of regulatory reviews. These options include removing aspects of remuneration from the standard regulatory review cycle and thus providing longer-term assurances on compensation for capital expenditures.[16]

UK regulators have also focused on intra-review risk mitigating mechanisms as a method of reducing risks around long-term investment. Most UK regulatory regimes imposed on utilities with long term asset investment requirements contain provisions for price-cap reopening to allow instantaneous recouping of justifiable and unanticipated expenditure within the price control period (for example via IdOKs in the water sector).[17]

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[15] Ofwat and Ofgem (2006) "Financing Networks: A discussion paper".

[16] See Ofwat (2007) Statement "Thames Tideway decision announced today", 22 March 2007. "We have already undertaken some preliminary work to explore a range of financing and delivery options for this project, which will span more than one and maybe three periodic reviews of price limits."

[17] IDoKs (interim determinations) allow the company to recoup elements of unavoidable and unanticipated capital expenditures that occur within the price control period, provided that a specified materiality threshold is met.

2.2 Recommendations for CAR Approach to Regulatory Risk

Apart from the increased risk to DAA arising from CAR's proposals, they also increase the likelihood that the DAA will face financial pressure over the current price control period and possibly beyond. There are two main ways that CAR can improve incentives for investment at Dublin Airport: i) increase the cost of capital, ii) reduce the risks associated with the regulatory framework for remunerating investment. We discuss these in turn below.

2.2.1 Cost of Capital Premium

The first way to improve financeability and financial viability is by increasing the cost of capital and undertaking in full a financeability assessment, including stress-testing. Increasing the cost of capital will ensure that the increased risks associated with the construction of T2 will be compensated for in revenues.

This is particularly important during the construction period where uncertainties over the future path of charges are greatest, and the need for financing is highest. At BAA's price control review in 2003, the CAA included a 0.25% premium on the cost of capital during consultation to reflect the increased risk of T5 (based on Competition Commission recommendation), *in addition* to revenue advancement and increases in regulatory commitment. This is in contrast with the approach adopted by CAR where revenues are deferred and cost of capital remains unchanged.

We recognise that CAR did not consider it appropriate to include a review of the cost of capital in this interim review, but in the next review DAA will be recommending that an appropriate premium on the existing cost of capital be added to account for additional risks of both construction of T2 and for the risks imposed by CAR's proposed funding structure. Given that the CAA provided for revenue advancement and improvement of regulatory commitment, our preliminary recommendation is that the premium allowed to the DAA should be *at least* that allowed for BAA by the CAA.

2.2.2 Improving Regulatory Commitment and Reducing Investment Risks

As discussed above, UK regulators have recently focused on developing options for improving regulatory commitment and reducing risk to investors, to overcome the disincentives to invest in long term assets. Three main approaches discussed are summarised below.

Removing assets from a price cap.

Removing particular projects from a standard price cap can allow capex to be remunerated using a longer committed price path. This reduces regulatory risk, but the benefit of lower regulatory risk is traded off with higher risk of actual outcomes deviating from allowed/projected outcomes. Regulators often consider that not all regulatory risk can or should be removed insofar as it is consistent with the regulator being able to adapt to changing circumstances.

Advancing revenues

Advancing revenues can reduce risks on a major capex project in three ways. Firstly, it signals regulatory commitment to a particular scheme. Secondly, it reduces the near-term possibility of financial difficulties, particularly when the remuneration profile is otherwise back-loaded or there is a significant risk of cost overruns (outperformance can be clawed back). Thirdly, it reduces the significance of regulatory risk as the proportion of remuneration dependent on future regulatory actions is reduced.

Even if CAR is committed to its current approach of backloading revenues, an adjustment to this approach which results in a slightly lower degree of backloading would reduce financial and regulatory risks. One way to do this would be to apply the unit cost remuneration approach to all passengers rather than incremental passengers over 18.5 million.

Improving commitment by clarifying policy intentions and committing to methodology/approach.

A key element to reducing regulatory risk is to improve trust and faith in regulatory intentions and actions. Improving clarity of intended approach to regulation can reduce regulatory risk without incurring the disadvantages of committing to a fixed price path. In particular, commitment where possible to particular approaches and methodology in forthcoming price reviews reduces uncertainty and enables more forward looking regulation. Enabling the latter allows potentially contentious issues, or issues over which there is significant uncertainty, to be discussed and considered in advance of their arising. Ensuring that intentions and methodology are explicitly set out where possible is a key element of reducing regulatory risk, as this ensures that regulatory discretion is minimised and objectivity and transparency in regulatory decisions is maximised. We strongly recommend that CAR undertake an explicit statement of commitment and policy intentions where possible.

These concepts are further discussed in the next section of this document in the context of a review of the implications for DAA's financeability.

3. Financeability

3.1 Summary

Financial projections and future FFO / Debt ratios

DAA is pleased that the Commission has accepted the method of assessing financeability by reference to maintaining a strong investment grade credit rating, as set out in the Statement of Case submitted in March 2007. DAA believes that its projections need to show a minimum FFO / Debt of 15% if its rating is to remain comfortably investment grade and financeability is to be assured. We are encouraged that CAR has accepted this in its draft determination.

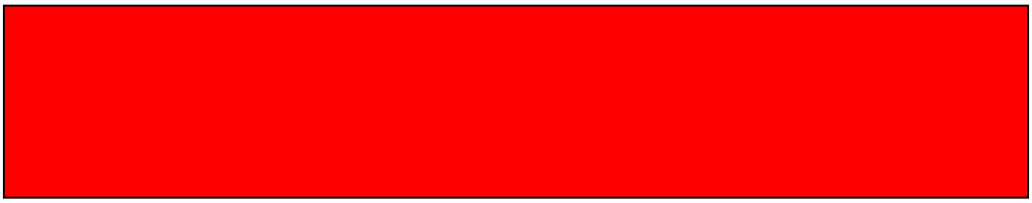
DAA's projections differ materially from CAR's, primarily in relation to operating costs, commercial revenues and assumptions regarding dividend policy and liquidity policy, as outlined later in this section. This fundamentally undermines the usefulness of CAR's financeability analysis as it suggests that DAA will not be sufficiently remunerated to meet reasonably incurred costs.

Achieving a shared position with CAR on projections and policy assumptions is vital in supporting CAR's financeablity analysis and ensuring that DAA will be sufficiently remunerated to meet reasonably incurred costs.

Regulatory and other risks arising from the determination

CAR has made several proposals that will increase DAA's business risk profile, for example trigger pricing, backloading of remuneration and increased regulatory risk by seeking to implement changes in methodology in the middle of a regulatory review period.

Furthermore, although CAR discusses a future price of €7.75, there are a number of comments that are likely to lead S&P and DAA's funders to conclude that a lower price is likely in the future. If so, S&P and DAA's funders will run scenarios with a worse regulatory outcome for DAA, resulting in an even lower price.



Impact of negative rating outlook

S&P will need clear direction on likely next regulatory price settlement if it is to award DAA a "stable outlook". This sort of robust ratings direction to the bond

market is required by DAA in order that it can continue to access long term, uncovenanted debt finance similar to other major airports. A "negative outlook" at lower ratings is likely, at best, to necessitate bank debt instead. This will have a number of adverse consequences:

- bank debt tenor is typically c.5 years, putting inadvisable refinancing risk on DAA given its need to refinance the existing Eurobond within five years;
- financing costs will increase significantly **(……)** and more frequent refinancing will require additional fees to banks;
- financial covenants will be required to compensate banks for lack of regulatory clarity and weak credit profile; and
- these financial covenants will be based on management's projections, which themselves are uncertain because of the regulatory position.

Requested changes to draft decision to ensure financeability

In addition to the arguments made elsewhere in this response regarding the specific comments of CAR on DAA's capital investment plans, there are a number of specific changes in the final decision would provide greater confidence to DAAs funders and S&P, enable financeability and avoid the consequences set out above:

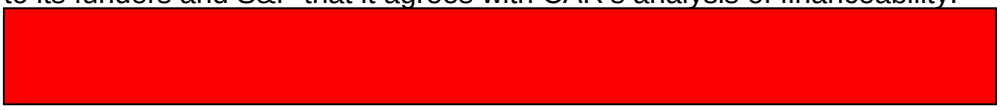
- adoption by CAR of DAA's projections for net operating expenditure in arriving at the illustrative price for 2010-14, consistent with the treatment of capital expenditure and passenger forecasts
- acknowledgement by CAR that the additional risks placed on DAA by the interim review will be considered when CAR assesses the appropriate cost of capital for DAA;
- confirmation that CAR does not intend to further change the regulatory regime for the period 2010-14 and that DAA will continue to be remunerated for properly-incurred capital and operating expenditure through the familiar "regulatory building blocks" mechanism;
- confirmation that the possible price for 2010-14 indicated by CAR represents the minimum required to appropriately compensate DAA for its costs and would in any event be subject to being sufficient to maintain DAA's financeability (interpreted as maintaining a strong investment grade credit rating);
- acknowledgement that CAR recognises the role that DAA's capital plans have to play in allowing CAR to fulfil its statutory duty to facilitate the development of Dublin airport.

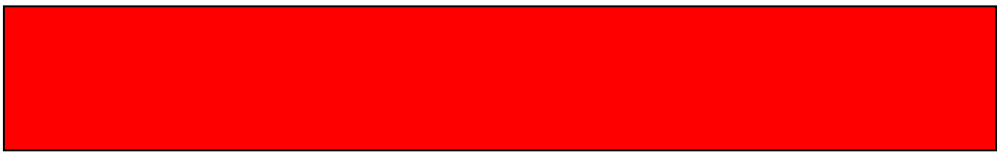
3.2 Financeability and Credit Ratios

DAA's Statement of Case dated 6 March provided considerable detail on the requirement for DAA to target maintaining a strong investment grade credit rating to finance its investments and the fact that achieving such a rating is linked to the maintenance of FFO/Debt ratios above 15% over the long term. Therefore DAA have requested that CAR set the DAA's airport charges at a level to ensure compliance with this ratio/rating at a minimum, including taking account of the risks facing DAA's business.

Notwithstanding this minimum level, DAA remains of the view that a credit rating of 'A' remains appropriate. DAA understands that this is also consistent with the views of government, its shareholder. It should also be noted that at a level of BBB+ or lower, DAA would be the lowest-rated of Government-owned European airports, as set out in DAA's Statement of Case.

DAA welcomes the acknowledgement by CAR that 15% FFO/Net Debt is a key threshold for DAA to meet in order to be considered a strong investment grade credit rating. However, it is important that DAA is able to demonstrate to its funders and S&P that it agrees with CAR's analysis of financeability.





The 'base case' used by CAR to illustrate DAA's financeability should use DAA's assumptions on net opex. This is consistent with the practicalities of raising finance: DAA's funders and S&P will look to DAA for guidance on operating assumptions, not to CAR.

In addition, CAR should make a statement confirming its position on remunerating properly-incurred costs, to provide clarity that future determinations will continue to provide sufficient remuneration to cover realistic and reasonable capital and operating costs incurred by DAA, even if this implies higher prices.

3.3 Increased business risks for DAA resulting from determination

CAR has made several proposals that will increase DAA's business risk profile:

- **30m trigger for RAB eligibility:** as CAR notes, its proposals put more demand risk on DAA. DAA disagrees that this is a risk that it has *"introduced by proposing to build such a large facility"*[18]: Terminal 2 is appropriately sized and CAR has created additional risk for DAA and users by adopting a contrary view;
- **increased project risk.** Introducing trigger pricing for T2 means that DAA is exposed to the risk that, in the event of a delay to the opening of T2 or an increase in costs, DAA and CAR disagree on whether this should reasonably have been foreseen by DAA or whether it was outside the control of DAA;
- **backloading of depreciation:** CAR itself acknowledges that this approach *"relies heavily on forecasts of passenger numbers for each of the years in the price control period"*[19]. By definition therefore, this

[18] Page 15 CP5/2007
[19] Page 106 CP5/2007

represents a more risky methodology than was applied to date. In addition, any deferred remuneration will be discounted heavily by DAA, its funders and S&P when there is a perception of material regulatory risk;

- **future changes to backloading profile.** In addition, the degree of backloading is also uncertain as the unitisation will need to be updated in subsequent regulatory reviews to reflect updated demand forecasts;
- **risk of asset stranding.** CAR has introduced the risk of asset stranding by potentially disallowing a large part of the expenditure on T2, which in DAA's opinion is properly incurred.

More generally, any proposal aimed at creating *"the right incentives"*[20] for DAA without actually providing any greater return, must worsen the risk / reward balance for DAA.

In this regard, DAA notes CAR's statement that

> *"the responses received from users suggest that they might be willing to incur a marginal increase in the cost of capital in exchange for linking payment for facilities with the time when those facilities are available"*[21]

To the extent that CAR continues with its "two box" approach for T2, DAA looks forward to these risks being factored into its calculation of the appropriate cost of capital.

DAA notes that CAR specifically addresses the uncertainties over the operation of T2 by stating that these would be addressed as part of the next review. However, more generally CAR needs to affirm its commitment to remunerating DAA's capital providers for the risks that DAA faces. This would include recognising that, to the extent that CAR's determination increases DAA's business risks, for example by increasing its exposure to variations in future passenger volumes, this would reduce funders' appetite to provide debt and equity capital to DAA. In such circumstances, CAR would need affirm its duty to allow DAA a cost of capital that is appropriate to its risks and to ensure DAA's continued financial sustainability.

3.4 Regulatory risk and uncertainty over future regulatory periods

Maintaining a strong investment grade credit rating is fundamental to DAA raising finance for T2 and the rest of the CIP in an optimal manner. Critically, the rating acts as the "gateway" to the Eurobond market, where a project such as T2 undertaken by an investment grade corporate would normally be financed.

In this respect a key test of financeability is whether a stable rating is achieved following the final determination. Currently, the rating is on "negative" outlook, reflecting the degree of uncertainty regarding the adequacy of future revenues given the investment requirements of the company. If there is uncertainty about future regulatory commitment to financeability then S&P could choose to reflect this by maintaining DAA's negative outlook (even if the rating was

[20] Page 33, CP5/2007
[21] Page 73 CP5/2007

also lowered at the same time) making it very difficult for the DAA to raise long-term finance in the current charge period.

DAA recognises that CAR is now setting prices only until 2009 and that it must retain discretion for future determinations. However, market expectations about the future will depend on the extent to which CAR provides reasonable regulatory certainty now about the remuneration of capital in the future. This is vital for DAA as the investments it is considering will have an economic life spanning several regulatory review periods.

Standard and Poor's publishes a methodology paper titled "A Framework for International Airport Ratings" in which it sets out criteria against which it evaluates airport regulatory regimes:

> *"The regulatory framework defines the operating environment of an airport and can influence its financial aspects. Standard & Poor's looks for transparency, stability, flexibility, fairness, and independence of the framework. While the rate-setting mechanism is the key component, obligations or constraints under license and permits, future development rights, operating restrictions such as curfew hours, environmental responsibilities, and penalties or incentives are also assessed.*
>
> *To be viewed positively, the policy framework should be transparent, be driven by commercial considerations, permit consistent performance from one time period to another, and be applicable for a reasonable length of time. An established track record would represent predictability relative to a newly established framework. Likewise, a framework that is applicable over the medium term would lend more stability than a year-on-year review. As several external factors can affect airport operations, regulatory flexibility with respect to business investment or development is important. An unpredictable, antagonistic or noncommercial approach can undermine the financial position of an airport that may otherwise be operationally strong"* [22]

S&P is also likely to compare DAA with BAA, regardless of the views of DAA or CAR of the appropriateness of this exercise. S&P will continue to compare and contrast the two regulatory systems – particularly because BAA currently represents over 50% of the €10bn of European airport debt that S&P rates (this will increase to almost 75% once Ferrovial refinances its acquisition debt).

S&P's assessment of BAA's regulatory regime over the period of construction of Terminal 5 is instructive:

> *Feb-06: "[CAA's approach] is constructive and transparent with initial ideas and proposals that S&P views as favourable … CAA is considering price profiling or revenue advancement at Stansted, which was incorporated in the Heathrow price review for 2003-08 … this has significantly reduced the risk in the T5 investment … [the volume / risk benefit sharing proposal] mitigates traffic volume risk"*

[22] S&P's paper "A Framework for International Airport Ratings" (Mar-03)

Jan-04: "The regulatory determination contains a number of decisions that are viewed favourably by S&P. These decisions include allowing a 7.75% pretax real rate of return compared to 7.50% in previous regulatory periods; allowing a 10-year profile for the current price caps e.g. RPI plus 6.5% for the fifth quinquenium at Heathrow; allowing recovery of 75% of incremental security costs incurred in the event of additional security requirements being introduced by government; and remunerating assets in the course of construction.

This review points towards a transparent regulatory environment that provides visibility and stability to the revenue base, thereby decreasing regulatory risk"

DAA is concerned that whilst the Draft Decision makes reference to the importance of financeability, it does not go nearly far enough to meet the stability and transparency criteria set out above.

In particular, it is likely that DAA's lenders and S&P will perceive an increase in regulatory risk given that (a) the regulatory regime has changed during the period and (b) the outlook for regulatory regime is more uncertain than it was 12 months ago given CAR's discussion of peak, differential and trigger pricing.

Additionally, given no increase in charges in respect of a substantially higher capital programme, DAA fears that financial markets might perceive that DAA's improved financial position has been opportunistically used as a rationale to introduce pricing policy changes. The assessment of the regulatory environment as a result may be that it is even less supportive in the longer term and prone to potential "downward financeability" adjustments.

As a further illustration, CAR has reflected in the RAB and financeability assessments the potential for lower capex costs in the assessment of contingency for a range of projects and the potential that lower priced tenders may be achieved for certain airside spend. However, the risks highlighted by DAA to CAR in previous correspondence concerning the impact of construction inflation exceeding general CPI[23] and the potential costs in respect of the development of the Metro under Section 49 of the Planning and Development Act 2000[24], have not been addressed by CAR in CP5/2007.

In DAA's view, it would be in the interests of users for CAR to affirm its commitment to reducing regulatory risk, since this would improve financeability (in particular, by making more likely a stable outlook from S&P) and thereby reduce costs. This could follow the approach adopted by the UK's CAA in publishing a Regulatory Policy Statement in respect of NATS in October 2002. Alternatively, CAR could instead make statements that affirm its commitment to minimising regulatory risk. This would include confirmation that CAR will ensure that DAA continues to be remunerated for properly incurred capital expenditure in the future through the regulated asset base and building blocks mechanism with which DAA and its funders are familiar and that further consideration of new pricing proposals will continue to be subject to the Commission's duty to remunerate DAA's capital providers for the risks DAA faces and to have regard to DAA's sustainability and financial viability.

[23] Statement of Case 6 March,2007 - Appendix 3, Section3
[24] Response to Statutory Information Request No.2

3.5 DAA's current expectations of ratings impact of draft determination

If CAR implements the changes without making the adjustments requested by DAA then DAA is likely to face material impediments to financeability.

The draft decision suggests that the DAA's preferred profile of charges is not now strictly the minimum needed to ensure financeability and concludes that

> *"the FFO:Debt ratio projections for the period 2006-09, in isolation, do not provide a compelling reason to change the formula for airport charges up to 2009[25]".*

DAA's projections differ materially from CAR's, primarily, in relation to operating costs, commercial revenues and assumptions regarding dividend policy and liquidity policy, as outlined later in this section.

It is worth noting that the impact of T5 on BAA's credit rating was to lower it to an A+/A3 rating as the rating agencies analysed the impact of the regulatory settlement for 2003-08. Most other European state owned airports are rated single A or higher as set out in the table below

Airport	Majority Government owned?	Rating
Aeroports de Paris	Y	AA
Aeroporti di Roma	N	BBB+
ANA - Aeroportos de Portugal	Y	A2 (i.e. A)
BAA	N	BBB+
Birmingham	N	A-
Brussels	N	BBB+
Copenhagen	N	A
Dublin	Y	A
Manchester	Y	A
NV Luchthaven Schiphol	Y	AA-
Unique (Zurich)	N	BBB+

The outlook horizon for a rating agency is 18 months and within that time-frame considerable regulatory uncertainty exists. Therefore DAA faces the unusual circumstance of having to raise finance for T2 in advance of understanding and being in a position to communicate to rating agencies and finance providers the cost recovery mechanism for this investment.

[25] Page 51 CP5/2007

3.6 Impact on funding strategy

As previously outlined in the Statement of Case, DAA believes that the most appropriate financing market remains the corporate investment grade bond market due to the following features:

- **long maturities**: DAA has been advised that with a strong and stable investment grade credit rating, it will be able to obtain financing with a maturity of at least 10-15 years and possibly longer. This is important to DAA as the debt is being incurred to finance long-term assets and by matching debt maturities to asset-life, DAA is able to reduce its refinancing risks;
- **flexible covenant package**: corporate bonds typically have the most flexible covenants packages of all forms of financing;
- **predictability of availability**: the corporate bond market has historically proven to be the most reliable source of financing even under adverse conditions (e.g. BAA accessed these markets only months after the 9/11 attacks);
- **costs**: given the liquidity available, corporate bond markets typically offer the best-value long-term financing available on arm's length terms.

Since DAA plans to be a regular issuer in the bond market for reason of cost and flexibility, it is crucial that the assumptions underpinning the rating are supported and deliverable by management.

A negative ratings outlook combined with a rating downgrade would be likely to prevent DAA from accessing the bond markets prior to the next regulatory period and would therefore, at best, force DAA to rely on the bank market for CIP funding. This would result in shorter term, five year finance, creating a significant refinancing risk in 2011/12 when the current bond also matures. The debt would also be more expensive (**……..**) particularly when taking into the account the cost of pre funding the CIP through a large (c€800m) credit facility due to the lower credit rating. In addition, whilst bank financing is currently available for airports, DAA is advised that availability in this market is less reliable than the corporate investment grade bond market.

However most significantly, bank financing will require DAA to give covenants designed to monitor its financial performance, giving the banks the power to accelerate its facilities should DAA fail to meet the covenant thresholds. These covenants could require DAA to meet minimum interest cover and debt/cashflow tests. The covenant package could also prevent DAA from committing to large capital projects or disposing of or acquiring assets. This gives the banks considerable control over the activities of DAA and increases the risk of a future call on CAR or DAA's shareholder for further support.

The bank market is sub-optimal in terms of duration and more importantly carries a greater level of performance "risk" on DAA due to the inevitable presence of financial covenants. Covenants in essence are designed to allow lenders to intervene in the operations of the business if DAA does not perform to its original management plan. CAR should also note that the reality of covenants will inevitably reduce its ability to influence DAA's business.

In other words, if banks will lend, it is likely to be only with covenants to compensate for lack of regulatory clarity and low/unstable credit ratings. The

difficulty for DAA is that the lack of clarity around compensation in 2010-2014 will create a negative outlook to the rating and force it to access funds which will be structured and covenanted on management projections, which in turn will be uncertain for the very same reason. This is a vicious circle from a financing perspective - as opposed to a virtuous circle which will flow from regulatory clarity, a stable outlook and access to longer term uncovenanted bond finance.

Finally, the tenor of bank debt is typically c. 5 years, which would put inadvisable refinancing risk on DAA as it would need to refinance its existing Eurobond at the same time as the maturity of the bank debt. This will force DAA to be excessively reliant on benign conditions in the financing markets at one particular moment. Indeed, a narrow dispersion of debt maturities is a negative factor for credit ratings under S&P's standard methodology.

3.7 Charges levels in future periods

CAR has correctly indicated that it is necessary to provide clarity as to remuneration levels in future periods to provide some confidence in the market as to DAA's ability to fund the investment required in the CIP. Indeed a degree of prominence has been given in the draft decision to a possible price level of €7.75 in the period 2010-14, including reference to this price in the Foreword to CP5/2007.

Charges of €7.75 are insufficient to achieve Government policy objectives. As shown above, this price is based on inaccurate assumptions about net operating expenditure. The "building blocks" approach outlined on page 18 of CP5/2007 should be recalculated with these updated assumptions and the resulting price revised.

While it may be suggested that a degree of regulatory clarity has been delivered in respect of the methodology of capex remuneration and the profile of charges in the future arising from the agreement to remunerate c.95% of the CIP, given the implementation of triggers and unitisation, such clarity only applies to an element of the price cap building blocks for future periods. Indeed, it can also be stated that the certainty provided in relation to policy is "downside certainty" in the sense that the impact of these measures is to provide lower charges in the key investment periods than would be the case under the traditional methods. Meanwhile, the upside potential from higher volumes and positive results from capex tendering has already been factored into the financeability assessment.

CAR's comments on future charges need to be strengthened to provide the necessary level of regulatory certainty given that no similar clarity has been provided in respect of:

Capex beyond 2009. The balance of the capital investment programme provided to CAR amounts to a further c€800m investment required to deliver further incremental capacity in runway and airside facilities and enhancements to the Terminal 1/Pier B infrastructure. This capex has not yet been reviewed by CAR. More significantly, while this incremental capex has been included by CAR under the traditional remuneration method in the model that illustrated charges for 2010-14 of c€7.75, CAR has not provided reassurance that the

new methodology applied in this draft will not be extended to elements of the remainder if the CIP or indeed that further new remuneration methods will not be introduced. For example, the draft decision refers to the potential for output-based trigger pricing and peak-pricing to be introduced in the future.

Operating Costs & Commercial Revenues. DAA has highlighted to CAR in meetings the level of divergence between CAR's financial model and the financial projections provided by DAA during the course of the interim review. DAA provided financial projections to CAR on two occasions under statutory request during the interim review process. SR1 in December 2006 requested the DAA's financial model for Dublin Airport on which the financial and regulatory analysis of the 2006-2009 Capital Investment Programme was based. SR2 on 30 March 2007 requested the latest financial model containing the most recently available data and also requested quantitative analysis of key uncertainties. The output of this analysis appears to have been largely disregarded by CAR in its financial analysis. CP5/2007 discusses at length the interpretation that the net difference in operating cost and commercial revenues in the period 2006-09 is insignificant and proceeds to conclude that on this basis the modelling assumptions in the 2005 determination remain appropriate. This, in fact, disregards the fact that both elements have varied considerably from CAR assumptions in the meantime leaving untenable the presumption that they can be extrapolated on a comparable basis beyond 2009. We also cannot understand the fact that CAR chose to ignore the impact of information which had been sought under statutory request and indicated as essential to CAR's understanding of the requirement for charges to fund the CIP in this review period and beyond.

Cost of Capital. Illustrative scenarios in CAR's sensitivity analysis indicating a potential reduction or increase in the allowed WACC in the next regulatory period. This will further highlight to the financial market that this is an area of further risk to DAA returns in future periods, even despite the additional risks on DAA identified above.

Dividends. In its previous draft determination, CAR suggested DAA should bolster its financeability through stopping paying dividends and followed this in the final determination by noting that DAA could accommodate performance deteriorations through "a prudent adjustment to the group's dividend policy". It now appears that the ratios modelled by CAR incorporate the explicit assumption that no dividends are paid by DAA during the current regulatory period or the next. We again point out that (a) policy considerations surrounding potential separation have led to DAA not paying dividends in 2005 and 2006 and (b) DAA's shareholder has repeatedly stated that it expects to be remunerated for the use of its equity. Finally, such an action cannot be a response to unforeseen credit shocks if it has already been built into the base case projections. If CAR continues to model assuming no dividend payments to 2014, DAA's equity providers would reasonably conclude that its equity return was seriously threatened. This would increase materially DAA's cost of equity. As an alternative, CAR might state that although it does not expect dividends to be paid during this period, it will allow sufficient future dividends to ensure that equity receives an appropriate annual return; however, given the inability of CAR to commit to future periods, this would not be credible. Consequently, CAR must include dividends in all of its projections. It is worth noting that BAA continued to make dividend payments every year throughout the period of construction of Terminal 5.

Passenger forecasts. CAR modelling is consistent with the updated passenger forecast provided by DAA for both the 2006-09 and 2010-14 periods. DAA has previously highlighted the significant asymmetry to the DAA's risk profile of assuming a higher traffic forecast in an interim review which would effectively capture the key upside into the "base case" leaving DAA facing only the considerable downside risks separately identified. In the event, the benefits arising from substantially higher traffic forecasts have been expressly incorporated in the pricing formula in the draft decision without altering the allowed cost of capital for this additional risk. Contrasted with the treatment of operating costs it could reasonably be concluded that CAR "cherry-picked" the updated trends identified that provided positive financial signals and ignored those that proved negative.

Given all these uncertainties, DAA believes that there is a risk that its funders and S&P will seek to run down-side sensitivities on this price, reflecting a worse regulatory settlement. This is made much more likely by comments such as those on page 18 of CP5 / 2007 referring to possible changes to the regulatory cost of capital.

In DAA's view, CAR should clarify its calculations for future prices by updating the calculation to include the remaining DAA assumptions and stating that the illustrative price would be the minimum implied by the implementation of CAR's proposals for the period 2006-09 and reflects CAR's anticipated determination for the period 2010-14 and will also need to have regard to DAA's sustainability and financial viability.

3.8 Overall Charges Philosophy

It would be reasonable for a market commentator or ratings agency to pose the question as to whether there is an overall philosophy with regard to charges demonstrated by CAR. This might inform their thinking as to what action might be adopted by CAR under different sets of future circumstances. The evidence available from this draft indicates that, not withstanding the scale of increased investment relative to the previous determination, no increase in charges is envisaged for the period to 2009. In addition, the impact of the capex remuneration methodology introduced is to generate a level of charges in the next period that would be lower than would be the case under the traditional method. In this regard the impact of the unit cost revenue for T2 of c€1.35[26] per passenger represents almost €220m in nominal revenues deferred from the peak investment period 2010-14 to later periods. When this is taken with the use of financeability issues to argue a limit to charges rather than illustrate a true test of charges adequacy, it would be reasonable to conclude that there is evidence of an over-riding objective to keep the level of charges at the lowest level that can be justified by CAR. Certainly there is no evidence that an objective of enabling investment to deliver required capacity has caused CAR to make a more positive assessment of required charges levels.

In this regard, it would be helpful if CAR could affirm that it recognises that it has a duty to promote the development of Dublin airport and that it recognises

[26] Figure 9 CP5/2007 refers to €1.33 but modified in later CAR presentations

that DAA's CIP achieves this, as illustrated, inter alia, by CAR's proposal to allow c.95% of the CIP into DAA's RAB.

3.9 CAR Sensitivity Analyses

A number of sensitivity analyses are illustrated by CAR in CP5/2007, each apparently showing the result in which the financeability threshold is achieved in average terms, albeit in one case only "marginally".

These sensitivities suffer from the basic problem affecting the base case that the underlying projections are not consistent with DAA's management projections. However, in addition, some fundamental difficulties arise in the manner in which these are modelled undermining the level of comfort that could be taken from this analysis.

- DAA, at the request of CAR, has provided a comprehensive analysis of the risks facing the business, referred to in CP5/2007, together with sensitivity analyses. The majority of these risks have not been addressed in the sensitivity analyses illustrated by CAR.

- The two sensitivities in which different volumes are applied (10% increase or decrease in 2010)[27] include the assumption that charges are varied as a result of the volume difference. DAA welcomes the illustration that lower projected volumes would cause CAR to increase airport charges to safeguard DAA's financial ratios. However, in reality this scenario could only apply in the case where the volume difference from current forecast was accurately predicted in advance of the determination for 2010 and incorporated in the determination for that period. This causes a particularly benign interpretation for the downward (volume shock) scenario where a price increase compensates for the loss of revenues from traffic and commercial activities. A more likely shock event would not be predicted in this manner and if it occurred in 2010 for example would see DAA carry the lower volumes for 2010-14 and produce significantly lower financial performance in this period. No such genuine downside scenario has been illustrated by CAR.

- The sensitivities on cost of capital[28] merely highlight as a risk the potential for variation in this element of the building blocks in the next regulatory review, without being in a position to demonstrate the likely outcome. A scenario showing a combination of a lower cost of capital and an unexpected shortfall in traffic volumes could well give rise to ratios well below financeability thresholds, even without adjusting for the differences in baseline projections.

- DAA welcomes the comment that CAR would consider changing the charging profile in the event of a threat to financial ratios due to lower volumes or allowed cost of capital. Nevertheless, it is difficult to understand how this would be applied other than if the changed circumstances were fully apparent precisely during the next regulatory review. A situation where a financial shock occurred during a regulatory period would have a more significant impact on the DAA, at least in the

[27] Figure 14 & 15, CP5/2007
[28] Figure 16 & 17, CP5/2007

intervening period until an interim review was conducted. It would be an unavoidable conclusion in such circumstances that CAR financeability assessment had not adequately dealt with the inherent risks facing the business or left sufficient headroom for shock events.

3.10 Differences in Financial Projections

The Commission during its consultation on whether sufficient grounds existed for an interim review stated that

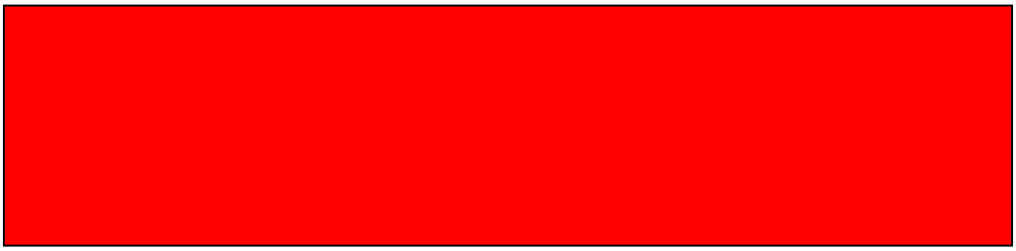
> *"It may also be necessary to recognise other material consequences for operating costs, commercial revenues or other model inputs if they arise directly from the revised plans for the capital programme, and if evidence of the materiality of these consequences are before the Commission."*[29]

The primary elements driving the variance between DAA and CAR's estimates of FFO:Debt based on the average charge of €7.75 proposed in the Draft Interim Review for the period 2010-2014 are operating costs, commercial revenues and assumptions used regarding dividend policy and liquidity policy.

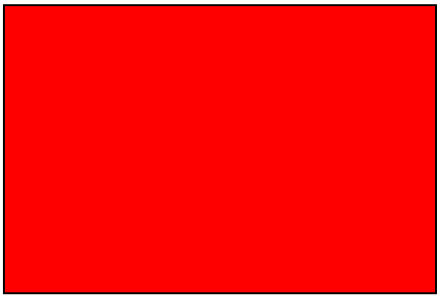
CP5/2007 includes charts identifying the differences between CAR financial model and DAA's forecasts as submitted to CAR during the interim review, and the model provided by CAR illustrates that the option to assess the impact of using DAA assumptions was available to CAR. Nevertheless the Commission concludes that

> *"the modelling of operating expenditure and commercial revenues as per the 2005 determination remains appropriate as a basis for assessing the financial viability of DAA"*[30]

It is not clear to what extent changes to DAA's forecasts for operating costs and commercial revenue resulting from changes in the capital programme from 2005 to 2007 have been reviewed by CAR, if at all.



[29] "Decision to Hold an Interim Review of the Dublin Airport Charges' Determination Dated 29 September 2005", Commission Paper CP9/2006, pg 18
[30] Page 50 CP5/2007



3.10.1 Operating Costs

The Commission has incorporated the higher passenger numbers forecast by DAA and the capital costs in the CIP both for the period 2006-09 and 2010-14 (as adjusted by CAR). However, the associated increases in operating costs, other than those directly proportional to volumes, have not been incorporated. The main areas where forecast operating costs have increased are as follows:

- New security regulations introduced in 2006 **(…… ……)**
- Increased passenger volumes prior to completion of T2 resulting in increased congestion, and requiring an increased customer service staff of **(….)** above forecast 2005 levels up to 2009
- Increased retail space in T2 above 2005 levels **(……)**
- Increased area of T2 from c50k sqm in 2005 to c75k sqm resulting in an additional step increase in fixed costs such as insurance and rates in 2010
- Other facilities cost increases as a result of increased area and more detailed T2 design, including an additional **(….)** maintenance staff, cleaning costs of increased area and additional energy costs

3.10.2 Commercial Revenues

Several changes have been incorporated into DAA's forecast commercial revenues, the majority being increases over and above the 2005 forecasts. The main drivers of these changes are increased car parking revenue (to reflect growth in Car Parking capacity in the CIP not incorporated in 2005), increased commercial space in Terminal 2 for retail and property, and the increased passenger numbers.

The primary variances between the DAA and CAR projections in this area are as follows:

- Commission assumptions from 2005 regarding higher rates of growth in commercial revenues than DAA's projections at the time resulting in a gap which increases year on year between DAA's forecast revenues and those of CAR
- Assumptions regarding growth in Retail revenues that have not been reviewed by CAR in light of the impact of increased security measures on retail performance
- CAR's inclusion of the "T1X effect" to commercial revenues, (cumulative €12m in 2006 terms by 2014). The T1X project, as incorporated in DAA's forecasts, has a return in excess of the allowed cost of capital and is therefore a net contributing project to the single till. The Commissions

treatment of the "T1X effect" results in a larger gap between DAA's forecast revenue and the Commission's

The oversimplified use of per passenger ratios by the Commission is inappropriate and gives rise to anomalies. On example relates to car parking: in 2005 DAA had not incorporated additional long term capacity into it's capital programme, and had limited growth in car park revenue on this basis. The Commission (advised by ASA) projected car parking revenue at a much higher level than DAA's because

> "*the Commission's consultants projected some increases in total revenues. In practice, this would be expected to arise through a combination of increased utilisation of existing car parking capacity and increases in car parking charges – increases that would be necessary to avoid an underlying pattern of increasing demand to translate into increased congestion."*[31]

The DAA did not agree with CAR's suggestion that limited capacity should be used as a rationale to increase car parking charges for airport customers and has now included additional capacity in its updated capital programme (and has included increased revenues associated with this). The Commission in revisiting their assessments of car parking revenue should first remove the charge premium that they had previously projected before extrapolating forward.

The Commission's model includes the option to set a charge using DAA's forecast operating costs and commercial revenue for 2010-14. The resulting charge is calculated as €9.04[32].

3.10.3 Other Differences

Liquidity Policy

CAR model includes an assumption that a cash balance of **(…)**[33] will be maintained by the DAA Group throughout the life of the projections. This amount is entirely inadequate in the context of the overall level of debt to be carried by the group, seasonality and other factors impacting the timing of cash receipts and payments and cash balances required for businesses outside of the regulated entity.

Dividend Policy

The treatment of dividend payments by DAA is addressed separately in the context of financeability and equity risk.

3.10.4 Overall Impact of Variances in Projections

DAA recognises that on a cursory inspection it may have appeared to CAR that the net impact of maintaining CAR's previous financial modelling assumptions was not material. While the level of variance is less significant

[31] "Decision of the Commission further to a Referral by the 2006 Aviation Appeal Panel" CP5/2006, pg 37
[32] Commissions model '[CAR_DAA_REG_1.7r.xls]OPS'!D20 to D22 – select "DAA data"
[33] In real 2006 terms

during the period formally under review, a meaningful review of the projections provided by DAA would have illustrated that the underlying drivers of change outlined above are readily understandable and predictable outcomes.

It is therefore more appropriate that the calculation of illustrative prices for the next period by CAR should reflect the financial model provided by DAA rather than outdated and simplified operating cost and commercial revenue per passenger assumptions applied by CAR in 2005. This approach would also be consistent with the treatment of future capex by CAR in the computation of the same illustrative prices, where DAA's investment programme has been included by CAR, notwithstanding the fact that CAR or its consultants have not reviewed the individual projects. Such treatment in the final decision would also alleviate the difficulties for financeability and ratings assessment associated with material differences in financial projections between DAA and CAR referred to elsewhere in this document.

Finally, it would better serve transparency for users to be provided with illustrative prices for the future that reflect the most up to date information and more closely reflect the likely outcome of the next price review.

4. Consultation

DAA's Statement of Case gave a detailed account of the nature and strength of the stakeholder consultation undertaken since 2002. It illustrated clearly that DAA approached the consultation process in good faith, deploying best practice from the commencement of the process. DAA set out to procure, and was successful in delivering, world-class consultants to assist in the roll out of the consultation process. These consultants who have global airport related expertise carried out thorough and genuine user consultation with all users. A high level of user support has emanated from this process. The conclusions from the independent analysis of the consultation process undertaken over a number of months by the Government's Independent Verifier, Boyd Creed Sweet were also highlighted:

> *"The approach follows the guidelines within the IATA Airport Development Reference Manual for appropriate consultation between airport planners and stakeholders in the development of requirements for a passenger terminal facility, and therefore accords with best practice."*[34]

Similarly and critically, IATA and other users are on the record as supporting the consultation process.

Despite the evidence presented by DAA, the Commission appears to have specifically sought out points on which to criticise DAA and impugn the overall process. It is most regrettable that the draft decision:

- does not reflect an understanding of stakeholder management across the whole CIP programme of works from 2006 onwards, focusing instead on 3 key projects (T2, T1X, Pier D) and treating them as distinctly separate entities

- does not take into consideration the key stakeholder management document (or evidence of consultation) provided to the Commission in terms of the T2 project

- contains many inaccurate allegations (e.g. regarding the provision of cost information to users)

A detailed response to each of these issues is contained in the attached Appendix 7: Turner and Townsend Response to Commission for Aviation Comments re Consultation on the Capital Programme. Given that CAR appears not to have taken due cogniscence of some of the material previously provided in the Statement of Case regarding the stakeholder management process, Appendix 7 also represents some of that material.

The Commission notes that:

> *"relations between the airport and at least some users appear often to be conflict ridden"*[35]

[34] paragraph 6.3.4 of Independent Verifier's Report
[35] page 12, CP5/2007

In its Statement of Case, DAA drew CAR's attention to the situation that recently developed at Stansted airport. The similarities in terms of the difficulties experienced in the course of the consultation undertaken as part of the development of the capital programme at that airport should, DAA contends, serve to raise more questions for CAR about the combative, non-constructive nature of some airlines approach to capex consultation rather than any deficiencies in DAA's methodology.

Passengers are the primary users of airports. It is incorrect to assume that the best interests of users are synonymous with the interests of airline companies as the latter are large commercial companies focussed on their own profitability targets, particularly in the short term, and not necessarily the interests of passengers in airport facilities. To illustrate the gap, consider how many airlines recently introduced, and shortly thereafter increased, baggage charges without expressing any concern that this would damage traffic, despite the fact that the increase in the baggage charge is much more than that required to deliver the full capital investment programme.

In Section 5 of the Draft Decision CAR sets an impossibly high hurdle for what might constitute acceptable consultation by suggesting that ideally, all stakeholders must reach agreement on proposed costs and implications for charges, if capex is to go ahead.

> *"If a given consultation is conducted to everyone's satisfaction and results in a proposal for which all users agree with the proposed costs and consequent implications for airport charges, the Commission would feel more confident in setting a Determination on this basis without undertaking such an extensive review of the costs as is otherwise necessary."*[36]

It is completely unrealistic to expect total support across all users by virtue of the fact that each individual user may have by their very nature, some conflicting commercial objectives. It also fails to take into account prospective users and clearly their requirements might not be compatible with those of current users. DAA aims to achieve a balance between conflicting requirements in meeting its statutory requirement to deliver infrastructure. To make prior agreement a prerequisite for the incorporation of capital expenditure into the RAB, as the Commission appears to be proposing, would in essence grant a veto to incumbent airlines on the future development of the airport. This is contrary to the Commission's statutory objective to meet the requirements and protect the needs of current and prospective users.

The Commission should also be aware that it could be in airline users interests to engage in regulatory game playing by refusing to engage constructively in consultation on the CIP where the Commission would interpret lack of consensus as a reason to disallow capital expenditure. Indeed, Ryanair is on the record as stating that it would not take part in the consultation process relating to T2 and then recently launched a barrage of widely circulated correspondence on the lack of consultation! Accordingly, CAR must take into account the fact that DAA consulted each user and accommodated the majority of views during the process. Appendices A & B to the T&T Report on Stakeholder Consultation attached as Appendix 6 to this

[36] page 55, CP5/2007

document, illustrate the extent to which DAA sought in good faith to respond to all outstanding issues and queries raised by airlines and ground handlers regarding the development programme.

On the whole, CAR's expectations in relation to consultation with airlines are rather idealistic. In CP5/2007, for example, it states that it has not received

> *"conclusive evidence from users that they are willing to pay for the entirety of DAA's proposed investments"*[37].

From an airline's point of view, however, there might be no obvious benefits from providing such statements of support or expressing a "willingness to pay" for the proposed investment. Especially in view of CAR's track record of reducing the amount it allows for DAA's investment costs, airlines could have a strong incentive not to express support for DAA's proposed investments and to hope, instead, that CAR will continue to disallow some of DAA's capex.

In the opening paragraphs of Section 5 of the Draft Decision, the Commission makes reference to the recent Determination on the IAA's Aviation Terminal Service Charges and the Commission's intention to publish a paper this Summer outlining how a regulated entity might demonstrate stakeholder support for a new investment project following a suitable consultation process. The paragraphs above and analysis of the Commission's interpretation of the consultation process, highlight the critical need for such a paper and DAA would expect that the Commission would engage in detailed consultation with the industry regarding its development.

4.1 T2 & CIP Consultation

The Commission states that in assessing the consultation process concerning T2, the Commission relied heavily upon the report prepared by ARUP, titled: "Dublin Airport Terminal 2 Stakeholder Management Report" which dealt with stakeholder consultation from January 2006 to September 2006.[38] The T2 report related to project level matters, often from an operational perspective and is just one element of a range of initiatives taken by DAA in relation to its consultation process which should have been reviewed and reflected upon as part of CAR's assessment:

- T2 strategic consultations were dealt with by Director level relationship owners and nominated interfaces across the business via the monthly airline events. Therefore, due consideration should have been given to the minutes emanating from the series of monthly events for Airlines & Groundhandlers which were held in 2006
- No reference is made to the DAA's Statement of Case which outlines in detail how the stakeholder consultation process was implemented in accordance with international best practice
- Due consideration is not given to the series of documented bilaterals which were held with users in early 2006 regarding T2 and the overall capital programme

[37] page 56, CP5/2007
[38] page 60, CP5/2007

- CAR received contemporaneous updates from DAA regarding the consultation process[39] and had ample opportunity to ask questions and input into the format of the process. If it had reservations about the approach being adopted it would have been appropriate and necessary from a regulatory perspective to raise these points at the time.

The Commission has made a number of specific comments regarding the T2 consultation process. These are addressed in Appendix 7 ARUP Response to Draft Decision (CP5/2007) Comments on CIP Consultation.

4.1.1 Consultation on T2 Development

The principal assertion that the Commission makes in relation to it's interpretation of consultation is that the full impact of Terminal 2 was not apparent until the CIP itself was provided to stakeholders and:

> *"… after all the key decisions had been made."*[40]

This is a completely inaccurate portrayal of the actual sequence of events that led to the development of the T2 proposition.

As has been previously communicated to the Commission on a number of occasions, consultation on airport development began as far back as January 2002. Project Management/Skidmore Owings & Merrill were mandated by the Company to prepare a "Dublin Airport Terminal and Piers Development Study", which was to serve as a Master Plan for the development of Dublin Airport, and in particular the development of a second terminal. Over an 18-month period, the DAA consulted widely with on-airport users and external stakeholders (CAR itself attended meetings of the latter group).

The result was the PM/SOM report that recommended the development of a second terminal and identified a proposed location for T2, catering for *"mixed use"* operations (i.e. short haul and long haul).

Following the announcement by the Government of the Aviation Action Plan in May 2005, which mandated the DAA to build T2 by 2009, the DAA commissioned Pascall & Watson to review the PM/SOM Master Plan and to present revised and updated recommendations on terminal design.

P&W consulted with the home based carriers at Dublin and their review culminated in the "Dublin Airport Authority: Capacity Enhancement Recommendation Report for Dublin Airport". The findings of this study confirmed the outputs of the masterplanning process, the proposed location for T2 and the broad capacity requirements. One of the key conclusions of the Pascall and Watson review was that medium complexity operators i.e. long haul and mixed long haul/short haul operators should be the primary tenants of T2. DAA provided the Commission with the Pascall and Watson conclusions in September 2005. CAR appears to have completely ignored this critical decision point when considering the consultation process leading to the T2 proposition.

[39] Consultation was an agenda item at meetings held with CAR on 6th April, 3rd May, 8th June and 31st August 2006
[40] page 64, CP5/2007

Following this, DAA was in a position to commence a process of detailed consultation with the relevant airlines serving Dublin Airport in fulfilment of the Government's triple safeguard requirements. This process led to the development of a detailed design and specification for T2 and other airport facilities. In the course of this process, a number of significant factors were identified which, when combined with the requirements of the Aviation Action Plan contributed to notable changes in capital investment requirements at Dublin Airport which were not reflected in the company's May 2005 Capital Investment Programme or taken account of in the Pascall and Watson conclusions. These were incorporated in the DAA/CIP04 issued in October 2006.

Continuous feedback in relation to the composition of the programme was sought from all stakeholders throughout the second phase of consultation (January 2006 – October 2006) and this was followed by a third phase of workshop style events in the period November 2006 to March 2007. It was stated throughout all 4 CIP specific workshops that though it was difficult to alter the programme without impacting the critical path necessary for delivering Terminal 2 in line with the Aviation Action Plan, considered feedback was sought on all projects stakeholders wished to include, defer or exclude.

During these 4 interactive workshops with users between October 2006 and March 2007:

- A range of experts from DAA and their consultancy team explained in considerable detail the need, rationale, cost and justification for all of the major projects, by category, within the CIP
- DAA provided an environment for detailed questioning and where necessary, DAA revisited previous optioneering work and other studies in order to provide the fullest possible context to users
- The process was very well received by users, the engagement was productive and all meetings were minuted
- At the request of users, one meeting was dedicated to outstanding user issues, which in reality were more focused on operational than capex related issues as evidenced by the record of the workshop.
- DAA sought submissions and representations from users and in the main, with the general exception of a single user whose approach is continuously negative and adversarial, DAA believes that the CIP has been positively received by users

4.1.2 Stakeholder Groupings

The Commission has sought to portray the development of T2 as one where DAA and Aer Lingus designed a facility in isolation from other users that would be impacted by its development. From the foregoing it is clear that this was not the case.

The masterplanning work undertaken by PM/SOM and the subsequent review by Pascall and Watson set the scene for the development of T2 and Pier E. The mix of long haul and short haul operations recommended by their analyses meant that Aer Lingus was identified as a major tenant for the development along with other carriers using wide and narrow body aircraft. It

follows that it was appropriate to identify Aer Lingus separately when preparing the stakeholder plans and assessing the influence of stakeholders, however, this does not mean that other users were not kept fully informed of plans as they were developed. Indeed the emphasis that CAR has consistently placed on consultation with users would have been a strong motivating factor for DAA to ensure that we properly understood the requirements of most likely tenants.

All airlines and ground handlers were invited to events and CIP workshops where they had the opportunity to comment and input into the design whether they were going to be a tenant or not[41]. The non-T2 tenants had a lesser influence on the detailed design as the layout and spaces were planned to suit the operational processes of the likely tenants. However, as it was acknowledged that tenants and their requirements could change over time flexibility was also built into the scheme. All users were also consulted by email and phone to seek their engagement and input and they were given choice about the form of consultation which best suited their organisation. The T2 project has had over 1280 formal stakeholder consultation sessions since the inception of the project.

As noted in CP5/2007, Ryanair has been critical of the consultation process but it chose not to engage constructively in the T2 development work, despite repeated attempts at engagement by the T2 team. Furthermore, since the publication of the CIP, it has become clear from the letters issued to the company by Ryanair (and copied to CAR) that it is not interested in a rational exchange of views on the best means of developing the airport but wants DAA to abandon all plans to address the capacity deficits at a reasonable level of service quality and provide a Hahn type airport facility to suit their own agenda.

4.1.3 Consultation on T2 and Programme Costs

The Commission portrays DAA as not informing users about the costs of the development plans. On the contrary, since DAA's capital programme was first announced in September 2005, DAA has repeatedly been on record that it requires an average airport charge of €7.50[42] in the current pricing period and c.8.50 in the next period to fund it. This is less than the charge recently introduced without cost justification by many airlines to check in a bag. In effect, DAA is proposing to deliver a c.100% increase in airport capacity and a greatly enhanced passenger experience for less than a 50% increase in the per passenger charge. This represents extremely good value, particularly given that the current airport charge at Dublin is amongst the lowest of comparable airports in Europe. Ultimately, it is the passenger that pays airport charges, which are separately identified on tickets and are usually passed through to them by airlines, often with a sizeable mark-up. The Red C research recently conducted on behalf of DAA illustrates clearly that a majority of passengers are willing to pay up to an additional €3 per passenger in airport charges to fund improvements in key services/facilities[43].

[41] A summary of the issues raised and the responses provided are incorporated in Appendix 6
[42] Dec 2004 prices as per 2005 Determination
[43] See Appendix 1

As the Commission is aware, the original 2005 capital programme changed because of major changes in customer driven factors such as mix, home based carrier fleet development and market share. This in turn drove an increase in costs. In the period since September 2005, as the detail of the capital plan was being worked out, DAA provided updated cost information to users on its proposals to address the changed circumstances as soon as it was to hand. The airline events to which all airlines, ground handlers and IATA were invited were the primary means to communicate these costs. Throughout 2006 and 2007 11 of these events were held. The aim of the stakeholder consultation events was to be open and share the development of the design and associated costs as they developed. The content of the events shows that this did happen.

It should be noted that CAR has not presented some of the cost information provided to users in a correct context – for example it compares the cost ranges of €318-€396m for T2 presented in May 2006 with a much higher figure of €609m in September[44]. However the September figure includes a number of other projects in addition to the terminal building – the T2 element of the September figure was €395m, a figure at the upper end of the May range.

The October 2006 Capital Investment Programme (CIP), was presented to stakeholders on the same basis as previous CIPs - to bring together focused consultation on the entire programme. The full cost of the programme was put before stakeholders when the proposed programme identified by the DAA and its consultancy team through detailed discussions with users was scoped out. The Commission and indeed the Board of the DAA were also first presented with the outputs of the October 2006 – DAA/CIP04 Capital Investment Programme at the same point as users which further emphasises and provides evidential support of the complete, objective and transparent framework in which the costs and the programme itself were shared with all stakeholders. Furthermore, as noted above the publication of the CIP was not the end of the consultation but a key contribution to inform the next steps.

4.2 T1X

DAA notes the comments of the Commission in relation to the presentation of the T1X project to stakeholders and the consultation process adopted. It should be noted that this project, not withstanding its other operational benefits, has been presented by DAA to stakeholders as a commercial project as it has a net contribution to the single till.

In June 2006 this project was presented to stakeholders as a project with "*Reduced/No impact on Passenger Charges*"

In a more recent presentation, DAA when presenting this project to stakeholders at the 10th Consultation Event for Airlines & Ground Handlers held in March 2007, highlighted the following:-

[44] page 61, CP5/2007

> *"Were we not to build T1X airport charges for the period from 2010 onwards would need to increase to cover the lower than forecast commercial revenues."* and
> *"The scale of the contribution from commercial revenues can be appreciated when it is understood that the DAA utilises a hurdle rate of 12% IRR after tax for commercial projects. In the case of the T1X project it is expected that the rate of return will be above this hurdle rate and achieve circa 13.5%. This informs us that the DAA expects to make a contribution to or to subsidise airport charges from this project by circa 6% per annum or in excess of €3M per annum."*

The impact of the reduction of DAA's revenue by c.€2m per annum (the T1X effect) will need to considered in the assessment of the business case for T1X. Were such an assessment to result in a reduced return on investment these projects might not proceed, thereby reducing the commercial revenues contributing to the single till. On this basis, CAR should not make any adjustments for the T1X project for the current charges period. Instead, it could undertake to re-examine the project in conjunction with its reassessment of commercial revenues at the next review.

4.3 Pier D

The Commission's discussion of consultation closes with some remarks concerning the *"significant problem"* that developed concerning the access solution for the Pier D project.

The Commission's position is thus:

> *"For Pier D, there is no evidence to suggest that the changes reflect the outcome of a consultation process where users expressed a requirement or need for a revised specification."*[45]

DAA was mandated by Government to deliver Pier D fully operational by 2007. Following fully developed optioneering (DAA's consultants assessed 11 options during the 2002 consultative process and a critical assessment including costing and ranking of the options was presented to stakeholders[46]), the company advised users that the option chosen would be heavily influenced by planning considerations and that the preferred option from a cost perspective was unlikely to succeed. For this reason, a planning application was made for the bridge.

Planning permission for an aerial link bridge was obtained and stakeholders were given further details of the costs associated with the walkway as part of the October 2003 CIP. However, stakeholders continued to request that a lower cost solution be attempted in spite of the planning risks which were outlined to them and which informed the original choice of the aerial bridge link. Taking on board stakeholders concerns and notwithstanding the onerous time constraints, DAA allocated resources to re-examine the potential for access to Pier D via the Old Central Terminal Building and to push this to the maximum extent possible. As a result, this option rather than the aerial link

[45] page 67, CP5/2007
[46] CAR has made reference to this

was incorporated into the May 2005 CIP pending an outcome to the analysis. Exploring the option led to extra costs of €3.2m in additional design fees.

The planning authorities concerns regarding heritage issues related to the Old Central Terminal Building eventually blocked this option as the access route for Pier D and this effectively left one approved option that could be progressed in the requisite timeframe i.e. the aerial bridge link. The cost of this walkway was again set out in the latest October 2006 CIP.

DAA fails to understand how the Commission could state that stakeholders did not express a requirement or need for a revised specification. Dublin Airport has one of the highest ratios of gate served passenger throughput of any International Airport.[47] All of our stakeholder customers are on the record, on many occasions, in both letters and at various consultation meetings as being implacably opposed to the concept of remote bussing operations. In the context of the Government mandated timeframe for the delivery of Pier D, the constraints on the site from a planning perspective, the explicit customer opposition to bussing, and the attempts made by DAA to explore all conceivable options for access to Pier D, the negative portrayal by the Commission of the actual sequence of events is biased and unfair.

The Commission alleges that the cost for Pier D increased by €60m between the May 2005 and October 2006 CIPs. In arriving at this figure CAR has compared the cost of Pier D (which includes the cost of the aerial link access bridge) set out in the October 2006 CIP plus the separate Temporary Forward Lounge project, against the cost provided in the May 2005 CIP for the Pier D project alone. This is completely misleading. In fact, detailed explanations for the adjustments to Pier D costs have been provided by DAA to the Commission and its consultants but appear to have been ignored by CAR.

DAA notes that CAR does not propose to alter the capital expenditure included in the Determination for Pier D and will leave the additional costs associated with the adoption of the aerial bridge option unremunerated for the period 2006-2009, to be considered as part of the next Determination. In doing so CAR notes that

> *"As indicated in previous documents and elsewhere in this report, for capital expenditure projects the Commission believes that the DAA should enjoy the benefits (bear the costs) of completing an investment project at a lower (higher) cost than was forecast by the Commission"*[48]

CAR's decision on this issue contradicts its approach to the costs associated with airfield projects. Though it states that it will not consider the additional costs associated with Pier D that have emerged since the 2005 CIP, one project that came in under budget has been used as a basis from which to disallow costs for other airfield projects, many of which were also included in the May 2005 CIP.

These actions contravene stated regulatory policy. Such inconsistency is a serious concern and implies a constant search by CAR for evidence, which supports a downward pressure on the level of airport charges only.

[47] 96% of passengers were processed through contact stands at Dublin Airport in 2006
[48] page 113,CP5/2007

5. Treatment of Capital Expenditure

DAA is pleased that the Commission has accepted the requirement for, veracity and efficiency of its proposed capex plan and that on this basis it proposes to allow some 95% of the total programme to be remunerated.

However, the Commission has also made some reductions to the CIP, which DAA believes are unwarranted. In arriving at these reductions CAR has depended on the work undertaken for it by Rogerson Reddan and Vector (RRV).

The Commission has also decided, on the basis of analyses carried out by RRV on the size of T2, that the capacity of the terminal will be in excess of the initial foreseen demand and has introduced the concept of a "two-box" approach to the remuneration of T2 capex in an effort to require DAA to bear much of the demand risk.

DAA has a number of difficulties with the process engaged in by the consultants in arriving at their recommendations, with the methodologies used to underpin the RRV analyses, and with CAR's use of the RRV report outcomes in the draft decision. These issues are discussed below.

5.1 The RRV Work Programme

Section 7 of CP5/2007 reports the results of consultancy studies undertaken by RRV for CAR to review the projected costs of the 2006 CIP and also the proposed capacity of T2. This is despite:

- the 2007 Ministerial Direction that highlighted the conclusions of the independent cost verification work carried in relation to T2
- the results of this independent verification, carried out by BCS
- the evidence presented by DAA on appropriate cost benchmarks.

While it is understandable that regulators will appoint expert advisers, CAR's approach to regulation continues to be characterised by:

- a tendency simply to accept the findings of its consultants, even where these are based on brief, high level analyses
- a failure to investigate the reasons for any differences with DAA's own projections, which are often based on vastly more detailed analysis than that carried out by CAR's consultants
- a failure to allow DAA to review the findings of these consultancy studies in advance of publication. This is significant, because many studies commissioned by CAR are produced to short timescales and, whether because of this or otherwise, are often subject to material errors. In addition, the identification of such material errors takes place in the public domain and the approach to regulation may be perceived as unnecessarily confrontational.

Despite earlier criticism from the Aviation Appeal Panel over the way CAR disregarded the detailed evidence submitted by DAA in favour of much higher

level analysis carried out by its consultants, CAR has continued to rely on similar studies and to adopt their findings in preference to DAA's projections.

Even though DAA has an opportunity to review the studies following the publication of the draft determination, this is unsatisfactory as:

- For political and reputational (and perhaps other) reasons, CAR may be reluctant to change its published conclusions in a way that is favourable to DAA
- Criticism of consultancy studies and identification of material errors takes place in the public domain, which could encourage a confrontational approach to regulation; and
- It may be too late in the process for CAR to take proper account of DAA's criticisms of the consultancy studies (e.g. by encouraging much greater dialogue between DAA and the consultants or by asking the consultants to amend certain parts of their analyses).

CAR has stated that RRV worked *"throughout March and April 2007"*[49]. This does not accord with the work programme provided by RRV to DAA at the commencement of the project or the work plan set out in the RRV reports, which note an appointment date of

> *"early April, with a timescale requiring completion of the review and reporting by end April 2007"*[50]

(subsequently extended to 8th May for Reports 1 and 2 and 17th May for Report 3). Indeed DAA was only formally advised that RRV had been appointed to undertake their work on 10th April 2007. In effect therefore, at the outset three weeks were being allocated for:

- RRV to undertake a review of significant elements of a capital programme with a spend of €1.18bn that had been provided to CAR some six months previously; and
- CAR to analyse RRV's recommendations and incorporate them into their draft decision.

DAA believes that the timescale within which the consultants were required to deliver their advice affected their capacity to properly assimilate the information requested and received from DAA, notwithstanding the brief extension afforded by CAR. This is borne out by the following note from John Hughes of Rogerson Reddan

> *"We have not had an opportunity you (sic) to review and confirm that in each case these responses fully answer our queries. However as our deadline is approaching we will need to work with the information received up to today only. We therefore do not intend to raise further queries at this stage (as we would not be in a position to consider any further responses)"*[51]*.*

Given the importance of the subject matter, the complexity of the material being reviewed, and the range of queries being addressed, this was a most regrettable situation.

[49] page 93, CP5/2007
[50] page 2, RRV Report 1
[51] Email to DAA dated 30th April 2007

Despite numerous requests, DAA was not afforded an opportunity to engage with RRV on their interpretation and findings prior to the reports being concluded. We do not believe that this constitutes a reasonable approach given the short timescales available to the consultants to complete their review. This deficiency was made much more serious by the fact that in the case of the sizing element of the analysis, contrary to claims made by CAR, it has emerged that RRV did not confine themselves to reviewing work undertaken by DAA and its experts over a long period but in fact, substituted their own views, generated in the course of a short, desk based analysis, as to what is an appropriate size for T2.

In summary,

- The RRV review of the 2006 CIP commenced 6 months after submission of DAA/CIP04 to CAR
- The RRV review was conducted in an extremely constrained timeframe that is in manifest contrast with the process, methodology and robust approach adopted by DAA in the 12 month period leading up to DAA's submission to CAR
- RRV appear not to have reviewed all of the relevant information, which was submitted by DAA as part of its submission to CAR.
- The excessively short timescale has not facilitated appropriate engagement between RRV and DAA / it's advisors.
- RRV have made a number of fundamental errors, which DAA can only conclude relate to the hasty nature of the timescale, the likely deficit in information, which was made available to RRV by CAR, the volume of information to be processed in the timescale and the constrained nature of the engagement with DAA.
- RRV's report is subject to such a significant number of caveats, many of which are fundamental, that it would be inappropriate for CAR to make amendments to DAA's CIP based on such qualified recommendations from RRV.

5.2 The Reductions in Allowed Capex

RRV was aware of the challenges posed by the timeline within which it was being asked to complete its analysis and in this context their report notes

> *"during the review of information provided by DAA, further queries have arisen and anomalies have become apparent which should if more time were available be clarified with the DAA to facilitate a more comprehensive analysis. However, this was not practical within the timescale of the review...Some of the conclusions reached may therefore require review and revision in light of further information and clarification which the DAA might subsequently present".*[52]

Despite this caveat, however, CAR used the RRV analyses as the basis for its decisions in respect of capex reductions and did so without contacting DAA for any further clarification. This is an inadequate regulatory process that lacks

[52] page 3, RRV Report 3 – CIP Projects

fairness and transparency, particularly in the context of the weight which CAR habitually attaches to adequate consultation.

Indeed as will be demonstrated below, the Commission in many cases adopts a more stringent approach to capital disallowances than is prudent given RRV's analysis and recommendations or takes the lower limit of any proposals when a range is indicated. Taken together the trend in the Commission's analysis appears to clearly indicate a propensity to penalise DAA on the basis of incomplete analysis and unsound evidence. This lack of balance in CAR's process should be redressed for the final decision.

DAA will demonstrate below that the arguments relied on to support the proposed reductions to the capex programme are inappropriate and should be reversed.

5.2.1 T2 – Project Contingency

> *"… RR&V are not risk analysis experts and to fully and scientifically review this procedure and calculation, it may be useful to undertake an independent risk review by an independent expert."*[53]

The Commission has proposed in the Draft Decision to reduce the allowed costs for T2 by €25 million on the basis that the project contingency *"appears to be relatively high"* to consultants who prefaced their observation with an avowal that they are not competent to critique risk analysis[54]. This is clearly an inappropriate basis on which to abandon a detailed analysis undertaken by Dublin Airport Authority and its experts, that fully supports the level of contingency allocated to the project.

From the outset, DAA demanded of its consultants that they deploy a best in class scientific approach to enable them to establish a **meaningful, quantitative, risk based contingency** to underpin the project budget for presentation to Board and for submission to external scrutiny by the Government appointed Independent Verification team. In this context, DAA's consultants conducted a range of risk workshops, attended by a multi-disciplinary team of project management, design, operations and construction experts and chaired by an expert in the use of statistical methods for quantification of project related risks. The project contingency was computed based on the 80th percentile derived from the application of a Monte-Carlo simulation model. The assessment was independently reviewed and assessed by DAA's Programme Management Team – Turner and Townsend. DAA supplied full facts about the process undergone in addition to the project's detailed risk register to RRV. No queries were received in respect of the material presented.

We note that RR&V acknowledge **they are not risk analysis experts** and that they rely on their experience in reaching the conclusion that *'contingency in this amount appears to be relatively high given the current stage of this project'*. As they did not substantiate this comment with reference to tangible airport or other relevant examples of appropriate scale, nor did they provide

[53] page 12, RR&V Review of T2 Non-Construction Costs

[54] Further comments on the detail of RRV's approach to the project contingency element of T2 Non Construction Costs is included in Appendix 3 – "Response to RRV Review of DAA Capital Expenditure Report 2 – Review of T2 Non Construction Costs"

an indication and substantiation of the % which they would recommend, nor did they present a case with reference to the project risk register, we assert that their comments do not provide a basis to discount the proposed contingency, which is based on "best in class" methodologies and the considered views of over 20 experts.

As previously stated, we can confirm **that we did employ experts in Risk Analysis** to advise us and remain confident that should CAR take the recommendation of RR&V and do likewise then the approach taken and the outcome reached by DAA in establishing a risk based contingency would be endorsed. CAR should not therefore disallow €25m of the T2 budget.

DAA requires its consultants to continuously review and update the risk register, as part of their standard project management procedures, and the profile is expected to change relative to time. The most recent review confirms that the risk based contingency allowance as provided for in the cost plan still constitutes the best estimate of a prudent and appropriate provision for project contingency.

Furthermore, since the cost plan was prepared DAA has completed its assessment of the procurement strategy and have decided to procure the works on a multi-package basis with upwards of 20 packages of work involving multiple interfaces to be delivered in an aggressive timescale within an extremely challenging operational environment.

The notion of discounting / disallowing an element of the T2 cost plan, which is the product of a proposition that

- Has been developed to planning stage following 8 months of detailed assessment and value engineering.
- Comprises a range of inter-related major projects which have been the subject of detailed constructability studies which reflect the unique nature of the site, the critical path requirements, project interdependencies and operational impact assessment.
- Has been subjected to a comprehensive quantitative risk assessment which reflects the unique and specific attributes of the development environment at Dublin Airport.

This is manifestly unreasonable and inappropriate, and totally ignores the challenges and complexities of the programme in question.

It would be unsound process for the Commission to place any reliance on a comment such as *"appears to be relatively high"* and completely unreasonable to reduce the costs for T2 by €25 million on this basis.

5.2.2 T2 Associated Projects – Customs & Border Protection

RRV's final recommendation re the proposed costs for the Customs & Border Protection project was as follows:

> *"… it is our view, based on the information provided that the costs for this facility would be in the region of €20.8m to €23.6m"*[55]

Again the Commission has, without explanation, taken the lowest possible estimate and pitched its allowance for the CBP project at €21m i.e. a reduction of €9.2m on the figure set out by DAA in the October 2006 CIP.

CAR has noted that the reduction will bring the cost for CBP

> "*more in-line with the DAA's own cost benchmarks as presented in the T2 cost plan."*[56]

However, the T2 benchmark figure referred to by CAR is exclusive of fees, planning contributions and project contingency associated with this project. When allowance for these is made, the cost for the CBP facility is in line with the higher range of the Rogerson Reddan estimate (approx. €24 million). However, further allowances must be made for the necessary works to connect to the T2 baggage system, for the construction of sterile corridors connecting to Pier E and alterations to the existing Pier C building to provide vertical escape routes. These elements taken together underpin the total project budget of €30 million as included in the October 2006 DAA/CIP04. There is therefore no basis for CAR's deduction of €9m from the project allowance.

5.2.3 T1X Project

> *"This proposed reduction is attributed to the fact that the DAA had included an additional €3 million in respect of future (post 2006) inflation, which was deemed to be inappropriate in the context of the CIP."*[57]

Rogerson Reddan state in the relevant section of the Annex 9 (page 17) that they believe inflation (post 2006) is included because the DAA took a mid-point of the range in order of magnitude cost estimate prepared by the DAA's cost consultants on this project, Bruce Shaw Partnership.

This is simply incorrect. The cost for the project incorporated in the CIP excludes any allowance for inflation. The project cost in the CIP was compiled as follows:

The Bruce Shaw plan indicated an out-turn cost range of €52 – 63.4 million. This included a range for inflation allowance in the order of €2.7 – 3.3 million. In compiling the project cost for inclusion in the October 2006 DAA/CIP04, the inflation allowance was subtracted from the out-turn range and the mid-point of €54.7 million was selected for inclusion.

[55] page 26 – Annex 9: Rogerson Reddan Review of DAA/CIP04
[56] page 110 – CP5/2007
[57] page 113 –CP5/2007

	Low	High	Mid-Point
Out-turn Cost per Bruce Shaw	€ 52m	€ 63.4m	€ 57.7m
Inflation Allowance Included in Cost	€ 2.7m	€ 3.3m	€ 3m
Total – Excl. Inflation	€ 49.3m	€ 60.1m	**€ 54.7m** ***(this figure was incorporated in DAA's CIP)***

There is therefore no basis to support CAR's deduction of €3m from the allowed capex for this project.

5.2.4 Pier D Project

Rogerson Reddan stated that costs of works in existing building *"appear high"*, but this statement is not backed by any fact. Works in existing building form part of the tendered Pier D costs and as such relate to the provision of both vertical and horizontal passenger transportation and associated enclosures plus the amendments required to existing structures and buildings to accommodate these works. Drawings indicating the scope of the works were provided to Rogerson Reddan during their review.

Rogerson Reddan contend that Pier D contains duplicate scope with CIP 7.025 – Central Immigration project. This is an incorrect assumption, no duplication exists, the works for the immigration project are completely separate and are subject to a separate procurement.[58]

Statements such as:

> *"it is also difficult to confirm that there is no duplication between this project cost, and CIP 7.025 Central Immigration Pier A & D"*[59]

have been given undue weight by CAR. It is unreasonable to disallow approximately €5.3 million of capital expenditure based upon a purely speculative conclusion that Rogerson Reddan cannot support.

We note the comments of the Commission in relation to the contingency amounts allocated to Pier D and the opinion that the appropriate time to consider updating the RAB to reflect the actual costs of Pier D is at the time of the next Determination, in 2009. DAA will present the Commission at that time, a full reconciliation of the contingency amounts allocated and utilised during the construction of Pier D. In the meantime we would note that

- The contingency provision for Pier D was developed with reference to a quantitative risk assessment, which was conducted for DAA by independent experts. The process involved a broad group of multidisciplinary experts and included the deployment of "best in class" methodologies.

[58] Planning Application Drawings for CIP 7.025 Central Immigration Pier A & D are included as part of Appendix 4 – "Review of RRV Report 3 – Review of DAA Capital Investment Programme (CIP-04)" and illustrate that there is no duplication

[59] page 21, RR&V Report 3

- The project is the largest undertaken to date at Dublin Airport (in value terms) and involves an airside construction site, a landside construction site and the provision of major underground services.

- We would state that the levels of contingency identified in the report are robust and subsequent project progress has verified their adequacy and requirement.

- It should be noted that construction work was not as well advanced in October 2006 as it is now, and this time difference may be affecting RRV's judgement as to the appropriateness of the contingency level at the time of the CIP submission. DAA can confirm that it does not expect to achieve significant budget savings on Pier D with reference to the advice of our cost consultants.

In relation to CIP 7.020 – Temporary Forward Lounge (Phase 1), the logic is unclear as to why the Commission have chosen to associate this project with the overall Pier D project. It was never presented by the DAA as linked to the Pier D project in any earlier CIP and was necessitated due to overwhelming business demand for contact stands and the lack of same due to the implementation of the Ministerial Direction that delayed DAA's ability to deliver Pier D in time to meet that demand.

The Commission have chosen to disallow an element of contingency in relation to the TFL project but this project is not complete and therefore it is still appropriate to hold contingency. Though the final account for erection of the TFL has been agreed, the TFL must yet be dismantled and exact details around the programme for demobilisation and relocation / storage of TFL Phase 1 were unknown in October 2006 at the time of authoring the CIP. On this basis there is no grounds to disallow the contingency which was relevant at the time that the CIP was developed and which is still required.

5.2.5 Airfield Projects

The Commission has deducted €17m for airfield projects on the basis that:

> *"Evidence collected by RR&V indicates that the tenders for general runway-, apron- and taxiway-related works are currently more competitive than expected."*[60]

The Commission's action is inappropriate for the following reasons:

- RRV's report accepted that all projects reviewed in relation to the Airfield had *"credible cost allowances".* In fact, Report No.1 – Review of DAA Cost Benchmarks (Annex 7) states *that "all pier, taxiway and apron projects within the DAA/CIP04 October 2006 CIP are in line with relevant benchmarks"*.[61] DAA strongly contends that this will be borne out via the procurement and construction process associated with the airfield. In the light of the actual evidence as reported by Rogerson Reddan, it is hard to understand how the Commission has seized on the conjecture by Rogerson Reddan that there may be better value currently available in

[60] page 115, CP5/2007
[61] page 19 – Annex 9: Review of DAA Cost Benchmarks

relation to the tendering of Airfield projects and used this to reduce the amount of allowed capex.

- By their nature, the benchmark projects (and hence the mean) will take account of variables in the out-turn cost of the projects incorporated in the generation of the benchmark. We would expect some projects within the CIP to cost less than the benchmark, some to cost more. It is incorrect to take the cheapest project returned and assume all others will be delivered for similar cost.

- The reduction to CIP Airfield projects appears to be based on the fact that the P2 bypass has been tendered, the tender costs returned are below the benchmark average for other projects and so the assumption has been made that this will continue to be the trend for all other airfield projects in the CIP. This is an over simplification of the process, and given the nature of civil engineering projects in an operational environment, inappropriate. There are many variables that will affect the cost of future airfield developments that are not in the P2 costs:

    - Location – P2 Bypass site had many characteristics commonly associated with a greenfield site. There was a limited impact on airport operations and thus the level of restriction to working was reduced versus other typical airfield projects
    - Working methods – Little or no requirement for night time / out of hours working arising from operational constraints
    - Phasing – This project was delivered in a single phase
    - Additional drainage requirements – P2 is on existing airfield
    - Airfield ground lighting modifications
    - Service diversions

  It is incorrect to extrapolate the cost per square metre for the P2 Bypass project across the remaining airfield projects. As demonstrated by the Benchmark Report, there is a wide variance of costs for taxiways and aprons **(……)**.[62] No other airfield projects within the CIP may be deemed to have the same attributes as this project.

- Finally, even if CAR were to ignore the DAA's compelling analysis above and not abandon its approach to airfield projects set out in CP5/2007, there is a fundamental inconsistency in CAR's calculation of the reduction in the level of capex allowed for airfield projects. The reduction has been calculated on the assumption that all airfield projects in the CIP have been costed by using the benchmark rate for either apron or taxiways, and that all projects will subsequently be delivered for less than this. This is demonstrably not the case.

  CIP 6.030 - Taxiway Mike 2 is included in the CIP at the value that reflects the tender return **(……)**. The effect of the overall disallowance by the Commission is to apply the 16% reduction to this figure, along with the other projects. This is clearly incorrect, and if applied would provide a budget within the CIP below tender return.

[62] DAA Group Planning & Capital Programmes, CIP04 Cost Benchmarking Report submitted to CAR on the 5th January 2007

Each CIP project has been costed according to its design status at Oct 2006 and actual cost / m2 vary between projects, many of these will be below the benchmark average. By reducing this allowance the CIP budget will not be sufficient to deliver the projects identified, and in some cases will reduce the budget cost / m2 of apron below the **(……)** achieved on CIP6.030.

5.3 The Reductions in T2 Sizing

CAR commissioned Vector (VML) and Aviation Economics (AE) to undertake a review of the sizing of the new Terminal 2 proposed by DAA. DAA has a number of concerns regarding the analysis.

5.3.1 Overall Conclusions re Sizing Analysis

Having incorrectly suggested that the DAA methodology is unsound, VML/AE have instead used an alternative methodology, employing an analysis based on unsound data and adopting a flawed "design by ratio" approach. They have compounded this by making erroneous assumptions and ignoring user input. The net result of their analysis suggests an alternative much lower peak hour is suitable for the T2 proposition. DAA strongly rejects all of the elements mentioned above, and discusses them in detail in Appendix 5. We would again point out that many such mistakes and misunderstandings could have been easily addressed had adequate consultation taken place with DAA/Arup prior to release of the report, in line with DAA requests[63]. CAR's decision regarding future demand at the airport appears to have been largely predicated on the VML/AE analysis. Since it is evident that the review undertaken is not robust, CAR should materially revise the decisions that rely on this report.

5.3.2 Process Deficiency- Inadequate Consultation

We regret that it was not possible for CAR's consultants to engage fully with DAA and its consultants in the course of this exercise.

The VML analysis, we understand, took ca. 5 weeks from early April until May 17th. This compares with a DAA project which involved a large team both from DAA and its consultants working for a total of 12 months, involving detailed interactions with the key users concerned regarding their growth plans. CAR has acknowledged in written correspondence to DAA

> "*I do not consider that the (RR&V) work can or ought be compared to that work carried out by the DAA and their advisers in preparing the CIP 2006. The tasks cannot be compared in size scope detail or purpose*".

Thus the scope of the project undertaken by the consultants was never expected by CAR to be equivalent to the DAA programme.

[63] DAA Letters to CAR of 17th and 18th of May 2007

Despite our frequent requests to do so[64], we had the opportunity to meet only once with these consultants. Had adequate interaction taken place, we are confident that some of the areas of disagreement between us could have been eliminated. No discussion of the VML/AE views or assumptions were outlined at this single meeting.

VML/AE have in several cases ignored or discounted information on user plans provided both to DAA/Arup and to CAR. This approach is hard to reconcile with CAR's constant emphasis on the need for DAA to ensure that it meets the expressed needs of its airline customers.

In the short period of time they took to undertake their analysis, these consultants have, perhaps unsurprisingly, taken a somewhat simplistic overview of the whole project, despite having access to the most detailed information available from DAA. CAR has seen fit to attach greater weight to this analysis than to the comprehensive DAA/Arup programme, although it has acknowledged the former is not comparable with the work carried out by DAA and its consultants. Given CAR's written position on the VML exercise, we are surprised that it has seen fit to attach such weight to this report. It is not reasonable that a brief desk-based analysis developed without extensive interaction with the DAA should be the basis for a sizeable financial penalty for the DAA. It is also not feasible to suggest that such an analysis could form the basis on which DAA could impose a differential charge to T2 users in order to recover its investment sooner.

While some of the consultants' erroneous conclusions may be excused in the light of the short timescale and an inadequate consultation process with DAA, it is nonetheless regrettable that rather than dealing with such issues within a consultation context, the DAA is forced to respond publicly to ensure that the misleading observations made and conclusions drawn are not allowed to stand unchallenged. We strongly suggest that the approach adopted here is unnecessarily confrontational and is not best regulatory practice.

The DAA has previously commented on the persistent tendency of CAR to accept downwards adjustments to the DAA position, while not accepting adjustments, which would operate in DAA's favour. Given the time available, the fact that DAA's methodology accords with an industry standard approach and the lack of interaction with DAA to test the consultants hypotheses, it would, at the very least, have been more reasonable for CAR to have taken a mid point in the range between RRV and DAA rather than merely accepting the lowest number.

5.3.3 Inappropriate assumptions and conclusions

The VML/AE analysis contains serious misinterpretations and inappropriate conclusions, which are in large part due to lack of interaction by the consultants with DAA. Therefore, DAA strongly believes that it does not represent a body of work that CAR can safely rely upon. The approach adopted by VML/AE involves undermining the approach adopted by DAA for some specific aspects of the analysis, undertaking inappropriate and inaccurate historical benchmarking and making a number of significant changes to some key underlying assumptions to derive a purportedly more appropriate T2 size:

[64] DAA Letters to CAR of 3rd, 17th and 18th of May 2007

- **Peak Day Methodology used**: By implication, the VML report suggests that since DAA did not use the 95% BHR in terms of passenger numbers (a BAA standard), the DAA/Arup approach was a non-standard approach, resulting in an inflated base schedule. DAA and Arup strongly contest this view and have cited best practice literature to support the approach adopted. The approach of DAA in commissioning world experts like Arup, with their extensive experience in airport capacity development worldwide, to assist it in this programme development, is evidence of the importance it attaches to this issue. The VML approach is simply to replace one industry standard approach with another with no clear rationale for doing so.
- **Designing for congestion - Adding peak capacity to a congested system:** The VML analysis approach to the future forecast is predicated on a basic misunderstanding by VML of what is likely to occur once additional capacity is added to an existing constrained system during the peak hour. VML suggests that this constrained profile is an appropriate basis for terminal design purposes. DAA and Arup strongly reject the scenario presented by VML in its analysis on the basis that it is neither robust nor realistic, and present strong contemporary expert evidence to back up our interpretation. This simplistic "design by ratio" approach is not a robust basis for capacity development as it would result in current congestion being designed into the new facility.
- **Over-reliance on unsound historical analysis:** VML/AE has extensively used historical data analysed by IMR for its analysis and concluded that the DAA choice of design day was too high. However, CAR and VML were aware that DAA had identified serious methodological deficiencies in IMR's previous analyses and had documented these in a previous submission. In fact, this review further indicates that the IMR calculation of the busy hour based on rolling 15 minutes is mathematically incorrect and gives too low a basis for comparison. In the context of the weight attached to this analysis, a review with the DAA of material produced by IMR, when a previous IMR analysis had been so comprehensively challenged by DAA would, we suggest, have been prudent. Furthermore, although VML initially indicated that it wished to use data that DAA accepted as valid, it chose to use data that did not agree with the information supplied from the DAA, without any discussions taking place with the DAA on the validity of this alternative data. This has all resulted in VML using incorrect data. It follows that any conclusions drawn from this flawed data are unsound.
- **Mistakes made in analysing the peak day schedule:** The AE analysis has misinterpreted information provided on a range of issues such as
  - load factors
  - duplicate flights
  - confusion between airline codes
  - comments regarding levels of transfer passengers

  It is worth noting that these errors contribute in large part to the schedule adjustments made, which AE uses to suggest the DAA peak hour schedule is too high
- **Ignoring Airline input:** VML/AE have ignored the expressed views of users Aer Lingus and Cityjet. In particular, despite accepting the Aer Lingus IPO plan, AE has then made arbitrary and ill-considered adjustments to the schedule which are inconsistent with explicit Aer Lingus input, and which conflict directly with the operational characteristics of LCCs at Dublin and at other comparable airports. These

unvalidated adjustments are the basis for the AE 'downsizing' of the peak hour schedule

5.4 The Box 1/Box 2 Approach to T2

The Commission has proposed a "two-box" approach to T2 entering the RAB. In line with this approach, from the date T2 becomes operational and while demand is below 30mppa, DAA will be allowed to recover €430m out of the €582 that CAR has assessed as the allowed level of costs for T2. The remaining €152m will be added to the RAB when demand exceeds 30mppa.

The key reason underlying the implementation of the Box 1/Box 2 approach is the Commission's view (informed by the analysis undertaken for it by its consultants Vector and Aviation Economics) that T2 will initially be too large based on the likely demand profile. As set out in detail at Section 5.3 of this document and the associated Appendix 5, DAA disagrees strongly with the approach and conclusions of the consultants and has provided strong arguments in support of its contention that the consultants arrived at inappropriate conclusions. The Commission should revise its views on the sizing issue and accept either that DAA's analysis is appropriate or that it would be more prudent to accept a figure in the mid range between the DAA and VML/AE's analyses. In either case the result would be that there would be no need to implement a Box1/Box 2 approach.

CAR has suggested that T2 should be 54,000sqm not 75,000sqm and deferred remuneration for some of T2 on this basis. This type of short-sighted, piecemeal view of infrastructure development has caused problems for Ireland in the past (M50, Metro links etc). CAR needs to ensure that there is enough headroom in facilities to allow for traffic growth, and flexible enough to accommodate significant unanticipated increases in traffic such as occurred in 2006[65] due to sudden airline decisions about deployment of additional aircraft at the airport. The sizing of T2 to allow for headroom at opening day was a balanced decision between Capital Cost and the cost of future expansion. In effect, instead of a two- phase terminal development as envisaged by DAA, were CAR's sizing to be adopted, we could potentially have a three-phase development.

There appears to be no consideration in CP5/2007 of the potential cost efficiency arguments for providing more capacity than is initially required, even though CAR acknowledged in CP9/2006 that a larger investment plan may be more efficient[66], and DAA's response to CP1/2007 set out the arguments against (and precedents from other airports in relation to) "modular" provision of capacity. These arguments are not discussed in CP5/2007.

Extending a facility is inherently more expensive than constructing a facility as part of a major project. The DAA would be faced with additional costs for:

- setting up site again with all the contractors welfare facilities,
- re-commissioning the building services and baggage systems,

[65] An additional 2.7million passengers
[66] Page 10, CP9/2006

- potential costs for tenants and concessionaires in dealing with relocation/disruption for a second time,
- abortive work for external walls etc subsequently removed during construction of the extension,
- additional Capital contributions to service providers

The cost of building work would also be higher as the work is more disjointed and the economies of scale, which would be achieved on a substantial project, would be lost. These cost drivers could add a premium of 15 – 20% to the cost of future building works even before inflation is taken in to account. This direct cost does not include the additional costs and inefficiencies that would arise for users from the additional operational disruption and reduced service quality. On this basis and following full consideration, DAA took the view that the correct balance has been achieved in constructing a Phase 1 terminal building of 75,000 sq m.

DAA notes that the Commission has acknowledged that the two box approach represents a *"significant departure from previous cost recovery mechanisms used in the past*", that there remains "*some uncertainty around how the two box approach will work in practice"* and it is currently "*minded to use the consultation on the 2010-14 price control to agree a final structure for the two box approach"*[67]. It is unreasonable for the Commission to expect DAA to go ahead with a sizeable capital investment plan on the basis of a remuneration profile that is proposed to be fundamentally different to the methodology currently pertaining but yet to be fully worked out.

5.4.1 Requirement to Refocus Scope of Box1/Box2 Approach

If the Commission decides to retain its Box1/Box 2 approach to the recovery of T2 revenues, then, notwithstanding its opposition to the approach in general, DAA believes that CAR should refocus its scope. According to CAR, the rationale for adopting the two-box approach is because T2 represents a large increase in capacity when compared to the likely initial demand profile.

On this basis, the focus of the Commission's adjustments should be on the facility that they claim is too big i.e. T2 (cost €395m). However, the Commission has applied its methodology to the much higher figure of €582m[68] comprising its allowance in respect of T2, Enabling works, Access & Roads, Utilities/Energy Centre and Pier E. This is an entirely inappropriate focus for the following reasons:

- As clearly illustrated in the Airport Gating Study[69] provided to CAR as part of the CIP submission, there is an acute shortage of gate served stands at Dublin Airport at present. Indeed, due to a severe shortage of parking capacity, Runway 11/29 has been taken out of service to provide extra aircraft parking at Dublin Airport for the coming peak months[70]. The Gating Study indicates that this contact stand shortage will continue right up to the opening of Pier E with a significant number of wide-body aircraft and first departures having to be gated on remotes. This will mean a sizeable bussing operation to bring passengers to these gates, which users are

[67] Page 108, CP5/2007
[68] DAA's allowance for this work is €607m
[69] DAA Airportwide Gating, 2007-2010 Results, Ove Arup & Partners Ltd, 2006
[70] Notam A0609/07

opposed to on cost grounds. In essence, Pier E is required in full as soon as it can be developed. As a result €157m relating to Pier E and its associated Apron Works should be extracted from CAR's Box1/Box2 methodology.

- The enabling works (€6m), access and roads (€39m) and energy centre (€12m) are required in order to deliver the new terminal and would be of a similar scale within any reasonable range of the current size of T2. On this basis, a further €57m should be extracted from CAR's Box1/Box2 methodology.

    - Enabling Works - This project involves the diversion of existing underground services, which have been installed across the T2 site over many years. The diversion project collects these services into a structured services trench which follows a route which will enable later access to these services if required. Even if the size of the Terminal Building were reduced, the philosophy of a structured services trench would not change and therefore the costs would not reduce.

    - Kerbs – The kerbs/roads to be constructed are sized for the total T2 requirement. We are not part constructing these elements because it does not make sense to do so - we would simply have ended up with longer approach road lengths and shorter kerb lengths i.e. the basic kerbs/roads system would have been the same. The kerbs/roads are sized for peak hour passenger demands - it would be nonsensical to construct half a kerb. Furthermore the difficulties that would be presented by having to revisit the area to do so would be prohibitive in terms of operational disruption, reduced service quality and increased cost.

    - Energy Centre - This has been sized to provide space for Plant to serve the total T2 requirement. The future extension of this building would mean substantial disruption and possibly loss of critical services for the period of extension along with a recommissioning of the building completion. The risk of disruption to the operation of T2 would be too great in this situation so the decision was therefore taken to construct the Energy Centre in line with the Planning Application. On this basis, therefore, the costs of the Energy Centre should not be reduced

In light of the above points and to be consistent with CAR's stated objective in developing the approach (i.e. to require DAA to assume some of the risk that the proposed T2 is potentially too large) it makes no sense to apply the Box1/Box 2 approach to any element of the CIP apart from the terminal alone.

5.5 Conclusion re CAR Approach to Capex

DAA highlighted to CAR in its Statement of Case both the extent and duration of the planning and consultation process conducted by DAA and the experience and credentials of the team of professional advisers engaged by the company. We have also drawn CAR's attention to the work and report of the verification team engaged by the Department of Transport. The timeline

afforded to RRV to conduct their review, did not remotely compare with the process undergone by DAA's advisers. Though a more limited timeframe might be expected for a verification of DAA's work on cost, sizing and other considerations, it would not allow for alternative proposals to be properly developed by either RRV or CAR on such issues. In this context, and given the clear deficiencies in understanding as illustrated, we believe that the arguments relied on to support the proposed reductions to the capex programme, and the implementation of a Box 1/Box 2 approach to the remuneration of T2 based on RRV's sizing analysis are inappropriate and should be reversed.

6. Pricing Options

In its draft Determination CP5/2007, the Commission discussed and responded to interested parties views in relation to a range of pricing concepts - trigger pricing, front versus backloading of the profile of pricing over time, peak load pricing and differential pricing.

It is important to emphasis that the implementation of most of the above pricing concepts would first and foremost signal a more interventionist regulatory stance on the part of the Commission. The Commission would be in effect stipulating aspects of the company's pricing policy something that it has not previously done with the exception of the off-peak runway charge, which was subsequently abandoned.

However in this document the Commission appears to be trying to move the onus away from itself and towards a structure where it could manoeuvre DAA into introducing some of these policies – a "by the back door introduction" of price signals. For example,

Peak Pricing: CAR states that it will not impose peak pricing, yet:

- It may do so in the future
- It continues to favour a price structure that differentiates between peak and off-peak periods, and
- It thinks DAA could use peak pricing to demonstrate users willingness to pay for additional capacity for the future.

Differential Pricing: again CAR states that it will not impose this form of pricing, yet:

- It may do so in the future
- It would be happy for DAA to implement it, and
- It will not automatically incorporate capex in the RAB to ensure the same quality service is available in the two terminals for the future.

Trigger Pricing: CAR makes the point that it would be inappropriate to introduce a trigger in the middle of a Determination, yet:

- It goes on to implement a de facto 30m passenger trigger for T2.

Given that the proposed changes to regulatory policy would be made in the absence of detailed discussion and implemented in mid Determination period, the possible adverse marketing and practical effects of some of the pricing proposals, the increased uncertainty stimulated by the manner in which the proposals are presented by CAR, and the potential for unattainable regulatory returns for Dublin Airport Authority, we believe that the company would be exposed to significant increased risk if these proposals are retained in the final decision.

6.1 Trigger Pricing

6.1.1 DAA View on Price Triggers

As outlined in its Statement of Case, DAA is opposed to the introduction of price triggers because they result in a more interventionist regulatory system and would require the Commission to become more involved in the micro management of the business, adding to regulatory cost and the regulatory burden. In this particular instance, the price triggers relating to T2 increase financial uncertainty and will be perceived by the markets as adding additional risk resulting in increased costs of financing the project.

In general, the use of triggers increases risk in three main ways. Firstly, triggers increase the risk of regulatory opportunism, as commitment to remunerate on triggers is lower than for remuneration that is simply delayed (by definition of a trigger, remuneration is contingent). This risk is especially strong if triggers are poorly or incompletely defined, and therefore the regulator has some discretion when deciding whether the trigger has been met. This may result in a delay to asset remuneration, or at worst, asset stranding.

Secondly, the use of triggers over which the company has little or no control, such as “market” triggers (e.g. the use of demand thresholds) means that the company faces the risk of those triggers never being met (or being met too late in the asset’s life) resulting in stranded assets.

Lastly, using triggers can expose the company to the risk of delayed remuneration in the case of unavoidable construction or service overruns. This risk can be limited by specifying recourse mechanisms in light of such events. However, unless these mechanisms are clearly defined, correctly allocate construction risks and are protected from scope for regulatory opportunism, they will not fully mitigate the risk of unavoidable delays in meeting triggers.

Whilst CAR has not pursued its original suggestion to include specific triggers, the delay of remuneration until completion and the demand-specific Box 2 portion of capex operate as effective triggers CAR has said a limited amount in its draft decision about how the capacity-contingent element of T2 capex will be remunerated, beyond stating that it will enter the RAB when demand reaches 30mppa and that incremental investment costs could be recovered using the unitised cost approach. However as noted earlier in this document CAR has not committed to a firm approach and is open to suggestions on finalising the matter.

In particular, CAR has not clarified the basis on which the incremental demand-contingent proportion of T2 capex will be indexed for inflation, or how any capitalised financing costs will be treated (e.g. whether they are also only remunerated following attainment of the capacity threshold or included prior to the expectation that demand exceeds 30mppa). This lack of clarity further increases risks around this proposed mechanism and should be resolved for the final decision.

CAR projects demand to reach 30mppa in 2016, and the DAA faces the risk that the regulatory body at that time may renege on CAR’s original intention to

fund the remaining T2 capex, exposing the DAA to risk of regulatory opportunism. Further, the DAA faces the risk of asset stranding: if demand does not reach 30mppa within the useful life of the asset it will not receive remuneration for this portion of the T2 capex.

In this context, if a trigger point is prescribed, it would be reasonable for CAR to signal that remuneration will commence from the earlier of either the point at which the trigger point is reached or the point at which it currently believes that the trigger will be achieved. This would reduce the risk of asset stranding and strengthen regulatory signals.

6.1.2 Requirement to be Specific Regarding the Trigger Point

It is important that the Commission be more specific about the trigger point at which DAA will begin to recoup the investment costs associated with T2. CAR has variously indicated that this will occur either from "the commencement of operations" or from "completion". CAR seems to believe that these could be one and the same point in time. However, notwithstanding the Government's direction to have T2 operational in 2009, there is potential for large timing differences between completion and operation of the facility given the range of variables outside the company's control that could intervene, for example:

- The Aviation Action Plan provides for an open tender competition to select the operator of Terminal Two to be organised by an independent expert panel. Deferrals or appeals to this process could impact on the timing of T2 becoming operational.
- The timing of the transition to the new terminal will need to reflect the requirements of users, for example to suit seasonal route schedules
- Aer Lingus has noted in its response to CP1/2007 that should differential pricing be implemented it would not move into T2, which would impact on the ability to have the facility operational
- Industrial relations issues could emerge surrounding moves into T2 as recently intervened to prevent the timely commencement of operations at Area 14.

The specification of repayment upon completion exposes DAA to project risk on cost and delays. Whilst to some degree this may be acceptable under certain clearly defined contexts (i.e. for identifiable negative outcomes which are indisputably within the DAA's control and where this allocation of risk has been agreed in advance), the DAA has no guarantee that the regulator will ensure financial viability following outturn of events beyond the DAA's control which delay completion or significantly increase cost. The Interim Review mechanism does provide for some assurances on recourse, however these reviews take time and are by no means a guarantee of alleviating financial pressure on the DAA following negative capex or timing shocks.

This is particularly relevant during the current price control period as CAR's modelling of financeability does not allow any headroom for adverse outturns towards the end of the current period. Any overrun in T2 capex costs or delay in completion could result in a material weakening of the DAA's financial position. In light of this, the Commission should clarify the circumstances at which DAA will be allowed to commence making a return on T2 for the final decision.

6.1.3 Requirement to give Appropriate Signals re Symmetrical Approach to Triggers

Finally, we would suggest that in order to maximise incentives for investment and allow for a symmetrical approach to regulation policy, rather than implementing negative triggers only, the Commission should also consider introducing positive triggers to allow for more advanced recovery of costs where DAA completes investment ahead of its time schedule. This would allow for a more incentive oriented and symmetrical approach to regulation whereby DAA would also benefit from doing things exceptionally well, rather than solely being penalised in the event that circumstances do not develop as envisaged by CAR.

6.2 Time Profiling of Charges

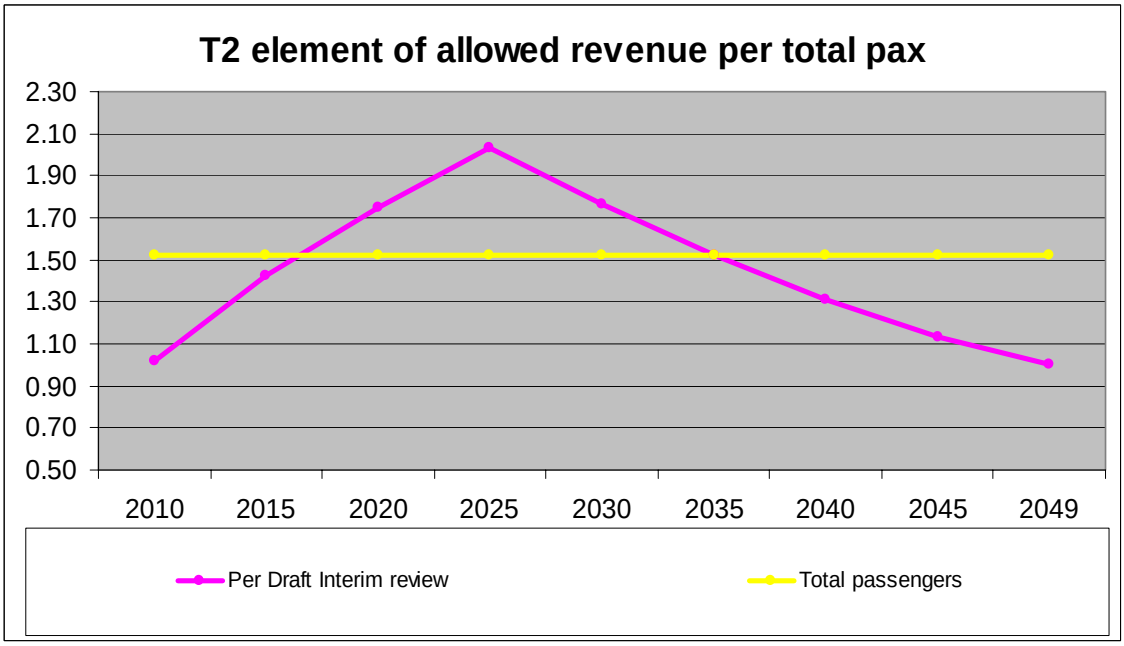
The Commission is proposing to depreciate the costs of T2 on a constant unit cost basis from the point at which the assets enter the RAB. The manner in which the unitised approach is developed has a significant effect on the level of returns that DAA will receive in the short term i.e. they will be much lower than might otherwise be the case. This has significant implications for the company's levels of finance risk and overall financeability.

Backloading remuneration implies increased risk because it entails a greater proportion of remuneration occurring at future points. Since uncertainty increases with the time horizon, risks increase the further in the future remuneration is expected. Under standard finance theory, this is known as the term premium, and refers specifically to the increase in interest rate risk perceived as the horizon increases. Under regulation, a key source of the positive relationship between risk and horizon length is regulatory risk. In the absence of a binding commitment to remunerate capex, as the number of regulatory reviews occurring within the asset lifetime increases there is a greater chance of a change in fundamental factors affecting remuneration. These factors include changes in regulatory methods, a change in user type and preferences, and changes in the methodology for calculating key components of return on assets, such as the cost of capital.

By deferring and backloading remuneration, the company commits expenditure without being certain whether it will receive remuneration, how much it will receive and when it will receive it. Advancing some portion of the remuneration reduces the significance of this risk, but as the length of deferral (and backloading) increases, this risk increases. Under CAR's proposals therefore, the DAA faces greater risk as a result of the backloading of remuneration. This risk is enhanced by CAR's unit cost depreciation approach which implies the possibility of even greater backloading occurring than anticipated at the time of asset investment, depending on the change in demand expectations at each consecutive price review relative to the original forecasts.

There are a number of specific issues that should be addressed in relation to the approach proposed by the Commission.

- Contrary to what is implied in CP5/2007[71], passengers will not pay the same rate for the whole period of the asset life. Because the calculation in the draft decision is based on an estimate of the incremental passengers above the assumed "comfortable capacity" level for T1, costs per total passenger will, in fact increase over time, to the point where total capacity estimated by CAR is reached, and reduce thereafter (see graph below). CAR's proposals produce a peaked charge per passenger rather than a flat profile. The opening of T2 will deliver benefits to all passengers at the airport, providing both additional capacity in T2 and an alleviation of congestion in T1. It would therefore be more reasonable for CAR to base its calculation on the total passenger numbers at the airport. This is the only approach that delivers the result of a smoothed effect on the total cap[72]. Furthermore, as discussed in Section 3 of this document, this approach would also reduce the near-term possibility of financial difficulties and regulatory risk, while still applying a unitisation model.



- A key rationale for adopting the unitised approach is the assumption that the current capital expenditure programme represents the most significant step change in investment that will be required within the life of the assets provided. This is not necessarily the case as, when T3 needs to be developed to the west of the airfield, it will be necessary to build a large terminal, additional piers, apron and taxiways, completely new access roads and potentially, an underground link to the present complex and the metro box planned for this complex. In addition, utilities and services, kerbs and car parking etc. will have to be provided. Thus it will be necessary to profile the return of the existing assets, including T2, in such a way as to enable the scale of investment that will be required during the life of the existing assets. From a review of the Commission's financial model it is clear that the Commission did not test for additional step

[71] *"Unit cost-basis – whereby allowed investment costs are recovered equally across all forecast airport users"* page 105 CP5/2007. Also described in CAR presentation to DAA Board on 11 June as *"Depreciate T2 on a unit cost basis – Share the costs of T2 equally across all future passengers"*

[72] Chart 3.2, CP1/2007

changes in infrastructure in the future. In fact, the model post 2014 assumes an even level of Capex per annum going forward at a level that could not deliver the additional capacity that will be required during this period. We would have expected that CAR would at least have explored whether the peaked profile of charges was appropriate or would impact the charges levels required for further investments.

- We believe that it is appropriate to have an upper bound in terms of the passenger numbers used to calculate the depreciation charge otherwise users would be paying even higher charges in the future – for both the constant unit cost of T2 and the additional costs associated with extra capacity.

- The unitisation methodology evolves from a desire on the part of CAR to share the costs of T2 equally across all future passengers. As a result unitisation has been applied by CAR to two project groupings as defined by CAR - T2 Main Projects and T2 Associated Projects. However, some of the projects included in these groupings are not connected to T2 and as a result should not be incorporated in the unitisation process but depreciated in the traditional manner i.e. on a straight line basis.

    - T2 Main Projects: As outlined in Section 5, it is agreed by all users that additional gate served stands are required now, therefore no overcapacity is envisaged for the Pier E facility. Pier E should not therefore be subject to either the unitisation or Box 1/Box 2 approach.

    - T2 Additional Projects: The projects included in the T2 Associated Projects grouping are either not associated with T2 or are required to support the full development programme. For example, some projects relate to the provision of utilities and services, which support airside and T1 enhancements, in addition to T2 and the piers.

      Commercial projects are also included which is inappropriate as the unitisation approach has a cost to DAA that would need to be incorporated into DAA's assessment of the commercial viability of such projects. Were such an assessment to result in a reduced return on investment these projects might not proceed, thereby reducing the commercial revenues contributing to the single till.

      The table below provides reasons why projects should either be excluded from unitisation or prorated.

CIP Project	Reason for exclusion
CIP7.027 **Customs and Border Protection**	This is essentially a Commercial Project which will be funded through a separate charge for use of the facility and is underpinned by a strategic objective on the part of Government and a recent decision by US authorities to upgrade the current INS service in the short to medium term. The proposed facility is designed to enable Dublin airport to provide full US Customs and Immigration pre-clearance in Dublin. The urgency of the timeline reflects the decision of the US authorities to phase out INS, in the absence of a commitment to full CBP. DAA has developed a range of schemes as part of an optioneering process, which include with or without Terminal 2 scenarios.This development is not predicated on or related to Terminal 2, other than the optioneering exercise suggests that the most efficient and cost effective option can be delivered in the context of the proposed Terminal 2 proposition.
CIP2.006 **Car Hire Facilities Eastlands**	Commercial Project. A significant proportion of the existing car hire facilities are temporary in nature, reflecting the long standing understanding that the relocation of Car Hire to Eastlands has been in the Dublin Airport Masterplan for the last 10 years. The necessary on-campus capacity, which is the preferred option for the car hire companies, can only be delivered through the allocation of an appropriate landbank. The Eastlands area can deliver the necessary land area, with reasonable proximity to the terminal areas, by international airport standards. This project is necessary to provide the necessary capacity in support of a vital long term and sustainable revenue stream.
CIP1.006 **MSCP Short-term Car-Parking**	This is a vital commercial project, which is predicated on supporting both a critical revenue stream and a vital customer service offering as MSCP capacity becomes increasingly constrained. DAA's demand forecasts demonstrate a clear requirement for a minimum of c. 1,750 spaces between now and 2009. The relationship between this project and Terminal 2 project relates solely to the issue of optimal positioning of the facility and ensuring a coherent masterplanning context of Op Area 1.
CIP 7.028 **Temporary Forward Lounge**	This is critical project, completely unrelated to Terminal 2, which is associated with the urgent requirement for contact stands, which is driven primarily by passenger growth, but is also compounded by the loss of some stands during the reconstruction of Pier C and the construction of the new Pier E. The failure to construct Pier D in 2003, coupled with the sustained passenger growth, has only increased and exacerbated the deficit. Further additional temporary facilities are likely to be required. At the time of preparation of the CIP, no scheme development had taken place, nor had a location been decided. This provision was essentially based on the "concept" of a repeat of the very successful current Temporary Forward Lounge, with the location to be decided. The project is being pursued with great urgency in the context of the closure of the existing Temporary Facility in early 2008. The argument for this project is identical to that pertaining for the Phase 1 version, namely; the provision of critical temporary capacity to deal with high passenger volumes, during a period of major construction of new facilities.
CIP9.001 **Utilities Consultancy Svcs**	As articulated in the CIP, this project comprises the masterplanning, front-end design and/or employer's requirements for the upgrade of all campus wide utilities to support the development of the Eastern Campus to its potential. This investment is connected to all capital projects within the CIP, including key projects post 2009 and thus should not be linked explicitly to Terminal 2.
CIP9.003 **Utilities Diversions, exl. T2**	The terminal 2 cost plan provides for enabling works which both directly relate to Terminal 2, but critically provide the backbone for the development and support of the whole campus and are located within the development zone of Terminal 2 or its related works. This particular project specifically relates to services utilities which will be executed either as direct projects or as part of projects within the CIP and as such bear no relationship, physical, geographic or otherwise to T2.
CIP9.006 **Gas Distribution System Enhancement**	This project is based on a number of key factors; • The existing system is at full capacity, which prohibits any further additions after Pier D has been commissioned. • The existing network does not have adequate resilience, and is dependent on a single spur from the ring main. • The central boiler house will be decommissioned in 2008, in order to facilitate the development of the OP1 area, and critically to facilitate compliance with our EIS licence with respect to CO2 emissions. • Gas fired Combined Heat and Power is critical to DAA's sustainable development strategy and the provision of future plant is contingent on securing additional supply of gas. This investment is connected to all capital projects within the CIP, including key projects post 2009 and thus should not be linked explicitly to Terminal 2.

CIP9.007 **Potable Water Storage & Service Pipe Upgrade**	This project involves the replacement of the existing water storage tank and key elements of the network which has major integrity problems due to age. The issues are: 1. Capacity of existing system 2. Age of existing system 3. Feasibility of extending existing system The proximity of the existing system the proposed metro box, combined with the age and state of the current system and the inappropriate location of the current system in the context of the development potential of the OP1 site, all point to a new location for an appropriately sized system for the totality of campus requirements. In this context, the project is not associated with T2.
CIP9.008 **Potable Water Distribution System Enhancements**	This project refers to the distribution system which supports the proposed new reservoir, replacing end of life pipework and providing a new, high integrity supply to the site boundary of all new elements of infrastructure. In this context, this project is not associated with T2.
CIP9.009/ CIP9.010/ CIP9.011 **Water Storage/ Fire Hydrant / Sprinklers**	These three projects are all inter-related. The current practice of feeding the fire hydrant and sprinkler systems from the main potable water reservoir is under review in the context of water conservation obligations under the Local Area Plan and the need to separate the two requirements. This will result in a new sprinkler feed system, water recovery system and a dedicated reservoir for fire water. In this context, these projects are not associated with T2.
CIP9.012 **Foul Water Drainage System Enhancements**	The proposed upgrade to the foul water distribution system relates primarily due to additional loading which will arise from the requirement to segregate contaminated water run-off from the airfield in the context of delivering compliance with the Local Area Plan objectives in respect of water quality. The relevant component of this project that relates to the T2 development is already included in the T2 cost plan in the form of a component of the capital contribution which is designated to fund FCC's planning condition which requires upgrade of the main external sewer between the DAA site boundary and the Turnapin Bridge.
CIP9.013 & CIP9.014 & CIP9.015 **Surface Water Projects**	These projects are primarily driven by the following • The requirement to attenuate and treat all water run-off from the airfield for both new developments and all legacy developments as defined in the FCC's Local Area Plan. • The requirement to achieve new volumetric run-off and quality standards for all landside developments. • The bulk of the work relates to the airfield development programme. • These provisions are over and above any existing provisions within the Terminal 2 project and associated cost plan.
CIP8.010 **Programme Fees**	DAA has deployed Programme Management Consultants to assist with the overall delivery of the CIP for the period 2006 to 2010. This team was procured in parallel with and in the context that the Terminal 2 team would, in the main, be self sufficient from an operational management perspective, but fully compliant with the governance and controls systems as prescribed by the Programme Management Team. Notwithstanding, DAA's view re unitisation, which has been articulated elsewhere, if one were to employ pro-rating to the Programme Management Commission, the most reliable driver would relate to activity i.e. no of projects / individual contracts/trade packages. On this basis Terminal 2 would attract c. 20% of the commission on an activity basis, reflecting the fact that terminal 2 comprises c. 20 trade packages relative to an overall programme level of + 100 packages.

6.3 Peak Load Pricing

Despite the universal opposition to peak pricing demonstrated by DAA, Aer Lingus, bmi, IATA, Ryanair and ITIC in consultation submissions (Forfas being the only respondent to offer support for peak pricing) CAR expresses its continued support for this option. It bases its views mainly on rather theoretical points and does not address many of the objections put forward by others. A failure to take proper account of consultation responses is not characteristic of a mature and appropriate regulatory approach and this policy position should be revisited by CAR in this context.

CAR appears to believe that DAA should dictate to airlines how to operate their schedules through the implementation of peak pricing. There are a number of difficulties with this.

In theory, peak load pricing would provide airlines and passengers with the incentives to shift demand to off-peak periods where aeronautical facilities are available, however in practice, for Low Cost Carriers, one of the most critical operational requirements is high utilisation. This requires getting an aircraft up in the air and generating revenues as early as possible. Thus arises the early morning peak phenomenon, whereby aircraft depart in a concentrated wave, which is a feature of busy airports with based aircraft everywhere.

Given the home based carriers commitment to operating in the peak hours it appears at the outset that peak load pricing could not be introduced without substantial market effects in relation to these home carriers. CAR's discussion, for example, has ignored competition between airports and the possibility that aircraft based in Dublin would be relocated to other bases that did not impose a similar pricing structure.

Furthermore, CAR notes that

> *"if the DAA wishes to recover more of the costs of T2 in the early years of its operation, the Commission is willing to consider proposals that would allow DAA to charge peak-hour T2 users a higher charge than other users"*[73].

This is illogical as users in both terminals generate the airport peak. If peak pricing is considered desirable it should apply to both terminals.

One of the fundamental demands by CAR throughout this process and in the past has been the need for DAA to consider and act on the expressed demands of its customers. We therefore find it surprising that CAR would consider it appropriate to request that DAA implement peak pricing as a means of demonstrating support from users for capacity improvements, while in the process ignoring the stated wishes of the entire customer base at the airport.

It has been clearly proven in relation to the runway off peak charge mandated by CAR in the 2001 Determination that there are substantial practical difficulties and in some cases unanticipated implications resulting from the

[73] Page 80, CP5/2007

implementation of peak pricing strategies. The introduction of peak load pricing by the Commission would mark a more interventionist approach to regulation and undoubtedly would increase the Commission involvement in the day-to-day management of the business. This would run counter to the requirements of Section 33(i) of the Act which requires the Commission to have regard to imposing the minimum restrictions on DAA.

6.4 Differential Pricing

The Commission has maintained support for the concept of differential pricing. Indeed, like peak pricing, it views differential pricing as a tool available to DAA to enable financeability. Though CAR says it will not "mandate" differential pricing it goes on to point out that

> *"capital expenditure undertaken to ensure the quality of service available in the two terminals is the same will not automatically be included in the RAB"*[74].

The Commission notes that DAA will have the discretion to implement differential pricing should it choose to advance the remuneration of T2.

> *"The Commission's proposals allow the DAA sufficient flexibility to recover the costs of such an investment, either early on through some form of differential charging mechanism or further down the line..."*[75]

We note the position communicated by Aer Lingus directly to CAR that the airline will have no option but to remain in T1 should differential pricing be applied. In light of this fact, the truth is that DAA will have no such discretion and CAR's theoretical analysis is deficient as a result. Furthermore, the impact of any proposals from CAR to implement differential pricing on DAA's ability to proceed with the programme and to finance it in the face of such a position from the proposed major tenant needs to be more carefully considered by CAR.

CAR's approach would make the users in any new area where headroom is available pay for it despite the fact that the creation of the headroom will benefit all users and indeed will occur in both the new facility and the old. The result of this in any competitive market is that users will refuse to move into the new area. The prospect of users refusing to move to T2 and continued overcrowding in T1 would be an appalling outcome, which would not be consistent with CAR's objective of delivering economic efficiency.

The Commission has not been able to explain how the DAA could introduce differential pricing between T1 and T2 without violating Article 82 EC. The draft decision only offers the following general observations:

> *"The evidence around Europe suggests it is possible for airports to set differential prices for the use of different facilities without automatically*

[74] Page 86, CP5/2007
[75] page 102, CP5/2007

> *falling foul of competition laws. For example, Schiphol airport sets differential charges, and its charges require approval from the NMA, the Dutch Competition Authority. Moreover, the Commission has sought clarification from the Competition Authority and is satisfied that the DAA could set differential prices for airport users operating in different terminals."*[76]

These observations are not relevant to the question of whether the DAA could introduce differential pricing between T1 and T2 without violating Article 82 EC. The Commission must assess the facts at hand in this case and not extrapolate from other cases with different facts. Moreover, the Commission has only referred specifically to Schiphol airport without clarifying why that comparison should be of relevance to the DAA under Article 82 EC.

The draft decision seeks to offer comfort by the fact that the Competition Authority has not voiced any objections to differential pricing at the airport. That is a bold statement. Whilst it might be possible in theory, the precise application of Article 82 EC needs to be made based on the precise facts at hand. Generally, differential pricing can only be completely immune to challenge if it is based on the absence of any cross-subsidy or reflects different levels of service (as is the case at Schiphol).

It is accepted that T1 and T2 will offer the same level of service, namely IATA LOS C. This distinguishes T2 from the other comparison airports listed in the draft decision.

Furthermore, in the context of a single till, any differential charge will need to reflect not only costs but also commercial revenues generated at each terminal. As pointed out previously by the DAA, given the fact that long haul passengers will be using T2 and these generate significantly higher commercial revenues than shorthaul passengers, it is possible that an application of this principle would lead to lower prices at T2 than T1.

DAA is also alarmed that in espousing differential pricing, the Commission is suggesting that it is acceptable to have low quality facilities at the airport if this standard is all that airlines are willing to pay for,

> *"if users (*i.e. incumbent airlines*) would prefer lower charges rather than improvements in the terminal specifications, the Dublin Airport Authority should meet those users' requirements*"

This is a questionable stance to adopt for a number of reasons

- it assumes that the needs of airline users are the same as those of passengers, an assumption that fails to recognize that as commercial organizations airlines are focused simply on their own bottom lines and not necessarily on the interests of their passengers as they relate to airport facilities
- it, in effect, gives total control over airport service standards to incumbent airline users and pays no regard to the requirements of existing passengers or prospective airline users as the Commission is statutorily mandated to do.

[76] page 84, CP5/2007

As it is passengers that ultimately pay for airport charges (airlines merely act as an agent in the transaction) CAR's views would appear to be entirely inappropriate.

The Jacob's report commissioned by CAR illustrates clearly that low cost facilities have inherently low passenger service standards. A review of some of the characteristics of the dedicated "low cost" passenger terminal facilities featured in report gives a clear indication of the type of service Dublin Airport's passengers can come to expect if CAR's support for differential pricing in the form discussed in CP5/2007 is maintained.

- At Schipol: *"it does not even have toilet facilities for passengers within the gate area… the facility reportedly only has 8 seats available per aircraft for passengers while waiting*"[77]
- At Marseilles: *"Passengers are required to take their baggage to the HBS post check in as there is no outbound baggage system*"[78]
- At Kuala Lumpur: *"Initially all passengers were required to walk to the aircraft which could take significant time considering the distance to the most remote stand. This also created problems with passengers getting wet during inclement weather*"[79]

CAR has failed to provide any evidence that such low quality facilities are what passengers want. On the contrary DAA is sure that passengers at Dublin are unwilling to accept inferior quality facilities for the sake of the very small price differential involved – a differential that would most likely benefit the bottom line of commercial carriers rather than deliver CAR's assumption of enhanced airline competition (again an assertion that is unsupported by evidence).

Our research evidence proves that the socio-economic profile of passengers using LCCs is very similar to the general passenger profile. A recent Red C quantitative and qualitative analysis undertaken for Dublin Airport Authority has further demonstrated a uniformity of willingness to pay for service enhancements across passengers, regardless of airline used[80]. CAR fails to recognise that a majority of passengers spend longer at airports than they do flying so the trade-off in terms of comfort on the aircraft and cost is a completely different one to the trade-off on the ground. It is therefore entirely rational for a passenger to select a LCC, yet still demand comfortable facilities at the airport.

The section on differential pricing also provides a clear illustration of CAR's inconsistent approach to regulatory policy. Though CAR has accepted that IATA LOS C is the appropriate level of service standard for T1 and T2, it goes on to stress at length that it supports a position whereby *"lesser facilities"* could be offered to passengers if airlines would prefer that. Given that one of the largest airlines operating at Dublin is happy to accept IATA LOS D and E at some of the other (far smaller) airports it flies to, it is difficult for DAA to understand the Commission's logic.

We note that many parties have rejected the case for differential pricing in their submissions. IATA's views are particularly relevant in this regard

[77] Jacob's Report, page 29
[78] ibid, page 20
[79] ibid, page 28
[80] See Appendix 1: "Presentation of Red C Research Findings – April 2007"

because it represents the views of a wider range of user airlines and necessarily takes a long term perspective. We do not believe that the airline industry in general supports the notion that the obligation on airport operators and regulators is simply to provide low cost infrastructure on their terms for low cost carriers.

7. Legal Issues

7.1 CAR has not Complied with the Ministerial Direction

CAR's draft decision, if definitively adopted, will conflict with the clear terms of the ministerial direction, placing CAR in breach of section 10(2) of the Act. On 3 April 2007, the Minister for Transport issued a direction to CAR under Section 10 of the Aviation Regulation Act directing it to take due and manifest account of:

a) The importance Government has attached to implementation of its policies on infrastructure development at Dublin airport and the restructuring of the State airports;
b) The Government Policy, in the public interest, that there be a 2nd terminal fully operational in 2009 so as to serve passenger growth needs and the requirements of a growing economy; and
c) The need to enable Dublin Airport Authority to operate and develop Dublin Airport in a sustainable and financially viable manner having regard to Government policy that the Dublin Airport Authority should operate on a commercial basis without recourse to Exchequer funding of an equity injection by the State.

According to Section 10(2) of the Act, the Commission "shall comply with any direction" given by the Minister. It is clear that CAR's draft decision is not in line with the direction of the Minister for a number of reasons.

The ministerial direction provides explicit recognition that the Government's Aviation Action Plan consciously put the DAA in a position of having to commit to a very significant CAPEX within a short period of time. Recognising the need to ensure verification of the specification and costs of T2 in a timely manner, it imposed a requirement for independent verification (carried out by BoydCreedSweet) of the specifications and costings of T2. The Minister was clear in his direction to CAR that the following conclusions of the Independent Verifier are of *"particular note":*

- The approach to consultation taken by DAA follows the guidance within the IATA Airport Development Reference Manual for appropriate consultation between airport planners and stakeholders in the development of requirements for a passenger terminal facility, and therefore with best practice.
- The verification team considers that the methodology, approach and execution of the planning objectives and considerations for passengers adopted by the DAA and its consultants accords with best practice.
- The estimated cost of Terminal Two on a cost per square metre basis lies at the mid-point range of the UK terminal buildings benchmarking study carried out by the DAA's team of consultants. The verification team independently verified the benchmarking exercise and the cost plan and concluded that the estimated cost is within industry norms for this type of Project in a European capital city.

The Minister also provided that he considered *"the conclusion on the cost benchmarking exercise [to be] of **particular significance**".*

In its draft decision, CAR adopts an entirely different approach towards the Independent Verifier from that mandated by the Minister. CAR sets out in its draft decision that it considers the direction to mean that it must ensure that the Determination enables the DAA "to add additional capacity, and in particular a second terminal, in an efficient and timely manner and without recourse to Exchequer funding" (page 38). Such a narrow interpretation fails to recognise the full text of the Minister's direction. In giving his direction, the Minister clearly had in mind not just any additional capacity or terminal but the specific proposal as verified by the Independent Verifier.

In the draft decision, CAR repeatedly questions the findings of the Independent Verifier. This is inconsistent with the clear direction of the Minister.

CAR also fails to comply with the clear wording of the Ministerial Direction by failing to allow the DAA to recover the full costs of T2 from the outset and by requiring it to carry some of the risk that the terminal will be too large. This is inconsistent with the clear direction of the Minister that the DAA not only operate on a commercial basis but also deliver the second terminal to serve passenger growth needs and a growing economy. This and the reference to the government's infrastructure development policy, which is a clear attempt to prevent further development of infrastructure in a "too little, too late" way, is a clear direction to CAR to prioritise the delivery of significant additional capacity and, if necessary, to err on the side of delivering too much capacity too soon rather than too little too late. Yet the draft decision consistently errs on the side of too little.

Indeed, CAR states that it is unwilling to allow the DAA to recover automatically all the costs associated with T2 *"since it is a very large facility".* Consistent with the Aviation Action Plan, the DAA has been mandated to deliver new terminal facilities to solve the severe under-capacity at Dublin Airport.

The clear wording of the direction also mandates CAR to ensure that the financial settlement will allow DAA to deliver the second terminal and that there be no meaningful risk to its ability to finance the second terminal providing for very significant additional capacity. By failing to allow the full costing of T2 in the RAB from the outset, CAR has jeopardised the ability of DAA to achieve a 2nd terminal by 2009 that meets the requirements of passenger growth needs and the requirements of the growing economy.

CAR has failed to give due weight to the sustainability and financial viability of the DAA. In particular, CAR has failed to take due account of the fact that the DAA was required to enter into planning permission in August 2006 in order to deliver T2 by 2009. DAA was also required to enter into binding contracts very shortly after the publication of the CIP. In its interim decision, CAR adopts an approach to the remuneration of the DAA's CIP that has the effect of increasing risk for the company, thereby jeopardising its timely delivery The Government clearly recognised that the Aviation Action Plan committed the DAA to a very significant CAPEX programme within a very short period of time. Accordingly the Government took the additional step of requiring an

independent team of verifiers to check the appropriateness of the CIP in respect of T2.

Thus by failing to give any significance whatsoever to the independent verifier's conclusions, by refusing to remunerate the full size of the second terminal from the outset and by setting a settlement that increases the financial risks on the DAA of the 2006 CIP thus jeopardising its SFV as well as the deliverability of the CIP, the draft decision has failed to comply with the ministerial direction in breach of section 10(2) of the Act.

7.2 CAR has Misinterpreted its Statutory Function

As explained in detail in the Statement of Case, CAR has interpreted its statutory function erroneously and the DAA is disappointed to see that the draft decision perpetuates this misguided interpretation of its function. Despite significant changes to the wording of CAR's regulatory objectives in 2004, CAR continues to interpret its function in essentially the same way as previously. This cannot be given such fundamental changes to legislative provisions must be considered as having affected the way in which CAR's statutory function should be interpreted. The draft decision reiterates that economic efficiency is the driving principle behind the review as it was in the 2005 and previous reviews. This is simply inconsistent with the revised scheme of the Act. The revisions to the Act require that the draft decision change its approach. This it has not done.

The DAA continues to believe that economic efficiency is just one of three statutory objectives to which CAR must have equal regard. The requirement to safeguard the DAA's SFV is an equal and self-standing statutory objective, which can under no circumstances be compromised.

CAR has introduced a significant degree of uncertainty, complexity and ambiguity into the regulatory framework in its interim review proposals. Complexity has been added with the introduction of a number of new methods for the remuneration of capital (e.g. trigger pricing, unitisation/back loading, differential treatment of T2 and non-T2 capex). At the same time, uncertainty has been increased with discussion on other methodology changes that may be implemented in the future. The Commission is using the pursuit of its economic efficiency objective as the reason for implementing these changes. However, DAA is concerned that CAR' s other statutory objectives will be relegated or rendered obsolete by their implementation.

At a minimum, CAR needs to adopt the measures proposed in this document (e.g. provide more clarity and confidence as to remuneration levels in future periods to assure the financial markets of DAA's ability to fund the investment required), to ensure its Interim Review Decision goes some way to meeting the statutory objectives that require CAR to enable DAA to operate Dublin Airport in a sustainable and financially viable manner and to develop Dublin Airport to meet the requirements of current and prospective users.

Appendices

1. **Presentation of Red C Research Findings April 2007**

2. **Response to RRV Review of DAA Capital Expenditure Report 1 – Review of DAA Cost Benchmarks**

3. **Response to RRV Review of DAA Capital Expenditure Report 2 – Review of T2 Non Construction Costs**

4. **Response to RRV Review of DAA Capital Expenditure Report 3 – Review of DAA Capital Investment Programme (CIP-04)**

5. **Response to VML/AE Review of DAA Capital Expenditure Report No. 4 – Review of Terminal Sizing**

6. **Turner and Townsend Response to Draft Decision (CP5/2007) Comments on CIP Consultation**

7. **ARUP Response to Draft Decision (CP5/2007) Comments on CIP Consultation**

Results of Airport Charges Research

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Key Messages from Research I

Areas Where Improvement is Required

- Service areas where improvements are required are
  - security search
  - seating areas at departure gates
  - catering/restaurants
  - check-in (among Ryanair passengers)

- Improvement also sought in the appearance of the airport
  - Shabbiness an embarassment!
  - Developments perceived as piecemeal and slow
  - Relatively little known about the long term development plan for Dublin Airport

- Widespread recognition that Dublin Airport is catering for huge numbers, and under pressure from the general increase in air travel.

Key Messages from Research II

Airport Charges

- Only 1 in 4 passengers are aware that DAA levies an airport charge
- Low level of awareness of what charges cover
- When advised the level of airport charge there is some surprise that it constitutes such a small portion of the ticket price
- >50% believe that it is appropriate for passengers to pay the €6.39 charge towards the provision of facilities.

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Key Messages from Research III

Acceptability of Charge Increase

- An increase of up to €3 on the current €6.39 charge is perceived as acceptable
- Acceptability of a charges increase is not affected by the carrier used.
- Many people unaware of the services provided for the charges and could be prepared to pay more if they were made more aware of what the proceeds were used for.

DAA
Airport Charges Research

April 2007

Prepared for:

daa
Dublin Airport Authority

RESEARCH EVALUATION DIRECTION CLARITY

Job No: 05707

Background & Methodology 1

- Research was required to identify:
  - Current experience of the airport
  - Desired experience as a passenger
  - Understanding of airport charges – amount, what they pay for, how they are calculated
  - Willingness to pay a higher rate

Background & Methodology 2

- In order to provide the most comprehensive understanding of the question both qualitative and quantitative research was required.
- Fieldwork for the qualitative research took place between: 21st – 27th March
- For the quantitative phase fieldwork took place between the 11th – 18th with quotas being set in the following airlines and destinations.

	Quotas Achieved
Ryanair (UK & Europe)	114
AerLingus(UK & Europe)	110
Transatlantic	91
Other/Europe	94

- For a total sample size 409 providing a margin of error of +/- 4.8%

Research Methodology

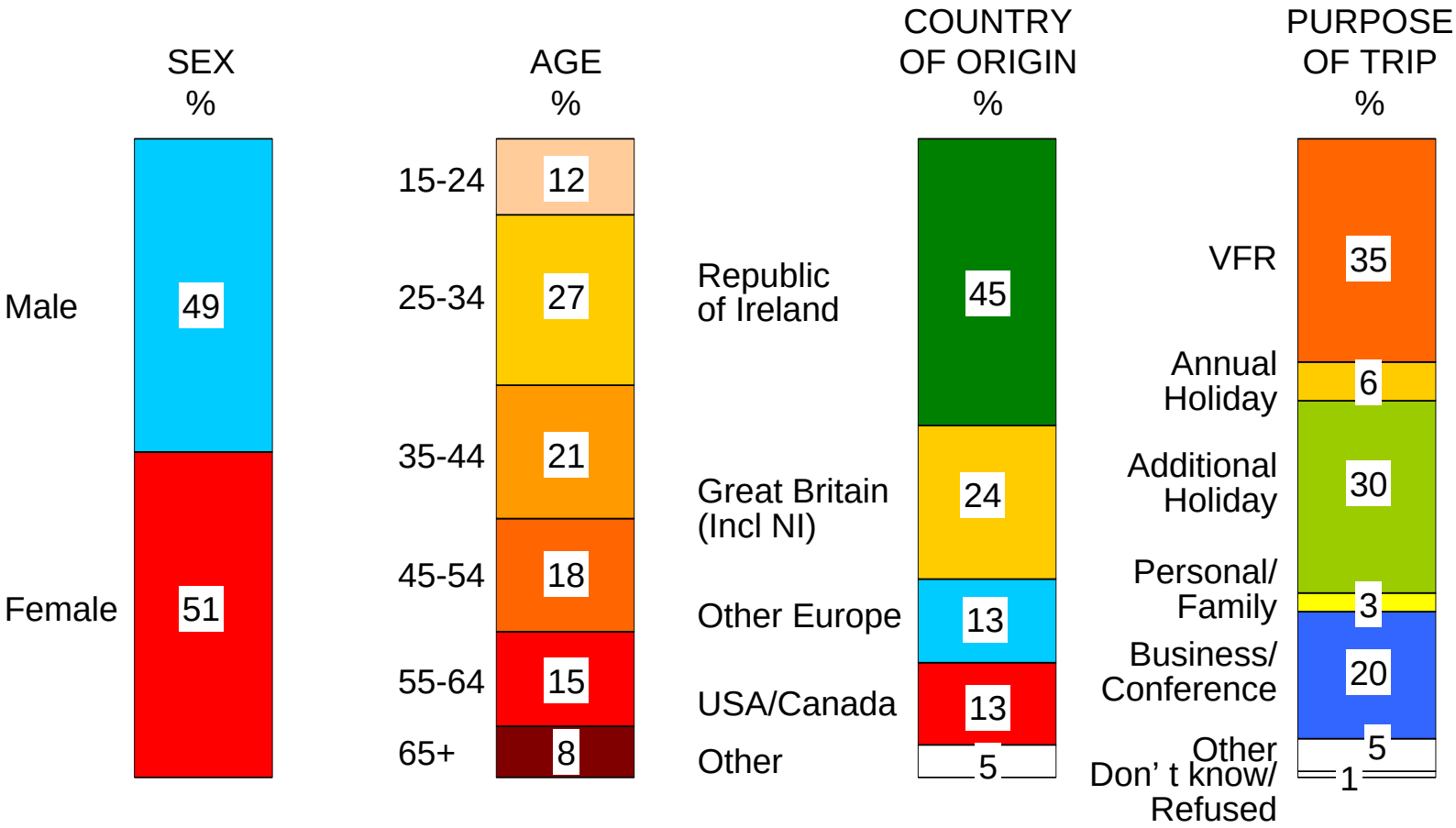
- Five group discussions were conducted among passengers of Dublin Airport according to the following sample.

Group	Target Group	Age	Class	Sex
1.	Business Travellers	40-60	ABC1	Male
2.	Business /Short break	35-55	BC1	Mixed
3.	Leisure/ charter	30-45	C2D	Mixed
4.	Short break/leisure	25-40	C1C2	Mixed
5.	Short break/leisure	35-50	BC1	Mixed

- Fieldwork was conducted between 21st – 27th March 2007 and moderated by Emer O'Carroll.

Analysis Of Sample

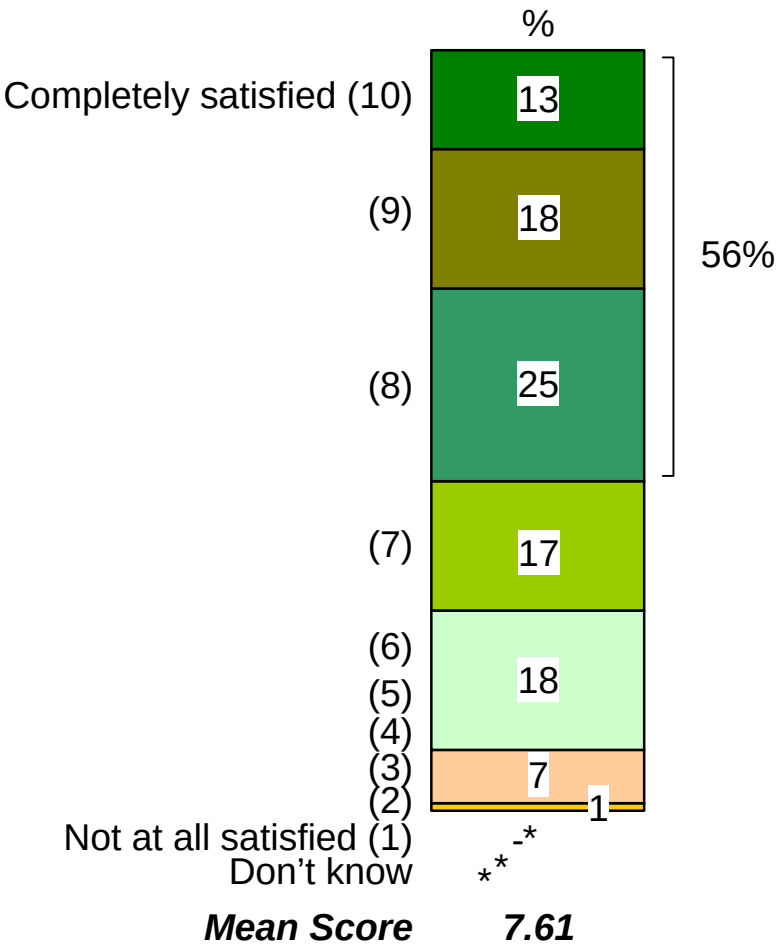
(Base: All Respondents)



Current Experience

Relatively good satisfaction levels with the Dublin Airport Experience; Aer Lingus UK & European passengers more likely to be satisfied.

(Base: All Respondents)



% 8-10 scores X Demographics				
SEX	Male	58	***Airline/Route***	
	Female	54	Aer lingus (UK&E)	66
AGE	15-24	65	Ryanair (UK&E)	47
	25-34	58	Transatlantic	56
	35-44	55	Other\ Europe	52
	45-54	61	***Purpose***	
	55+	45	VFR	58
			Annual/Additional Holiday	54
			Business	52

Frequency of usage of the airport is a key influencer of levels of satisfaction.

Annual Holiday Maker

- Highest level of satisfaction,
- Novelty, excitement in travel,
- Lower expectations/ demands
- Limited comparison with other airports.

Short Break

- Enjoyable leisure context,
- But begin to notice more weaknesses,
- More experience of other airports for comparison

Regular Business

- Shorter tolerance,
- Time pressured
- Critical ‘stress’ points (security / parking / transport).
- Many comparative experiences

Areas for Improvement

Passengers identified a number of areas of Dublin Airport requiring improvement/development.

Structural

- Appearance
- Expansion of T1 – Pier D
- New check-in
- T2
- Upgrading baggage hall
- Improving car parks
- Road access

- Not seen as short term in delivery

Service

- Bag and tag delays
- Food facilities
- Security delays
- Toilets / cleaning
- Way finding/ signage for some (arrivals, new departure areas)

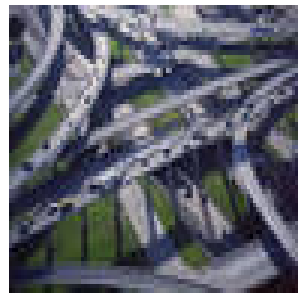
- Easier to enact some in the short term

Areas Needing Improvement - Appearance

- **Appearance**
  - Structural improvements are piecemeal and slow to contribute to overall positive image.
  - No real pride at the current state of the airport…Business passengers feel it is an embarrassment!
  - Desire for a world class standard
  - Shabbiness challenges the efforts to keep the place clean… very little evidence of cleaners / maintenance staff.
  - Baggage Hall, in particular, is criticised as dark, chaotic and shabby,... Giving visitors poor first impressions.

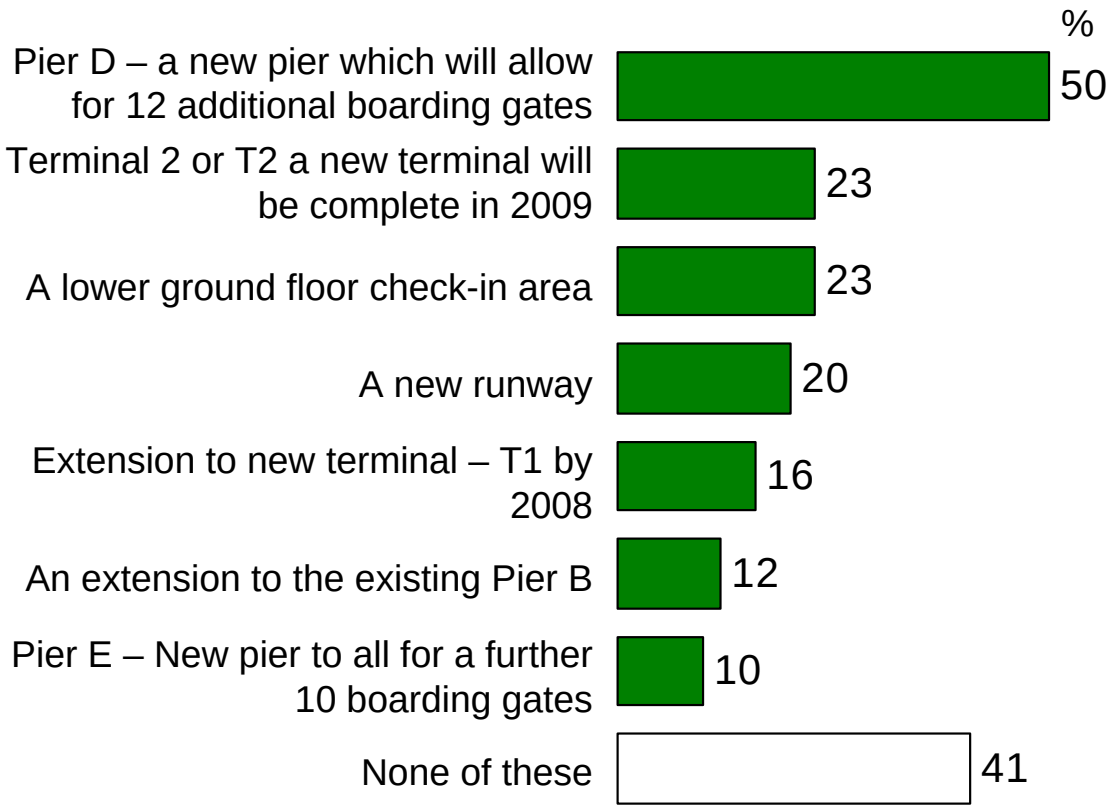
Areas Needing Improvement - Access

- **Access To Airport**
  - Road access is heavily criticised…
  - *"you can spend so much time on the M50 that you are really stressed when you get there"*
  - Public transport also lacking….. Rail link essential and sooner the better
  - Upon prompting there is acceptance that the resolution for these issues is at government level…..but negative association with daa continues
  - *"Are they really trying to get it sorted?"*
  - It is at this level that international comparisons are employed



Awareness of planned developments varies – the highest levels of awareness are of Pier D, followed by T2.

(Base: All Respondents)



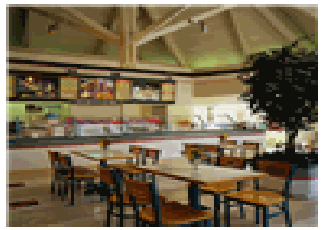
Airline		
Aer Lingus %	Ryanair %	Other %
49	56	46
23	19	33
22	26	23
19	18	26
13	19	19
10	14	14
8	11	16
44	36	40

Areas Needing Improvement – Parking

- **Parking**
  - Long-term car park offers opportunity for improvement:
    … more frequent bus service,
    … better security,
    … improved surface.
  - Giving a better quality experience

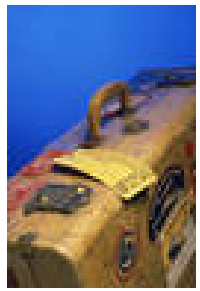
Areas Needing Improvement – Food Facilities

- **Food Facilities**
  - Limited appreciation of the multiplicity of options
  - Viewed as a strong leaning towards ‘fast-food’
  - Opportunity to convey choice and value….healthy food, inexpensive options
  - Knowing where and what the options are…considerable evidence of poor knowledge



Areas Needing Improvement – Bag and Tag

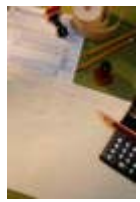
- **Bag & Tag**
  - Effectively another check-in point
  - Challenges the efficiency/ time saving of SSK, having to queue again to deposit bags
  - Responsible for more passengers standing around adding to congestion in the departures area
  - Even more so now that cabin baggage restrictions apply…even business passengers have to leave their bags now



Airport Charges

There is limited awareness of what airport charges are….

- Not much thought is given to the concept of airport charges…a necessary part of the travel process
- Added on to the fare
- But consisting of taxes, charges for Dublin and other airports, and airline charges.
- Taken as a total amount which significantly adds to the cost of the journey….and resented as the unforeseen part of the cost
- Lack of clarity how these are calculated per ticket…ie different airport charges



….and low levels of understanding of how charges are calculated.

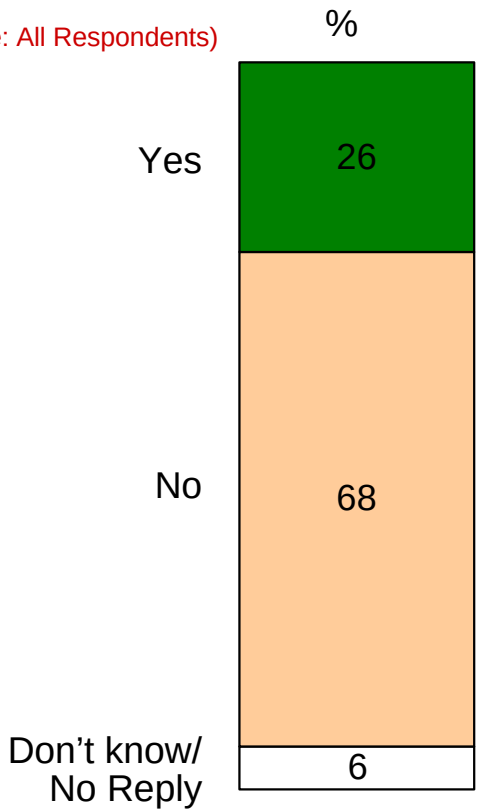
- **<u>Spontaneous assumption that Dublin would be expensive.</u>**
  - Reflective of all pricing in Ireland.
  - Partly by virtue of being an island
  - Also part of a culture of overcharging
  - And relatively fewer people travelling than through other international airports

- Not known how/ by who the charges are calculated

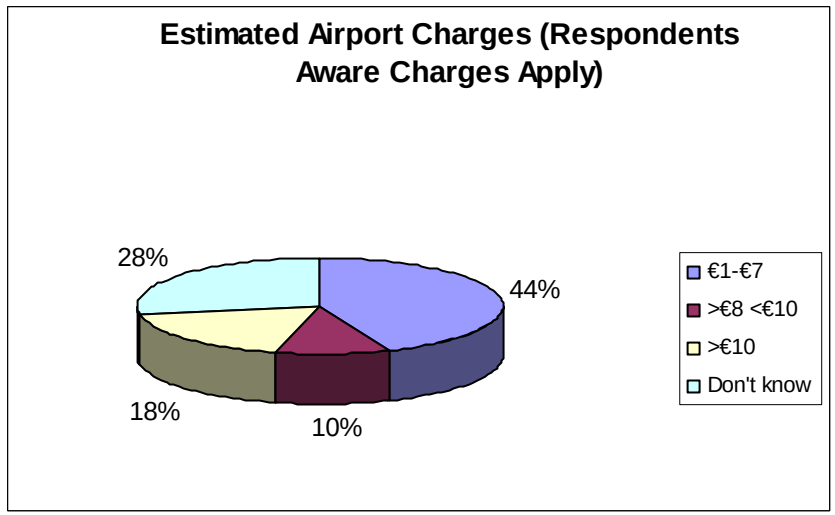
- Presentation of the actual level is much less than many would have expected
  - Appears to be a small part of the overall taxes/charges

>70% respondents were not aware that they pay charges to daa. There are also low levels of spontaneous awareness of what charges are used to fund.

(Base: All Respondents)



Aer Lingus passengers more likely to be aware (32%)

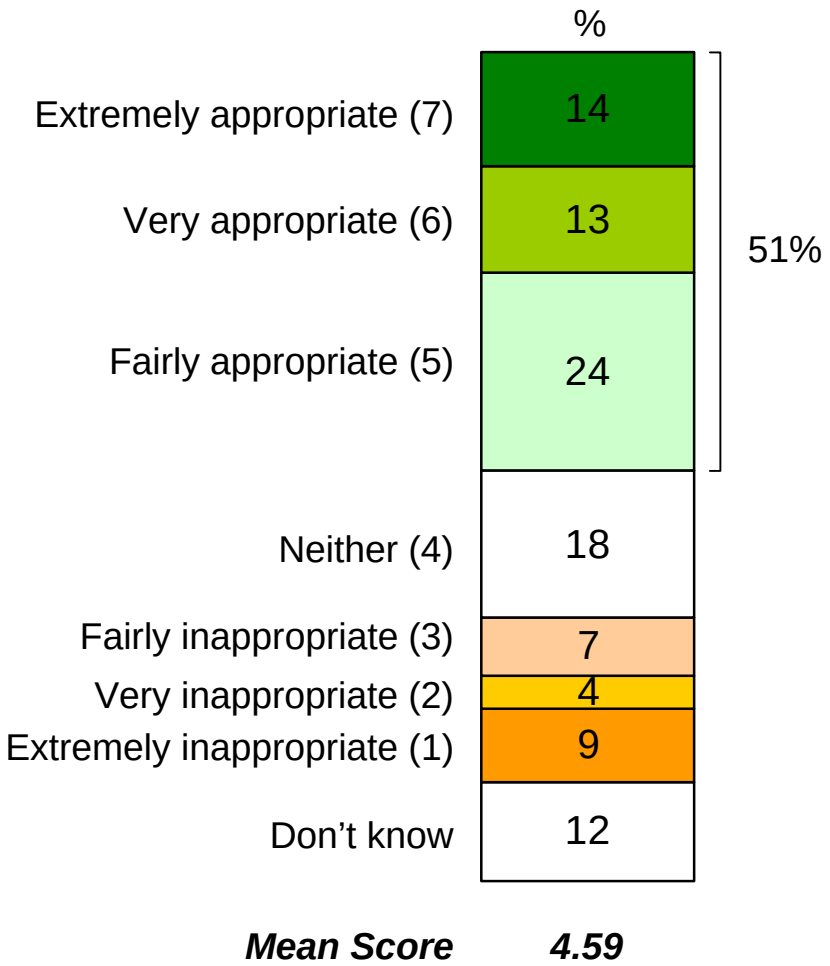


There are also low levels of spontaneous awareness of what charges are used to fund.

- With prompted reflection it is assumed that airport charges are to fund structural and maintenance issues in the airport
  - Runways
  - Buildings
  - Cargo services
  - Storage
- Cleaning costs are also related as these are essential but not self funding
- Some staffing costs are also thought to be involved (helpers/ information

>50% believe that it is appropriate for passengers to pay the €6.39 charge towards the provision of facilities.

(Base: All Respondents)

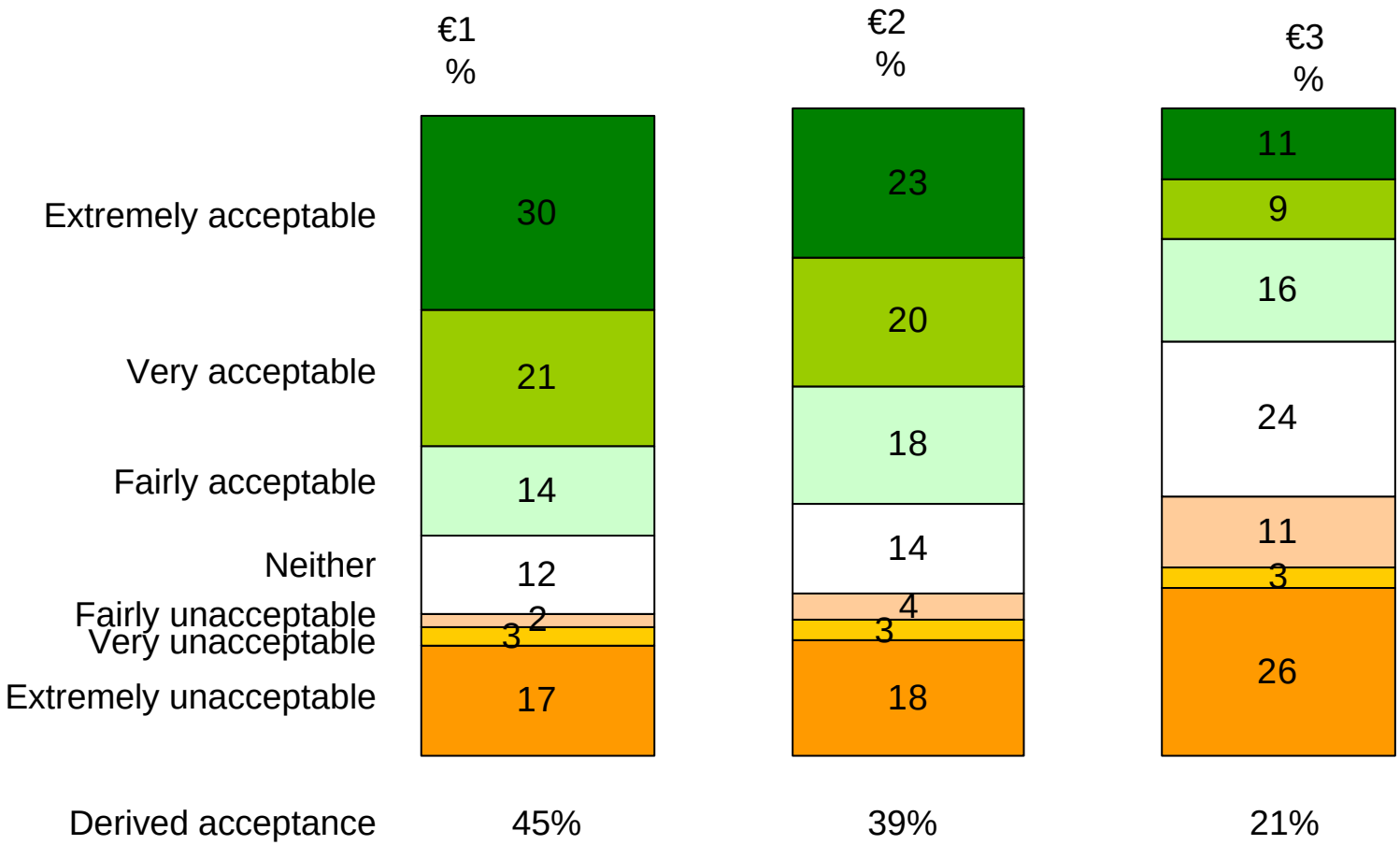


Mean Score ***4.59***

X Demographics				
SEX	Male	52%	***Route***	
	Female	49%	Aer lingus (UK&E)	53%
AGE	15-24	49%	Ryanair (UK&E)	45%
	25-34	53%	Transatlantic	51%
	35-44	55%	Other\ Europe	55%
	45-54	61%	***Purpose***	
	55+	37%	VFR	49%
			Annual/Additional Holiday	50%
			Business	61%

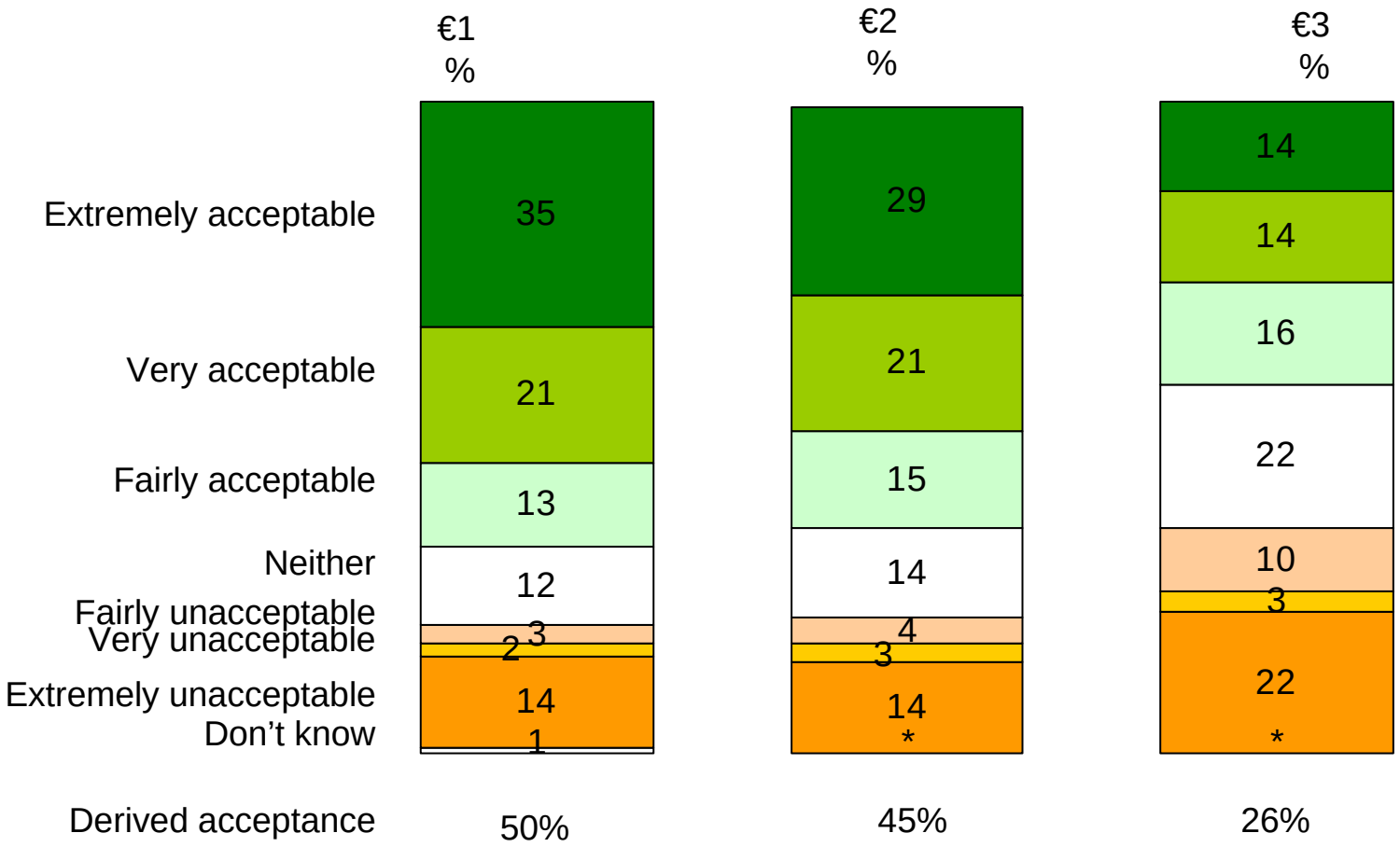
When asked about acceptability of increasing charges to fund new developments, there is a tolerance for an increase of €2 to €3.

(Base: All Respondents)



There is a greater level of acceptance of an increase once respondents are made aware of charges levied by other airports.

(Base: All Respondents)



Not withstanding a resistance to any price increase, most are happy to accept price increase of €3 when it is presented in context.

- Most passengers are willing to accept the proposed increase especially if set by a third party and presenting the need in context
  - Still below European average
  - Needed for longer term plans, (construction)
  - Would hope to see some short term improvement (service experience)

"When the Airlines started charging for the baggage, that's just greedy; after all we can't travel without luggage and we didn't pay for it before. But this charge is different if we are going to get a better airport for it."

Carrier used is not a key differentiating factor in the acceptability of an increase in charges.

- Gender does not influence acceptability of charge increases
- Carrier also is not a significant factor in how acceptable charge increases are
- Business passengers are most accepting of charge increases
- Those aged 35+ are more resistent to additional charges at any level while the < 25 are resistant at the higher charge increases

Acceptability Of Charge Increase

(Base: All Respondents)

		€1	€2	€3
	TOTAL	**45**	**39**	**21**
Sex	Male	47	42	25
	Female	44	38	17
Age	15-24	45	39	10
	55-34	43	37	16
	35-44	50	42	26
	45-54	53	45	26
	55+	38	34	21
Airline/Route	Aer Lingus (UK & E)	47	43	22
	Ryanair (UK & E)	42	34	19
	Transatlantic	43	37	22
	Other/Europe	51	39	20
Purpose of Trip	VFR	39	35	14
	Annual/Additional Holiday	46	37	19
	Business	52	42	30

Acceptability Of Price Increase Knowing Current Charge

(Base: All Respondents)

		€1	€2	€3
	TOTAL	**50**	**45**	**26**
Sex	Male	53	47	29
	Female	48	44	24
Age	15-24	52	44	18
	55-34	45	41	23
	35-44	56	49	32
	45-54	57	54	33
	55+	44	39	27
Airline/Route	Aer Lingus (UK & E)	51	49	28
	Ryanair (UK & E)	48	42	23
	Transatlantic	52	44	27
	Other/Europe	49	44	26
Purpose of Trip	VFR	47	41	20
	Annual/Additional Holiday	51	46	28
	Business	54	52	34

Group Planning and Capital Programmes
June 2007

Response to RRV Review of DAA Capital Expenditure Report 1 – Review of DAA Benchmarks

1. Summary

The DAA welcomes RRVs overall findings re *"the approach adopted and the methodology used to be comprehensive, appropriate and professional".* RRV's acknowledgement of the extent and robustness of T&T's data and approach is also welcomed.

Notwithstanding the general level of endorsement within RRV's report, DAA has reservations about the process deployed and the conclusions reached in relation to specific projects referenced within the report.

Furthermore, section 5 of RRV's report highlights the *"significant limitations"* associated with high level benchmarking studies, which supports DAA's assertion within the CIP that a specific project which has been developed and value engineered to planning stage and is underpinned by a detailed cost plan, is manifestly more robust than any comparison that is based on a high level comparative unit cost approach. In this context, we believe the adjustments proposed by RRV to be inappropriate, lacking robustness, and generally fail to take account of the extent to which DAA's estimates are underpinned by substantial design / planning work and detailed knowledge of the specific characteristics of the environment surrounding the Dublin Airport Capital Programme.

2. Comments on Approach and Methodology

Section 1

DAA notes RRV's acknowledgement of the tight timescale in which they were required to conduct their review, notwithstanding the fact that the CIP was issued to CAR in October 2006.

Section 2

DAA notes that RRV's executive summary endorses the approach of DAA's consultants and explicitly caveats the use of high level benchmarking. DAA would emphasise that any uncertainties alluded to by RRV reflect the fast-track nature of the exercise it undertook for the Commission for Aviation Regulation and the consequent constraint on adequate engagement between RRV and DAA.

Section 3

DAA notes and agrees with the scope of projects as selected by RRV in the context of a rational type approach.

Section 4

Whilst the methodology outlined is reasonable, DAA has issues with the application and conclusions reached and these will be addressed in parts 3 and 4 of this document.

Section 5

DAA would endorse the comments in the report regarding the *"significant limitations"* of benchmarking and the issue of reliability of source data. We would state that whilst the projects selected were chosen because of their similarity to projects being delivered as part of the CIP, they serve to provide only a general endorsement of reasonableness and are secondary to the detailed work which has generated the specific project propositions in the CIP which reflect the specific context of the Dublin Capital Programme.

Section 6

RRV's analysis of Terminal 2 benchmarks is assessed in part 3 of this report.

Section 7

DAA notes RRV's emphasis on the issue of project complexity and would reiterate that no adjustment has been applied to any benchmark data to take account of the relative complexity of any one project.

We have selected projects for comparison on the basis that they are (where possible);

- Of similar type – i.e. new build terminals
- In similar locations – i.e. operating airports
- Of similar scale
- Of similar complexity
- Of similar scope – i.e. including Baggage Handling Systems

Section 8

DAA notes RRV's endorsement of the approach used by DAA.

Section 9

DAA notes RRV's satisfaction with the level of verification, having regard to the time constraints for the review. Raw data relating to DAA projects, other than the six bay extension, is available on request. The source data within the T&T and DLPKS databases would rank amongst the best within the industry for the UK and Ireland given the size and experience portfolio of the companies in question.

In this context, the T&T source data included a range of projects covering taxiways, aprons, piers and Terminals and DLPKS source data included Terminal projects.

3. Benchmarking of Terminal 2

As part of the development of the Terminal 2 proposition and associated cost plan, DLPKS conducted a benchmark study of relevant comparator terminal projects, particularly within the UK and this data has been collated by DLPKS and presented as part of the DAA CIP-04 Cost Benchmarking Report.

This exercise was further supplemented by data relating to European and global projects using the T5 Benchmarking report.

Subsequent queries by RR as to the source of this data led to a second issue of information via email on the 26th April 2007.

In reviewing this information RR state that by including Southampton, Luton and omitting T4 the mean benchmark calculated from this data would be €3546, 11% lower than the DAA quoted mean of €4018/m2.

This may be true but for the reasons outlined in Section 7 we believe this approach to be inappropriate. Southampton terminal building was completed on a Greenfield site in a largely non-operational environment. The new terminal is small in comparison to T2 and has a far simpler baggage handling system and internal layout. The Luton project is also far smaller, and not really comparable in scale, location, complexity or product.

Heathrow T4 project is significantly over the average. This is due to the complexity of its location and the relatively high specification of the building. This is not fundamentally different to the T2 Project that is obviously being constructed on a tightly constrained site; adjacent to a busy operational runway and is a prestigious, high quality design.

We would contend that the benchmark report as submitted is robust and should stand unamended.

3.1 Benchmark Cost / m2 - Verification

T2 Cost / m2 as submitted to CAR = €4,187/m2

RR had further reservations about the cost / m2 used for T2 for budget comparison in the benchmarking study. They believe that the cost per m2 should be increased to include for T2 programme level contingencies, which are held outside of the construction budget.

RR report identifies €4767 / m2 as an appropriate comparison benchmark for the terminal. This is a 13.9% increase to reflect inclusion of elements of the T2 contingency fund (pro-rated by value).

RR report identifies €4,406 /m2 as an appropriate comparison benchmark for the Pier, still below the benchmark mean of €5,500 / m2. This represents a 13.9% increase to reflect inclusion of entire T2 contingency fund (on a pro-rate by value basis)

We would refute the RR position for the reasons identified below.

- The T2 figure includes 5% contingency on construction costs to cover design development. We would contend that this is a like for like comparison with the selected benchmark projects.

- It should be noted that the €609m estimate for T2 was based on a set of assumptions, most pertinently, programme but also supporting projects required for the terminal development, decant projects, external works, services diversions, campus alteration etc. The T2 programme contingency has to cover all facets of a complex programme for the delivery of the T2 Project, not just construction e.g. planning delays, the costs of which would not be in benchmark projects.

- As such the T2 programme contingency contained significant allowances for these non-terminal related risks.

- By including the T2 programme contingency within the T2 Terminal capital cost benchmark RR are over estimating the cost / m2 of the terminal in comparison to other terminals in the benchmark study. None of the costs used for comparison would include any expenditure on the items identified.

4. Benchmarking of Other Projects

The remaining benchmark projects are generally accepted as reasonable by RRV so we do not propose to comment further on Aprons; taxiways or Pier benchmarks. Some reservations are expressed regarding the approach adopted for Pier E these are reviewed below.

4.1 Pier E

Pier E cost / m2 as submitted to CAR = € 3,870 m2

This figure includes 5% contingency on construction costs to cover design development. We would contend that this is a like for like comparison with the selected benchmark projects

For both T2 and Pier E projects we would contend that the cost / m2 used in the benchmark comparison is correct, and on a like for like basis with the terminals and piers selected in the Benchmark study.

We therefore feel it inappropriate to inflate the cost / m2 to include Programme contingency outside the scope of the benchmark study.

Group Planning and Capital Programmes
June 2007

daa
Dublin Airport Authority
helping you on your way

Response to RRV Review of DAA Capital Expenditure Report 2 – Review of T2 Non Construction Costs

This document responds to comments made in RRV's Review of DAA Capital Expenditure: Report No. 2 – Review of Terminal 2 Non Construction Costs undertaken on behalf of The Commission for Aviation Regulation.

Review of Costs

Enabling Works, Site Logistics & Phasing/Temporary Works

(a) Survey Works

DAA welcomes RRV's acknowledgement of the issues associated with estimating cost plan elements of this nature and note RRV's acceptance of the reasonableness of the provision.

(b) Services diversions

RRV point out that they asked DAA for the drawings indicating the actual extent of services diversions and for the detail behind the "Estimate Summary". They note that DAA stated that the information was not available at the time the budget was prepared so thus they declined to give a definitive comment on the costings. We confirm that the budget allowance for services diversions was an estimate, which is the norm for the stage at which the cost plan was prepared. Furthermore, it is entirely reasonable that at the point that we were developing the CIP there were different degrees of information available depending on the extent to which individual projects would have been progressed at the time preparation of the CIP. As is the norm, an informed judgement was provided by our expert advisers, the robustness of which was borne out by the tenders received post October 2006. It should be pointed out that it was agreed by all parties at the outset of the study that the review of the CIP should be conducted in the context of the information which was available at the time of preparation of the document in October 2006.

(c) Removal of existing roadways

We note RRV's acceptance of the rationale underpinning DAA's estimate for works which at the time were indeterminate in nature.

(d) Temporary roads

We note RRV's acceptance of the rationale underpinning DAA's estimate for works which at the time were indeterminate in nature.

Public Art

We note that RR&V consider that the €70,000 allowance for Public Art is too low given the scale and nature of the project. This gives further credence to DAA's assertion that it has adopted a prudent approach to the development of the facility, without gold plating.

Design Fees at 10%

It is clear that the 10% allowance based on competitively tendered fee submissions is for project management, design and cost consultancy services only. DAA considers this allowance to be manifestly reasonable based on the range of tender prices received as part of the T2 procurement process and DAA's experience of other major procurement processes for professional services over the last 6 years.

RR&V **correctly** acknowledge that as the 10% allowance for project management, design and cost consultancy services excludes site supervision, a separate allowance should be made for same. An allowance had been included for this in the general preliminaries category within the cost plan, without prejudice to a decision on procurement approach and with reference to the experience of the cost consultants for projects of this scale and complexity.

RR&V incorrectly assumed however, that this allowance was to fund site supervision undertaken by the project management and design team. At the time of preparing the cost plan the procurement strategy for Terminal 2 had not been finalised, and various models were under consideration.

In this context therefore it is inappropriate to talk of a 'combined fee of 15% seeming high'. Since the cost plan was prepared we have completed our assessment of the procurement strategy and have decided to procure the works on a multi-package basis with upwards of 20 packages of work involving multiple interfaces to be delivered in an aggressive timescale within an extremely challenging operational environment. In this context, based on a bottom up analysis of resources, which has been validated by our experience of similar works, a budget of this

nature for site supervision is manifestly reasonable and within norms.

We note that as the Site Supervision fees were originally contained in the Prelims allowance of each package they fall outside the defined scope of the RR&V review.

Capital Contributions

DAA is unable to comment on the methodology and assumptions deployed by RRV in their assessment of the Capital Contributions for the Terminal 2 project, other than to note that RRV appear to have arrived at an incorrect conclusion. DAA can clarify the position as follows;

- The cost plan originally provided for a new build area of €103,231 sq.m. for Phase 1 only at €114 per sq.m. equating to €11,768,334. The area was based on the calculated area of Terminal 2 excluding the areas for Pier C that are to be refurbished, which DAA considered to be exempt from the levy. The rate chosen at the time (August 2006) was the mean value between the 2006 declarer rate (€112) and the estimated rate for 2007 (€ 116), reflecting uncertainty re timing of receipt of planning permission from Fingal County Council and/or an appeal to An Bord Pleanala.

- It should be emphasised that the levy is subject to indexation in January of each year and thus the protracted nature of the planning process has the potential to lead to a further increase in this liability, the extent of which is dependent on the timing of receipt of planning permission from An Bord Pleanala. I refer to DAA's arguments in relation to contingency and the increasing time-related exposure, which is manifesting itself as DAA awaits a final decision from the statutory authorities.

We note that RRV recommended that "further clarification should be sought from Dublin Airport Authority in relation to this apparent anomaly"[1], however, neither CAR nor its consultants sought clarification prior to publication.

[1] Page 10, RRV Report 2

(k) Project Contingency

In our experience a design development allowance of 5.2% at planning submission stage could be considered as particularly conservative in the context of the scale and complexity of the proposed development Typically you could expect design development allowances to be in the order of 10-15% depending on the type, scale and complexity of the project. The Gateway process deployed by DAA's consultants was specifically designed to improve certainty and robustness of scope in the pre-planning application stage of the project.

From the outset, DAA demanded of their consultants that they deploy a best in class scientific approach to enable them to establish a **meaningful quantitative risk based contingency** to underpin the project budget for presentation to Board and for submission to external scrutiny by the Government appointed Independent Verification team. In this context, DAA's consultants conducted a range of risk workshops, attended by a multi-disciplinary team of project management, design, operations and construction experts and chaired by an expert in the use of statistical methods for quantification of project related risks. The project contingency was computed based on the 80th percentile derived from the application of a Monte-Carlo simulation model.

This assessment was independently reviewed and assessed by DAA's Programme Management Team – Turner and Townsend.

Attention should be drawn to the fact that the original project timeline assumed that An Bord Pleanala would adjudicate on the project within the statutory period i.e by 31st March 2007. The delay to project commencement arising from An Bord Pleanala's ongoing considerations of the project is currently estimated to lead to a delay of 4 months, based on An Bord Pleanala's most recent communication on the matter. The cost of this delay will be funded from the contingency provision. In effect, the contingency element pertaining to time delay will have been consumed, in full, before works commence on the project.

We note that RR&V acknowledge **they are not risk analysis experts** and that they rely on their experience in reaching the conclusion that 'contingency in this amount appears to be relatively high given the current stage of this project'. As they did not substantiate this comment with reference to tangible airport or other relevant examples of appropriate scale, nor did they provide an indication and substantiation of the % which they

would recommend, nor did they present a case with reference to the project risk register, we assert that their comments do not provide a basis to discount the proposed contingency, which is based on “best in class” methodologies and the considered views of over 20 experts.

As previously stated, we can confirm **that we did employ experts in Risk Analysis** to advise us and remain confident that should CAR take the recommendation of RR&V and do likewise then the approach taken and the outcome reached by DAA in establishing a risk based contingency would be endorsed.

We continuously review and update our risk register, as part of our standard project management procedures, and the profile is expected to change relative to time. Our most recent review confirms that the risk based contingency allowance as provided for in the cost plan constitutes the best estimate of a prudent and appropriate provision for project contingency.

With regard to RR&V’s specific points relating to the inclusion of certain risk events we would comment as follows:

- We do not have a 5.2% construction contingency sum. We have a 5.2% design development contingency allowance. Uncertain ground conditions is not a design development risk.

- RRV reference a number of risks where they consider the probability of occurrence as low. The example they quote ‘change in legislation results in redesign costs and programme delays’ is not considered by us to have a low probability of occurrence.

  To illustrate this point you will recall that, recent changes in security protocols arising from the terrorist plot in the UK have resulted in slower processing rates and a likely increase in the spatial requirement for security facilities to maintain existing levels of service. All of this could lead to an unforeseen increase in costs.

  Similar unforeseen changes during this construction programme are more likely than not.

- The risk that construction inflation and CPI differential results in increases to scheme cost is to allow for hyperinflation not normal inflation. This is not an unlikely risk and we can refer to some recent examples of this, the most notable of which was the significant increase in the cost of steelwork.

- As stated above, the risk register is a living document and whilst some risks will drop off the register others are likely to be added. To single out one risk as historical to demonstrate that the contingency allowance is too high further illustrates RR&V's lack of experience of the risk management process. Furthermore RR&V suggest the 'cost of moving/rebuilding Corballis House' is historical when in fact this has not yet been ruled upon by An Bord Pleánala. By contrast, when a risk in the register materialises (100% certainty) the impact on cost is higher than the percentage in the probability allowance in the risk calculation.

Finally RR&V conclude that 'the overall cost' should bear comparison with out-turn costs of comparable projects on the basis that out-turn costs will incorporate contingency required in relation to those projects. This approach is only relevant when the projects have very similar risk profiles etc. and thus are truly comparable – which is a very unlikely scenario. No two projects have the same risk profile, no two projects will ever be constructed in the same site environment (even green field sites) which is why it is totally inappropriate to add risk based contingencies when making the benchmark comparisons.

Group Planning and Capital Programmes
June 2007

daa
Dublin Airport Authority
helping you on your way

Response to Rogerson Reddan Report 3 – Review of DAA Capital Investment Programme (CIP-04)

1. Introduction

This report has been prepared in response to the Rogerson Reddan (RRV) review of the DAA CIP-04 document.

Its purpose is to review the RRV report and where appropriate provide specific response to queries, statements or conclusions that have been drawn by RRV some of which have subsequently been used to reduce capital allowances in the CIP.

2. Executive Summary

DAA is of the view that:

- The RRV review process has been conducted in an excessively hasty manner that is in manifest contrast with the process, methodology and robust approach adopted by DAA in the 10 month period leading up to DAA's submission to CAR.
- RRV appear not to have reviewed all of the relevant information which was submitted by DAA as part of its submission to CAR.
- The excessively short timescale has not facilitated appropriate engagement between RRV and DAA/its advisors.
- RRV's report is the subject of a number of caveats, such that it would be inappropriate for CAR to make any amendments to DAA's CIP based on the qualified recommendations.
- We welcome the general view of RRV that in reviewing the CIP the majority of cases the estimated costs for the majority of projects reviewed are realistic and fall within the parameters that could be expected for projects of this nature. We are confident that given more time the remaining issues identified by RRV could be closed out to a mutually satisfactory conclusion

3. Comments on RRV's Introduction and Scope

- DAA notes RRV's comments re the highly constrained timescale for their assessment of the October 2006 CIP, which DAA contends has precipitated a review that is not robust.
- DAA notes RRV's reference to documents provided by CAR which would suggest that RRV did not have access to the full suite of relevant documentation, including critical supporting documentation.
- We welcome RRV's own admission that *"some of the conclusions reached may therefore require review and revision"* and we strongly contend that such is in fact the case.
- We reject RRV's statement that *"many of the projects included within the CIP are at feasibility or concept stage, and limited information is available".* The majority of the CIP is underpinned by detailed cost plans and tender receipts.

4. Comments on RRV's Executive Summary

In general, RRV's executive summary makes a series of general statements, many of which cannot be substantiated by supporting data. DAA's view of RRV's summary is detailed below;

- In general the RRV report endorses the "realistic" nature of the costs for the CIP projects which have been reviewed.

  Where cost levels are queried generic statements are made such as *"significantly different cost predictions may now be available"* and *"better value may be obtainable in the current market"*, all of which are not supported by data or tangible information. We would contend that these must be either supported by evidence or withdrawn by RRV

- In particular, the RRV terms of reference was confined to the CIP at October 06 status, and thus it is not appropriate to speculate on tenders received since the submission of the CIP.

- RRV should acknowledge that cost reports can only reflect the level / point of design at a given time.

5. Comments on RRV's Methodology and General Principles

DAA notes the emphasis on "high level review" and will deal later with situations where such a "high level" approach is inappropriately deployed to make recommendations about very specific project propositions.

6. Review of Individual Projects

Note – only those projects identified by RRV as containing unreasonable cost allowances or insufficient information provided to allow verification have been commented upon.

6.1 CIP 1.006 - MSCP

We note RRV comments regarding aggressive rate per space for the carpark. It is our intention to deliver this product for the cost identified via selection of efficient design, effective specification and innovative procurement. In addition we have stripped out all project abnormals from this rate.

Passenger Links

The links in question are not just those connecting to Terminal Building, but also include the proposed link to the Ground Transportation Centre. At Oct ’06 no details regarding extent, nature or location of links existed. The final scope will be determined with reference to the live masterplanning study for Operational area 1, particularly in the context of the final alignment for Metro North.

The allowance provided in the 2006 CIP is based upon the provision of 480m of Pedestrian links to include Car Park – Terminal; Car Park to GTC; Car Park to Metro Interchange

Abnormals

Given the aggressive cost per space for the main construction we feel it is necessary to identify and include adequate allowance for those costs that would not be covered by this rate. The abnormals identified are scope that

would not be included in the benchmark rate, in particular car rental fit-out, transport interchanges and the access requirements.

We welcome RRV's conclusion that the overall estimate for this project appears reasonable.

CIP6.018 - Parallel Runway Fees

Allowance for this project not only includes design fees associated with the runway project but also has to take account of the high level of uncertainty around the extent of works required due to possible planning conditions, potential levies for the RPA, enabling projects and other professional services required. In this regard, the project is still under review by the statutory authorities (An Bord Pleanala) and DAA is unaware, at this time, of when a decision will be made.

CIP6.030 - Taxiway bypass for Phase 6

RRV have inferred from the tender return on this project that all subsequent airfield projects will achieve tender returns less than the benchmark norm. This is a grossly incorrect assumption and demonstrates the manifest risk in applying broad generalisations without reference to the specific environment in which the projects will be executed.

This project has been returned below the benchmark mean because;

- Location – The site has many of the characteristics of a Greenfield site, there is limited or no impact on the works caused by airport operations, thus the level of restriction to working will be reduced from the norm.

- Specification – a revised sub-pavement spec was adopted that is significantly cheaper than the norm
- Working methods – there was almost no need for night time working on this project arising from operational constraints
- Phasing – this project was delivered primarily in a single phase.

We contend it is incorrect to extrapolate the cost / m2 for this one project across the remaining airfield projects. As demonstrated by the benchmark report there is a wide variance of costs for taxiways and aprons (……..). No other airfield projects within the CIP may be deemed to have the same attributes as this project.

RRV have stated (as part of their Report 1 – Benchmark Review) that the benchmarks for the airfield projects are credible and reasonable. We would strongly contend that this will be borne out via the procurement and construction process associated with the airfield.

CIP 7.002 - T1X

The contention that T1X allowance with the CIP contains inflation allowance is incorrect. The €55m cost included in the CIP excludes any allowance for inflation. This is demonstrated below;

Review of BSP Estimate previously provided to RRV provides out-turn cost range of €52 - €63 million. This included €2.7 to €3.3m allowances for inflation.

	Min	Max
BSP Estimate	€52m	€63.4m
Deduct Inflation allowance contained in figures above		
	(€2.7m)	(€3.3m)
Total Excl. inflation	€49.3m	€60.1m
Mid point of above	**€54.7m**	

- We also note the comment that the T1X project is 37% over the mean terminal benchmark. We would contend however that this is due to the nature of the project (all the benchmark projects are new build, standalone, terminals) as opposed to an excessive budget allowance.

CIP 7.012 - Pier D

Pier D has been competitively tendered, thus any reference to benchmark costs at this stage is of questionable relevance.

The three areas highlighted by RRV as “appearing high” are related to the walkway and Link Bridge and works in the existing building.

- The walkway and link bridge is obviously a bespoke, unique design that originates from the complex challenge of providing a solution that respects the special status of the OCTB and as such cannot be easily benchmarked. RRV acknowledge such in their report. The statement that the costs / m2 “appear high” is unsubstantiated by RRV and is inappropriate, given the complex nature of the OCTB and the fact that

schemes involving use of the OCTB were rejected by Fingal County Council. All elements of Pier D have been competitively tendered and the costs provided reflect this.

- RRV express concern regarding the element of the project relating to works in existing buildings by stating that “costs appear high”. No substantiation of this comment has been provided. The works under consideration have been competitively tendered and the costs provided reflect this.

- For the avoidance of doubt there is no duplication of work between the Pier D existing building works and the Central Immigration Project.

- The allowance within the Pier D costs for works to existing buildings is providing;

    - Additional external vertical movement for passengers
    - Additional fire escape points
    - Remodelling of existing internal space for passenger movement from new walkway
    - All of this scope is as shown on previously issued drawings.

- We would contend that the costs submitted for the construction of Pier D are robust and represent value for money. The project went through a competitive tender process and as such the most economically advantageous tender was selected.

The RRV review contends that the levels of contingency “appear particularly high” given the current status of the project. DAA rejects this assertion as follows;

- The contingency provision for Pier D was developed with reference to a quantitative risk assessment, which was conducted for DAA by independent experts. The process involved a broad group of multidisciplinary experts and included the deployment of “best in class” methodologies.

- The project is the largest undertaken to date at Dublin Airport (in value terms) and involves an airside construction site, a landside construction site and the provision of major underground services.

- We would state that the levels of contingency identified in the report are robust and subsequent project progress has verified their adequacy and requirement.

- It should be noted that construction work was not as well advanced in October 2006 as it is now, and this time difference may be affecting RRV’s judgement as to the appropriateness of the contingency level at the time of the CIP submission. DAA can confirm that it does not expect to achieve significant budget savings on Pier D with reference to the advice of our cost consultants.

The RRV report notes the cost of the additional fees associated with the OCTB as being high by comparing them to the value of the works within the existing building and applying the tendered fee percentage to this value. This is not appropriate, DAA can confirm that the additional costs were incurred in the following context;

- Following requests from users, the DAA board requested that the team **fully develop a solution to planning and tender stage** for an access route to Pier D, via the OCTB as an alternative to the elevated walkway and bridge.

- Because of the special status of the OCTB, this included a full optioneering study by specialist conservation architects and the option was then developed to planning application and tender stage.
- In effect the optioneering study, planning and design work to support a highly complex solution through a listed building was fully executed.
- The scope of this work included all modification works to the Pier A link building, all modifications to the OCTB and related interfaces with the Pier A link building, a new link building between the OCTB and the eastern end of Pier D and the relevant interfaces between the OCTB and the Pier D link. Whilst RRV have referenced the OCTB component of the works (C. 27% of the scope), the scope included an additional 4,500 sq.m. of link buildings all of which had to be optioneered and designed to full planning and tender stage from a blank sheet. Fees were paid based on the tendered fee schedule, relative to the tender phasing schedule with a negotiated element reflecting the need for additional specialised services and rapid execution of the project.
- Additional fees were also paid for the administration and re-execution of the tender process in the context of the passage of time and the requirement to re-tender the full project under EU procurement rules. This fee was negotiated with reference to the original tendered rates.
- The scheme was ultimately rejected by Fingal County Council and the Board of DAA mindful of the Government stipulation to have Pier D operational by 2007 decided to proceed with the scheme for which planning permission was in place i.e. the aerial link bridge

CIP 7.020 - TFL – Contingency

This project is not complete therefore it is still appropriate to hold contingency. The final account for erection of TFL has been agreed.

However, the TFL is yet to be dismantled, potentially relocated and re-commissioned. Exact details around programme for demobilisation and subsequent relocation of TFL phase 1 were not known in Oct ‘06.

CIP 7.025 - Central Immigration

- RRV were provided with a functional area analysis and cost/m2. The project was purely at concept stage in Oct. 06.

- It should be feasible for RRV to comment on the adequacy of costs provided on the basis that they have the functional areas, the cost / m2 and the nature of the project.

- There is no duplication between this project and the works in existing buildings carried out as part of the Pier D project. Please attached layouts at Appendix A detailing location, nature and scope of this project. Please note these drawings were not available in October 06 and as such will not align with cost model data previously provided.

- For clarification the Immigration Project is delivering

    - Revised existing internal space to provide new GNIB screening
    - Additional external area to facilitate passenger movement
    - GNIB holding rooms

- The original project sheet states that project was at outline design stage. This is incorrect; at the time of CIP submission the project was at feasibility stage.

- Notwithstanding the above we welcome the RRV comment that costs for this project appear “credible”

CIP 7.027 - **CBP**

RRV’s final recommendation re the proposed costs for the Customs & Border Protection project was as follows: *“… it is our view, based on the information provided that the costs for this facility would be in the region of (……) to (……)”.* However, the T2 benchmark figure referred to is exclusive of fees, planning contributions and project contingency associated with this project. When allowance for these is made, the cost per sqm for this project is in line with the higher range of the Rogerson Reddan estimate (……). However, further allowances must be made for the necessary works to connect to the T2 baggage system, for the construction of sterile corridors connecting to Pier E and alterations to the existing Pier C building to provide vertical escape routes. These elements taken together underpin the total project budget of €30 million as included in the October 2006 DAA/CIP04.

CIP 7.034 - **Area 14**

This project has been competitively tendered and final costs are aligned with CIP value. Again RRV contend that the cost / m2 is “relatively high” for refurbishment work, no substantiation is provided to support this assertion. We would point out that the area in question was an unused basement storage area prior to refurbishment and thus the project was required to fund all of the necessary services to support passenger processing and operations in a below ground environment. Appropriate emphasis was placed on lighting, finish and environment on the basis that the area has no natural light and is below ground. DAA contends that the cost / m2 for the

refurbishment and fit out of the basement check in area is appropriate and competitive in the context as described above.

CIP 9.004 - Electricity distribution enhancements - HV

Details regarding size and number of transformers were provided to RRV. This is sufficient information to review DAA's budget proposal.

For clarity the CIP project has to provide a new 110/10kv primary substation comprising 2 nr 24MVA transformers and enclosure. The CIP allowance may be checked with third party providers.

CIP 9.005 - Electricity distribution enhancements – MV

Details in support of this CIP were provided to RRV. The value of €6.9 million is a provision only – survey works to define the nature and extent of the works had not been commissioned in Oct'06.An extract from DAA's Utilities Masterplan was provided to RRV giving relevant details of nature and scope of background work.

Appendix A – Confidential

CIP 7.025 – Supporting Information.

Group Strategy
June 2007

Response to RRV Review of DAA Capital Expenditure Programme Report 4 – Review of DAA Terminal Sizing

DAA Response to CAR Report No. 4 – Review of Terminal Sizing

1. Executive Summary

This document summarises the DAA response to the Vector (VML)/Aviation Economics (AE) Report commissioned by CAR as part of its review of the DAA Capital Expenditure Programme. DAA's concerns relate to two key areas. These comprise, firstly, the process adopted by the consultants, and secondly, detailed assumptions made and conclusions drawn. The issues are summarised below:

1.1 Process Deficiency- Inadequate Consultation

We deeply regret that it was not possible for CAR's consultants to engage fully with DAA and its consultants in the course of this exercise.

- The VML analysis, we understand, took ca. 5 weeks, from early April until 17th May. This compares with a DAA project that involved a large team both from DAA and its consultants working for a total of 12 months (including the three month review by Pascall and Watson of the Masterplan in 2005), in the course of which there were detailed interactions with the key users concerned regarding their growth plans. CAR has acknowledged in written correspondence to DAA that "*I do not consider that the (RR&V) work can or ought be compared to that work carried out by the DAA and their advisers in preparing the CIP 2006. The tasks cannot be compared in size scope detail or purpose*". Thus the scope of the project undertaken by the consultants was never expected by CAR to be equivalent to the DAA programme.
- Despite our frequent requests to do so[1], we had the opportunity to meet only once with the consultants. Had adequate interaction taken place, we are confident that some of the areas of disagreement between us could have been eliminated. No discussion of the VML/AE views or assumptions were outlined at this single meeting.
- VML/AE have in several cases ignored or discounted information on user plans provided both to DAA/Arup and to CAR. This approach is hard to reconcile with the CAR's constant emphasis on the need for DAA to ensure that it meets the expressed needs of its airline customers.
- In the short period of time they took to undertake their analysis, these consultants have, perhaps unsurprisingly, taken a somewhat simplistic overview of the whole project, despite having access to the most detailed information available from DAA. CAR has seen fit to attach greater weight to this analysis than to the comprehensive DAA/Arup programme, although it has acknowledged the former is not comparable with the work carried out by DAA and its consultants. The DAA has previously commented on the persistent tendency of CAR to accept downwards adjustments to the DAA position, while not accepting adjustments that would operate in DAA's favour. Given CAR's written position on the VML exercise, we are surprised that it has seen fit to attach such weight to this report. It is also not feasible that a brief desk-based analysis developed without extensive

[1] DAA Letters to CAR of 3rd, 17th and 18th of May

interaction with the DAA should be the basis for a sizeable deferral of revenues for the DAA. It is also not feasible to suggest that such an analysis could form the basis on which DAA could impose a differential charge to T2 users in order to recover its investment sooner.

- While some of the consultants' erroneous conclusions may be excused in the light of the short timescale and an inadequate consultation process with DAA, it is nonetheless regrettable that rather than dealing with such issues within a consultation context, the DAA is forced to respond publicly to ensure that the misleading observations made and conclusions drawn are not allowed to stand unchallenged. We strongly suggest that the approach adopted here is unnecessarily confrontational and is not best regulatory practice.

1.2 Inappropriate assumptions and conclusions

The VML/AE analysis contains serious misinterpretations and inappropriate conclusions, which are in large part due to lack of interaction by the consultants with DAA. Therefore, DAA strongly believes that it does not represent a body of work that CAR can safely rely upon. The approach adopted by VML/AE involves undermining the approach adopted by DAA for some specific aspects of the analysis, undertaking inappropriate and inaccurate historical benchmarking and making a number of significant changes to some key underlying assumptions to derive a purportedly more appropriate T2 size:

- **Peak Day Methodology used**: By implication, the VML report suggests that since DAA did not use the 95% BHR in terms of passenger numbers (a BAA standard), the DAA/Arup approach was a non-standard approach, resulting in an inflated base schedule. DAA and Arup strongly contest this view and have cited best practice literature below to support the approach adopted. The approach of DAA in commissioning world experts like Arup, with its extensive experience in capacity development worldwide, to assist it in this programme development, is evidence of the importance it attaches to this issue. The VML approach is simply to replace one industry standard approach with another with no clear rationale for doing so.
- **Designing for congestion - Adding peak capacity to a congested system:** The VML analysis approach to the future forecast appears to be predicated on a basic misunderstanding by VML of what is likely to occur once additional capacity is added to an existing constrained system during the peak hour. VML's analysis suggests that this constrained profile is an appropriate basis for terminal design purposes. DAA and Arup strongly reject the scenario presented by VML in its analysis on the basis that it is neither robust nor realistic, and present strong contemporary expert evidence to back up our interpretation. This simplistic "design by ratio" approach is not a robust basis for capacity development, as it would result in current congestion being designed into the new facility.
- **Over-reliance on unsound historical analysis:** VML has extensively used historical data analysed by IMR for its analysis, and concluded that the DAA choice of design day was too high. However, CAR and VML were aware that DAA had identified serious methodological deficiencies in IMR's previous analyses and had documented these in a previous submission. In fact, this review further indicates that the IMR calculation of the busy hour based on rolling 15 minutes is incorrect and gives too low a basis for comparison. In the context of the weight attached to this analysis, a review with the DAA of material produced by IMR,

when a previous IMR analysis had been so comprehensively challenged by DAA would, we suggest, have been prudent. Furthermore, although VML initially indicated that it wished to use data that DAA accepted as valid, it chose to use data that did not agree with the information supplied from the DAA, without any discussions taking place with the DAA on the validity of this alternative data. This has all resulted in VML using incorrect data. It follows that any conclusions drawn from this flawed data are unsound.

- **Mistakes made in analysing the design day schedule:** The AE analysis has misinterpreted information provided on a range of issues such as
    - Load factors
    - Duplicate flights
    - Confusion between airline codes
    - Comments regarding levels of transfer passengers

  It is worth noting that these errors contribute in large part to the schedule adjustments made, which AE uses to suggest the DAA design peak hour is too high.
- **Ignoring Airline input:** VML/AE have ignored the expressed views of users Aer Lingus and Cityjet. In particular, despite accepting the fleet growth aspirations underlying the Aer Lingus IPO plan, AE has then made arbitrary and ill-considered adjustments to the schedule which are inconsistent with explicit Aer Lingus input, and which conflict directly with the operational characteristics of LCCs at Dublin and at other comparable airports (see later sections). These unvalidated adjustments are the basis for the AE 'downsizing' of the design peak hour.

1.3 Overall Conclusions:

Having incorrectly suggested that the DAA methodology is unsound, VML/AE have instead used an alternative methodology, employing an analysis based on unsound data and adopting a flawed "design by ratio" approach. They have compounded this by making erroneous assumptions and ignoring user input. The net result of their analysis suggests an alternative much lower design peak hour is suitable for the T2 proposition. DAA strongly rejects all of the elements mentioned above, and discusses them in detail in this paper. We would again point out that many such mistakes and misunderstandings could have been easily addressed had adequate consultation taken place with DAA/Arup prior to release of the report, in line with DAA requests[1]. The CAR Decision regarding future demand at the airport appears to have been largely predicated on the VML/AE analysis. Since it is evident that the review undertaken is not robust, CAR should materially revise the decisions that relied on this report.

[1] DAA Letters to CAR of 3rd, 17th and 18th of May.

2. Introduction

VML indicates that it has reviewed and analysed DAA's methodologies and assumptions primarily with regard to forecast schedules, forecast busy hour rates and the translation of these into terminal requirements. In response, DAA does not propose to repeat the detailed discussions and presentations undertaken in the course of this project on terminal sizing over the course of the past ca. 18 months, as these have been well documented in our reports already provided to CAR. However, it is essential to address a number of specific points to avoid leaving unchallenged misleading and inaccurate statements about the basis of the project. We regret that this is the only forum open to us to deal with such issues, and we suggest that a more appropriate regulatory process would have allowed a more detailed interaction with the consultants to ensure that they properly interpreted the vast range of material provided to them, as well as the underlying market dynamics.

Section 3 comprises a commentary on the process that led to this Report.

Section 4 below identifies a number of areas where the report does not challenge the approach adopted by DAA.

In Section 5, we discuss a number of key areas where the consultants VML have misunderstood or misinterpreted information, or made suggestions that DAA must robustly challenge.

In Section 6, we specifically discuss the key issues addressed by AE in its report.

3. Comments on Consultation Process

3.1 Consultation with DAA

Despite CAR having confirmed that VML/AE had inadequate time to do so, VML/AE have, on the basis of an unsound analysis, developed its own assessment of the appropriate size of T2, which appears to have strongly influenced CAR in its Draft Decision.

The VML analysis, we understand, took ca. 5 weeks from early April[2] until their report was issued dated May 16th. This compares with a DAA project in which a large team from DAA and its consultants undertook detailed interactions with the key users concerned regarding their growth plans, and worked for a total of 12 months (including the three month period in 2005 during which Pascall and Watson conducted a review of the Masterplan in consultation with the home based carriers).

In the course of correspondence prior to the publication of the Draft Determination, the Commissioner informed DAA that "*I do not consider that the (RR&V) work can or ought be compared to that work carried out by the DAA and their advisers in preparing the CIP*

[2] The Rogerson Reddan/Vector reports published by CAR indicate that RR&v were appointed in early April 2007. The detailed work programme, updated 12th April and supplied by RR&V indicates that the review of T2 sizing commenced on 10 April. This is in contrast to the statement in CP5/2007 page 93 that RRV undertook this work throughout March and April 2007.

2006. The tasks cannot be compared in size scope detail or purpose", in response to which DAA noted the confirmation that the scope was limited to seeking to verify the work prepared for and by the DAA, and that the review would not allow for alternative proposals to be properly developed by RRV on such issues.

In the context of such correspondence we were rather surprised to see that in fact VML had in fact undertaken a sizing exercise for T2, predicated upon its ill-founded assumptions regarding the future design day schedule. Fundamentally the approach adopted in this analysis is a design by ratio approach which uses simple extrapolation to assess the future needs; and most worryingly uses the resulting analysis to define the 'reasonable' size of T2 which it is prepared to allow DAA to recover, albeit from 2009.

It is deeply regrettable that a superficial "Design by Ratio" analysis should in fact be used for a purpose that has such a fundamental impact on the DAA capital investment programme. In this regard, this analysis is comparable to the previous work undertaken by CAR's consultants IMR and WHA. In both cases, simplistic evaluations were directly applied and translated through into recoverable capex. It is not reasonable that a brief desk-based analysis developed without extensive interaction with the DAA should be the basis for increased financial risk for the DAA.

We also find it surprising, given the scale of difference in the BHR findings in the VML/AE analysis, that they did not seek to verify their interpretations of data or conclusions with DAA prior to finalising their report. DAA specifically drew the attention of CAR to this risk in correspondence prior to the publication of the draft decision.

Despite our frequent requests to do so[1], we had the opportunity to meet only once with the consultants. Had adequate interaction taken place, we are confident that some of the areas of disagreement between us could have been eliminated. No discussion of the VML/AE views or assumptions were outlined at this single meeting. We would contrast this approach with that of the Rogerson Reddan element of the RR&V work. Despite a similarly tight timescale, Rogerson Reddan met with DAA on four occasions and sought updates and clarifications in respect of information that they did not fully understand.

3.2 Consultation with Airlines

A similar issue arises in relation to the importance attached to the views of the airline customers identified as the primary tenants of the new facility. One of the fundamental demands by CAR throughout this regulatory process and in the past has been the need for DAA to consider and act on the expressed demands of its customers, and indeed in the Draft Decision CAR has reiterated this point a number of times. In this context, we find it more than a little surprising that CAR's consultants have seen fit to ignore the specific information provided by the prospective T2 clients under discussion regarding their peak hour requirements, not just directly to DAA and Arup but also to CAR. Indeed, the case made by VML in relation to this is that we should in fact ignore the views of key airline users and merely act as if we had the ability to dictate the timings to airlines.

We find this approach conflicts directly with the explicit requirements of CAR in the past, and with our approach as a commercial and customer-focused business. It is not reasonable that CAR's consultants are entitled to adopt an approach in relation to

[1] DAA Letters to CAR of 3rd, 17th and 18th of May

Terminal design that CAR does not permit DAA to adopt, and then DAA is penalised for a perceived discrepancy.

4. Key areas which have not been challenged

It is worth noting that there are a number of key aspects of the DAA analysis that have not been challenged in this analysis. Thus the consultants have implicitly or explicitly accepted many of the underlying components of the T2 development programme.

- **Annual Forecasting Methodology:** The annual forecast process, a key-underlying driver, has not been challenged. It is worth noting here for information that Aviation Economics, the company that VML Management Ltd, employed as a sub-consultant to *"advise on the robustness of the busy hour traffic forecast for 2013"*[3], was also engaged by DAA's consultants Arup in January 2006, at the commencement of the Terminal 2 project, to review the F2004 Forecast and the DAA forecasting methodology in the context of our impending T2 work. Their main conclusions include the following:

    - *DAA forecasting methodology is sound.*
    - *F2004 underpinned by robust assumptions*
    - *The long term forecasts correlate with those produced by Boeing and Airbus. Long term growth rates decline as Dublin market becomes more mature*
    - *Actual versus forecast for 2005 very close*

  It is also worth noting that previous independent analyses have also concluded that the DAA methodology is robust[4].

- **Base Schedule to Design Day Forecast:** The process of moving from the base schedule to the design day has not been challenged. This again is key to the process of development of the future schedule. Indeed, the AE report contains many comments, which echo the approach adopted by DAA in terms of the types of additional movements required, as outlined in the DAA documentation.

- **Planning Service Standards:** The choice of IATA level C has been accepted as a reasonable planning standard.

- **Fleet and Aircraft Assumptions:** The comments in relation to the aircraft fleet including the number of based aircraft for Aer Lingus at Dublin have been accepted. These are fundamental to the development of the design day forecasts.

[3] Report No. 4 – Review of DAA Terminal Sizing

[4] The DAA's forecast methodology has been reviewed and endorsed on a number of occasions: in 1999 by SH&E, as part of the Warburg Dillon Read review of the Aer Rianta Strategy for the Minister of Public Enterprise; in 2005 by Mott MacDonald for the CAR, who concluded that the process was "*considered to be appropriate for the purposes for which it is intended and represent the application of 'best practice'*"; by consultants hired by Fingal County Council (as part of its review of the DAA plans for building a parallel runway)

- **Terminal Sizing:** It is worth noting that the terminal planning parameters used by DAA/Arup have not been challenged.

5. Key Aspects of the VML report which are not robust

Despite the consultants having accepted the underlying methodology implicit in the above material, there are a number of key areas where the consultants have misunderstood or misinterpreted information provided, or made suggestions that DAA must robustly challenge. The sections below challenges these aspects of the VML report.

5.1 Methodology of Choice of the Design (or Busy) Day

Key to the VML analysis is the choice of the Base Schedule used as the starting point of the busy day forecast development. VML claims that the DAA/Arup approach is not standard practice. This is incorrect.

The approach adopted by DAA is, in fact, in line with best practice. A key part of this project was the retention of world-class experts to ensure that the analytical framework was robust. We note that VML emphasises that it has been involved in a number of airport projects, and we understand that they acted as adviser to some of the main carriers at some of the airports concerned. Our consultants have been involved in some of the most significant airport developments worldwide and have been directly responsible for the analysis and review underlying such projects, so are quite familiar with the range of methodologies commonly used[5]. We are thus somewhat surprised to find that VML suggests that the approach adopted is not a common one.

The publication 'Airport Systems, Planning Design & Management' (denoted ASPDM hereafter) by Richard de Neufville and Amedeo Odoni, both of MIT, is a leading international text on airport planning. Chapter 24, Peak-hour analysis, contains a "non-exhaustive list" of definitions of the design peak hour, as follows:

1. The 20th, 30th, or 40th busiest hour of the year
2. The peak hour of the average day of the peak month of the year
3. The peak hour of the average day of the two peak months of the year
4. The peak hour of the 95th percentile busy day of the year
5. The peak hour of the 7th or 15th busiest day of the year
6. The peak hour of the 2nd busiest day during the average week in a peak month
7. The "5 percent busy hour", i.e., an hour selected so that all the hours of the year that are busier handle a cumulative total of 5 percent of annual traffic.(P853).

Although VML notes in reference to the design hour forecasts that "*there is no agreed common standard used in terminal design*", they have based a large part of their argument on reinterpreting the planning day schedules using one particular definition – the 95th percentile Busy Hour Rate – which it defines as "*the value of passenger flow for which 5% of the passengers encounter a flow rate at this level or above"*.

[5] Indeed, the key Arup capacity expert in this area has previously contributed to FAA publications on Airport Planning on such matters.

In the ASPDM, De Neufville and Odoni go on to say that:

"For practical purposes, it makes little difference what definition is used as long it fulfills the following condition: the Design Peak Hour should not be the hour of the year with the highest traffic demand, but one with a demand that is exceeded only during a reasonably small number of days during the year."

The DAA methodology was based on definition 4 above, where the 95th percentile busiest day in terms of ATMs was used.

A further point noted by de Neufville/Odoni is that *"Each definition of a design peak represents a compromise between efficiency and quality of service. No definition is analytically better than the others.*" (P.608).

VML cites the fact that the DAA did not use the 95% busy hour with respect to passengers as an "issue", which meant a suitable busy hour flow was not developed. Its argument is apparently that this would have given a result more in line with its expectations. In fact, the FAA recommended methodology adverted to by VML specifies an alternative measure similar to the DAA approach (the peak hour of the 95th percentile busy day of the year), as quoted in the ASPDM extract point 4 above. Further, IATA also discusses this issue in the Airport Development Reference Manual (9th edition) and specifically describes the development of a peak day schedule, and notes that a range of methodologies may be used to deliver this, in line with the DAA approach. Thus, the VML implication that DAA did not use a standard methodology in this regard is simply incorrect.

Furthermore VML seems to suggest that there was some anomaly in using a 95% busy day with respect to aircraft movements rather than passengers. This appears to indicate that VML does not fully appreciate the exercise being undertaken. As we are developing an aircraft schedule, it is quite reasonable to discuss the profile in terms of the base component of a schedule i.e. aircraft movements. As VML in fact admits, these can be converted to passengers by use of load factor assumptions. Therefore the issue of use of ATMs rather than passengers is, at best, a red herring, and the only basis for any discussion is in fact the load factor, and we will discuss some erroneous assumptions by VML in this regard later.

Thus VML has raised considerable concerns about the choice of the design day whereas in fact the approach adopted is fully in line with best practice.

5.2 95% Busy Hour v 95% Busy Day

It is our view that VML seems to be overly dependent on the 95% Busy Hour. It suggests that "passenger terminals are designed in terms of the design hour not the flows for an entire day". While the Peak Hour in the Design Day plays a critical role in the design of the airport, it would be wrong to only rely on this one hour, as VML suggests, especially in an airport that handles a wide range of passenger types. The airport must be able to handle short haul arrival and departure peaks and similarly, long haul arrival and departure peaks. Long haul peaks are especially important when it comes to pier design since, even though there will be less aircraft required compared to short haul peaks, each long haul aircraft takes up the equivalent of 2 short-haul aircraft stands. Hence it is

evident that it is necessary to review the flows for an entire day rather than focus exclusively on any single hour.

5.3 Adding capacity to a congested system- Peak to Annual Ratios

A most serious flaw in the VML analysis is that it appears not to understand the implications of capacity constraints in terms of their effects on an airline schedule.

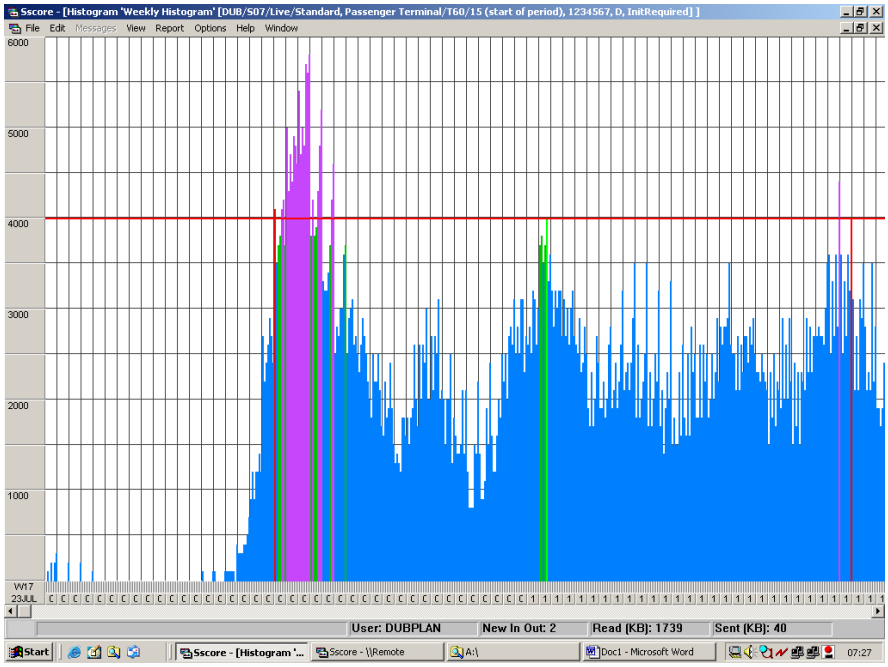
CAR and its consultants are aware that Dublin at peak times is a heavily congested airport. Despite this, this report does not appear to appreciate what is likely to happen when additional capacity is provided. With new capacity available, we would expect that additional traffic would concentrate at the peak times, as the market demand requires. Thus growth in the peak will be greater than growth in the off-peak periods. We have in the past provided historical information to CAR confirming this trend. Indeed, our consultants have recently discussed this specific issue in relation to the current position at Dublin Airport with Professor de Neufville of MIT, an acknowledged and widely published author in this area, and he has indeed confirmed that since demand can be represented as an inverse function of price and congestion, if additional capacity is provided at peak times for a congested system, demand is expected to increase, causing additional peaking.

It is worth noting that VML accepted the principle of an increasing level of traffic during the peak once capacity constraints were lifted in relation to Barcelona, which is the example of VML's involvement in airport planning referred to most frequently in this report i.e. "*…when peak profiles are expected to alter (as was the case in Barcelona*")[6]. It is somewhat surprising, then, that VML has difficulty in applying the same principle at Dublin, when it says in relation to the relationship between the DAA forecast busy hour flow and forecast annual throughput "*we find this increase surprising as <u>in our experience</u> we would expect to see this ratio decline*". (Emphasis added). As VML goes on to suggest that forecast design flows for T2 are higher than expected and may not be internally consistent, it is difficult to understand how such an assumption could have been reasonable for Barcelona but unreasonable for Dublin. To further confuse things, in contrast, VML later considers a range of values for the proportion of EI aircraft that would leave in any one hour, implicitly accepting DAA's assumption regarding a changing ratio. It may be that VML's experience (apart from its experience at Barcelona where the ratio was expected to, and has, increased following addition of capacity) has been confined to a consideration of airports where additional capacity at peak periods was limited, or where there was no or inadequate suppressed demand. We believe that VML's generalisations about the dynamics of the market do not coincide with the realities expected from growth at a constrained airport when considerable new capacity is added, nor with the general expectations of airport planners elsewhere.

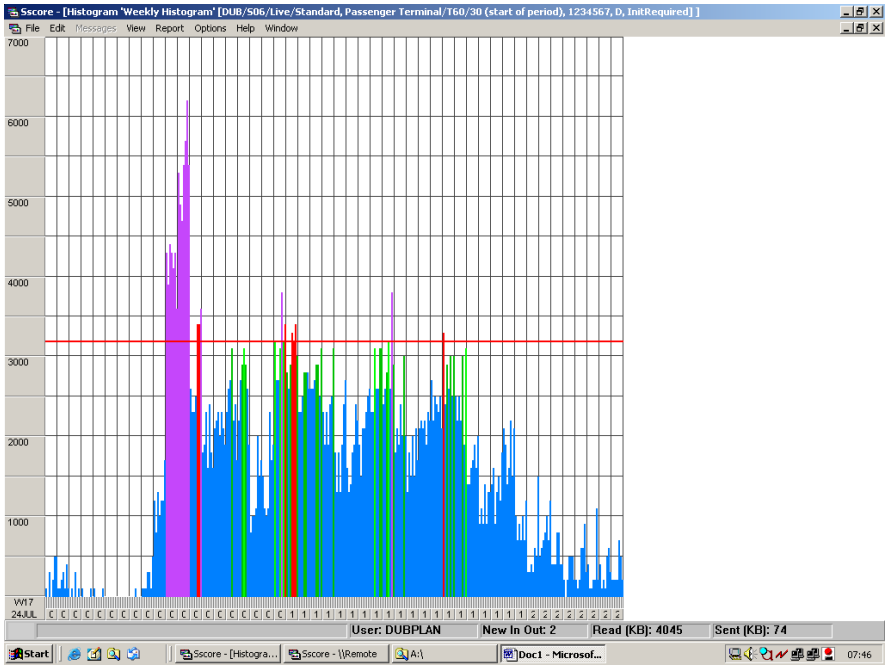
For Low Cost Carriers, one of the most critical operational requirements is high utilisation. This requires getting an aircraft up in the air and generating revenues as early as possible. Thus arises the early morning peak phenomenon, whereby aircraft depart in a concentrated wave, which is a feature of busy airports with based aircraft everywhere. Although the peak hour capacity declaration for Summer 2007 is 4,050 departing

[6] It is our understanding that this ratio has indeed increased at Barcelona

passengers, the initial request for flight slots (the unconstrained demand) equates to 5,836[7]. This is shown in the graph below.



Confirming that this is not an unusual effect, the equivalent graph for Summer 2006, shown below, indicates an even greater level of unconstrained demand relative to the available peak hour capacity – approximately 6,100 against 3,250



[7] A further point is that this 5,836 figure underestimates demand given the unquantifiable number of instances in which airlines choose not to apply for slots in the peak hour because they knew they would not be able to obtain them given current congestion at peak times at Dublin.

This critically important aspect of projected demand has in fact been simply ignored for most of the report[8], and the fact that the profile in the (unconstrained) future is changed relative to the current (constrained) profile is interpreted as an indication that future demand has been '"inflated". We strongly contest this view, and suggest that it indicates a basic lack of appreciation of actual demands of airlines at Dublin Airport and the fundamentals of capacity planning.

As an airport grows, the available capacity in off-peak trough periods fills up. If an airport becomes congested, no more traffic can fit into the peak hour, and so the traffic in this hour stays constant, while the traffic continues to grow in less busy periods. Hence the peak-to-annual ratio falls as an airport becomes more congested (assuming underlying demand is strong).

- Ryanair in 2005 had 90% of its Dublin-based aircraft departing in its peak hour. During summer 2006 it added 5 additional aircraft and in the context of the level of congestion at the airport, the percentage of its fleet able to depart during its peak hour fell to 87%. In 2007, after adding a further 5 aircraft, it is set to have fallen further to 65% due to slot availability. On the other hand, the level of concentration is greater at a more detailed level, as 13 of these aircraft depart in a 35-minute period. The falling pattern of peak hour usage has not transpired as a result of changing demand patterns, as evidenced by the initial slot requests made by Ryanair. While the declared capacity for 2007 is 4050 departing passengers, the initial demand for slots was in fact for 5836 as discussed in the previous section. It is also worth noting that Ryanair strongly opposed the application of slot co-ordination in Dublin Airport, as it denied them ready access to slots in peak times. It has subsequently mounted a second court challenge against this decision.
- In 2007, Aer Lingus will have all 22 of its based aircraft departing during the 0600-0730 period, 73% during its peak hour. It has stated clearly that it wishes to have a higher level departing during the peak hour.
- This pattern of early morning departures is a common feature of airports everywhere. The percentage of Ryanair's 39 aircraft[9] departing during the peak hour from Stansted was 79% in 2006. Ryanair's other bases in Europe are smaller and have departure ratios ranging from 86% to 100%. Air Berlin in Berlin has a departure ratio in the peak hour of 93% (it bases 15 aircraft in the airport).

[8] VML takes a rather ambivalent stance on peak concentration. While it clearly states that it finds any increase in the BHR to annual passenger ratio surprising, it also studies the effect of peak concentration, and acknowledges that peak concentration was expected at Barcelona following capacity addition. It is unclear whether VML does this as a sensitivity test or whether it is accepting that a certain amount of peak concentration is expected in Dublin. If the latter, then various attempts to benchmark T2 with 2006 should then be set aside (without ever considering that there are problems with the data used by VML), in order to focus on the work done by AE, which concentrates its analysis on the actual proposed design hour.

[9] It is worth bearing in mind that the proposed scale of operation in T2 will still be less than the 39 aircraft currently based by Ryanair at STN.

Table 1: Percentage of Based Aircraft in Peak Hour for major LCC bases across Europe:

Airline	Airport	Year	Num of Based Aircraft	% of Aircraft in Peak Hour	
FR	STN	2007	39	77%	
	STN	2006	39	79%	
	HHN	2007	9	89%	(All flights depart between 06:10 and 07:10)
	LPL	2007	7	86%	
	GRO	2007	6	100%	(All flights depart between 06:10 and 06:50)
	EMA	2007	5	100%	(All flights depart between 06:30 and 07:15)
U2	LTN	2007	17	71%	
	STN		14	64%	
AB	TXL	2007	15	93%	

The inadequacy of the VML approach is further highlighted by the range of airports that VML uses in Fig 1 of its document, where it compares historical DAA and BAA BHRs. These airports are all either highly constrained, e.g. Heathrow, Gatwick or Stansted, or significantly smaller than Dublin e.g. Edinburgh had 8.3mppa in 2006, Glasgow had 8.6mppa, while Dublin had 21.2mppa. There is no comparator in VML's graph with over 15mppa and which moves from a highly constrained to a non-constrained environment. Thus this is an inappropriate benchmark.

Implicitly VML's assumptions have indicated that what we should be designing is an airport system where the existing constraints would be replicated in the future – that the existing level of congestion would be 'built in'. DAA does not accept that this is an appropriate planning proposition.

We would suggest that rather than arguing that an increase in the ratio from 2006 to 2013 is not reasonable, a more constructive approach would have been to examine what precisely is changing in this period. It is obviously impossible to decide that the degree of change is reasonable simply based on comparing 2 (or more) ratios. Unfortunately, this is the approach that VML takes. It constantly benchmarks T2 in 2013 against 2006 data, highlights a difference and describes this difference as "surprising", even though the only attempt to justify this term involves comparing Dublin airport to a series of very congested or considerably smaller airports, which are self-evidently inappropriate comparators to T2 in 2013.

Before any judgement is made about change, instead of simply trying to extrapolate into 2013 the level of service implicit in a 95% Busy Hour from 2006, a more detailed review of the assumptions, which cause the change, is required. Indeed, AE took a different

approach to building a design hour, which is much more in line with the approach adopted by DAA (although AE also made errors in its analysis which we will deal with below).

5.4 Future Schedule

We note that AE/VML considers that the change in the percentage of T2 passengers travelling in the busy hour from the 2006 value of 13.4% to 19.6% to be a very significant, and, by implication, unreasonable change. In fact, if the 2006 schedules of prospective T2 airlines are examined, on average 16% of passengers were scheduled to depart in the peak hour, as pointed out in our previous review of the IMR analysis[10]. It is difficult to consider a change from 16% to 19.6% to be very significant in the context of moving from a congested facility to one with reasonable capacity. As described earlier, the 2006 schedule is constrained, and it is our firm expectation that the peak hour traffic will increase faster than off-peak once capacity is provided. We note that AE has confirmed that it accepts the fleet assumptions regarding T2, so clearly the only area of concern is the design peak hour flow.

5.5 Information supplied by IMR

The DAA provided VML with the 2006 95% Busy Hour for EI and various other similar metrics.

However, the 95% Busy Hour for EI as supplied by the DAA is significantly different from the 95th Busy Hour used by VML, which we understand was supplied by IMR.[11] VML suggests that the reason for this difference is that the DAA figures are based on clock hours, while IMR's figure is based on a rolling hour (rolling every 15 minutes). It is mathematically impossible for the rolling hour peak to be less than the clock hour peak since the rolling hour must at some point be coincident with the clock hour. Furthermore, when the DAA supplied its BHR data to VML, it alerted VML to this issue by stating "*please note that all calculations are based on clock hours, it is likely that a rolling hour would give **higher** values.*" Therefore, the DAA does not accept this lower IMR figure which we are unable to replicate.

When it used other more reasonable methodologies, the DAA ended up with values ranging from 1,801 (the actual BHR based on the clock hour) to 1,908. As expected, all values are at least as high as the clock hour value.

To further highlight this issue, the DAA also calculated the 95% BHR based on the scheduled time of departure (rather than the take-off time). This gives a value of 1,875. Using the scheduled time of departure for 2006 is a better comparator to the 2013 design day, since the latter is also based on the scheduled time of departure. It should be no surprise that calculating BHRs based on the scheduled departure times gives higher values than those based on the actual take off time, since the very process of queuing up for access to the runway spreads the peak. This is similar to the issue covered in 5.4.

[10] See DAA document: Appendix 1: Review of High Level Analysis of DAA's investment plans by IMR

[11] It should be noted that VML uses the term the "95th Percentile busy hour". It defines this metric as the "value of passenger flow for which 5% of the passengers encounter a flow rate at this level or above". This is similar to the DAA definition of the 95% Busy Hour and thus we are assuming these metrics are identical.

It is clear from the above points that the value used by VML is considerably smaller than the various possible alternatives, and more importantly, is incorrect.

It should also be noted that, as well as choosing to use a different 95% BHR as described above, it used a different EI departing passenger throughput figure also (this figure seems to include transits). The latter was also supplied by the DAA. These 2 adjustments to the EI BHR and the EI annual figure have artificially lowered the BHR/annual ratio. Any subsequent use of this data (e.g. in Table 10 in VML's document) produces flawed results.

In VML's request for information it stated that:

"*we would like to limit the risk of either using what the DAA may consider to be the wrong data or schedules or interpreting these in the wrong manner. We feel it would be more efficient and appropriate to use information provided by the DAA on a basis that is acceptable to the DAA to draw our conclusions on the proposed schedules*".

It is very unfortunate that VML ignored its own (very reasonable) suggestion, especially since it emphasises that it did not independently verify IMR's busy hours and the values used contradicted those of DAA. Since this data was used to attack the DAA analysis, it would have seemed appropriate to ensure in advance that its analysis was itself robustly founded, particularly when doubts had been previously raised in relation to material from the same source in the past. Further consultation would undoubtedly have prevented it from predicating significant conclusions on such unsound material.

VML also failed to clarify with the DAA that the 2,200 figure was not the schedule busy hour projection for 2006, but is simply a notional number of Aer Lingus passengers that would pass through Dublin Airport in 2006 in a busy hour if similar assumptions were applied as were used for the 2013 work. In other words, the 2,200 figure is simply a numeric representation of the level of change which the DAA expected by 2013. No use is made of this 2,200 value beyond this. The fact that this notional 2,200 would correspond to the 99.73th percentile when compared with the actual 2006 throughput only indicates that Dublin Airport is highly congested at the moment compared to what is expected to be achieved once capacity constraints are removed in 2013. To suggest that it implies that DAA is building for the 99.73th percentile is both inaccurate and misleading.

5.6 Load Factors

The arguments made by VML in relation to Load Factors are also unfortunately unsound in a manner which could have been avoided had a better consultation process been undertaken.

As detailed in Section 5.6, VML wrongly uses the IMR busy hour associated with 1,660 passengers as the 95% BHR. It then uses this 1,660 value to drive its Load Factor analysis. Obviously, since the hour selected as the 95% Busy Hour is too low as previously described, the values presented in Table 7 as comparable to this hour are also too low. This leads to the table erroneously suggesting that the change in Load Factor (or similarly, the change in the number of passengers per movement) between 2006 and 2013 is expected by DAA to be much more significant than is actually the case.

VML also assumes that Load Factor does not increase in the next 7 years after it decreased in 2006. This is not consistent with the general approach of LCCs frequently articulated and ignores the impact of the exceptional capacity changes during 2006. At the point of doing this exercise, 2006 data was obviously unavailable to DAA. In terms of recent history available at this time, over the period 2001-4, Aer Lingus' average short-haul load factor had increased by 9%, dropping 2% in 2005, and Aer Lingus had specifically confirmed to DAA that one of its priorities would be to increase load factors in the future.

It is also worth noting that traffic in Dublin grew by 15% in 2006, the fastest growth in Europe for a Top 100 Airport[12]. When airline capacity growth exceeds underlying growth in demand, load factors generally decrease. The DAA does not expect that the level of capacity growth of recent years will apply in future[13]. Once capacity growth returns to a more sustainable level, load factors should increase again, in the absence of other effects. High Load Factors are fundamental to the Low Cost Carrier model, which Aer Lingus utilises in relation to short haul services. An 85% LF during the busy hour would seem reasonable, particularly considering the Aer Lingus articulation of its focus on raising load factors.

In fact, Dublin Airport already achieves over 85% in peak hours during the morning, even in 2006 when load factors decreased relative to previous years as already discussed. Focusing on a hour, which is not even as busy as the 95% busy hour which VML wishes to consider, i.e. the 24th July 2006 between 07:00 and 07:59 (take-off time), Dublin handled 1,791 passengers (less than the 95% BHR of 1,801), which corresponds to an 88% load factor or a total of 163 passengers per movement. As the load factors suggested by DAA are in fact already attained at hours which are not even as busy as the peak hour considered by VML, its comments in this regard are incorrect.

It is clear that the consultants have inadvertently predicated their work on a flawed base, which undermines the whole analysis undertaken. For example, Table 8 uses the "average departure peak pax/atm" based on IMR's incorrect 95% Busy Hour. The resultant flawed figures are used in Table 9, Table 10, Table 11 and Table 12. The failure to calculate the correct 95% Busy Hour in 2006 means that the subsequent analyses in section 4.5 and section 6.4 are seriously flawed and have to be either discounted or recalculated.

5.7 Assessment of Runway Capacity

VML recommended that a detailed runway capacity analysis be undertaken, taking into account the forecast schedules for the airport, the location of the proposed terminal and the proposed operating strategy.

We are happy to confirm that in the course of the T2 programme development, ARUP separately carried out a detailed airport wide gating study and an airfield simulation exercise which has confirmed that the airside capacity of the airport is capable of supporting the demand forecast for the airport throughout the planning period, subject to

[12] Airline Business June 2007

[13] The last time Dublin achieved more than 15% growth was in 1994, when it was only handling around 7mppa.

execution of the airfield development programme as outlined in the CIP. Therefore any concerns that VML appears to have in this regard are unfounded.

5.8 Terminal Sizing

In Section 6, VML suggests a number of alternative sizes for T2. As noted in section 3.1, we do not believe these sizes are robust, considering the scope of VML's review. As noted in section 5.3, VML does not deal with how the airport profile will change when it moves from a constrained to a non-constrained environment. Instead, VML seems to suggest that the current conditions are a reasonable proxy for the type of airport expected in 2013. The DAA rejects this. Furthermore, as noted in section 5.5 and 5.6, VML used incorrect data for its analysis and thus the results from this analysis are deeply flawed. It also used values taken from the AE study, which will be dealt with in section 6. Taken as a whole, it should be clear that the terminal sizes suggested are lacking foundation and credibility.

5.9 VML's comments re "Inconsistency" between the 11.4 and the forecast

VML has focused a lot of attention throughout its report on what it perceives as an internal inconsistency between the design capacity of T2 (Phase 1) and the annual forecasts, although it has not actually drawn any specific conclusions from this. It is, in fact, worth noting that the methodology used to derive the design capacity has been exhaustively described in the Gateway 2 report. DAA has repeatedly emphasised that its long-term forecasts are not undertaken at an airline level. Given this, we are unclear as to why VML has focused so much attention on this particular issue. We have repeatedly emphasised, and indeed VML itself has confirmed at length, that the key parameters used for terminal sizing are the design busy day and hour flows, rather then annual flows. Despite the fact that VML has reiterated its concerns several times through the report on this issue, the actual practical implications in terms of the terminal size are, in fact, never specified. However the manner in which concerns are expressed by VML suggests that the best practice approach adopted by DAA is in some fashion unusual. This is an example of excessive focus on specific limited assumptions being used to cast doubt over the overall methodology, an approach which we do not consider to be either robust or best practice.

6. DAA Comments on Aviation Economics Report

AE's report comprised a consideration of the robustness of the busy hour forecast in 2013, and it was concluded by AE that it was "*at the high end of our expectations"*. We do not accept the proposition outlined by AE, and in fact take issue with many of the detailed actions and assumptions which it has made, as outlined below.

6.1 Aviation Economics' Proposed Flight Adjustments

In relation to the specific "*fairly minor*" changes, which AE indicates that it has made to the forecast schedule, we have a number of serious concerns about the actions that they have taken:

- AE has inappropriately removed a flight from the future schedule. While it is true that there are 2 flights in the morning to Manchester in the schedule, they are <u>not</u> duplicate flights (as evidenced by the fact that they have different flight ids). Having not discussed the issue with us, AE was unaware that the second Manchester flight represented a non-specific UKP destination and could equally have been destined for another e.g. LPL/NCL. This flight in fact should be re-inserted.
- AE has moved 5 flights, which it regards as being "overwhelmingly leisure oriented and non time sensitive". In this regard, AE has failed to consider that the schedule itself is determined not just by direct reference to the passengers, but based on the operation of the airline serving those passengers. Thus we find that Ryanair, for example leave Dublin at 5.55 for Wroclaw, not necessarily because Wroclaw passengers want this precise timing but rather because this departure allows Ryanair to make most efficient use of the aircraft for the rest of the day. AE's analysis is simply not detailed enough to permit it to make the kind of judgement that it has made in relation to the schedule adjustments, and its lack of familiarity with future schedule development is evident. In this regard, we return to the need to ensure that the primary airline customer's views have been adequately considered, which has simply not been done in this case.
- AE also suggests that there are EI flights using T1. Again, if AE had had the time to query these flights, the DAA would have explained that they were for EIRjet[14] not Aer Lingus. AE seems to have confused the ICAO code for EIRjet, EIR, with the ICAO code for Aer Lingus, EIN. It is not expected that any operator will be split between terminals.

The adjustments thus made by AE are not robust and should be reversed, and the assumptions underlying them would have been easily dealt with had DAA been given the opportunity to discuss them in advance. Reversing these adjustments would significantly increase the size of terminal that AE suggests.

6.2 Other Airlines

- It should be noted also that VML excludes Cityjet from its analysis. Including WX would increase the BHR, since it has 2 flights in the busy hour currently. This

[14] It should be noted that EIRjet was a charter operator based in Dublin and went out of business in 2006 subsequent to the T2 work been done. There is always an inherent risk that some airline operators will go out of business but these operators are normally replaced. In fact, in 2007, another charter operator, Excel, opened a base in Dublin

allows the DAA a certain amount of flexibility with respect to the utilisation of T2. While AE looks at a low-growth scenario where EI has 2 less aircraft based in Dublin, the DAA has the option of moving airlines into T2 in such a low-growth case. (Similarly in a high growth case, it could reduce the number of airlines in T2)[15].

- AE states that there is no pressing requirement for CityJet to be based in T2. The DAA finds this a curious statement since AE does not appear to have met with CityJet. There are numerous reasons why CityJet might be a suitable tenant in T2. In discussions with the DAA, it has stated that it would expect to have increased connectivity in a T2 environment. AE also seems to have ignored the benefits of increased utilisation in T2 with another airline present

6.3 A321 Load Factor analysis

The AE comments and analysis of load factors is a graphic example of a situation where if CAR's consultants had raised the issue with DAA and Arup, the values used could have been simply explained. Instead, the incorrect conclusions have been used to suggest that the DAA/Arup analysis was not robust.

In the schedules supplied by the DAA for T2, it is suggested that the Load Factor on the A321s will be 93%. This comes from a particular feature of the software database used for the schedule assessment and subsequent gating assignments. The software has a global database of airline and aircraft combinations and, for EI A321s, the database shows a seat capacity of 193. The DAA schedules provided indicated an updated seat capacity of 212 meaning if an 85% load factor was applied, this generated a load of 180 passengers. To achieve the correct planning passenger load of 180 on an aircraft with 193 seats, a 93% load factor is required within the software. Accordingly Arup used this nominal load factor to ensure the passenger numbers in the gating software would match with the planning loads provided by DAA.

The critical issue here is that all passenger volumes are correct and accord with a forecast load factor of 85% for scheduled airlines in T2 using the latest airline/aircraft seat configurations. Any adjustment around the 85% has been made to achieve the correct volume of passengers within the constraints of the software system.

[15] The selection of airlines to go into T2 involves a significant number of factors, beyond maximisation of utilisation, but the latter does play a factor and it should be realised that the DAA has some flexibility in this area.

6.4 Overall Load Factor analysis

AE suggests that opening new routes has an effect on load factor, as new routes take time to develop. While the DAA does agree with this in principle, it should also be noted that as an airline's network increases, the effect of adding new routes becomes less significant. For example, if a number of new services makes up 10% of an airlines network and that network subsequently increases by 50%, the same number of new services would then only make up 6.7% of the network. Furthermore, addition of a new route to a network may generate additional traffic transferring to other routes, increasing their load factors. Thus generalisations of this kind should be qualified, as network scale and scope are important aspects to consider in relation to any specific airport.

6.5 Uncertainty

AE correctly points out that there is a large element of uncertainty when predicting future passenger numbers 7 years in advance. It should be noted that this could be interpreted both positively and negatively since passenger numbers can surpass forecasts and indeed have done so at times at Dublin Airport. Considering current congestion in T1, the DAA wants to avoid a situation where T2 is already too small when built. At the same time, it does recognise that it needs to achieve an economic return on its investment. This is why the DAA has proposed to build T2 in 2 phases. If traffic growth underperforms, work on phase 2[16] could be postponed a number of years. There is also some flexibility about the allocation of airlines to utilise both terminals fully. Thus, while uncertainty naturally exists, the DAA has a range of options to deal with it and still produce a terminal that can suit the need of its customers for many years to come. A key concern from a capacity planning perspective is to manage upside risk as well as downside, rather than focusing exclusively on downside risk as this analysis appears to do. In the context of the existing infrastructure deficit in Ireland, the need to ensure capacity will be able to accommodate accelerated demand should be a concept readily understood.

6.6 T2 v T1

AE points out that there is a fairly stark contrast in the peakiness profile between T1 and T2. As discussed in previous documents to CAR, this is simply a result of carriers in T1 having a different profile to carriers in T2. We have indeed provided the current profile with the T1 and T2 prospective users separated, which illustrates that such differentiation already exists rather than being some kind of an artefact of the T2 programme development. It is implausible to expect that all carriers will be near identical. The peak for foreign-based airlines will occur at their respective home bases and it is to be expected that their operations at Dublin will be off-peak.

[16] Precisely when Phase 2 is required will depend on how demand materializes over time but this is more likely to be a function of the way the peak hour changes over time than how the annual numbers grow.

6.7 Transfers

AE appears to have misinterpreted information provided at the only meeting held with DAA/Arup. The DAA did not confirm that 20% of T2 traffic would be transfer passengers. Currently 4% of passengers are transfer passengers in Dublin and while this is expected to increase once T2 is open, the DAA never suggested to AE that it would increase to 20%.

Turner & Townsend

Construction and Management Consultants

report

Response to Draft Decision (CP5/2007) Comments on CIP Consultation

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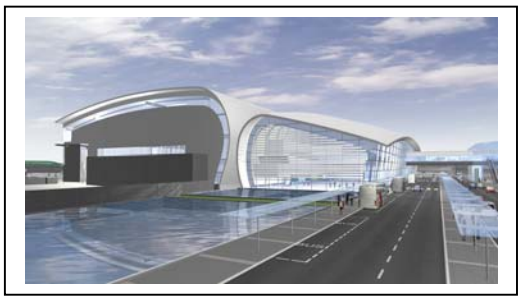


'Transforming Dublin Airport'

June 07

making the difference

Contents

Rev	Originator	Approved	Date
1	Gabrielle O'Donovan	Mark Foley	14 June 2007

1 Introduction

1.1 CAR Decision

In May 2007, the Commission for Aviation Regulation issued its draft decision on passenger charges for this regulatory period. In terms of the consultation process adopted by DAA, the draft decision published by the Commission:

- does not reflect an understanding of stakeholder management across the whole CIP programme of works , focusing instead on 3 key projects (T2, T1X, Pier D) and treating them as distinctly separate entities
- does not take into consideration the key stakeholder management document (or evidence of consultation) provided to the Commission in terms of the T2 project and the programme-of-works as a whole
- contains false statements that need to be countered (e.g. that meaningful cost information was not always given that would have allowed Users to inform key cost-affecting decisions)

1.2 Purpose of this Report

Therefore, the purpose of this document is threefold:

i. To map the policy, strategy and methodologies by which stakeholder management is implemented across the whole Capital Investment Programme by Dublin Airport Authority (DAA) in order to highlight the scope of consultation, and to demonstrate that DAA consultation was grounded in best of class practices (section 3)

ii. To demonstrate that DAA implemented thorough and genuine user consultation with all users and that clear user support for the finalised programme emanated from this process (section 4)

iii. To respond to specific claims made by the Commission in their draft determination pertaining to the CIP, to T1X and Pier D stakeholder consultation.

2 Executive Summary

Over the coming years, Dublin Airport is undergoing a challenging period of capacity enhancement to meet the increasing need for passenger demand. The multiplicity of stakeholders that are affected and/or will impact the programme demanded a holistic and coordinated approach to the management of stakeholder consultations.

Therefore, the stakeholder management methodology adopted by DAA across the whole programme of works is best in class and includes a clear policy, strategy and governance structure together with appropriate processes and practices. Tools used to profile DAA stakeholders include stakeholder mapping and the stakeholder matrix (Johnson and Scholes, 1999).

Using this framework, DAA implemented a world-class consultation process which involved extensive consultation on detailed aspects of the plans with users. This has been recognised by the government appointed Independent Verifier as according with international best practices. It also resulted in significant issues mitigation and user buy-in to the 2006 CIP.

- With regard to overall consultation on the 2006 CIP, DAA contends that the level and quality of consultation was manifestly "best in class".

- DAA would highlight that the Commission makes no reference to key documents supplied by DAA on the stakeholder consultation process (e.g. "Statement of Case, 7th March 2007) and it is reasonable to assume that due consideration has not been given to the full extent of T2 consultation and consultation across the programme in general.

- DAA has noted the comments of the Commission in relation to the presentation of the T1X project to stakeholders and the consultation process adopted. DAA accepts that the project was presented to stakeholders as being cost neutral with respect to airport charges.

- DAA rejects the Commission's comments on page 65 in relation to the Pier D consultative process.

3 Programme Stakeholder Management – Strategic Design and Development

3.1 Introduction

A stakeholder is a group or individual that has a stake in a programme or project of work, and as such exerts an influence on the project or programme. Types of stakeholder include:

- Users/operational partners
- Key suppliers
- Regulatory bodies
- Opinion Formers
- Lenders
- Insurers
- Community/special interest groups
- Customers
- Employees, employee representatives and sponsors

Stakeholder management serves to maximise stakeholder support by profiling stakeholders, identifying stakeholder concerns and mitigating the key programme and project risks.

Stakeholders have information, resources, constraints, objectives and decision-making rules. A stakeholder can influence other organisations depending on their power and ability to share messages with other organisations. Our approach draws on well established and tested stakeholder management tools and techniques and pulls together, into once source, a framework for the identification and analysis of stakeholder issues and the development and implementation of the Stakeholder Management protocols and procedures.

Our approach at DAA provides a methodology which unifies all the various and disparate Stakeholder Management elements in a consistent way to enable a coherent, transparent approach using a common, milestone based structure, to enable:

- Identification of the stakeholder issues and requirements for programme and project specific stakeholder management and advising on the appropriate approach to engagement
- Assessing the consultation requirements and mapping the requirements against the Gateway Process
- Application of best practice tools, techniques and templates to support proactive planning of stakeholder consultations

- The processes described herein are applied at both programme level and to all projects within the Capital Investment Programme.

3.2 DAA Stakeholder Management Requirement

Over the coming years, Dublin Airport is undergoing a challenging period of capacity enhancement to meet the increasing need for passenger demand. This high profile and substantial investment will be under the continuous scrutiny of the Board of DAA and many other stakeholders such as passengers, the local community, airlines and the Regulator. There are several reasons why a proactive approach to stakeholder management is applied to the DAA Capital Investment Programme. These include:

- Dublin Airport has high national profile. The DAA Capital Investment Programme is one of the most highly visible and important programmes in DAA's history. There is thus a high element of reputational risk and opportunity
- There are numerous stakeholders and interdependencies such as airport Operations, airlines, passengers, the local community, the local Council and the Regulator, who all have relevant but often conflicting interests. It is important therefore to acknowledge their concerns, to recognise our obligations, and to minimise our risks whilst maximising opportunities for support in an effective and integrated way
- There are tight timescale, budgetary and operational constraints. Hence the management of on-time, on-cost, on-performance delivery is crucial
- DAA has a policy to introduce best practice into their methodology for project delivery and in the transparency and auditability of decision making
- Regulator feedback, both anecdotal and written, suggests several areas of concern which are addressed by a Stakeholder Management approach
- DAA has a need for increased ability to audit project decision making and the need to demonstrate transparency

To achieve our programme/project objectives it is important that we:

- Identify stakeholder concerns and resolve stakeholder issues at an early stage
- Engage in formal consultation across the life of the programme to ascertain views
- Promote our key messages and the benefits of the programme

3.3 DAA Stakeholder Management Policy

The policy for Stakeholder Management on the DAA Capital Investment Programme has the following key objectives:

- Definition of stakeholder engagement strategy and process
- Stakeholder profiling and management using best practice tools

- Facilitation of stakeholder dialogue and engagements
- Secure majority support of key stakeholders for CIP

Stakeholder Management Policy

Dublin Airport Authority recognises the importance of effective stakeholder engagement. We want to be open and proactive in our approach to engagement and to foster attitudes that encourage upward contribution and 2-way feedback. We will engage our stakeholders and each other through the most appropriate channels including face-to face meetings, regional briefings, email or by formal letter.

We will maintain plans that set out the responsibilities, timing and channels for all key consultation activities with all appropriate parties. Plans will be regularly reviewed against the current stakeholder issues, opportunities and progress of the programme, and updated throughout the life of the programme.

Our aim is to have a consultation strategy and approach that will:

- *Promote the benefits and opportunities generated by the programme*
- *Reinforce our vision and programme objectives*
- *Encourage a consistent, timely, targeted, accurate and secure flow information*
- *Support effective knowledge sharing*
- *Facilitate a culture of collaboration and a common sense of purpose*
- *Inject enthusiasm about what we do and how we do it*

Signed: _____

Mark Foley, Director Capital Programmes, DAA

3.4 The Two-Tiered Approach

The statement above encompasses the Stakeholder Management policy for the DAA Capital Investment Programme. The high level strategy that emanated from this policy can be viewed on the following page:

A	**Objective**
	The strategy provides a framework for the demonstrable delivery of best practice stakeholder management. It sets out the roles and responsibilities for the parties involved, the processes for data capture and reporting and the tools, techniques and timeframes though which the consultation process should be implemented at both the programme and project level.
B	**The Requirement**
	The multiplicity of stakeholders that are affected and/or will impact the programme (both the delivery of objectives – time and cost, and the reputational impacts) demands a holistic and coordinated approach to the management of stakeholder consultations.
C	**The Approach**
	A two-tiered approach, with consultation at the programme and project level, will follow consistent tools and processes. Information will be coordinated at the programme level to facilitate transfer up and down the work-streams to enable timely reporting and support escalation of issue priorities.
D	**Tools & Techniques**
	Tools and techniques include Stakeholder Mapping, the Stakeholder Matrix and Strategic Consultation Plans.
E	**Evaluation**
	Consultation effectiveness will be measured utilising both 'strategic' and 'operational' performance indicators. Strategic indicators include results achieved v objectives set in individual consultation plans; Operational indicators include issues logging and issue resolution, timely and appropriate responses to stakeholder requests and monthly stakeholder activity across the programme.
F	**Broad Stakeholder Groups**
	Sponsors, users of facilities, key suppliers, regulatory bodies, opinion partners, lenders, insurers, community and special interest groups, customers, employees, employee representatives
G	**Responsibility**
	At the programme level Gabrielle O'Donovan is responsible for designing the strategy and processes, and for utilizing best practice tools and techniques to facilitate programme level stakeholder management. To support Project Managers, Gabrielle provides awareness level modules and training workshops. At T2 work-stream level, consultations are coordinated through Dervilla Mitchell (ARUP) with local project consultations controlled by specific parties.

Fig 1 - Stakeholder Management Strategy

3.5 The Two-Tiered Approach

Both programme level and project level stakeholder management can be split into four key stages:

- **Design** – profile stakeholders and identify key issues
- **Develop** – develop consultation plans in line with Gateway Process
- **Deliver** – implement strategy and plans in line with Gateway Process
- **Evaluate** – review, consolidate results and feedback to appropriate parties

These stages informed the two-tier approach adopted by DAA.

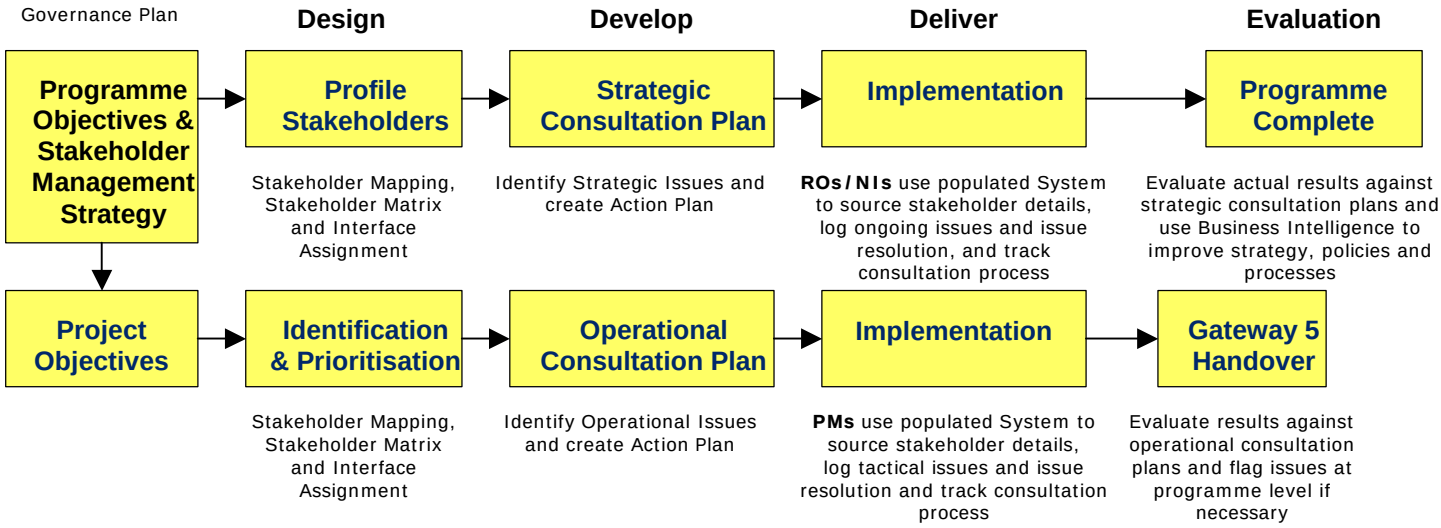


Fig 2 - Stakeholder Management Process

3.5 Implementation Principles

In line with experience and best practices we adopted the following principles concerning the implementation of Stakeholder Management into the Capital Investment Programme:

- KPIs for programme and project delivery

- Integrated with the Gateway process
- Mandatory across all projects
- Effort commensurate with size and complexity - lowest practical levels of meetings, workshops and paperwork and judicious use of people, time and other resources
- Clearly defined roles and responsibilities
- Onus on key line parties to demonstrate compliance
- Structured and overt approach with continuous review and capture of lessons learned
- Consistent tools and techniques provide audit trail and regulatory compliance outputs
- Integration with risk management, EDMS and other programme tools

3.6 Stakeholder Identification & Profiling

In early 2006, a large number of DAA stakeholder organizations were identified by the DAA and over time others would emerge. Given the multiplicity of stakeholders, they were arranged into broad six groups for easy categorisation. The 6 groups were as follows; Group 1 – `Key Input/Output', Group 2 `Significant Input/Output', `Group 3 – `Input/Output', Group 4 – Regulatory, Group 5 - `Proactive PR' and Group 6 - `Reactive PR'. It was understood that a stakeholder organization might move between groups as the programme progressed, but these categories were used generally for easy reference.

Also, workshops were convened to help DAA senior management profile stakeholders in order to determine their strategy for dealing with individual stakeholder organizations and groups. These workshops were facilitated by Gabrielle O'Donovan and attended by Mark Foley, Director Capital Programmes, David Frizell – T2 Programme Manager, Barry Drinan - Programme Manager for Planning and Mike Collings – Turner and Townsend Programme Manager.

The best practice tool used to facilitate these workshops was that of *Johnson & Scholes (1999)* as shown overleaf:

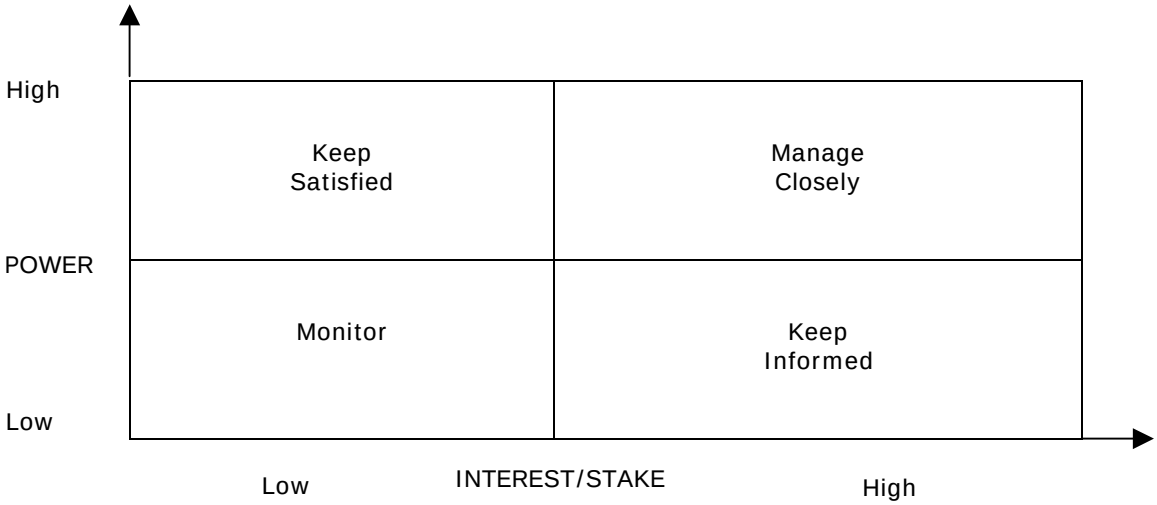


Fig 3 – Stakeholder Mapping Grid

The purposes of these discussions were to share information, achieve consensus on the relative power and stake of each stakeholder organization, and ensure that all on the leadership team were aligned in their approach. It was understood that the data put forward and output achieved would be, by nature, somewhat subjective and as such should be used for internal purposes only. Also, the team would agree on their common approach for dealing with particular stakeholder organizations.

- The vertical axis helps gauge a stakeholders' relative power in progressing or blocking the programme of works, while the horizontal axis helps gauge the stakeholders' relative power in relation to other stakeholders.

- Which section of the grid a stakeholder organization falls into will determine the general strategy for dealing with them e.g. for a 'high power/high interest' stakeholder the strategy adopted would be 'manage closely', while at the opposite end of the sphere the strategy for managing a 'low power/low interest' stakeholder would be to monitor them in case their position or stance were to change.

The output of these workshops included a diagrammatic view of the 6 groups which depicts their relative power and stake in relation to each other. Overleaf is an example using the DAA *Group 1 Key/Input Output'* list (Fig 4).

Group 1: 'Key Input/Output'

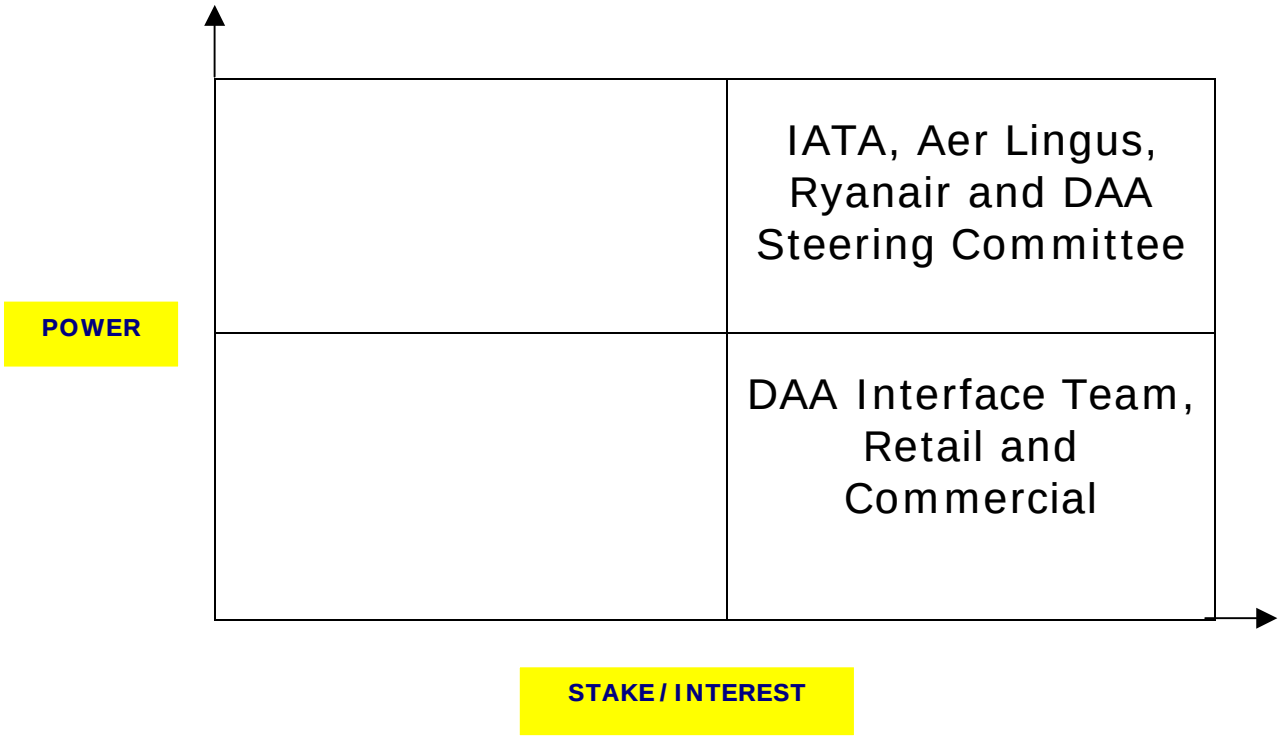


Fig 4 – DAA Stakeholder Group `Key Input/Output'

At a programme level, and for strategic issues (both T2 and non T2), these stakeholders would be managed using the frame-of-reference outlined above. Forums would include monthly events for airlines and ground handlers, together with bi-laterals and other engagement processes.

Note: For T2 operational/project specific issues, Arup used a modified approach to suit their particular perspective as recorded in the T2 Report.

3.7 Governance

To progress from the stakeholder identification and profiling activities, a governance framework was put in place.

3.7.1 Appointment of Relationship Owners and Nominated Interfaces

Within the business, Relationship Owners were given responsibility for managing the relationship with specific stakeholder organizations. This would entail deciding on strategic goals and objectives specific to a particular stakeholder and resolving their issues. In terms of seniority, Relationship Owners tend to be either DAA/DA directors or general manager level staff.

Each Relationship Owner then appointed a Nominated Interface who would be responsible for dealing with day-to-day stakeholder engagements. A Nominated Interface for a given stakeholder would be a direct report of the relevant Relationship Owner.

Below is the DAA list of stakeholder organizations, Relationship Owners and Nominated Interfaces for the Capital Investment Programme.

Group 1: Key Input/Output

	Stakeholder Group	Relationship Owner	Nominated Interface
1.	Aer Lingus	Robert Hilliard	Mark Foley
2.	Ryanair	Robert Hilliard	Robert Hilliard
3.	T1 Retail & Catering	Frank O'Connell	Feargal O'Reilly
4.	T1 Other Tenants e.g. hotels, ESSO stn	Jack MacGowan	Darren O'Brien
5.	Media	Vincent Wall	Paul O'Kane
6.	T2 Tenants	Jack MacGowan	Michael Murphy
7.	IATA	Mark Foley	David Frizell

Group 2: Significant Input/Output

	Stakeholder Group	Relationship Owner	Nominated Interface
8.	Airlines & Ground Handlers	Robert Hilliard	Mark Foley
9.	General Aviation (Signature, FBP, Univ.)	Jack MacGowan	Darren O'Brien
10.	Airport Charges User Group (APC)	Tom Haughey	Mary Coveney
11.	State Services - Garda	Robert Hilliard	Brendan Daly
12.	State Services - GNIB	Robert Hilliard	Declan McCarthy
13.	State Services - Agriculture	Robert Hilliard	Brendan Daly
14.	State Services - Customs	Robert Hilliard	Brendan Daly
15.	State Services - Health	Robert Hilliard	Brendan Daly
16.	State Services – Accommodation (OPW)	Jack MacGowan	Michael Murphy
17.	US Customs & Border Control & TSA	Elaine Jones	David Frizell
18.	T2 Stakeholder Community	Dervilla Mitchell	Kate West
19.	Westlands Landowners	Jack MacGowan	Jack MacGowan/ Michael Murphy

Group 3: Input/Output

	Stakeholder Group	Relationship Owner	Nominated Interface
20.	Railway Procurement Agency (RPA)	Mark Foley	Barry Drinan/ Vincent Lynch
21.	Dublin Transportation Office (DTO)	Barry Drinan	Liam Gaffney
22.	Dublin Transport Authority (DTA)	Mark Foley	Barry Drinan
23.	Integrated Transportation Forum (ITF)	Barry Drinan	Barry Drinan

24.	Disability Groups	Robert Hilliard	Declan McCarthy
25.	ESB	Robert Walsh	Robert Moura
26.	Bord Gais	Robert Walsh	Robert Moura
27.	Telecoms	Andrew Murphy	Robert Moura
28.	Mobile Operators	Andrew Murphy	Robert Moura
29.	FCC Utilities	Liam Gaffney	Aidan Fidgeon/ Liam Gaffney/ Robert Moura
30.	FCC Sewage & Waste	Liam Gaffney	Vincent Lynch
31.	FCC Planning (masterplan)	Barry Drinan	Aidan Fidgeon/Robert Moura
32.	FCC Roads	Barry Drinan	Liam Gaffney
33.	Staff	Declan Collier	Grainne O' Malley
34.	Passengers	Jack MacGowan	Louise Bannon

Group 4: Statutory

	Stakeholder Group	Relationship Owner	Nominated Interface
35.	CAR	Tom Haughey	Miriam Ryan/ Deirdre Lavin
36.	DoT	Oliver Cussen	Brendan Daly
37.	FCC Planning (strategic)	Mark Foley	Mark Foley
38.	IAA & IATC	Alan Levey	Nigel Somerfield
39.	Independent Verifier	Mark Foley	Ian Taylor
40.	NRA	Mark Foley	Barry Drinan

Group 5: Proactive PR

	Stakeholder Group	Relationship Owner	Nominated Interface
41.	AOC & DAUC	Robert Hilliard	Brendan Daly
42.	Association of Foreign Airlines (AFA)	Declan Collier	Robert Hilliard
43.	Commission for Energy Regulation (CER)	Robert Walsh	Robert Moura
44.	Cargo & IAIEC	Jack MacGowan	Michael Murphy
45.	Fuelers	Jack MacGowan	Michael Murphy
46.	Maintenance & Overhaul -SR Technics	Declan Collier	Jack MacGowan
47.	Car Hire	Jack MacGowan	Darren O'Brien
48.	Taxis	Declan McCarthy	Declan McCarthy
49.	Buses & Coaches	Jack MacGowan	John Brennan
50.	Conservation Lobby (& FCC)	Barry Drinan	Barry Drinan
51.	Near Neighbours	Siobhan Moore	Maura Cassidy
52.	The Church	Jack MacGowan	Darren O'Brien
53.	ITIC	Oliver Cussen	Declan McCarthy
54.	Tourism Ireland Ltd	Tom Haughey	Tom Haughey
55.	Failte Ireland	Tom Haughey	Tom Haughey
56.	EU Committees	Tom Haughey	Tom Haughey
57.	Enterprise Ireland	Oliver Cussen	Oliver Cussen

58.	Department of Arts, Sports & Tourism	Oliver Cussen	Oliver Cussen
59.	Local Chambers of Commerce	Siobhan Moore	Maura Cassidy
60.	Business Community	Vincent Wall	Paul O'Kane
61.	Gov & Political Party Reps	Vincent Wall	Paul O'Kane
62.	Construction Industry	Mark Foley	Mark Foley

Group 6: Reactive PR

	Stakeholder Group	Relationship Owner	Nominated Interface
63.	An Taisce (environmental lobby)	Barry Drinan	Barry Drinan
64.	FAEI (aeronautical engineers)	Robert Hilliard	John Cahalan
65.	Iarnrod Eireann (heavy rail)	Barry Drinan	Barry Drinan
66.	European Investment Bank (EIB)	Ray Gray	Regina McGrath

Fig 5 – DAA Stakeholder Management Line Governance List

Note: At project level, project managers are responsible for their stakeholders' operational issues and liaise with their opposite number in the stakeholder organization.

3.7.2 The Stakeholder Management Steering Committee

A Steering Committee was set up to provide overall governance of stakeholder management for the Capital Investment Programme. Committee members include those Relationship Owners of clusters of stakeholders: Mark Foley - Director Capital Programmes, Robert Hilliard - Director Dublin Airport, Jack MacGowan - Commercial Director, Vincent Wall – Director Corporate Communications, Barry Drinan - Programme Manager Planning, David Frizell – T2 Programme Manager and Mike Collings – T&T Programme Manager. Meetings are organized and facilitated by Gabrielle O'Donovan. The forum allows for a cross-fertilization of ideas and common topics include a report on progress to date and the strategy for managing key stakeholders in the coming month. The Stakeholder Management Steering Committee meets once a month and members have the following responsibilities:

- Commit to monthly meetings to promote cross-functional dialogue on current stakeholder engagements
- Highlight those stakeholders needing particular attention and (where appropriate) reach consensus with other members on the approach
- Monitor the activities of own Nominated Interface, and participate directly in consultations where appropriate
- Act as a champion of good stakeholder management practices and an ambassador of the Steering Committee

3.8 Strategic Consultation Plans

For each stakeholder organization, the programme level Relationship Owner worked with Gabrielle O'Donovan to prepare a Strategic Consultation Plan (SCP). This plan would outline for a particular stakeholder organization the profile of the stakeholder in terms of power and stake, their strategic contacts, the DAA Relationship Owner and Nominated Interface, the DAA strategic goals and objectives in terms of managing stakeholder relationships and issues, consultation processes to be used and frequency of these (e.g. monthly meetings) together with the signatures of the Relationship Owners and Nominated Interfaces. These plans are key to performance tracking with each stakeholder group and are part of the review process in terms of goals and objective set versus those achieved.

3.9 Reporting

The two key reports are as follows:

The **Monthly Capital Report** contains a programme stakeholder management statement and is issued to the Executive Board which is chaired by the Chief Executive Declan Collier. This summary statement provides an overview of activity (both T2 and non T2) for the month, key strategic issues and upcoming milestones.

The **T2 Report** is issued to the T2 board, which is chaired by Robert Hilliard, Director Dublin Airport. This document focuses specifically on T2 stakeholder management and those issues that are specific to the T2 project (any programme level issues that emanated from discussions would be fed further up the line to the strategic level Relationship Owners and Nominated Interfaces for their action).

3.10 Line Support with Implementation

To support DAA staff with their new stakeholder management obligations, stakeholder management training continues to be provided on an ongoing basis. To date 168 hours of DAA staff training have been recorded. This is supported by ongoing one-to-one coaching sessions as required.

3.11 Supporting Documents

A number of supporting documents interface with the procedures outlined in this document. These include:

- Value Management Procedure and Handbook
- Risk Management Procedure and Handbook
- IM Policy, Procedure and Handbook
- Document Control Procedure and Handbook
- Gateway Process Procedure and Handbook

3.12 Conclusion

It has been shown that the stakeholder management methodology adopted by DAA across the whole programme of works is best in class and has resulted in benefits being realised on the internal and external fronts:

External Benefits: Issues Mitigation and Stakeholder Support

- Key stakeholders have expressed their support for the CIP, as detailed in section 4.6 of this report which focuses on strategy implementation
- Issues Mitigation – records show that all 52 strategic User issues raised at monthly events were answered in '06 (Ref. Appendix A, Questions & Answers 2006) document and 43 strategic User issues raised at monthly events were answered in 1/Q '07 (Ref. Appendix B, Issues & Responses document 2007)

Internal Benefits: Governance & Culture

- Governance – director led stakeholder management steering committee meets monthly to review strategic stakeholder issues and plan for the future
- Reporting – stakeholder activity recorded in Gateway Papers and PM Monthly Reports and line management now reports monthly and centrally on stakeholder engagements, issues and actions
- Accountability – directors and senior managers now individually accountable for managing stakeholder organization relationships and interfaces (70 Relationship Owners & Nominated Interfaces assigned); project managers personally accountable for managing their project stakeholders
- Knowledge sharing and knowledge management – 70 Strategic Consultation Plans hold central record of stakeholder contacts and client strategic goals and objectives pertaining to each of the stakeholder organizations: also, record put in place of client stakeholders and their contacts and this is available to line parties
- Skills update – all project managers now trained on best practice stakeholder management with 168 training hours recorded to date

- Workforce behavioural change – there is now ongoing management of stakeholders at a strategic and operational level using best practices and staff are moving from activity-centred culture to results-centred culture as demonstrated in project manager monthly reports

- Audit trail – an audit trail has been embedded in the clients systems and processes which reflects best practice stakeholder management

4 Programme Stakeholder Management – Implementation & Evaluation

4.1 Overview

This section will show that the DAA carried out a thorough and genuine user consultation with all users and that clear user support for the finalised programme emanated from this process. In particular:

- In the spirit of the "Triple Lock" policy, the DAA carried out a full and proper consultation, which shows an agreed finalised proposal. This provides strong support for the proposition that it should be included, in its entirety, in any RAB calculation.

- A full and detailed consultation process was carried out in, at least, three distinct stages. Proper and prudent airport planning is an absolute necessity for any airport authority. Accordingly in 2002 the Airport Authority was consulting with users on the first Master Plan for the proposals in relation to a T2. Then, following the announcement by the Government of the Aviation Action Plan in May 2005, which mandated the now DAA to build T2 by 2009, the DAA commissioned Pascall & Watson to review the PM/SOM/TPS Master Plan and to present revised and updated recommendations on terminal design. Finally, a third period of consultation began in January 2006, which dealt with the specifics of the Capital Investment Programme and the T2 proposal, and intended to lead to the detailed design of T2 for inclusion in the 2006 CIP.

The DAA's process met international "best practice" standards. The Government's Independent Verifier reviewed the consultation process and concluded:

"The approach [engaged by the DAA] follows the guidance within the IATA Airport Development Reference Manual for appropriate consultation between airport planners and stakeholders in the development of requirements for a passenger terminal facility, and therefore accords with best practice".[1]

Further, a comparison with the UK CAA's recommended consultation standard and "constructive engagement" policy shows that the level of consultation the DAA engaged in clearly meets these standards.

The consultation process shows "genuine user consultation". Significant and comprehensive consultation with users was carried out by the DAA from the inception of the T2 planning process in January 2002. The DAA actively sought feedback from users and other stakeholders and this feedback informed much of the T2 design ultimately adopted in the 2006 CIP. If taken in its entirety, this cannot be reasonably said to be anything but "genuine user consultation".

The consultation process shows user support for the proposals. To the extent that was reasonably possible, particularly given the stance taken by certain users from the outset and the conflicting commercial needs of users, user support was achieved for the T2 model. Airlines accounting for the vast majority of passengers at Dublin Airport (and an ever greater proportion of projected future passengers) either explicitly support the proposals or chose not to engage in the consultation process.

4.2 The Relevance and Parameters of Consultation

The DAA would observe that it is unrealistic to expect total support across all users for the plans envisaged for T2. The plans for T2 cannot be "everything to everyman" by virtue of the fact that each individual user has, by their very nature, conflicting commercial objectives. Accordingly, the CAR must take into account the fact that the DAA consulted each user and accommodated the majority of views during the process and has achieved user "buy-in", whilst recognising that the DAA has an inevitable balancing act to play.

It is important to note that users will make their assessment of the options based *on the criteria that are important to them*, but ultimately the decision on which option to proceed with was made by the DAA Board having had regard to all the views of users.

The DAA carried out its extensive consultation process for a number of important reasons.

- *First*, the DAA wanted to ensure that the planning for such a key national project was carried out in full accordance with the Government's "Triple Lock" policy. The DAA has made extensive strides to ensure the fulfilment of this key national policy.

- *Second*, the consultation carried out by the DAA is of particular relevance as it shows that all users were adequately engaged in the process and, in the main, in agreement with the DAA's proposals. Accordingly, the CAR cannot and should

[1] See paragraph 6.3.4 of the Independent Verifier's Report.

not superimpose its own ideas and policies on the calculation of, in particular, RAB as these have been clearly agreed and set out between users and the DAA. In the UK, the CAA, referring to its 2003 decision, remarked that "providing BAA follows best practice management and operates pro-actively the enhanced information disclosure and consultation agreement, consulting effectively with well-informed users, the CAA sees no good reason for disallowing capital expenditure at the next review".[2]

- *Third*, the DAA would also observe that consultation is a two-way process, which involves users responding adequately and in a timely manner. As will be apparent below, several airlines were given extensive opportunities to participate in the consultation process but chose not to or simply ignored the process. The DAA's process cannot be said to be inadequate or insufficient on the basis that airlines had failed to respond to the DAA's clear and structured consultation.

- *Fourth*, the general business and tourism community in Ireland, as representative of the ultimate users, is strongly in favour of the DAA plans.

4.3 Phases of The Consultation Process Engaged by the DAA

The DAA has undergone a substantial and detailed consultation process on the 2006 CIP options and, more generally, T2, which engaged users at the earliest opportunity.

The chronology of consultation engaged in by the DAA is set out below and this shows the extent to which the DAA discussed the T2 programme with users, which took into account work commenced in 2002.

(i) Consultation Period 1: January 2002

Consultation on Airport development began as far back as January 2002. Over an 18-month period, the DAA consulted users, both on-airport and external stakeholders. Project Management/Skidmore Owings & Merrill had been mandated by the Company to prepare a "Dublin Airport Terminal and Piers Development Study", which was intended to serve as the Master Plan for the development of Dublin Airport, and in particular the development of a second terminal.

[2] Airports Price Control Review, containing initial proposals for Heathrow, Gatwick and Stansted, published by the CAA in December 2006 and available on the CAA website at www.caa.co.uk.

The objectives of the consultation process were to –

- familiarise stakeholders with the methodologies and approaches used to appraise and design T2;
- agree a common understanding of acceptable levels of service standards and functionality metrics for designing new facilities;
- establish a common basis of fact and knowledge about the capacity and service level capabilities of existing facilities; and
- determine the requirements of stakeholders and elicit their comments through specific, structured questionnaires and through centralised discussion and debate at meetings.

Consultation was envisaged as being inclusive of all stakeholders, transparent and effected in a timely and certain manner. Accordingly, it commenced with a general meeting in January 2002 and was subsequently followed by separate one-on-one meetings with stakeholders and more general meetings with stakeholders according to certain groupings –

- Airlines and handlers: including Aer Lingus, Ryanair, Aer Arann, BMI, British Airways, Cityjet, SAS, Continental, Delta, Lufthansa, Iberia, Aeroflot, Air Canada, Air Malta, Alitalia, CSA Czech Airlines, Finair, Flybe and AOC.
- Ground Handling: including Servisair, Aviance, Cityjet Handling.
- Industry Associations: including IATA, IALPA.

The relevant sections of the Project Management/Skidmore Owings & Merrill – "Dublin Airport Terminal and Piers Development Study" list the schedule of meetings undertaken by the DAA and highlight the scope and scale of the exercise that was undertaken.

2.7.3 Schedule of Meetings

Initially, the meetings with the Airline/Handlers grouping were held on a fortnightly basis for the first 6 months. The frequency was reduced as the optioneering and short-listing process neared its completion. Sixteen meetings in total were held with the Airline/Handlers grouping of stakeholders.

Table 2.2 – Schedule of Meetings

SCHEDULE OF MEETINGS			
Meeting No.	Airline and Handlers	External Stakeholders	Cargo
Joint Kick-off Meeting	30/01/02	30/01/02	30/01/02
1	7/02/02	27/03/02	10/05/02
2	21/02/02	09/05/02	13/06/02
3	7/03/02	17/07/02	14/01/03
4	21/03/02	15/10/02	
5	11/04/02	21/08/03	
6	02/05/02		
7	23/05/02		
8	20/06/02		
9	27/06/02		
10	01/08/02		
11	5/09/02		
12	19/09/02		
13	20/11/02		
14	29/05/03		
15	21/08/03		
Special	02/10/02		

The meetings with the External Stakeholders were generally held on a bi-monthly basis. Six meetings in total were held with the External stakeholders.

Four meetings were held with the Cargo grouping of stakeholders.

The one-to-one meetings were held on an as-required basis as issues arose in the course of the general consultation process.

8 meetings were held with SR Technics (SRT- formerly FLSA)
7 meetings were held with An Garda Siochana
5 meetings were held with IATA
3 meetings were held with the fuel companies
3 meetings were held with the Railway Procurement Agency
2 meetings were held with Department of Transport representatives
2 meetings were held with the Assessment Panel on the Independent Terminal
2 meetings were held with Heritage Groups
2 meetings were held with Fingal County Council
1 meeting was held with the Dublin Transportation Office
1 meeting was held with contiguous land owners
1 meeting was held with Iarnrod Eireann

Table 2.3 – One to One Formal Meetings

ONE TO ONE FORMAL MEETINGS						
SRT	Fuel Co's	Gardai	IATA	RPA[1]	SAC[2]	DTO[3]
0105/02	17/04/02	08/02/02	01/03/02	16/10/02	20/12/02	3/12/02
08/05/02	15/07/02	24/09/02	18/06/02	25/11/02	28/01/02	
12/06/02	23/08/02	10/10/02	18/07/02	17/12/02		
04/07/02		18/10/02	15/10/02			FCC[5]
31/07/02		17/01/03	19/11/03		CLA[4]	05/11/02
25/09/02		20/02/03		Heritage	22/04/02	13/03/03
24/10/02		08/05/03	DOT[6]	19/07/02		
29/11/02			18/09/02	FMD/10/02		IE[7]
			21/10/02			25/11/02

1 Railway Procurement Agency
2 Special Advisory Committee on Independent Terminal
3 Dublin Transportation Office
4 Contiguous Land Owners
5 Fingal County Council
6 Department of Transport
7 Iarnrod Eireann

Further, various inputs were solicited from stakeholders throughout the consultation period:

- Three separate written questionnaires were sent to users: Questionnaire 1 (7 February 2002) asked for inputs that would help the team develop a brief for terminal and pier expansion; Questionnaire 2 (28 February 2002) asked for inputs that would help the team establish precise future airline requirements of a Pier D and to resolve key questions regarding capacity; and Questionnaire 3 (12 April 2002) was circulated to develop a new design for Pier D. Aer Lingus, Ryanair, Aer Arann, Cityjet, Delta and BMI responded to all questionnaires.

- Key Discussion Elements at Meetings: key inputs were discussed throughout. Aer Lingus and Ryanair attended all meetings.

The result was the PM/SOM report referred to above and which recommended the development of a second terminal and where it is proposed to build T2, catering for a "mixed use" (i.e. short haul and long haul operations).

ii) Consultation Period 2: June 2005

Following the announcement by the Government of the Aviation Action Plan in May 2005, which mandated the now DAA to build T2 by 2009, the DAA commissioned Pascall & Watson to review the PM/SOM Master Plan and to present revised and updated recommendations on terminal design.

Pascall & Watson engaged in this second period of consultation, which began in June 2005 with home-based carriers in relation to capacity enhancement. The objective of this project, the "Capacity Enhancement Study", was to engage in multi-lateral consultation to establish key principles to underpin a capacity enhancement plan and to then build a consensus around a "best fit" solution. Their action was that this report would then serve as a framework for the development Plan from which the detailed T2 design proposals would be established as part of the CIP necessary to implement the Aviation Action Plan.

Pascall & Watson consulted extensively following initial briefings with the DAA and the four major home-based airlines (Ryanair, Aer Lingus, Cityjet and Aer Arann). Further briefings/reviews were held with a wide range of other key stakeholders (including CAR, RPA and Fingal CC) to ensure that a wide range of views had been canvassed. Subsequently, and after a thorough review of previous studies including the Master Plan undertaken in 2002, initial proposals were prepared for review with the DAA and the four major home-based airlines. These proposals sought to provide a Capacity Enhancement Plan that:

- established and protected long-term potential development needs including, for example additional stands, piers, terminal facilities and metro station;
- established acceptable service levels with reference to agreed benchmarks; and
- established an incremental development plan that could be introduced in a phased manner without interim loss of capacity.

The table below lists the schedule of meetings undertaken by Pascall & Watson and highlights the scope and scale of the exercise that was undertaken:

	Date	P+W meeting with	Subject	Attendees
Briefing	15-Jun	DAA	Briefing	Declan Collier; Bob Hilliard; Mark Foley
	20-Jun	DAA	Airside & OCTB Review	Airport Operational Staff
	23-Jun	Ryanair	Briefing	Michael O'Leary; Michael Cawley; David O'Brien
	28-Jun	Aer Arann	Briefing	Padraig O Ceidigh; Peter McKenna; John Halpin; Ian Sheridan
	29-Jun	Cityjet	Briefing	Geoffrey White; Damian Manly; Hugh Rodgers; Michael Maher; Paula Dunne; Karen O'Gorman; Philippe LeNaour; Conor Furey
	29-Jun	Aer Lingus	Briefing	John Sharman; Dick Butler; Niall Walsh; Brian Wheatley
Review	29-Jun	DAA	Roads & Runways	Barry Drinan; Aidan Fidgeon; Liam Gaffney
	07-Jul	Aer Lingus	Operational Review	Dick Butler; Ray Bolger
	07-Jul	RPS McHugh	Planning Review	Christopher McGarry; Richard Hamilton
	07-Jul	Dublin Airport	Planning Review	Bob Hilliard; Elaine Jones
	08-Jul	DAA	Progress Report	Declan Collier; Oliver Cussen; Mark Foley
	08-Jul	Commission for Aviation Regulation	Process Review	Bill Prasifka; William Hynes; Oliver Hogan; Miriam Ryan
	13-Jul	RPA	Metro Review	Frank Allen; Rory O'Connor; Declan Collier; Mark Foley
	13-Jul	DAA	Progress Review	Declan Collier; Mark Foley; Bob Hilliard
	14-Jul	Fingal Planning	Process Review	David O'Connor; Ann Marie Farrelly; Mark Foley; Barry Drinan
	14-Jul	DAA Property	Asset Review	Michael Murphy
	14-Jul	US Immigrations	Operational Review	Barbara McCall
Workshop	18-Jul	DAA Planning Team	Workshop	Barry Drinan & Team

	18-Jul	Airport Team	Workshop	Elaine Jones & Team
	19-Jul	P+W	Deliver Model	
	20-Jul	Cityjet	Workshop	Geoffrey White; Damian Manly; Hugh Rodgers; Michael Maher; Paula Dunne; Karen O'Gorman; Philippe LeNaour; Conor Furey
	20-Jul	Aer Arann	Workshop	Padraig O Ceidigh; Peter McKenna; John Halpin; Ian Sheridan
	22-Jul	Aer Lingus	Workshop	Dick Butler; Niall Walsh; Brian Wheatley
	22-Jul	Ryanair	Workshop	Michael O'Leary; Michael Cawley; David O'Brien
Response + Clarifications	26-Jul	Aer Lingus	Response to Workshop	Email correspondence
	26-Jul	Aer Arann	Response to Workshop	Email correspondence
	27-Jul	Cityjet	Response to Workshop	Email correspondence
	05-Aug	Aer Lingus	Workshop Clarifications	Dick Butler; Niall Walsh; Brian Wheatley (Alan Lamond)
	17-Aug	D5	Short-Term Provisions	Ian Saunders
	17-Aug	Ryanair	Workshop Clarifications	Michael O'Leary
	18-Aug	Ryanair	Workshop Clarifications	Email correspondence
	23-Aug	DAA	Workshop Clarifications	Elaine Jones; Mark Foley; Paul Cumiskey; John Hughes; Ciaran Scanlon

As part of their work, Pascall & Watson considered a wide variety of different options for the capacity enhancement of the terminal facilities as detailed in their report. This resulted in consideration of four primary options (see Appendices 5 of the Pascall & Watson report), from which the final location of T2 was recommended.

The discussions and airline input culminated in the "Dublin Airport Authority: Capacity Enhancement Recommendation Report for Dublin Airport" dated September 2005, which updated the position reached in 2002 and made recommendations based on user input. It is this report, which formed the basis for the location of T2 and other capacity enhancement projects, which was in turn the basis of the 2006 CIP.

iii) Consultation Period 3: January 2006 onwards

The third period of consultation began in January 2006. This period of consultation was carried out with on-airport and external stakeholders in relation to the specifics of the Capital Investment Programme[3] and the T2 proposal[4] (intended to lead to the detailed design of T2 for inclusion in the October 2006 CIP).

The DAA and its experts recorded in excess of 500 individual stakeholder (both internal to DAA and users) activities for 2006 including major events, workshops, design meetings, bi-laterals etc[5]. Consultation with users continues today. In 2006, eight Major Events with Airlines[6] and Ground Handlers took place:

Date in 2006	Event
24 March	1st Consultation Meeting with Airlines and Handlers
21 April	2nd Consultation Meeting with Airlines and Handlers
26 May	3rd Consultation Meeting with Airlines and Handlers
23 June	4th Consultation Meeting with Airlines and Handlers
10 August	5th Consultation Meeting with Airlines and Handlers
28 September	6th Consultation Meeting with Airlines and Handlers
26 October	7th Consultation Meeting with Airlines and Handlers
21 November	8th Consultation Meeting with Airlines and Handlers

Consultation with airlines and ground handlers continued in 2007 and a further two workshops were held on the CIP document specifically.

Nine consultations with CAR were conducted.

208 meetings and bi-laterals were held with external stakeholders, including:

Dates in 2006	User	Meeting Detail
27 January	Aer Lingus	Aer Lingus Requirements
7 February	Aer Lingus	CBP Strategy & Location Options
15 February	Aer Lingus	Baggage Workshop

3 Please see the Capital Investment Programme – DAA/CIP04, Section 20.

4 Please see the ARUP – T2 Stakeholder Management Report.

5 Details of which are set out in ARUP's T2 Stakeholder Management Report at Appendices A and B.

6 Which included, amongst others, Aer Lingus, Ryanair, Aer Arann, BMI, Cityjet, Continental, Delta, Lufthansa, Air Canada and IATA.

Dates in 2006	User	Meeting Detail
9 March	Aer Lingus	Baggage
15 March	T2 Airlines	Questionnaires sent to Other T2 assigned airlines prior to one-to-one meetings being held. Questionnaires and meetings address Airport Planning, Baggage Handling and Architecture.
15 March	Non-T2 Airlines	Questionnaires sent to non-T2 assigned airlines prior to one-to-one meetings being held. Questionnaires and meetings address Airport Planning, Baggage Handling and Architecture. Meetings held at airline request.
24 March	All Airlines	1st Consultation Event for Airlines and Ground Handlers
30 March	Aer Lingus	Baggage Workshop
4 April	Cityjet	Planning parameters and user requirements with Cityjet
7 April	Aer Lingus	Aer Lingus Meeting – T2 Peak Planning Flow & Facility Sizing Proposition
8 April	IATA	Meeting with IATA – General update on Design Options
11 April	Aer Lingus	Presented Options
11 April	Continental	Meeting with Continental to discuss questionnaire
11 April	Ryanair	Meeting with Ryanair to discuss questionnaire
20 April	Aer Lingus	To Discuss Facility Requirements
21 April	All Airlines	2nd Consultation Event for Airlines and Handlers
24 April	Delta	Meeting with Delta to discuss questionnaire
27 April	Aer Lingus	Presentation of Options 5, 6 and 7
3 May	All Airlines	Airlines Focus Group
3 May	All Airlines	Focus Group
5 May	IATA	Letter from IATA

Dates in 2006	User	Meeting Detail
18 May	Aer Lingus	Baggage Hall Operations & Late Baggage
18 May	All Airlines	Feedback on Consultation Process
24 May	Aer Lingus	G2 Options and Evaluation
25 May	Ryanair	Meeting with Ryanair
25 May	IATA	Update on Options Evaluation
26 May	All Airlines	Airlines Presentation No.3
26 May	All Airlines	3rd Consultation Event with Airlines and Ground Handlers
31 May	Aer Lingus	Review Development of Options 6 & 7 (with DAA GPCP also)
13 June	All Airlines	Airlines Presentation No. 4
16 June	Aer Lingus	Review Options at Aer Lingus Meeting
23 June	All Airlines	4th Consultation Meeting with Airlines and Handlers
14 July	Aer Lingus	Single Baggage Solution Meeting with DAA, Aer Lingus
19 July	Aer Lingus	Single Baggage Solution Meeting with Aer Lingus & Servisair
20 July	T2 Airlines	Floor Area & Location in DT2
21 July	T2 Airlines	Stakeholder Consultation on T2 Airlines and Handling Agents
21 July	Air Canada	Air Canada consultation
25 July	All Airlines	Airlines Events Preparation Meeting No.1
27 July	Aer Lingus	Aer Lingus Concerns in relation to Baggage
31 July	All Airlines	Airlines Events Preparation Meeting No.2
9 August	IATA	Meeting with IATA – Airline Industry Standards and Operational “Best Practice” Principles
10 August	All Airlines	5th Consultation Event with Airlines and Ground Handlers
18 August	Aer Lingus	Presentation to Dick Butler
21 August	Aer Lingus	Design Briefing

Dates in 2006	User	Meeting Detail
23 August	Aer Lingus	Status of Planning Drawings
4 September	All Airlines	Agenda setting
5 September	IATA	Letter from IATA
6 September	Aer Lingus	Stakeholder meeting with Aer Lingus
12 September	All Airlines	Airlines questionnaire
28 September	All Airlines	6th Consultation Event with Airlines and Ground Handlers

- 305 meetings and bi-laterals with internal stakeholders;
- 10 presentations;
- Five workshops; and
- One exhibition.

Stakeholder input has been sought from a diverse range of user groups. This process, and the feedback from the stakeholders, has been recorded in various documents – from meeting minutes and event handouts to the consolidated summaries of user comments.

Questionnaires were sent out to users as a means of gaining input from them into the planning process, including gaining information from users on requirements in context of facility planning and terminal positioning. Questionnaires were sent to:

Airline	First name	Surname	Date sent
Aer Arran	Padraig	O'Ceidigh	21/03/2006
Aer Lingus	Numerous		Various Dates
Air Canada	Pierre	Charbonneau	15/03/2006; 27/03/2006
Air Canada	Lindsay	Vollaire	11/04/2006
American Airlines	Sheila	Murphy	15/03/2006; 27/03/2006
American Airlines	Don	Langford	15/03/2006; 27/03/2006
Aviance	Darren	Allen	10/04/2006

Airline	First name	Surname	Date sent
Aviance	Ray	Caesar	10/04/2006
BMI	Jane	Irving	21/03/2006
British Airways	Willie	Walsh	15/03/2006; 27/03/2006
Cityjet	Hugh	Rodgers	21/03/2006
Continental	Beatrice	Cosgrove	15/03/2006; 27/03/2006
Delta	Angela	Coleman	15/03/2006; 27/03/2006
Finair	Jukka	Hienonen	15/03/2006; 27/03/2006
Futura	Santiago	Ameguel	21/03/2006
Futura	Val	Osborbe	30/03/2006
Futura	Juan	Munos	06/04/2006
Iberia	Carlos	Sobrino	15/03/2006; 27/03/2006
Malev	Geraldine	Ahern	15/03/2006; 27/03/2006
Ryanair	David	O'Brien	21/03/2006
SAS	Dympna	Dwyer	21/03/2006
Servisair	John	Murphy	10/04/2006
Servisair	Bernard	Farrell	10/04/2006
Sky Handling	Richie	Copeland	10/04/2006
US Airways	Tina	Ghiladi	15/03/2006; 27/03/2006
US Airways	Therese	Jager	06/04/2006

The primary objective of the questionnaires was stated as: "establishing the optimal use of space available and to ensure that all stakeholder requirements are appropriately considered". As can be seen from the sample Questionnaires for Aer Lingus and Iberia attached at Appendix 7, the questions detailed user requirements and future aspirations in order to fully take into account user needs.

In addition, further questionnaires were sent out to gauge the satisfaction with the consultation process – attached at Appendix 8 is the covering e-mail, which shows that the questionnaire was sent to all users. The DAA only received three responses,

but all three responses agreed that, at September 2006, there was satisfaction level of consultation to date.[7]

Eight major consultation events took place with airlines and ground handlers. Representatives from all parties involved in the T2 process attended these meetings (i.e. DAA; ARUP; Pascall & Watson; Turner & Townsend) and were available to answer all questions of users.

The meetings covered all relevant aspects of the T2 process including planning and design, the various T2 options and the evaluation criteria. The meeting minutes clearly show that specific focus was also placed on the issue of costing. The level of consultation on costing is evidenced by the following:

- The cost plan was made available to all stakeholders.
- A presentation setting out the costings on three of the T2 options was provided by Deirdre Chapman (PKS) on 26 May 2006 and all meeting attendees had the opportunity to ask questions.
- A CIP workshop was held on 26 October 2006 and this gave users a further opportunity to both understand the costing of T2 and to ask any questions they considered pertinent.
- Finally even after the publication of the CIP, users were continuously consulted on all aspects of costings.

Minutes and presentation material from nine consultation events with CAR.

Further, high-level contacts between senior DAA management and the based carriers management were ongoing throughout 2006 in relation to the development of T2 and the main elements of the Capital Investment Programme. These interactions were, by their very nature highly confidential, but remain a key pillar of engagement and consultation. Through this continuous engagement, all of the cost elements of T2 were visible prior to the publication of the CIP and accordingly users were fully aware from an early date of the vast majority of the costing elements of T2.

Finally, the DAA also met with the Irish Tourist Industry Confederation (the *ITIC*) as part of the external stakeholder consultation during 2006. It should be noted that ITIC presents itself as the representative body for the diverse tourism industry and the only meaningful voice for the portion of traffic represented by overseas residents (and made representations to the CAR supporting the capital programme in this capacity) and the DAA respect their credentials in this context.

The result of this comprehensive consultation process, which was founded on the previous two consultations, was the detailed T2 design, which was the basis of the 2006 CIP.

7 See copies of responses, which are attached at Appendix 16.

4.4 The DAA's Consultation met International Best Practice

The DAA's consultation process was considered against the standards set out in the Manual by the Independent Verifier in its report: "Proposed Terminal Two and associated works Dublin Airport" for the Department of Transport dated September 2006 (the *Report*). In the Independent Verifier's view:

"The approach [engaged by the DAA] follows the guidance within the IATA Airport Development Reference Manual for appropriate consultation between airport planners and stakeholders in the development of requirements for a passenger terminal facility, and therefore accords with best practice" (emphasis added).[8]

In addition to meeting all reasonable consultation requirements, the DAA's process went beyond what would have reasonably been required and strove to meet International Best Practice. The DAA's process met and achieved the requirements of other Aviation Authorities' consultation standards.

As an example of international best practice, if the DAA's consultation is benchmarked against that of BAA, it is clear that the DAA has met international best practice. The UK CAA in its February 2003 decision on 2003-8 price caps at Heathrow, Gatwick and Stansted, set out at Annex 4 of its report the criteria for consultation, which it expected BAA and users to adhere to. The CAA stated that if these criteria were adhered to then the CAA would have no reason to second-guess BAA's CAPEX (Annex 4 is set out in Appendix 9 below):

> *"The plan should form the basis of an effective consultation process, designed to provide airport facilities to best meet the needs of future airport users. Within this process, BAA should ensure that the business planning document is provided to, and consulted with, all major users at the individual airports, including low cost and charter operators at each airport. Failure by BAA to produce sufficient information to allow the plan to effectively assume this role, or evidence that BAA has not consulted on the information provided with major users at all airports, or demonstration that BAA has consistently ignored the reasonable requests of users in the consultation process without good reason, and contrary to the interests of airport users generally, could jeopardise the sustainability of the regulatory framework.*
>
> *The CAA also recognises that for this process to be effective, airlines would need to cooperate in the provision of relevant information on the costs and benefits of projects to them. They would also need to allocate sufficient resources to engage in the process. The CAA considers that it is incumbent on BAA, as the regulated entity, to progress the process via effective consultations in such a way as to ensure airlines can make the necessary contributions".*

The DAA clearly met these standards in its consultation process.

- *First*, the consultation process undertaken by the DAA outlined above involved the stages of engagement required by the UK CAA – an opening phase of discussion between airlines and airports on the approach they will take and then

[8] See paragraph 6.3.4 of the Report.

a series of meetings and/or consultations at which those charged with taking the work forward pursue the elements of constructive engagement.

- *Second*, the DAA engaged users at the appropriate senior level –consultation attendees at workshops and meetings were generally senior user staff and on occasion – particularly at one-to-one meetings – were attended by board level participants.[9]

- *Third*, the process for negotiation was sufficiently flexible to enable different forms of discussion between airports and airlines, including at different levels of seniority and on both a bi- and multi-lateral basis. Indeed, the DAA was careful to accommodate user consultation requirements by, for example, establishing "focus group" sessions in order to facilitate user input in a non-DAA environment, at the request of airlines.

- *Fourth*, the DAA consultation allowed users to discuss and comment on a range of broad strategic choices – including size, capacity, location and tenants – for T2. The Project Management/Skidmore Owings & Merrill– Dublin Airport Terminal and Piers Development Study, Pascall & Watson's Capacity Enhancement Recommendation Report for Dublin Airport and ARUP's Stakeholder Management Report at Appendix B, clearly show the level of detail and variety of options discussed with users throughout the process.

4.5 Genuine User Consultation

On the evidence presented to the CAR,[10] it cannot be reasonably said that the consultation carried out by the DAA was not "genuine user consultation".

- *First*, as the documents clearly show, the DAA – including through its use of expert consultants – went beyond what would be seen to be reasonable user consultation and carried out extensive and detailed discussions with users to ensure that they were engaged and played an important part in the T2 planning process.

- *Second*, the outputs from the consultation process clearly were taken into account and formed the basis of the Capital Investment Programme. Most fundamentally, the key sizing decision for T2 was taken following significant consultation with the airlines. As mentioned elsewhere, T2 sizing was driven in

9 See attendee details set out in ARUP's Stakeholder Management Report at Appendices A and B.

10 Both here and in previous submissions sent to CAR.

large part by the expansion plans of Aer Lingus and in particular plans to base a significantly increased number of aircraft at Dublin. It was also following consultation with Aer Lingus and Ryanair about their expansion plans that the DAA was able to finalise its projections for overall airport traffic requirements.

- *Third*, at every point during the process, users were invited and encouraged to offer their views and suggestions for the finalised programme. The process outlined above was one of *genuine consultation* where interested parties were clearly engaged and views assessed and accommodated into the final plans.

i. Much of the design was influenced by actual input from users. Questionnaires were sent out to users as a means of gaining input from them into the planning process – see above;

ii. The DAA made it clear that the T2 project was dependant on meeting airline capacity requirements and it would be guided by users on what those capacity requirements were. In addition to the questionnaires referred to above, see for example the Minutes of the 1st Consultation Event with Airlines & Handlers (24 March 2006):

"[Q:] Capacity for T2 is 10-15 mil, that's a huge gap. How will this be resolved?"

Response: "This is a key issue that will need to be addressed by the end of Gateway 1. Airline input will be needed to assist in this decision therefore it is vital that you communicate information to us re. business strategy etc. as requested in the questionnaires circulated".

iii. The DAA invited comments at meetings – rather than merely presenting findings to users – for example see the Minutes of the 8th Consultation Event with Airlines & Handlers CIP Workshop 2 (21st November 2006):

- "[Mark Foley] also stated that comments and responses in relation to DAA/CIP04 had been limited in number and he emphasised that [the] DAA was looking for feedback and that users could [send] their comments/responses/suggestions to Gabrielle O'Donovan…." (emphasis added).

- [Mark Foley] clarified that the agenda was driven by users…noted that the nine projects formed the bulk of the spend and the discussion should centre on these projects and their phasing" (emphasis added).

iv. It is clear that the DAA acted upon the feedback from the consultation.

v. As stated above, not only did the DAA engage users but it was also keen at every stage to accommodate users process requirements – for example the airlines requested more informal one-to-one meetings and the DAA responded by establishing "focus group" sessions in order to facilitate user input in a non-DAA environment.

- *Fourth*, the documents recording the process clearly show that users agreed consultation was taking place:

  i) During a meeting on 27 January 2006, Dick Butler (Aer Lingus) indicated to the DAA that: "Aer Lingus would be taking a positive approach to the consultation process".

  ii) During a meeting on 8 April 2006, between Pascall & Watson, Colin Spear of IATA states: "he welcomed the consultation process being adopted".

  iii) At the 8th Consultation Event with Airlines & Handlers CIP Workshop 2 (21st November 2006) – the Minutes record that Ryanair acknowledge that the consultation is occurring, but have chosen to "opt out of the consultation with regard to the proposed second Terminal but were committed to consultation on the wider programme" (emphasis added).

- *Fifth*, the questionnaires sent to users, clearly show the level and detail that the DAA was willing to engage in during its three separate consultation periods. In some instances, the DAA received few responses – particularly in relation to the status of the consultation process. A low level of response should not infer that users were in opposition to the process or planning. Rather, it is clear that users who did not respond believed that their views had been accounted for and that the process adequately addressed their needs.

- *Sixth*, the decision on the anchor tenant for T2 was widely consulted on, particularly during the 2nd consultation phase with Pascall & Watson (see details provided above). As part of the Capacity Enhancement Study a range of airline configurations across alternative development options were considered (see extract from the Capacity Enhancement Study at Appendix 10). With regard to the expansion of passenger processing capacity in new Terminal facilities, Option A was deemed the most appropriate. The configuration with the two primary carriers, Aer Lingus and Ryanair, at either end permitted both to be able to expand their requirements independently, with facilities optimally suited to their needs. Investigations into potential alternative users for Terminal 2 (as per Option C) revealed that the facility would deliver no significant benefit at the early morning peak and would therefore not alleviate any congestion within Terminal 1; indeed such a configuration would constrain both Ryanair and Aer Lingus. Furthermore the context of Dublin's traffic is almost unique; it is rare to experience two such disproportionately important carriers sharing such a large proportion of the overall traffic between them – any other anchor tenant would be unfeasible. The resulting recommendation of Option A was chosen following careful consideration of the other options informed by the consultations with the airlines.

4.6 Extent of User Support

Under any reasonable analysis of the outcome of the consultation process, it is clear that user support was achieved. Taking some key airlines in turn –

(ii) Aer Lingus

Aer Lingus, as one of the key users was clearly engaged in the process from the commencement of the consultation in 2002. The evidence shows that it engaged with the DAA in the key principles, for example rejecting the CAR's suggestion that it be split between Terminal 1 and T2, as well as providing input into the detail of the finalised programme: for example, Aer Lingus engaged a consultant during the first half of 2006 to work in-house and alongside the DAA's own consultants, Turner & Townsend and ARUP, on the T2 project. This consultant was charged with ensuring that the development of the T2 proposition was in line with the requirements of the Aer Lingus business plan and fully optimised for all airline users of T2.

In addition, Aer Lingus explicitly shows support for the T2 proposition in its comments on the Pascall & Watson Workshop Presentation dated 25 July 2005 in relation to the "New Master Plan for Dublin Airport":[11]

"In general Aer Lingus is supportive of the proposals".

ii) Ryanair

Ryanair was invited to and attended all the major consultation events from the beginning of the process in 2002. It was given every opportunity to contribute and participate fully in the discussions with the DAA. Ryanair was thus fully engaged in the process and one can only conclude that it has been effectively using the DAA's good-faith consultation process as a means of trying to "hold the DAA to ransom" to try to achieve its own commercial objectives. See for example the comments of Ryanair taken from the minutes of a meeting on 11 April 2006:[12]

"[David O'Brien] stated…that it was meaningless to be asking Ryanair planning questions on a facility that they wouldn't be using".

The attitude of Ryanair to the transparent process of the DAA will inevitably lead to a less than 100% acceptance of the plans. However, this should not have an impact on a process and plan that is agreed amongst the majority of users.

Further and importantly, Ryanair, the State and the DAA entered into a legally binding agreement whereby Ryanair would not object to the development of T2 at Dublin Airport as per the Government's Aviation Action Plan and Ryanair then expressed support for the development proposals. Any statements by Ryanair to the contrary cannot obscure the fact that it is on record as supporting the proposals and has committed not to challenge them. The DAA will not hesitate to enforce this agreement should Ryanair breach it.

iii) Cityjet

Cityjet was clearly engaged in the process from the commencement of the consultation in 2002. The evidence shows that it engaged with the DAA in the key principles as well as providing input into the detail of the finalised programme. In addition, Cityjet explicitly showed support for the T2 proposition, during a meeting

11 See Appendix 11 of Freshfields report.

12 See Appendix 12 of Freshfields report.

with the DAA on 13 September 2006,[13] where it indicated that it "would be prepared to approach the Regulator in support of the T2 proposition in general".

iv) Continental Airlines

As with all airlines, Continental Airlines was consulted on the programme from its inception in 2002. Explicit support for the finalised programme can be evidenced by the minutes of a meeting with the DAA on 14 April 2006,[14] where Continental Airlines indicated that it was "[i]n support of T2…".

v) IATA

IATA was a key source of input for the DAA, particularly as it was in a unique position due to its overall representation of the airline industry. Accordingly, the DAA strove to and clearly achieved significant engagement with IATA in the process from the commencement of the consultation in 2002. The evidence shows that it engaged with the DAA on the key principles as well as providing input into the detail of the finalised programme and IATA was in agreement from the beginning:

"Colin Spears (IATA) noted…that [the] DAA should strive to implement the Master Plan for Dublin Airport".[15]

Further, IATA was clearly happy with the overall process: during a meeting on 8 April 2006 with Pascall & Watson, Colin Spear of IATA states: "he welcomed the consultation process being adopted".

vi) Others

A whole host of other airlines were engaged and consulted with during the course of the three stages of the process, including Aer Arann, BMI, British Airways, SAS, Delta, Lufthansa, Iberia, Aeroflot, Air Canada. Air Malta, Alitalia, CSA Czech Airlines, Finair, Flybe and AOC. The CAR should not draw negative inferences from the fact that these airlines did not provide positive support in writing to the finalised programme. What is clear is that they were fully engaged and given every opportunity to comment on and influence the T2 proposals. The fact that these airlines failed to respond to, for example questionnaires, should not been seen as a negative against the DAA's consultation process.

Further, there is additional evidence to show user support for the proposals.

- *First,* users were engaged in the detail of the finalised programme, which must infer their agreement to it in principle. It is utterly inconceivable that users would engage in the level of detail shown by the evidence[16] – which details discussions on the minutia of the T2 development – without agreeing to the finalised T2 plan in principle.

13 See Appendix 13 of Freshfields report.

14 See at Appendix 14 of Freshfields report.

15 See Minutes of the 6th Consultation Event with Airlines & Handlers dated 28 September 2006. Attached at Appendix 15.

16 See for example see ARUP's Stakeholder Management Report at Appendix B.

- *Second*, user "buy-in" was achieved from the time in which the DAA had drafted and consulted on the Master Plan drawn up in 2002. The evidence shows that users were keen for the DAA to remain close to the "agreed" Master Plan, as stated above: "Colin Spears (IATA) noted … that [the] DAA should strive to implement the Master Plan for Dublin Airport". Later consultation and debate on the details of T2 options, clearly shows that the overall principle of the programme was agreed.

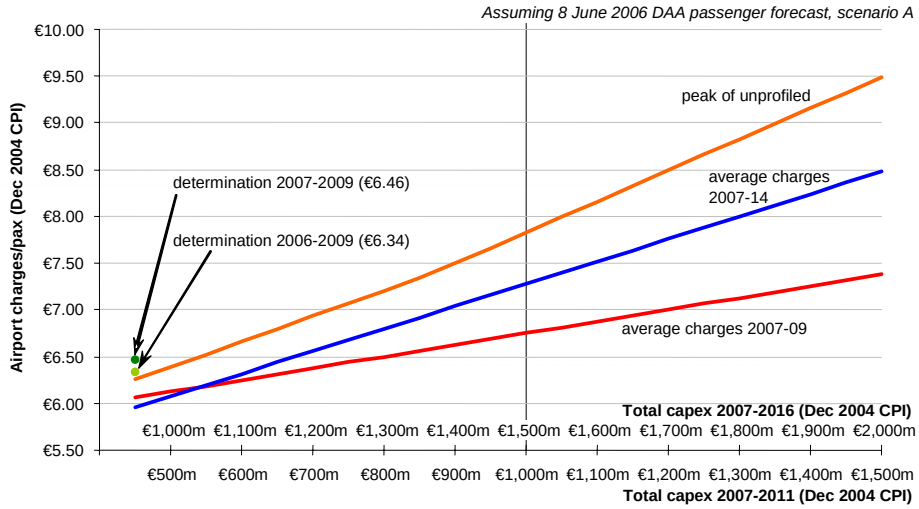
- *Third*, users accounting for approximately three quarters of all passengers at Dublin Airport have explicitly supported the proposals and in some cases entered into legally binding arrangements in relation to them. Further, users accounting for much of the balance of passengers were given extensive opportunities to participate actively and chose not to, from which it can be inferred they too do not oppose the proposals (or if they did, their failure to raise concerns at the time means these are effectively time barred).

- *Fourth*, It is also clear that any user concern occurred only after the CAR publicly announced in September 2006 that Dublin Airport's price cap may need to be as high as €9.50. In a presentation given by Cathal Guiomard: "Interim Price Review – What can the CAR contribute? What can the aviation industry contribute?" dated 11 September 2006, a slide was presented showing potential price cap forecasts.

Commission for Aviation Regulation

Simple Ready Reckoner

Price impact of capex programmes



However, the DAA has been told by users that the CAR indicated at consultation meetings that airport charges could be in the €11-12 range. The DAA believes that the basis of much of the user concern stemmed from such information and related to a misunderstanding of what the CAR intended. It is the DAA's understanding that it appears that it was not made clear to users that the CAR was referring to an outturn unprofiled peak price as compared with the €7.50 submitted by the DAA in its 2004 pre-Determination submission to the CAR. Users have raised concerns, as they believe that potential caps may be as high as €11.00-12.00 per passenger. The DAA itself has always said it needs a charge of only €7.50 (2004 prices).[17] The CAR must take account of the timing of any opposition to the DAA's proposals when assessing the extent of user support. The DAA submits that the limited opposition only arose as a result of a misunderstanding in September 2006 and must be accounted for in that light. The opposition was well after the extensive user consultation referred to above, during which many airlines were supportive or neutral. Any later change in attitude cannot obscure this earlier positive approach.

Finally, both the business community and the tourism sector have expressed their support for an additional terminal at Dublin airport. Indeed the IATC has already made clear to CAR that "it is essential for the travelling public, for Irish tourism and business generally that the facilities and infrastructure required for the Nation's main

[17] Average charge in real terms over the regulatory period, which represents an approximate increase of €1.50

airport are put in place effectively, efficiently and absolutely no later than the dates already announced."[18]

4.6 Conclusion

It has been shown above that the DAA implemented a world-class consultation process which involved extensive consultation on detailed aspects of the plans with users. This has been recognised by the independent verifier as according with international best practices. It also resulted in significant user buy-in to the 2006 CIP. In this light, CAR should not question the 2006 CIP but ensure that it is appropriately incorporated and remunerated within the RAB.

[18] See the submission of the IATC to CAR in response to Commission Paper CP6/2006.

5 Rebuttal of CAR Claims

5.1 CIP Consultation

With regards to overall consultation on the 2006 CIP, DAA contends that the level and quality of consultation was manifestly "best in class". From the first consultation meeting in March 2006, DAA provided a comprehensive and transparent environment in which users were appraised and engaged on:

- The Master-planning context
- The development of the Terminal 2 proposition
- Progress and updates on live projects
- The development of the updated CIP, based on developments relating to Terminal 2 and any impacts arising from the implementation of the Pascall and Watson Masterplan

The development of the 2006 CIP was progressed between February and the formal issue in October 2006. In this context, all relevant information including costs was provided as soon as such information became available.

Furthermore, we refer in particular to the 26th September event whereby Mark Foley presented an overview of the emerging 2006 CIP, which was predicated on the work that had been completed, in consultation with users, during the previous 6 months.

During this presentation, Mark Foley explicitly explained the major movements in the CIP between May 2005 and the 2006 issue, referencing the emerging € 1.178 billion headline number for the period 2006 to 2009 and committing to a range of interactive workshops in the period after issue of a completed document to users.

DAA conducted **4** interactive workshops with users between October 2006 and March 2007 during which:

- A range of experts from DAA / Consultants explained in considerable detail the need, rational, cost and justification for all of the major projects, by category, within the CIP.
- DAA provided an environment for detailed questioning and where necessary, DAA revisited previous optioneering work and other studies in order to provide the fullest possible context to users.
- The process was very well received by users, the engagement was productive and all meetings were minuted. Copies are available at the Commission's request.

- At the request of users, one meeting was dedicated to outstanding user issues, which in reality were more focused on operational rather than capex related issues as evidenced by the records of the workshops.

- DAA sought submissions and representations from users and in the main, with the exception of 1 user whose approach is continuously negative and adversarial, DAA believes that the CIP has been positively received by users.

5.2 T2

The Commission states that in assessing the consultation process concerning T2, the Commission relied heavily upon the report prepared by ARUP, titled: "Dublin Airport Terminal 2 Stakeholder Management Report" which dealt with stakeholder consultation from January 2006 to September 2006.[19] The T2 Report related to project level matters, often from an operational perspective and is just one element of a holistic range of initiatives taken by DAA in relation to its consultation process which should have been reviewed and reflected upon as part of CAR's assessment:

- T2 strategic consultations were dealt with by Director level relationship owners and nominated interfaces across the business via the monthly airline events. Therefore, due consideration should have been given to the minutes emanating from the series of monthly events for Airlines & Groundhandlers which were held in 2006.

- No reference is made to the DAA's Statement of Case, which outlines in detail how the stakeholder consultation process was implemented in accordance with international best practice.

- Due consideration is not given to the series of documented bilaterals which were held with users in early 2006 regarding T2 and the overall capital programme.

- CAR received regular updates from DAA regarding the consultation process and was provided with an opportunity to ask questions and input into the format of the process.[20]

5.3 T1X

DAA notes the comments of the Commission in relation to the presentation of the T1X project to stakeholders and the consultation process adopted. It should be noted that this project, not withstanding it's other operational benefits, has been

[19] Page 60, CP5/2007

[20] Consultation was an agenda item at meetings held with CAR on 6th April, 3rd May, 8th June and 31st August 2006

presented by DAA to stakeholders as a commercial project as it has a net contribution to the single till.

In June 2006, this project was presented to stakeholders as a project with "Reduced / No impact on Passenger Charges".

DAA when presenting this project to stakeholders at the 10th Consultation Event for Airlines & Groundhandlers held in March 2007, highlighted the following:

"Were we not to build T1X airport charges for the period from 2010 onwards would need to increase to cover the lower than forecast commercial revenues…

The scale of the contribution from commercial revenues can be appreciated when it is understood that the DAA utilises a hurdle rate of 12% IRR after tax for commercial projects. In the case of the T1X project it is expected that the rate of return will be above this hurdle rate and achieve circa 13.5%. This informs us that the DAA expects to make a contribution to or to subsidise airport charges from this project by circa 6% per annum or in excess of €3m per annum."

5.4 Pier D

DAA rejects the Commission's comments on page 65 in relation to the Pier D consultative process. In particular,

- A full analysis of costs for Pier D, including comparative costs for the different access options, was provided to stakeholders during the 2002 consultative process. In fact DAA's consultants assessed c. 11 options (including tunnels) and a critical assessment (including costing) and ranking of these options was presented to users at the time. The key consultation meetings relating to the scoping and programming of Pier D were attended by the Department of Transport as official observers at the time.

- The cost of the bridge option was presented to users and DAA accepts that users expressed a preference for an alternative lower cost solution. DAA's analysis of the 11 alternative access options was presented to users and the rationale for the elevated walkway was explained. DAA accepts that the solution did not receive universal user support, however, users were not in a position to offer an alternative viable solution which could be executed in the timeline set down by Government at the time.

- CAR's reference to the 2005 CIP is erroneous in that CAR quotes the Pier element of the cost, and does not reference the access element, which was covered by a separate project sheet (CIP 7.13 – Pier D Access @€ 72 million) which should of course be added to the main Pier cost (CIP 7.12 – Pier D @ € 24.7 million) in order to correctly articulate the cost of the project. DAA presented the OCTB access option in good faith as part of a potential lower solution in response to user statements and a directive from the DAA board.

- CAR is aware, via DAA's CIP submission and meetings with CAR, that DAA incurred significant costs in an attempt to secure planning permission for the OCTB option and that DAA was ultimately unsuccessful in this regard.

- CAR has correctly quoted from minutes of the April 2006 consultation meeting, where DAA sets out the historical context in relation to the OCTB and bridge options originating from the 2002 consultative process. The representation by Ryanair is outdated, ignores the fact that alternatives were assessed as far back as 2002, ignores the fact that the OCTB was pursued at considerable cost and is amounts to a vexatious and adversarial positioning exercise, with no credible or viable alternative being offered. CAR's deference to Ryanair's negative and confrontational position in this regard, considering the history and CAR's obligation to assess the situation in a rational and independent manner is we believe inappropriate.

- Finally, CAR's assertion of a differential of € 60 million is erroneous and ignores the point made in bullet 3 above whereby the cost of the OCTB access route was not added to the Pier D cost and thus CAR underestimated the cost for the totality of the project as submitted in 2005. Secondly, DAA provided full cost details on the alternative options for access to Pier D during the consultative process in 2002. Thus all users were fully appraised of the cost differentials underpinning the different access options from the development of the Pier D project in 2002.

5.5 Conclusion

With regard to overall consultation on the 2006 CIP, DAA contends that the level and quality of consultation was manifestly "best in class".

DAA would highlight that the Commission makes no reference to key documents supplied by DAA on the stakeholder consultation process (e.g. "Statement of Case, 7th March 2007) and it is reasonable to assume that due consideration has not been given to the full extent of T2 consultation and consultation across the programme in general.

DAA has noted the comments of the Commission in relation to the presentation of the T1X project to stakeholders and the consultation process adopted. DAA accepts that the project was presented to stakeholders as being cost neutral with respect to airport charges.

DAA rejects the Commission's comments on page 65 in relation to the Pier D consultative process. The particulars of this are outlined in section 5.4.

A APPENDIX

Consolidated Questions and Answers Document 2006

AIRLINES & GROUND HANDLER EVENTS 2006
Consolidated Questions & Answers

No.	Date	Raised By	Question	Answered By	Answer
1.	24.03.06	Richard Copeland, Sky Handling	Where is the cargo facility in this and at what point will you consult with ground handling partners?	Alan Lamond, Pascall + Watson Mark Foley, DAA	The Masterplan looks at developing the west side of the airfield also. It is envisaged that cargo will eventually be located there - no existing space will be taken from cargo under the plan to 2015, which is being consulted on at the moment, but additional requirements will need to be considered separately. Some cargo stands will go when Pier E is built. Ground handling companies are represented at today's meeting. We are conscious of the need to consult with a wide range of partners and will be doing so. *At the 20th Oct 2006 Cargo workshop the stand plan up to 2010 was presented and DAA indicated it was working on a plan for a Cargo village on the western side of the aerodrome.*
2.	24.03.06	Sean Cawley, FBO	What about the GA stands?	Mark Foley, DAA	Ciaran's presentation will touch on this – additional apron is being provided. However, GA requirements are not the focus of the masterplan work. *Apron Phases 6A,B and C were presented at the event of 26th Oct 06.*
3.	24.03.06	Niall Walsh, Aer Lingus	Are you coming back with a further consultation? Some items have had no consultation so far – e.g. forward lounge etc.	Mark Foley, DAA Robert Hilliard, DAA	Consultation has taken places with some parties in relation to these projects by operations personnel. *The main operator of the facility was consulted on the matter as part of the bilateral discussion with various users.*
4.	24.03.06	Niall Walsh, Aer Lingus	Are there any plans to move the existing multi-storey car park?	Alan Lamond, Pascall + Watson	No – not in the immediate future. We are pushing capacity behind the multi-storey car park.
5.	24.03.06	SAS	Is T2 a stand-alone terminal with its own baggage/departures etc. areas?	Alan Lamond, Pascall + Watson	Yes – the intention is that it can be operated independently.
6.	24.03.06	Niall Walsh, Aer Lingus	Planning Permission – when is that envisaged?	Mark Foley, DAA	Detailed Programme has been presented to Fingal Co. Council and a lengthy dialogue has already commenced to ascertain their requirements. The purpose of this is to remove as much risk as possible. We will not be able to entirely eliminate the risk of objections but the aim is to provide as robust plans as possible and answer any queries before they are formally raised in an attempt to avoid delays to the project timeline. We are aiming for planning approval by May 2007. Our planning application will be lodged this summer.
7.	24.03.06	Niall Walsh, Aer Lingus	Capacity for T2 is 10-15mil. That's a huge gap. How will this be resolved?	Alan Lamond, Pascall + Watson	This is a key issue that will need to be addressed by the end of Gateway 1. Airline input will be needed to assist in making this decision therefore it is vital that you communicate information to us re business strategy etc as requested in the questionnaires circulated.
8.	24.03.06	Dick Butler/ Niall Walsh, Aer Lingus	The Operator of T2 will be selected by tender. Is this to happen before G2? Seems ludicrous not to have the operator on board from the start? Otherwise the process is flawed.	Tom Haughey, DAA Mark Foley, DAA	The issue of the operator is more relevant to the detailed design rather than the early gateways which are required for the planning permission. Mark stressed that this group is concerned with the design and construction of the terminal and indicated that he would revert on the DAA's considerations in relation to the Government decision re Independent Operation. The key is to design the terminal around the needs of the users (both passengers and airlines) of T2. Who operates the building is less significant in this context. The decision on who operates the terminal is a matter for Government and may not be made for some time. If we were to suspend work on the design of T2 until such time as the operator was selected this would seriously delay the timely provision of facilities.
9.	24.03.06	Dick Butler/Niall Walsh, Aer Lingus	What if an airline is the operator?	Mark Foley, DAA	Our process is about optimising design to accommodate airline requirements. ARUP will be meeting and understand the tenants requirements. There has to be a robust solution for the future, DAA are keen to engage with everybody.
10.	24.03.06	Philip Le Naour, Air France	It is clear from the presentation that the intention is to have one airline as a core anchor tenant and a range of other possible tenants. As AF received a questionnaire we assume that we are one of the possible other tenants. When will the decision be made and on what basis?	Mark Foley, DAA	The decision will be made after we have received the responses from the questionnaires – based on these and the stated objectives we will determine the best mix of tenants to maximise efficiency. *On 23rd June event we presented our best estimate of airline assignment. We have proceeded on this basis.*
11.	24.03.06	Declan Ryan,	Terminal 2 will have access to 2 Piers, Pier E is	Alan Lamond,	Pier B – the rationale is that T2 will have tenants that need access to wide-body and narrow-body

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No.	Date	Raised By	Question	Answered By	Answer
		Cityjet	one of them what is the other Pier?	Pascall + Watson	stands and these will be available at Piers E and B.
12.	24.03.06	Ken McHutcheon, Fingal Aviation	Do you intend to provide a Fuel Hydrant System?	Mark Foley, DAA	Currently examining the need for one and hoping to accommodate it is required. This issue needs to be dealt with as part of gateway 1. There will be negotiations with fuellers re this. Cost of provision needs to be considered also.
13.	24.03.06	Ken McHutcheon, Fingal Aviation	With the completion of Pier D, it will give us 10 extra contact stands, but how can you operate with interim net increase of 0?	Mark Foley, DAA	One thing done last summer was a logical, upwards only number of stands. Now being re-validated to ensure that this is still the case. *The Gating Study was shared at the 28th Sept and 21st Nov 2006 events and clearly articulates both the demand and supply response over the next 10 years.*
14.	24.03.06	Eoin Scott, Air France	Anchor tenancy – appears to be as much about handling agents as airlines. Experience of airlines re. 6-bay extension suggests extra attention needs to be given to this.	Mark Foley, DAA	We will be working to deliver a coherent proposition. We will be engaging with the airport community to achieve this.
15.	24.03.06	Ger Kenny, Sky Handling	The capacity benchmarking showed where Dublin stands vs other airports. From how you described it T2 will put us back into optimum position for a while, but it seems close to minimum. Shouldn't we leave headroom?	Alan Lamond, Pascall + Watson	Good point – we are looking at the moment at how we can have an expandable building that responds to future needs – not just for a first phase. *We presented the size of the facility and the next event of 21st April. Also, we have applied for planning permission for an extension, which will allow a fast response if additional capacity is required.*
16.	24.03.06	Philip Le Naour, Air France	Minimum / maximum capacity allowance could be related to type of traffic – what is the assumption? Values could change later with change to remote check-in.	Alan Lamond, Pascall + Watson	Yes – check-in hall likely to be smaller than it would have been 5 years ago for instance due to advent of self service check in and internet check in, but security is expanding. Therefore care needs to be taken with benchmarks. We don't want to be in a position where we need to extend within very few years, but don't want to over build – difficult challenge. Will need assistance from users to determine optimum solution. *Post Meeting Note* *The planning assumptions in this regard are given below. These are considered to represent an appropriately 'aggressive' view of the projected use of non-conventional methodologies in the future.* *Phase 1:* *EU – 30% conventional check-in, 70& non-conventional check-in (split 355 on-line and 355 SSK)* *Non-EU – 75% conventional check-in, 25% non-conventional (split 12.5% on-line and 12.5% SSK)* *Phase 2:* *(This is based on a 5% shift from conventional to on-line)* *EU – 25% conventional check-in, 75% non-conventional (split 40% on-line and 35% SSK)* *Non-EU – 70% conventional check-in, 30% non-conventional (split 17.5% on-line and 12.5% SSK)*
17.	21.04.06	David O'Brien, Ryanair	Questioned the decision by the DAA to pursue the high level access bridge to Pier D when it had previously been rejected by stakeholders. Reference was made to an article in the Times.	Mark Foley, DAA	Explained that the DAA had presented 11 access options for Pier D to users as part of the evaluation process in 2002. Having identified the high level walkway as the lowest risk option from a planning perspective and obtaining planning permission for it as part of the overall Pier D project. The board of the DAA instructed the design team in May 2005 to pursue a lower cost option for access to Pier D via the OCTB. This option was diligently and expeditiously pursued until very recently but was not acceptable to the planning authorities. DAA therefore withdrew the planning application recently and took the first opportunity it had to advise users of the situation i.e. this meeting. Ultimately the high-level access bridge now represents the only viable access option for Pier D. To pursue any other option when all had previously been reviewed and rejected for planning and/or cost reasons would be pointless and would lead to a further delay of at least 18 months and would add significantly to the cost of the overall project.
18.	21.04.06	David O'Brien, Ryanair	Asked for confirmation that the bridge would be excluded from the RAB.	Mark Foley, DAA	Confirmed that DAA will not commit to the exclusion of the project from the RAB – capital investment must be remunerated.

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No.	Date	Raised By	Question	Answered By	Answer
19.	21.04.06	David O'Brien, Ryanair	Asked whether the Commission for Aviation Regulation was aware of this meeting and had been invited.	Mark Foley, DAA	Explained that CAR was made aware of the meeting but that they are being consulted with separately. The structure is similar in approach to that undertaken during the masterplan consultation process in 2002.
20.	21.04.06	David O'Brien, Ryanair	Asked how the detailed daily schedules were constructed and asked to see the underlying detail at the level of individual airlines.	Mary Coveney, DAA	Explained that future flight schedules are established from the forecast, with assumptions being made about airline growth based on confidential airline inputs.
21	21.04.06	David O'Brien, Ryanair & Phillip Le Naour, Air France	Asked that Frankfurt Hahn be included in comparisons across the board. Air France / Cityjet asked for the inclusion of T1 in comparisons.	Alan Lamond, Pascall & Watson	AL stated that the team would attempt to include data for other airports where relevant and if it could be captured. *At the 26th May 06 event we made reference to Benchmarking in general. Hahn is a bespoke Low Cost Facility and as such is irrelevant.*
22.	21.04.06	David O'Brien, Ryanair	Asked if ARUP were involved in the development of the SERAS paper from which one of the benchmarks was drawn.	Stephen O'Driscoll, ARUP	Stated that ARUP are involved with specific airports as part of the white paper process, but Halcrow had been commissioned by the UK Department of Transport to undertake the work on setting planning standards.
23.	21.04.06	David O'Brien, Ryanair	Asked when costings for the options would be made available.	Mark Foley, DAA	Stated that the cost plan would emerge over the next 4 weeks and that DAA will share this information with the airlines and ground handlers as soon as it is available. *Costings were presented at the 23rd June event.*
24.	21.04.06	Colin Spear, IATA	Asked if the DAA had built in flexibility/time to allow for review and approval.	Mark Foley, DAA	Answered that they had and were happy to set up further appropriate consultation events as required and a workshop would be held on 3rd May to expand on the options being considered and facilitate one to one discussions of various aspects of same with the DAA team. All were invited to revert by 3rd May with any comments on the proposed evaluation criteria for the options.
25.	21.04.06	Phillip Le Naour, Air France / Cityjet	Asked when the decision on allocation of airlines would be taken.	Alan Lamond, Pascall & Watson & Mark Foley, DAA	AL explained that there is an initial allocation that would change over time in line with the airlines' requirements. MF stated that the masterplan shows that for the mix of wide bodied and narrow bodied stands, that the most sensible option for airline assignment at T2 was for users such as Aer Lingus and the US carriers. *On 21st April we presented our best estimate of airline assignment. We have proceeded on that basis.*
26.	21.04.06	Sean Cawley, FBO	Sean Cawley (FBO) asked if a fuel hydrant system would be installed as part of the work on Pier D and Pier E.	Alan Lamond, Pascall & Watson	Stated that their working assumption is to install a fuel hydrant system.
27.	21.04.06	Richie Copeland, Sky Handling	Cargo operators want to understand what their long-term options are and how cargo will be affected.	Mark Foley, DAA	MF stated that he would get back to stakeholders on this following discussion with DAA personnel. *At the 20th Oct 2006 Cargo workshop the stand plan up to 2010 was presented and DAA indicated it was working on a plan for a Cargo village on the western side of the aerodrome.*
28.	26.05.06	Dick Butler, Aer Lingus	Queried whether an increase in activity in the Maintenance Ground Facility was anticipated and if so, what was the plan for dealing with this issue.	Dervilla Mitchell, Arup	DM informed Dick that this would be dealt with at the next meeting. *This was dealt with as part of the final inventory of stakeholder issues at the 4th CIP Workshop. Darren O'Brien, DAA – Property confirmed that a process of consultation was to be initiated in this regard.*
29.	26.05.06	Colin Spear, IATA	With reference to Option 6, Colin Spear (IATA) asked about the potential for expansion of the baggage system	Elliott Wishlade, ARUP	EW stressed that the important thing is to safeguard expansion options so that future development is easily facilitated.
30.	26.05.06	John Murphy, Servisair	Raised issues concerning the provision for the future development of cargo at the airport and its place in the development plan.	Mark Foley, DAA	MF stated that as soon as there was clarity on Terminal 2, i.e. size, impact on taxiways, etc, Cargo could then be the next item to be addressed. DAA was aware of the need to develop an overall strategy for cargo and would consult handlers on the issue. *At the 20th Oct 2006 Cargo workshop the stand plan up to 2010 was presented and DAA indicated it*

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No.	Date	Raised By	Question	Answered By	Answer
					was working on a plan for a Cargo village on the western side of the aerodrome.
31.	26.05.06	Philip Le Naour, Air France	Asked that if there was a plan to introduce Schengen type border control, and whether an area had been set aside to deal with this.	Tom Haughey, DAA Barry Drinan, DAA	Confirmed that Ireland would not be joining Schengen unless the UK did due to the complications posed by the land border between North and South. The requirement for Schengen segregation is therefore not a key issue at this time and is unlikely to emerge as an issue in the medium term. However, full account would be taken of the requirements for segregation between Common Travel Area/International and EU passengers.
32.	26.05.07	Colin Spear, IATA	Asked if there was a need to have forward staging areas built into the plans to facilitate any future relocation of Cargo given that the belly-hold business represented a high proportion of the overall cargo traffic at the airport.	Ian Taylor, ARUP	Explained that there are no significant differences between the three options in this regard, but added that this might need to be part of a future DAA study.
33.	26.05.06	Richie Copeland, Sky Handling	Queried the options for delivering connectivity between Terminal 1 & 2 and expressed concern that DAA might allow the access ramps at the end of T1 to block facilitation measures.	Michael Haste, Pascall & Watson	MH assured the group that this was not the case and that the ramps could be removed at a later stage. There are a lot of services in that area also however so that the preference at this stage is to find other solutions rather than removing the ramps at this stage.
34.	26.05.06	Declan Ryan, CityJet	Questioned how many boarding gates there will be in Terminal 2.	Ian Taylor, ARUP	Said that the gates are, in some cases, combined Code E and Code C stands. In total there are 19 Code C stands or 8 Code E and 3 Code C stands (each Code E replaces 2 Code Cs).
35.	26.05.06	Cityjet & Delta	Raised the location of the CBP.	Mark Foley, DAA David Frizell, DAA	MF noted that initially the intention was to locate the CBP in Pier E on a temporary basis while Pier B was upgraded and extended. IT (Arup) added that recent analysis suggests that a fully operational CBP might be better located in Pier E. No final decision has been made as yet. *A brief has been established which forms the basis of feasibility study which is nearing completion. All options will be priced and the cost will form part of the option evaluation, which will be undertaken with the airlines.*
36.	26.05.06	Keith McMann, Aer Lingus	Stated that the Option 7 diagram shows a significant drop from the Departures level to Pier E and asked if Pier F will have the same drop when it is built.	Ian Taylor, ARUP	Confirmed that the drop in level would be circa 7 metres for both piers due to the topography of the area.
37.	26.05.06	Colin Spear, IATA	Asked the design team if, from a value-engineering point of view, they were considering ramps in place of lifts for gates, with the ramps projecting over the apron.	Ian Taylor, ARUP	Said that this would be reviewed in the next few months, as the pier design is developed.
38.	26.05.06	Colin Spear, IATA	Colin also asked if the DAA were proposing that head and rear of stand roads would be provided.	Ian Taylor, ARUP	Said both are currently being provided for.
39.	26.05.06	Colin Spear, IATA	Evaluation Methodology: Asked whether the criteria had been weighted.	Elliot Wishlade, ARUP	Advised the evaluation process is a highly visible process, which is based on the judgement of experts, which can be challenged and interrogated. Users will make their assessment of the options based on the criteria that are important to them and ultimately the decision on which option to proceed with will be made by the DAA Board.
40.	26.05.06	Colin Spear, IATA	Colin asked how the totals compare to the totals issued in last year's CIP	Mark Foley, DAA	Said that they are somewhat higher given that a larger facility is now anticipated. *The CIP was issued in October 2006 and at subsequent workshops all costs have been presented.*
41.	26.05.06	Colin Spear, IATA	Colin asked Deirdre if similar work had been done for Opex	Deirdre Chapman, PKS	Informed Colin that Option 5 carried a premium of circa €1million a year. Option 7 carries a premium of circa €2 million – it is the largest and most complicated. Option 6, is the most efficient to run in terms of basic items such as cleaning etc. The costings do not include airline operational costs.
42.	26.05.06	Colin Spear, IATA	Asked if the airline operational costs would be considered.	Ian Taylor, ARUP Mark Foley, DAA	Replied that they have not been included to date as this information is not readily available to the airport authority. Mark Foley (DAA) said that the team would be happy to incorporate airline operational costs into the analysis and invited CS to revert with any information regarding same for this purpose. *Airline efficiency was considered as part of the evaluation process.*
43.	26.05.06	Keith McMann, Aer Lingus	Asked about the stage at which DAA anticipated it	Tom Haughey, DAA	TH stated that although some indication can be provided regarding the impact of the capital costs

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			would be in a position to advise about the impact of costs on passenger charges.		on charges, variations in operational costs for the airlines themselves will clearly not be captured in the DAA analysis. The difference between the capital costs of the options themselves is not material. TH advised that DAA is on record as stating that it required €7.50 to fund the €1.2 billion capital programme announced last year. The additional costs associated with the larger T2 project could add to this amount (before financing considerations). The regulator will have a key role in the process of analysing the effect on charges for the overall CIP when it is finalised.
44.	23.06.06	Joan Carrick, Delta Airlines	Queried the timing of the removal of the desks – T1X project	Ciaran Scanlon, DAA	CS stated that this would occur sometime in late 2007 and that a detailed programme would follow once the scheme was agreed and designed. *Planning delays will potentially move this period out.*
45.	23.06.06	Joan Carrick, Delta Airlines	Queried when more detailed plans would be available – T1X project	Ciaran Scanlon, DAA	CS confirmed that drawings of the options would be available for the next consultation meeting. *Detailed presentations on T1X were made at the 28th Sept 06 event and updates have continued.*
46.	23.06.06	Joan Carrick, Delta Airlines	Asked what amount of capacity and space would be delivered on landside – T1X project	Mark Foley, DAA	Confirmed that it would be in the order of c.1,500 square metres
47.	23.06.06	Joan Carrick, Delta Airlines	Queried how far the extension was proposed to extend from the current building line – T1X project	Ciaran Scanlon, DAA	CS stated that the outer wall of the extension would follow the current airside road configuration.
48.	23.06.06	Marjorie Briggs, BMI	Asked if security facilities would be expanded, commenting that security was currently a difficulty from a capacity point of view.	Robert Hilliard, DAA	Confirmed that security would be increased through the removal of the H&H bookshop as shown on the drawings. *Process improvements are being introduced to improve efficiency. However, this improvement is adversely affected by the introduction of new security rules on liquids.*
49.	23.06.06	Joan Carrick, Delta Airlines	Asked if the extension project would consist of one level or if there will be a mezzanine as well.	Ciaran Scanlon, DAA	Responded that there will be a mezzanine floor, as Retail needs storage space at the mezzanine level.
50.	23.06.06	Joan Carrick, Delta Airlines	Asked if there is a completion date for the fuel lines and fuel farm projects.	Ciaran Scanlon, DAA	Responded that Pier D will be open October 2007 and that Pier E will open in 2009 but noted that the key issue was the timing of the provision of the main feeder line. He added that Sean Condon has been invited to the next consultation event and will go through the plans in greater detail.
51.	23.06.06	Brian Kavanagh, Servisair	Asked what the timeline for discussions is – Cargo Development at Dublin Airport	Mark Foley, DAA	MF responded stating that this study in relation to provision of Cargo Facilities needs to be completed over the next 8 weeks. *At the 20th Oct 2006 Cargo workshop the stand plan up to 2010 was presented and DAA indicated it was working on a plan for a Cargo village on the western side of the aerodrome.*
52.	23.06.06	Ivan Sheridan, Aer Arann	He asked what the realistic connection time for passengers was likely to be and what the minimum connection time for baggage collections was. He also queried if passengers will have to collect baggage as they transfer between T1 and T2	Alan Lamond, Pascall & Watson Mark Foley, DAA	Answered that we could move baggage between T1 and T2. It would be a labour intensive system and it was not within the project scope at this time. Mark Foley stated that the problem with T1 is that there are four different baggage-handling systems. In light of this complexity, an integrated engineering system would just not be possible.
53.	23.06.06	Ivan Sheridan, Aer Arann	Asked if there was any provision to use the basement of T2.	Alan Lamond, Pascall & Watson	Answered that we are trying to minimise construction into the ground in order to build and provide capacity within as short a timeframe as possible. He added that we are trying to get simple construction and the basement of T2 was not a significant concern in terms of delivering capacity.
54.	23.06.06	Keith McMann, Aer Lingus	Inquired whether it would be possible to get an update on the likely availability of contact stands during the construction process	Alan Lamond, Pascall & Watson	Stated that an update on this would be available at the next meeting. *The Gating Study was shared at the 28th Sept and 21st Nov 2006 events. It clearly articulates both the demand and supply response over the next 10 years.*
55.	23.06.06	Brian Kavanagh, Servisair	Said it was rumoured that Aer Lingus were to be the core tenant of T2 and asked if this could be confirmed	Dervilla Mitchell, ARUP Alan Lamond,	Said that this was not a rumour it was a plan and had been the subject of a previous presentation (21/04/06) to users. Alan Lamond expanded to say that Aer Lingus would be the core tenant to T2. He said that, in

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				Pascall & Watson	terms of the airline spread between T1 and T2, T2 would house Aer Lingus in addition to US Transatlantic Carriers, One World alliance members and City Jet. *On 21st April we presented our best estimate of airline assignment. We have proceeded on this basis.*
56.	23.06.06	Richard Copeland, Sky Handling	Asked if it was within the DAA remit to dictate who can and cannot operate within a given terminal.	Mark Foley, DAA	Answered that the DAA remit is to deliver a cost effective airport solution, to maximise the potential of the airport site and to ensure that the maximum level of benefit accrued to all passengers and users.
57.	23.06.06	Brian Kavanagh, Servisair,	Asked for discussion on the entrance to the airport and queried if Fingal County Council has any plans or updates. He also asked if there is an access upgrade application in with Fingal County Council.	Barry Drinan, DAA	Answered that in the longer term, plans are being prepared to improve access to the airport based on the principle that activities within the airport campus should not impact on the surrounding road network. *At our event of 10th Aug 2006, Sean O'Faircheallaigh presented FCC's Local Area Plan for Dublin Airport.*
58.	23.06.06	Colin Spear, IATA	Asked if, in terms of the bus and coach park, we are doing the same project twice.	Ciaran Scanlon, DAA	Clarified that the current solution involves surfacing, kerbing and marking of the parking bays such that future changes could be easily accommodated by moving kerbing and remarking as required.
59.	23.06.06	Colin Spear, IATA	Asked if transatlantic passengers going through the CBP process would be separated.	David Frizell, DAA	Confirmed this would be the case.
60.	23.06.06	Joan Carrick, Delta Airlines	In relation to CBP and option 3, asked how passengers get to Piers E and D, and T1 and T2.	David Frizell, DAA	DF advised that there would be routings to anywhere that a transatlantic flight would be departed from. The exact detail of routing would be determined when the brief and design was developed further.
61.	23.06.06	Brian Kavanagh, Servisair	CBP – Queried walking distances	Alan Lamond, Pascall & Watson	Confirmed it is approximately 500 meters.
62.	23.06.06	Colin Spear, IATA	CBP – suggested the DAA goes to the US carriers and ask if they want it.		*Engagement with US airlines and all interested parties in relation to the development of the CBP proposition is ongoing.*
63.	23.06.06	Keith McMann, Aer Lingus	Asked about the stands allocation and said that over time this has an impact on CBP.	Alan Lamond, Pascall & Watson	Answered that the team is currently working on this and the question really is what happens after 2009. *The Gating Study was shared at the 28th Sept and 21st Nov 2006 events. It clearly articulates both the demand and supply response over the next 10 years.*
64.	23.06.06	Joan Carrick, Delta Airlines	CBP – DAA needs to check with CBP authorities	Mark Foley, DAA	Advised that David Frizzell would be developing the brief with CBP authorities over the coming weeks and would be contacting the relevant airlines and Handling agents to discuss further.
65.	10.08.06	Declan Ryan, CityJet	Queried the impact of the construction of the metro with regard to T2 and Pier E.	Sean O'Faircheallaigh, FCC	SOF noted that the exact routing of the metro was still under discussion but that the line shown in the Fingal Development Plan continued to be the County Council's preferred option. AL (P&W) also stated that discussions with the RPA were ongoing but that the favoured plan currently was that the metro would not run underneath Pier E and therefore would not impact its construction.
66.	10.08.06	Gary Lynch, Fedex	Cargo - Inquired as to the prospective timetable for the development of the western campus	Mark Foley, DAA	MF stated that DAA was currently developing this project timeline. *At the 20th Oct 2006 Cargo workshop the stand plan up to 2010 was presented and DAA indicated it was working on a plan for a Cargo village on the western side of the aerodrome.*
67.	10.08.06	Gary Lynch, Fedex	T2 Construction – Asked when he would begin to see impact and interference on taxiway clearance.	Mark Foley, DAA	MF answered that within 12-18 months we will begin to see an impact and that short term solutions and mitigation projects would have to be identified within 4 to 5 weeks.
68.	10.08.06	Colin Spear,	Commented that the station box for the proposed	Alan Lamond,	AL replied that a range of options had been considered but noted some options made construction

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		IATA	metro is longer than a single access point and asked if any consideration had been given to a more direct route into the Terminal.	Pascall & Watson	more difficult. Furthermore, AL noted that it was felt that accessing the airport campus as a whole was most important and that the proposed solution as per the 'masterplan' slide, performed well against benchmark distances for connecting passengers to terminals.
69.	10.08.06	Declan Ryan, CityJet	Asked how passengers would be directed to the correct baggage hall in the two-terminal configuration.	Alan Lamond, Pascall & Watson	Responded that the intention was that way-finding and signage would direct the passengers intuitively to the correct baggage hall.
70.	10.08.06	Declan Ryan, CityJet	Queried whether it would be possible for passengers to check-in via T2 and depart using Pier D.	Alan Lamond, Pascall & Watson	Stated that though this would be a considerable distance for passengers to walk this was not a difficulty and that there was complete connectivity between the Terminals from a departure point of view.
71.	10.08.06	Andrea Doolan	Asked whether the inbound and outbound baggage in T2 would be located within the same area in T2. Furthermore would access and egress to the hall be facilitated at the same level?	Alan Lamond, Pascall & Watson	Confirmed that this was the case and it would all be 'at grade'.
72.	10.08.06	Karen McLoughlin, Lufthansa	Questioned whether any projects were planned regarding the appearance of T1 relative to T2.	Alan Lamond, Pascall & Watson	Replied that as part of the overall programme considerable improvements will be made to the passenger experience in terms of accessing T1. *In CIP Workshop 2 on 21st Nov 06 MF emphasised DAA's commitment to the refurbishment of T1 post commissioning of T2.*
73.	10.08.06	Elizabeth Roche, Aer Arann	Queried which airlines were proposed for Tenancy of T2 and the probable impact on airport charges.	Alan Lamond, Pascall & Watson	AL responded that the anchor tenant is Aer Lingus with One World, Air Canada and US carriers being the remaining proposed T2 tenants. MF (DAA) noted that the overall tenant composition would be constantly reviewed but that the end objective for DAA is the balanced use of all facilities. *At 23rd June event we presented our best estimate of airline assignment. We have proceeded on this basis*.
74.	10.08.06	Elizabeth Roche, Aer Arann	Asked if it is the plan that charges for each terminal will be different.	Tom Haughey, DAA	Replied that differential charging is not the norm and was not planned.
75.	10.08.06	Andrea Doolan, Ryanair	Asked if low cost airline business models had been taken into account when designing the new terminal; ability for quick turnaround of aircraft, etc.	Alan Lamond, Pascall & Watson	Stated that operational efficiency had been a key design criterion and as such, was compatible with the needs of lowcost airlines.
76.	10.08.06	Colin Spear, IATA	Asked for clarification as to whether Pier D has airbridges.	Mark Foley, DAA	DAA confirmed that it doesn't.
77.	10.08.06	Colin Spear, IATA	Asked if consideration had been given to impact on bussing operations on Pier C.	Alan Lamond, DAA	Said that it was hoped to retain coach capability throughout.
78.	10.08.06	Andrea Doolan, Ryanair	Asked if, from a benchmarking perspective, low cost airport facilities were included.	Deirdre Chapman, PKS	Said that some low cost facilities had been considered but costs were not necessarily comparable.
79.	10.08.06	Andrea Doolan, Ryanair	Asked if the cost figures included the cost of Pier E.	Mark Foley, DAA	Said these costs are separate and are being finalised.
80.	10.08.06	Elizabeth Roche, Aer Arann	Asked what the plan is for the recovery of charges.	Mary Coveney, DAA	Said that CAR would look at the CIP and allow DAA to impose charges to recover investment and operational costs.
81.	10.08.06	Colin Spear, IATA	Asked if the charges meeting date could be set to coincide with the next capex consultation meeting.	Mary Coveney, DAA	Explained that the final date had not been confirmed but that DAA would try to do this if required.
82.	10.08.06	Colin Spear, IATA	Queried what the main driver behind the current examination of the runway extension project was.	Mark Foley, DAA	Stated that there had been high-level requests to examine the feasibility of facilitating business and far-eastern long-haul traffic.
83.	28.09.06	Colin Spear, IATA	Inquired about the reference to capital contribution in the context of the Runway project.	Mark Foley, DAA	MF noted that this was required by the Fingal County Council and it was a condition of the planning permission.
84.	28.09.06	Ken McHutcheon, Shell	Asked what the DAA preferred option for routing the Fuel Hydrant system was.	Ciaran Scanlon, DAA	Responded that the internal option was preferred at this point in time.

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85.	28.09.06	Niall Walsh, Aer Lingus	Requested clarification on the funding arrangements for the Fuel Hydrant system. He queried if costs would be levied directly on the Fuel Companies / Handlers and, if this was the case, would the project form part of the overall CIP or would it be treated separately.	Mark Foley, DAA	Stated that the business case for the project was self-financing and that this would be how the project would be presented to the Regulator. MF committed to getting clarity on the funding / commercial arrangements for this project and to confirm whether it would be included as part of the overall CIP. *DAA has been advised that the fuel companies will shortly enter into discussions with airlines regarding their proposal to enhance the fuel farm.*
86.	28.09.06	Niall Walsh, Aer Lingus	In relation to Area 14, sought clarity on whether CUTE was being provided as part of the project.	Ciaran Scanlon, DAA	CS stated that, (as far as he was aware), no CUTE facilities were in the current plans but that the wiring for the later installation of CUTE was to be facilitated *This is now confirmed.*
87.	28.09.06	Niall Walsh, Aer Lingus	Asked for confirmation that the T1X project would have no impact on airport charges.	Mark Foley, DAA	MF stated that the business case for the project was self-financing and that this would be how the project was presented to the Regulator.
88.	28.09.06	Richard Copeland, Sky Handling	Questioned whether space had been allocated for airlines to store checked baggage airside.	Mark Foley / Ciaran Scanlon, DAA	Stated that this issue had not been raised or notified to the project team, Dervilla Mitchell (Arup) noted however, that Sky Handling had raised this requirement during consultation on Terminal 2.
89.	28.09.06	Niall Walsh, Aer Lingus	Queried whether the Garda National Immigration Bureau (GNIB) would co-operate and sign-off to confirm that they would correctly resource such a facility (centralised immigration – Pier A & D). He further requested that DAA should not commit any funds without such confirmation from GNIB.	Mark Foley, DAA	MF made reference to the difficulty associated with getting any such confirmation from a government authority but noted that this was being addressed at the highest possible level with the Department. He further noted that DAA was charged with coming up with the infrastructure facility.
90.	28.09.06	Eoin Scott, Air France	Asked if any provision was being made in the T1X project to upgrade PA announcement infrastructure. He noted that the system in place was inadequate and noted discussions with DAA operations and the AOC in this regard.	Mark Foley, DAA	There is an existing project to improve the quality of the PA system. Significant improvements can also be made by better user training.
91.	28.09.06	Matt Danaher, SAS	Questioned whether it was possible to security screen passengers delivered from the Area 14 facility separately.	Ciaran Scanlon, DAA	Stated that this had been examined but that it was not a workable solution.
92.	28.09.06	Colin Spear, IATA	Why was Pier D only coming on stream now? Why had sanction for capital expenditure on remodelling work given now that the proposed centralised immigration facility would impact it.	Mark Foley, DAA	MF noted that Pier D had only been sanctioned as recently as nine months ago and noted that the Area 14/T1X projects also impacted any potential solution in terms of a centralised facility.
93.	28.09.06	Niall Walsh, Aer Lingus	Options should be explored to reduce the cost of the Pier D contract in the context of the centralised immigration project.	Mark Foley, DAA	MF stated that we could explore this but it would require serious evaluation. He noted that the GNIB were committed to resourcing Pier D and to remove the booths, that represented small cost in the overall context of the project, might represent a higher cost in terms of lost operational flexibility in the future.
94.	28.09.06	Elizabeth Roche, Aer Arann	Asked whether provision for a domestic channel had been made.	Ciaran Scanlon, DAA	Noted that this was represented on the drawing.
95.	28.09.06	Dick Butler, Aer Lingus	Then questioned whether the AOC had indeed requested the provision of such a domestic channel facility.	Mark Foley, DAA	Committed to answering whether this requirement had been driven by the AOC. *DAA asked since been asked to provide domestic channel to shorten total journey time between domestic airports.*
96.	28.09.06	Dick Butler & Niall Walsh, Aer Lingus	Queried the access arrangements for Area 14 and the timetable for the facility coming into operation / asked when the additional friskem facilities would be made available.	Mark Foley, DAA Robert Hilliard, DAA	MF made the point that the introduction of Area 14 in itself would not result in net increase in passengers on the departures floor, these were essentially existing passengers being processed in a new area. MF advised that the timing and the phasing of associated projects (e.g. security screening capacity) was not still being worked on. *Area 14 is now complete and ready for operations.*
97.	28.09.06	Colin Spear, IATA	Funding arrangements for the proposed MSCP, contributions by Irish & US governments to the	Mark Foley & Barry Drinan,	MF stated that clarity was still being sought in relation to CBP funding / BD stated that this would be funded through the commercial arrangements with the Car Hire companies.

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			CBP and funding of Car Hire CAPEX.	DAA	
98.	28.09.06	John Fitzgerald, Gate Gourmet	Noted that the programme was highly interconnected and asked what proportion of the headline €1.178 billion programme could be excluded.	Mark Foley, DAA	MF stated that something in the order of 87% of the programme was connected and that, although there were some choices, it was necessary that the vast majority of the CIP represented essential works.
99.	28.09.06	Declan Ryan, CityJet	Queried how the CBP would operate in terms of delivering passengers airside and maintaining segregation for Piers B and E.	Mark Foley, DAA	MF noted that, as part of the design of Pier E, sterile gates had been included for INS and the pier was designed to achieve segregation. MF further stated that David Frizell had now developed the brief for CBP and that a series of workshops with airline users would need to take place to establish the detail.
100.	28.09.06	Declan Ryan, CityJet	Requested that the outputs of the Gating Study be circulated to users in advance of the next consultation.		*The Gating Study was shared at the 28th Sept and 21st Nov 2006 events. It clearly articulates both the demand and supply response over the next 10 years*.
101.	28.09.06	Alan Butler, DHL	Necessary that Cargo be advised on their situation as soon as possible.	Barry Drinan & Mark Foley, DAA	BD made some points on the likely impact of Pier E and noted that every effort was being made to explore all possibilities. MF stated that it was probably better at this point to hold a separate meeting on Cargo issues and noted that there was both a need for a short-term and a long-term plan in this regard. *At the 20th Oct 2006 Cargo workshop the stand plan up to 2010 was presented and DAA indicated it was working on a plan for a Cargo village on the western side of the aerodrome.*
102.	28.09.06	Colin Spear, IATA	Questioned why the timeframe shown was only three years and he said it appeared that DAA were hiding bad news from the airlines.	Mark Foley, DAA	Said that the DAA could commit to giving the airlines and users the programme with a ten-year outlook in due course. *In CIP workshop 2, Mark Foley presented an overview of the CIP for the period 2010 to 1015.*
103.	26.10.06	Phil Ardley, BMI	Queried whether the costings (MSCP project) had been benchmarked against other commercial car park developments.	Liam Gaffney, DAA	LG replied that this had been undertaken and was outlined in the CIP. He further noted that the costs in relation to this project also reflected ancillary works.
104.	26.10.06	Joe Daly, SR Technics	Discussing CIP 1.011, JD asked whether this project would help alleviate flooding issues affecting SR Technics and Aer Lingus staff parking.	Liam Gaffney, DAA	LG advised that this project would help in this regard.
105.	26.10.06	Richard Copeland, Sky Handling	Questioned whether this project (CIP2.006, Car Hire Facilities – Eastlands) would be self-funding.	Mark Foley, DAA	Noted that because revenue from Car Hire was included in the single till there was a certain amount of circularity in this regard.
106.	26.10.06	Dympna Dwyer, SAS	Asked were rents for Car Hire Companies increasing at the same rate as airport charges and the figure of an eighteen percent increase for airport charges was mentioned.	Mark Foley, DAA	Pointed out that these agreements with Car Hire Companies are bid on a commercial 4/5-year cycle and don't have comparability with airport charges.
107.	26.10.06	Dympna Dwyer, SAS	Asked over what time period DAA projected earning back the €12 million in relation to this project from the Car Hire Operators.	Mark Foley, DAA	Stated that all DAA Car Parking projects were self-financing and advised that he would get more information in relation to the non-aeronautical business for users that would show the extent of cross-subsidisation of revenue to the aeronautical side.
108.	26.10.06	Marjorie Briggs, BMI	In relation to CIP 3.009 "Internal Campus Roads", questioned whether real-time modelling had been performed in relation to congestion / Asked about the prospective location for the metro in relation to T1.	Liam Gaffney & Mark Foley, DAA	LG stated that this had been submitted to Fingal County Council as part of the planning permission application for Terminal 2 / MF responded by noting that DAA had met recently with representatives from the Rail Procurement Agency and that it was their intention to develop a planning permission application over the next six months for a station equidistant between T1 and T2, located behind the MSCP. MF stated that he would keep users updated on the progress with the RPA in this regard.
109.	26.10.06	Richard Copeland, Sky handling	Questioned whether there would be segregation of traffic flows from the short-term car parks and Terminal 1 under the proposed scheme.	Liam Gaffney, DAA	Advised that consultants still had to undertake the detailing design of the scheme but proposals were in place to signalise the roundabout at the northern end of the Westlink Road to alleviate congestion in the short-term.
110.	26.10.06	Joe Daly, SR Technics	Queried whether the exit from the Hangar Area onto this roundabout would be signalised.	Liam Gaffney, DAA	LG confirmed after the workshop that this leg would not be signalised.
111.	26.10.06	Dympna Dwyer, SAS	Questioned whether the relocation of the church was included in the headline figure of €1.17 billion.	Liam Gaffney & Mark Foley, DAA	LG advised that there was currently nothing in the plan and MF stated that it was more than likely that a church site would not be re-provided.

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No.	Date	Raised By	Question	Answered By	Answer
112.	26.10.06	Declan Ryan, Cityjet	Asked what the proportion of spend was in relation to Phase 6C, given that this was being developed for general aviation.	Mark Foley, DAA	Stated that he would come back with a breakdown in that regard. *The total value of the works is as defined in the October CIP. It is important to stress that Phases A,B & C constitute a flexible solution and phase C should not be seen in a GA context only. Critically, 6C releases prime apron area east of 16/34 which is essential to releasing apron for high quality contact stands.*
113.	26.10.06	Declan Ryan, Cityjet	Queried the basis of the discrepancy in terms of outputs and costings between Phase 5B and Phases 6A & B of apron works.	Mark Foley, DAA	MF noted that the cost differential related to provision of utilities, lights and other ancillary works connected with the use of a greenfield site.
114.	26.10.06	Declan Ryan, CityJet	Asked about roadways to service the Phase 6 apron and arrangements for bussing.	Aidan Fidgeon, DAA	Advised that it was not planned that the Phase 6 apron would facilitate remote passenger aircraft.
115.	26.10.06	Joe Daly, SR Technics	Questioned Aidan Fidgeon briefly in relation to impacts from construction on the airfield to the maintenance operation. SR Technics stated that they would like to meet separately in this regard to discuss.		*To follow up on this, Aidan Fidgeon had a bi-lateral with SR Technics on 13th Nov 2006.*
116.	26.10.06	Phil Ardley & Mike Esam, BMI	Representatives from BMI queried the proportion of contact stands available for T1 versus T2 users and whether a shortfall was anticipated.	Robert Hilliard & Mark Foley, DAA	RH stated that the difficulties associated with stand provision related to the high rate of growth of business at Dublin Airport. MF noted that Pier E would deliver an additional net 13 contact stands and Pier D a net additional 7 contact stands but that despite this, there was still pressure on contact stands because of projected growth at Dublin.
117.	26.10.06	Phil Ardley & Mike Esam, BMI	Requested a bilateral meeting to discuss the capital programme and particularly T1/T2 issues further.	Mark Foley, DAA	MF undertook to facilitate this. *Ciaran Scanlon had a bi-lateral with BMI in London on 17th Nov 2006 to further this. Bi-lateral was followed up with correspondence from BMI on 2nd Feb on outstanding issues and the DAA response of 28th Feb 2007 where these were dealt with.*
118.	26.10.06	Dympna Dwyer, SAS	Queried whether any works were being carried out in relation to the lifts in Pier B.	Ciaran Scanlon, DAA	CS advised that their replacement was scheduled post 2009.
119.	26.10.06	Karen McLoughlin, Lufthansa	T1X - Queried whether the existing offices in the Link Building would be affected / Asked whether it was possible to look at the plans for the T1X	Robert Hilliard, & Ciaran Scanlon, DAA	RH noted that the brief had required that the existing accommodation be retained / CS advised that he would provide T1X drawings to Lufthansa. *Ciaran Scanlon subsequently met with Lufthansa and BMI. The group had a follow up meeting with DAA Commercial and Darren O'Brien had a third meeting with Lufthansa.*
120.	26.10.06	Declan Ryan, Cityjet	Requested that the airlines be copied with the Gating Study Report. He noted that this linked into everything and would allow the airlines to appreciate how contact stand capacity would be distributed.	Mark Foley, DAA	MF noted that this had been scheduled for the last meeting but time ran out, that attendees received slides on the summary of the study, and that ARUP would be asked to present on the study at the next meeting. *The Gating Study was shared at the 28th Sept and presented at 21st Nov 2006 event. It clearly articulates both the demand and supply response over the next 10 years.*
121.	26.10.06	Richie Copeland, Sky Handling	Queried whether current plans had any impacts on the Aer Lingus Personnel & Catering Building as Sky Handling had accommodation there.	Mark Foley, DAA	MF confirmed that the current plans left that building unaffected.
122.	26.10.06	Marjorie Briggs, BMI	Queried whether new trollies would mean a return to coin operation.	Robert Hilliard, DAA	RH confirmed that this was not envisaged given the public relations response when coin operation had been implemented previously.
123.	26.10.06	Derek Murphy, Fernley Airport Services	Questioned whether a proportion of this capital expenditure was planned to improve facilities / services for passengers with disabilities.	Robert Hilliard, DAA	RH stated that there were projects that would have positive impacts for such passengers.
124.	26.10.06	Joe Daly, SR Technics	Utilities – Questioned whether SR Technics arrangements with ESB would be affected by these works.	Robert Walsh, DAA	RW confirmed that as SR Technics deal separately with ESB there was no impact.
125.	26.10.06	Marjorie Briggs, BMI	Noted that there was no cost currently associated with the Fuel Hydrant System project.	Mark Foley, DAA	MF confirmed that the intention at this point was to reach a commercial agreement with the fuelling companies separately in this regard.
126.	26.10.06	Dympna Dwyer, SAS	Queried whether the output of bilateral meetings would be publicised and circulated to all users.	Mark Foley, DAA	MF stated that the bilateral meetings would centre around engagement as opposed to agreements and that it was his intention to make all views available to all users.

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					The bi-laterals have focused on explaining the CIP, or its operational impact or other operational matters and as such, no new issues have come up which merit communication to all users.
127.	26.10.06	CityJet & IATA	Raised issues in relation to the CBP project regarding the brief and financing.	Mark Foley, DAA	MF clarified that DAA was still carrying out a feasibility study for the project and that the brief was close to finalisation. Once that brief was available, a commercial discussion could then take place with the carriers affected. *A brief has been established which forms the basis of feasibility study which is nearing completion. All options will be priced and the cost will form part of the option evaluation, which will be undertaken with the airlines.*
128.	26.10.06	IATA	Need to switch to a five year perspective / outlook on capital expenditure.	Mark Foley, DAA	MF stated that he was confident that at the next workshop, DAA would be able to provide an outlook on the 2010-2015 capital expenditure. *In CIP workshop 2, Mark Foley presented an overview of the CIP for the period 2010 to 1015.*
129.	21.11.06	Jim O'Callaghan, Ryanair	Asked how the increase in passenger numbers was associated with the proposed capacities and layouts in 2007.	Stephen O'Driscoll, ARUP	Advised that the airport was expected to be handling 24-26 million passengers per annum in 2010 but that capacity was dependent upon the level of service adopted.
130.	21.11.06	Jim Callaghan, Ryanair	Requested clarification on the reference to Pier E in the stand layout prior to T2 coming on-stream.	Mark Foley, DAA	MF stated that this was the first phase of a permanent Pier E and could be opened as a remote bussing facility.
131.	21.11.06	Colin Spear, IATA	Stated that it would be useful if a spreadsheet analysis were to be made available, clearly outlining the capacities of the various processors and the capacity constraints associated.	Robert Hilliard, DAA	*Presented as a matter of course to airline schedulers at Coordination committee in Oct 06 and available to users if required.*
132.	21.11.06	Jim Callaghan, Ryanair	He questioned where the necessity for building larger facilities had come from and whether there was a requirement for Terminal 2 of the size, timing and cost proposed by DAA.	Mark Foley, DAA	Advised that there was an acceptance amongst the government, users and the public that Terminal 1 was maxed out in terms of capacity.
133.	21.11.06	Jim Callaghan, Ryanair	CIP – queried what level of service was suggested.	Mark Foley, DAA	MF confirmed that the programme was designed to deliver a recommended level of service "C".
134.	21.11.06	John Murphy, Servisair	Asked what the 2010 total net gain position was.	Stephen O'Driscoll, DAA	SOD stated that there was a net increase of 19 stands over the 3 years and that contact stand capacity would increase from approximately 32 to 55 stands. *The Gating Study was shared at the 28th Sept and 21st Nov 2006 events. It clearly articulates both the demand and supply response over the next 10 years.*
135.	21.11.06	Declan Ryan, CityJet	Questioned the composition of the "Gated Demand" analysed in the study, he stated that he wanted to explore how much of the unsatisfied demand represented passenger aircraft.	Mark Foley, DAA	Noted that 94 percent of passengers at Dublin Airport were processed via a contact stand and that this would continue to be achieved with the capacity increases but that there was still a constraint on parking of aircraft.
136.	21.11.06	Dympna Dwyer, SAS	Questioned the genesis of the 20 million passengers per annum handling figure associated with the 6 bay project.	Robert Hilliard, DAA	Advised that the annual passenger figure was largely incidental and that the critical factor for the airport was the handling capacity on an hourly basis.
137.	21.11.06.	Dympna Dwyer, SAS	Queried whether it was more cost effective to provide additional space in T1 versus T2.	Robert Hilliard, DAA	RH noted that there was limited opportunity and numerous constraints on expanding the existing terminal notwithstanding the difficulty of construction.
138.	21.11.06	Dympna Dwyer, SAS	Queried whether more existing space in T1 could be turned over to operational usage.	Robert Hilliard & Mark Foley, DAA	Advised that frontline accommodation in T1 was already underserved and there was in reality very little space in T1 that hadn't already been converted that was non-essential.
139.	21.11.06	Declan Ryan, CityJet	Shortfall of Stands – Gating Study: Queried what measures would be instituted to manage the situation.	Robert Hilliard, DAA	RH referred to the process currently unfolding in relation to slot co-ordination for Dublin Airport and said that this would be completed in January. *Stand allocation in active discussion with operators.*
140.	21.11.06	Jim Callaghan, Ryanair	Group IT - Queried the basis for the cost estimates adopted / Whether the potential for outsourcing components of the spend had been	Adrian Reid, DAA	AR explained that the figures were arrived via discussion / negotiation with suppliers, projected from the current asset base, pricing from the market and assumed competitive processes where applicable.

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			fully explored.		AR noted that they were looking at instituting refresh clauses and lease arrangements within contracts to reduce costs.
141.	21.11.06	John Murphy, Servisair	CUTE – upgrading at Dublin Airport.	Andrew Murphy, DAA	AM noted that this was a revenue-based project and therefore was not comprised in this tranche of capital expenditure.
142.	21.11.06	Dympna Dwyer, SAS	Questioned what was planned for the PA announcement system and what level of consultation with users would be undertaken.	Andrew Murphy, DAA	AM advised that there was both a hardware replacement element and the development of an automated announcement system encompassed within this project. He noted that the aspiration was to achieve a structured approach and reduce noise in facilities and the development of this system and strategy would involve close consultation with affected users.
143.	21.11.06	Jim Callaghan, Ryanair	Runway Capacity - Queried why the peak number of 47 movements was only achieved at 4pm.	Robert Hilliard, DAA	RH responded by noting that all users were represented in the Runway Capacity Group and that the demand was constructed on the basis of the schedules by airline planners were processed by the co-ordinator, ACL, who are appointed by the Commission for Aviation Regulation. He emphasised that the departure / arrival configuration was designed to be weighted in favour of departures in the morning in response to airline demand for early morning slots.
144.	21.11.06	John Murphy, Servisair	Queried the current construction timeframe for the parallel runway.	Robert Hilliard, DAA	RH advised that there was still a debate to had on the timing but that the proposal was that construction would begin in 2010.
145.	21.11.06	Karen McLoughlin, Lufthansa	Parallel Runway - Asked whether there was still an issue with the Portmarnock Community Group, UPROAR.	Robert Hilliard, DAA	RH stated that they had appealed the original planning decision and that we were now waiting on the An Bord Pleanala decision following the oral hearing and this was expected in December.
146.	21.11.06	Richie Copeland, Sky Handling	Queried the proposed level of the passenger handling charge in 2012.	Robert Hilliard, DAA	RH advised that it was likely to be in the region of €8 in 2012 but as an average over the ten years, it would be in double figures.
147.	21.11.06	Dympna Dwyer, SAS	Asked DAA to review regulators mechanism for reaching this figure against theirs of €8.50 (sic) to avoid miscalculation.		SAS Note: RH stated that he would ask the regulator about this at a meeting he had scheduled with him for Wednesday, November 22nd. *It was confirmed at the meeting with the Commission that there was no discrepancy between DAA's methodology and the Commission's. The Commission were quoting an inflated out-turn price cap figure estimated at it's peak point that was calculated as taking place in 2012.*
148.	21.11.06	Jim Callaghan, Ryanair	Queried how the airline business plans referred to were taken into planning the capital expenditure.	Mark Foley, DAA	MF stated that this was a process of amalgamating the forecast, airline announcements, the consultation process and this was translated into the busy hour rates, resulting in the sizing of the facility.
149.	21.11.06	Jim Callaghan, Ryanair	Asked MF to confirm that there was no change in the overall Dublin Airport passenger forecast numbers.	Mark Foley, DAA	MF advised that he was not in a position to comment in detail on the complexities of the various forecasts. He noted T2 sizing was based on the hourly rate of demand.
150.	21.11.06	Jim Callaghan, Ryanair	Queried costs in relation to the runway.	Mark Foley, DAA	MF noted that the estimate now included the capital contribution sought by Fingal County Council, namely: €21.5 million, which accounted for the bulk of the increase.
151.	21.11.06	Jim Callaghan, Ryanair	Asked what the level of charges associated with the Capital Investment Programme.	Robert Hilliard, DAA	RH advised that DAA was seeking an average airport charges price cap of €7.50 in 2004 terms based on a review of the current Determination.
152.	21.11.06	John Murphy, Servisair	Queried what would happen if the Regulatory decision with regard to holding or following a review was unsatisfactory.	Robert Hilliard, DAA	RH noted that this would be a matter for the board of DAA to consider.

B APPENDIX

Issues and Responses Document 2007

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No.	Date	Raised By	Issue	Response
1.1	01.02.07	Servisair	Competitive disadvantage operating out of two terminals	It is not correct to say that any ground-handler will be at a "competitive disadvantage" due to the existence of two terminals. All ground-handlers will have the option of competing for business in either T1, T2 or both. Clearly all ground-handlers who opt to compete in both terminals will face similar issues. It is acknowledged that it may be more costly to provide a given level of ground-handling services over a two terminal campus than it would in a single terminal situation, however, the Government's Aviation Action plan settled this issue previously when it stated that the DAA would build a second terminal which would be capable of independent operation. We are aware that some of the handling agents at DUB also compete in multiple terminals at LGW, LHR and MAN so this is not a new phenomenon for handling agents. It will be a commercial decision for handling agents to make, should they wish to bid for any particular airline business.
1.2	01.02.07	Servisair	What are the costs to individual airlines, ground handlers, cargo operators who operate out of two terminals	Ref. 1.1
1.3	01.02.07	Servisair	Access to Apron 6A & B while 16/39 still open – proposed model of operation and operational implications for users	Apron Phase 6A and B has been approved by the Irish Aviation Authority for the parking of aircraft with some self-manoeuvring permitted. Aircraft loading, fuelling, ground servicing or passenger movement will not be permitted initially, and would be subject to a separate application to, and approval from, the IAA. DAA anticipate that the apron will be used for the parking of aircraft, which are taking up prime stands on the eastern side of Runway 16-34 i.e. close to the Terminal and pier buildings. These aircraft include stand-by aircraft, itinerant aircraft, which can be parked for periods in excess of one day, large business aviation aircraft and other ad-hoc type aircraft. With a likely change to the US Bilateral Agreement and new services to the Far East in the next few years it is likely that this will in part, entail long dwell times on stands, which will result in the need to tow aircraft off contact stands to remote stands such as those located in Phase 6 apron in order to facilitate other aircraft operations on contact stands. To facilitate the towing of aircraft to / from this apron a towing route has been identified by DAA using taxiways P1 and P2. A procedure will be developed for escorting an aircraft under tow either by the ground handling crew or DAA personnel. If necessary, drivers will receive appropriate additional training to ensure a safe operation is maintained. Certain vehicles will require to be fitted with transponders for this purpose. During periods when runway 16-34 is the active runway, aircraft under tow will be escorted by DAA personnel only. If there is a requirement to have a fuel vehicle access apron phase 6, a procedure will be developed for escorting the vehicle from the existing apron, crossing Runway 16/34 and taxiway system to the apron. This procedure will have to be submitted to the IAA for approval and will apply only when Runway 16/34 is not the active runway. Fuel vehicles will be escorted by DAA personnel only. In order to facilitate the parking of aircraft on this apron a limited quantity of ground servicing equipment will need to be based on the apron including for example, aircraft steps, chocks and engine start equipment. Any personnel who may require to access apron phase 6 should do so via the perimeter road, unless they are directly involved in the towing of aircraft. All such personnel will require training in the use of the perimeter road and any vehicles will require certain minor modifications. The operation of this apron will be kept under constant review and any deviation from that currently envisaged will have to be consulted with, and approved by the IAA. During times when Runway 16/34 becomes the active runway, i.e. due to maintenance on the main runway or severe weather conditions, a procedure will be implemented which will require sufficient advance notification (say 2 hours) to allow aircraft to be brought from / to apron phase 6 prior to the runway becoming operational. DAA, as a matter of course, monitor the weather from Met Eireann. Any indication of weather conditions requiring Runway 16-34 to become the active runway will be highlighted in the Airport Operations Office. This will assist in making appropriate arrangements for the positioning of aircraft.
1.4	01.02.07	Servisair	Baggage transfer between T1 and T2	There are no plans for an automatic baggage transfer link between T1 and T2. However, Arup have been commissioned to consider the demand for connectivity between the two terminals for both passengers and baggage.

No.	Date	Raised By	Issue	Answer
2.1.	01.02.07	Fedex	Impact on Cargo stands during the period 2007 to 2010	Cargo apron will be reorganised to facilitate continued operations in the cargo area during the construction phase of Terminal 2/Pier E. When Terminal 2/Pier E become operational, (late 2009) two wide body stands will be available between Piers D and A and one in the current freight area. The longer term plan is to develop freight facilities in the west, initially for Integrators.
2.2	01.02.07	Fedex	More information on future relocation of freight operations to the West	DAA is in discussion with other landowners to the west in relation to its future development. Part of the proposed development plan will include Cargo facilities on the western site. DAA expects to conclude discussions by year end with a view to lodging a planning application in early 2008.
3.1	01.02.07	Delta	CBP proposal update	Feasibility Study Progressing will be concluded late February. All T2 Airlines were briefed on development on 9th February 2007. Facility processing will be located above the new baggage hall at Terminal 2. Segregated hold rooms will be located at the Apron level of Pier E.
4.1	01.02.07	Sky Handling	Centralised bussing operation	The DAA believes that a single bus operator should be appointed by the airlines using Dublin Airport (in a similar manner to the procedure used

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				by AOC to procure a security company to undertake screening of HBS). This would bring economies of scale to the existing disparate bussing operations carried out by handling agents and airlines at DUB, resulting in both a lower unit cost and an improved service proposition. A similar solution is in place at a number of European airports such as London Gatwick. As part of the working group between AOC and DAA on stand allocation, DAP has undertaken (at a meeting held on 12 January 2007) to research bussing solutions at other airports, with a deadline of completing this research by the end of February. At the same meeting, DAP confirmed that the airport authority would not be undertaking bussing itself.
4.2	01.02.07	Sky Handling	Financing of bussing operation	DAA has suggested a 75% discount to the Passenger Service Charge for passengers being bussed to or from a remotely parked aircraft. The purpose of this was to acknowledge both the lower quality of passenger experience and also the additional cost of bussing. This discount would be in addition to the substantial lower price for the use of a remote stand for aircraft parking, when compared to a contact stand. The airline or their handling agent is responsible for bussing their passengers to and from aircraft parked remotely from the terminal and piers. The DAA does not intend to become, or to contract directly, an airside bus operator, as it is not part of its core business.
4.3	01.02.07	Sky Handling	Bus lounges – current and future plans	A dedicated bussing lounge is currently located in Pier C. Bussing gates are located in Pier A and the Old CTB. In addition, bussing operations can be conducted through any boarding gate provided that there is no aircraft due to board on the associated contact stand. A bus lounge will be located in Pier D when it opens in October of this year. The design of Pier E includes multi-use gates on the ground floor, which can be used as both CBP holding gates and bussing gates. It is not envisaged that a central bussing facility will be provided in the future.
4.4	01.02.07	Sky Handling	Towing from remote stands (6A & 6B)	Ref. 1.3
4.5	01.02.07	Sky Handling	Bussing to active stands on 6A & 6B	Ref. 1.3
4.6	01.02.07	Sky Handling	Cargo & ground equipment accessing 6A & B	Ref. 1.3
4.7	01.02.07	Sky Handling	T1X – Financing of this development, commercial revenue versus airport charges	The key issue which it is necessary to understand is that all commercial income earned by the DAA at Dublin Airport is taken into account through the mechanism of the so-called "single till" in calculating airport charges. In setting charges for a forthcoming regulatory period the CAR makes assumptions about commercial revenue, informed in part by the DAA's own forecasts of commercial income. The airport charges are a residual calculation from the forecast contribution of commercial income. In relation to the current regulatory period the DAA assumed that the T1X would be operational in 2008 and the commercial income from this development was factored into our business plan and taken into account by the CAR. If the DAA did not construct T1X, airport charges for the period from 2010 onwards would need to increase to cover the lower than forecast commercial revenues. The scale of the contribution from commercial revenues can be appreciated when it is understood that the DAA utilises a hurdle rate of 12% Internal Rate of Return (IRR) after tax for commercial projects. In the case of the T1X project it is expected that the rate of return will be above this hurdle rate and achieve circa 13.5%. This informs us that the DAA expects to make a contribution to or to subsidise airport charges from this project by circa 6% per annum or in excess of €3M per annum.
4.8	01.02.07	Sky Handling	Cargo wide-body stands 2007 – 2010	Ref. 2- 1
4.9	01.02.07	Sky Handling	GSE maintenance facility especially in context of new handlers	Demand for GSE equipment parking has been assessed with specific areas identified for this function. Any new handler requirements will be considered when known.
4.10	01.02.07	Sky Handling	Bussing from Pier E	A dedicated bussing lounge is currently located in Pier C. The design of Pier E includes multi-use gates on the ground floor, which can be used as both CBP holding gates and bussing gates.
5.1	01.02.07	IATA	Agreed importance of further meeting on outstanding issues	
6.1	01.02.07	US Airways	Costing of T1X	Ref. 4.7
6.2	01.02.07	US Airways	Stand Allocation Rules	As a general principle the use of contact stands is maximised in order to accommodate the greatest number of passengers. Stand Allocation Principles, designed to achieve this objective, have been in place for a number of years and, following consultation, may have to be varied from time to time to take account of changing circumstances such as the change in ratio between first wave departures and available contact stands. A Stand Allocation Guide is issued twice yearly in respect of the summer and winter schedules. This Guide is normally issued in draft form 1 month in advance of the proposed implementation date to allow for discussion with Airlines/handlers. The Guide seeks to demonstrate how the

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				various stands will be allocated to meet the demands imposed by the schedule. The guide contains Rules, some of which are Priorities and Weightings to be assigned in a particular order when determining the appropriate stand to be allocated. These can include for example, seating capacity, wide body/narrow body, length of turnaround, frequency of service etc. Examples of other points contained in the guide are: - - That it is based on times approved by ACL, - A minimum of 10 minutes is allowed between flights using the same stand, - Each guide is produced independently of any previous guide, - Push and Hold and other stand management procedures will be implemented as necessary, - Flights arriving in advance of their STA may be given an option to go remote or to hold for their allocated stand, subject to ATC approval, - Flights arriving late may not be allocated their planned stand if this causes consequential allocation problems for other flights, - Aircraft operators who constantly deviate from STA or STD will be closely monitored and their stand allocation reviewed as necessary, - Aircraft may be subject to towing to/from remote stands in certain circumstances. It should be noted that towing is particularly difficult to accomplish during peak times such as first wave departures, Stand allocation on any given day will be subject to operational requirements and will be at the discretion of DAA.
6.3	01.02.07	US Airways	Bussing	Bussing from Terminal 2 will either be from the existing lounge in Pier C or the lounges provided at the base of Pier E. Other bussing gates are located in Pier A and the Old CTB. In addition, bussing operations can be conducted through any boarding gate provided that there is no aircraft due to board on the associated contact stand. A bus lounge will be located in Pier D when it opens in October of this year. The design of Pier E includes multi-use gates on the ground floor, which can be used as both CBP holding gates and bussing gates. It is not envisaged that a central bussing facility will be provided in the future.
7.1	01.02.07	American Airlines	Stand Allocation Rules	Ref. 6.2
7.2	01.02.07	American Airlines	CBP	Ref. 3.1
No.	**Date**	**Raised By**	**Issue**	**Answer**
8.1	01.02.07	CityJet	Integration passenger operations T2 and Pier B	A study has been commissioned to assess the connectivity issues between T2 & T1.
9.1	01.02.07	Aer Arann	As per Sky Handling	Ref. 4.1 – 4.9
10.1	01.02.07	BMI	T1 Development – Proposals / Timeframe	A presentation of the scheme at consultation event of 28th Sept 2006. Schedule for Delivery 2008 is subject to successful planning application. Ryanair are currently objecting to the application.
11.1	01.02.07	SAS	Audit all previous minutes and outline queries / responses	We have conducted a complete audit of questions raised during the 2006 consultation process and this has reinforced the fact that the vast majority of stakeholder questions were answered. This compilation document will be distributed to all airlines and ground handlers by 09 March 07.

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11.2	01.02.07	SAS	T1 Development – Proposals / Timeframe	Ref. 10.1
11.3	01.02.07	SAS	T1X and Car Hire relocation – Commercial Revenues & Airport Charges / Payback period for projects	Regarding T1X ref. 4.7 Regarding Car Hire, see below: Car hire is also a commercial undertaking for the DAA and there is a need to provide facilities for the car hire companies or there would be a consequent reduction in revenue from this source. We use the same hurdle rate of 12% after tax for all commercial projects, this is to reflect the higher intrinsic risks in relation to commercial projects and the determination of the DAA not to invest in commercial projects which do not support the aeronautical activities of the company.
11.4	01.02.07	SAS	Confirmation that CBP will be funded by client airlines	The DAA has always held and presented the view that users of the CBP would pay for the facility. It was never intended that it would be funded from aeronautical charges and we are happy that users understand this position and communicate their understanding of this position to the Commission for Aviation Regulation
12.1	01.02.07	Fingal Aviation	6A + 6B Fuelling operations and the crosswind runway restrictions	Ref. 1.3
12.2	01.02.07	Fingal Aviation	Fuel hydrant (option to extend to 6A & 6B)	The option to extend the Fuel Hydrant to the Remote Apron area Phase 6 is being looked at from a strategic future proofing. On going discussions with Fuel Handlers
12.3	01.02.07	Fingal Aviation	Timeframe for withdrawal of Avgas facility in Light Aircraft Park A	There is no immediate requirement to have the facility removed. The situation will be kept under review in the context of demand for future apron / taxiway infrastructure.
12.4	01.02.07	Fingal Aviation	Proposals for locations of the 2nd phase Temporary Forward Lounge	This facility will be located on the western end of Pier D. It is planned to start Construction Qtr 4 2007 and deliver for occupation end of May 2008
13.1	01.02.07	Air France	Bussing (Eoin Scott commented that this issue was critical to airline / user response to CAPEX plan)	Ref. 4.1 – 4.5
13.2	01.02.07		T1 / T2 Integration, passenger interlining	Ref. 8.1
13.3	01.02.07		Cargo solution important to Air France and other users, need input and visibility on proposed solution	Ref. 2.1 – 2.2
14.1	01.02.07	Ryanair	Answers to letter of 8th December	DAA responded on 31st January and 1st March.
15.1	01.02.07	SR Technics	2nd Phase Temporary Forward Lounge – Where and when?	Ref: 12.4
15.2	01.02.07	SR Technics	Outputs of Symod exercise – Vehicle access to Apron 6A and 6B	Ref. 1.3
16.1	01.02.07	Continental	Proforma on T1X costings / Financial expectations on T1X (Commercial Revenues versus Airport Charges)	Ref. 4.7

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Outstanding Issues and Responses

16.2	01.02.07	Continental	Project schedule (Major phases, start / finish, linkages)	Provided to Continental. Copies available if requested.
17.1		T2 Stakeholders	Ground Handler Ramp Accommodation	DAA has been consulting with the airlines and handling agents with regard to their requirements for space in and around Terminal 2. Arup have prepared a report describing the potential solutions to meet demand for Ground services equipment post T2 opening and the solutions will be presented to users in the ongoing consultative process. With regards to accommodation there are three issues in play, i) DAA is determining the requirements for T2 tenants and developing the design of T2 where possible to respond to this demand ii) DAA is developing plans for the decant of Pier C to determine where existing tenants will be located in the short and long term, (iii) DAA is commencing a campus wide ramp accommodation study that will incorporate the above points. In each case, all parties will be directly consulted, and DAA will consider temporary and long-term requirements for users.

Dublin Airport Authority

Dublin Airport Terminal 2

T2 Stakeholder Management and Consultation Response to CAR Draft Decision

Final Arup Report

Dublin Airport Authority

Dublin Airport Terminal 2

T2 Stakeholder Management and Consultation Response to CAR Draft Decision

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Contents

1 Introduction

This report has been prepared in response to the *CAR Draft Decision, Interim Review of the 2005 Determination on Maximum Levels of Airport Charges at Dublin Airport dated 21 May 2007*. This report specifically addresses the issues raised in Section 5 of the CAR report which relate to consultation on the T2 Project.

T2 Stakeholder Management was established at the outset of the Project in January 2006. All key stakeholders were identified in conjunction with DAA and the process and details of the stakeholder engagements were presented to CAR on 6th April 2006, 3rd May 2006, 8th June 2006 and 31st August 2006.

The details of the T2 Stakeholder Management are covered in two reports:

1. Dublin Airport Terminal 2 Stakeholder Management Report #1, issued December 2006 (covering the period of January 2006 – September 2006).
2. Dublin Airport Terminal 2 Stakeholder Management Report #2, issued April 2007 (covering the period of October 2006 – February 2007).

It is noted that the CAR draft decision dated 21 May 07 is based only on the first report.

The T2 consultation process has been broad in its nature - aiming to produce the best design within the given constraints, and deliver a Terminal in 2009 as required by the Government.

From the outset of the T2 Project, the team put in place the best in class stakeholder management and consultation process. This strategy was not a standard process but developed specifically to meet the needs of Dublin Airport. Arup worked with DAA and DA, utilising the worldwide experience of our consortium (which includes Pascall &Watson and Mace) and our understanding of all stages of the design and project delivery, to develop the consultation plans. The stakeholder plans and the process were transparent and shared with key stakeholders from the earliest stages of the project.

The project timescales were demanding but this was due to the imperative to open the new Terminal 2 in 2009. Hence the pace of the design work and decision making was fast. The T2 Project team openly shared the development options as they were prepared with key stakeholders including airlines, ground handlers and CAR. We provided multiple channels of communication taking on board all comments received and addressing them in an open and visible manner.

We have received very positive feedback form stakeholders on the stakeholder management process and the consultation that has taken place. In addition the independent verifier Boyd Creed Sweet has stated that the consultation process ‘accords with best practice’. Also as noted in the CAR draft report, IATA claims that there has been very good consultation by DAA on its investment plans compared to other airports in Europe and worldwide.

2 Responses to Specific T2 Consultation Issues raised in CAR Draft Determination Report

This section of the report provides specific comments on the CAR draft decision and points raised by CAR in relation to consultation.

CAR notes early in their T2 consultation process comments (pg 61) that 'a critical question is whether the [consultation] process ensured that the concept and design of T2 was appropriately informed by the views of affected stakeholders'.

- All airlines and ground handlers (whether T2 tenants or not) were invited to the ten CIP and airline consultation sessions which provided them with an opportunity to understand and comment on the planning and design of T2. In addition they had the opportunity to provide input via one-on-one meetings and questionnaires. The T2 team notes that despite the numerous consultation opportunities offered, the input and involvement of the non-T2 airlines and ground handlers has been limited by their own choice.
- There has been considerable consultation with the proposed T2 tenant and user airlines as it is critical that they input into the detailed design of T2. Consultation has been via CIP sessions, one-on-one meetings and questionnaires. Interviews were conducted in June 2007 with six of these groups (not including Aer Lingus) and they reported that T2 had been informed by good stakeholder consultation, the one-on-one T2 sessions had been very useful, and that they felt that their comments and requests had been dealt with appropriately by the design team.
- There have been a greater number of consultation sessions with Aer Lingus than other airlines. This was appropriate, as the airline has a greater impact on the fundamental sizing of T2 and they occupy a greater number of the facilities. In recent interviews held in June 2007, Aer Lingus noted that the T2 stakeholder consultation process had been very good, and that the airline's views had been appropriately addressed by the T2 design team.
- Finally, the independent verifier BCS and IATA have both commented on the appropriateness of the T2 consultation process (in the case of BCS these were judged to be best practice), as noted in the CAR's report.
- On the basis of the above comments, combined with our extensive experience of transportation and airport related infrastructure projects, the T2 team believes the concept and design of T2 has been appropriately informed by the views of affected stakeholders.

CAR notes that T2 consultation focused on Aer Lingus. In addition CAR seems to portray the classification of Aer Lingus as a 'Significant Input' stakeholder (where the other airlines were identified as 'Key Input') as a negative aspect of the T2 consultation process.

- It should be remembered that the previous master planning work undertaken by PM/SOM and the subsequent review by Pascall & Watson in 2005 (both of which were carried out in full consultation with users), set the scene for the development of T2 and Pier E. The mix of long haul and long haul/short haul operators recommended meant that Aer Lingus was identified as a major tenant for the development with a mix of other carriers using narrow and wide body aircraft. The T2 design team and stakeholder management team started work in early 2006 with this knowledge and background so there should be no negative connotation in the T2 team's early engagement with Aer Lingus and the other likely tenants.
- Knowing that Aer Lingus was the proposed T2 anchor tenant, it was right to identify them separately when preparing the stakeholder plans and assessing the

influence of stakeholders, however, this does not mean that other users were not kept fully informed of plans as they were developed.

- All airlines were invited to the airlines events and CIP workshops, where they had the opportunity to comment and input to the T2 design whether they were going to be a T2 tenant or not. There were ten of these consultation sessions. In addition there were smaller meetings which are recorded in the meeting summaries. The formats of the meetings were designed to respond to the requests of users and all meeting were recorded and this information presented to CAR. Where specific issues were raised by attendees that could not immediately be responded to, such responses were made at the following meeting. Although not formally recorded all users were also contacted by email and phone to seek their engagement and input and they were given choice about the form of consultation which best suited their organisation.
- The airlines events were held on a regular basis (determined by attendees) as the design and costs were developed. The content of these meetings kept those that attended fully informed as the T2 design developed from master planning, through options to the final concept. Those who were unable to attend events were able to request copies of the presentation or have offline briefing meetings. The level of cost data commensurate with the design stage reached was shared with the attendees.
- The non T2 tenants had the same information for the airlines events as the future users did, but they had a lesser influence on the detailed design as the layout and spaces were planned to suit the operational processes of the likely tenants. It was, however, acknowledged that the tenants and their requirements could change over time so flexibility was built in to the scheme wherever prudent. None the less, all airlines had the same opportunity to comment on options, layouts, costs etc and input whether they were a T2 tenant or not, and all received the responses to comments via the frequent airlines events to which they were invited.

CAR goes on to note on page 61, that 'it is important to focus consultation on these other airlines'.

- The T2 team agrees that it is necessary to include the other airlines in the consultation process, and did so as is clear from the points made above.

CAR notes on page 61, that the stakeholders were surveyed to gain an understanding of their view and influence on the T2 project in July 2006, before the full costs of T2 were known.

- CAR fails to note that cost information was made available at the appropriate level to enable comparisons between options and to explain cost benchmarks in May and June 2006
- CAR also fails to note, that the stakeholders were surveyed in September 2006, once the full costs were known, to gain an understanding of their views on the T2 consultation and design process – offering them the opportunity to put forward any comments.
- In this respect, CAR appears not to have fully understood the level and extent of information presented to and discussed with the stakeholders. In doing so, CAR seemingly fails to represent the full and sequential T2 stakeholder process that was conducted, the way in which information was imparted as and when it became available, and the logic underpinning it.

- In the context of the vast experience of the T2 team, we believe that the level of engagement and information provided was exemplary for a project of this nature, complexity and speed of execution.

CAR notes that the March 2006 CIP Airline Event has a key graphic, indicating that 'T2 would be significantly smaller than T1, in terms of capacity'. CAR then goes on to review this figure in some detail in Annex 4 of the Draft Determination report and draws comparisons between T1 and T2.

- The graphic that (we understand) CAR is referring to is in the Master Planning Update section of the presentation. It is critical to note that the graph is providing historical information established before the T2 project commenced (prepared as part of the Pascall + Watson Master Plan review). It is apparent from many of the comments in CAR's draft report that there appears to be a fundamental misunderstanding between the land use and high level process of masterplanning and that relating to the precise and detailed process of facility design, sizing and the spatial planning processes which can deliver a working facility for construction which is predicated on a design flow rate for passengers.
- The purpose of the graph was to demonstrate the relationship between total number of pax and the area required per mppa. The graph was not intended to provide data regarding the size of T2.
- It is important to note that airport sizing is based on more than simply the total number of pax, and relates to the design flows and the busy hour throughput rates that are particular to each terminal.

CAR notes that 'the size of T2 appears to have increased between the first meeting on 21 March and the second meeting on 21 April 2006…. There was little thought of a radical change in the size of T2 at that time.'

- The March 2006 Airline presentation refers to historical T2 sizing figures as given to CAR in May 2005. This data was historical and not the product of the T2 sizing studies being undertaken at that time in March 2006. The historical status of this data was made clear in this presentation.
- In April 2006 the airline presentation provided an update on the T2 sizing of approximately 75,000sqm. This was based on the T2 sizing studies that were completed in 2006 and which took account of the latest projections for demand at Dublin Airport.
- The process for the sizing of the terminal started with meetings with DA Group Strategy to understand their assumption regarding users and growth at the airport. This was followed by questionnaires sent to airlines (whether prospective tenants or not) so that all airlines were consulted when assessing the required size of Terminal 2. Aer Lingus were met early on in the process as they were the likely major tenant based upon the earlier Master Planning/review. We met one-on-one with airlines and ground handlers to discuss and get their responses to the questionnaires, as the information contained in their response might contain information of a confidential nature regarding future business strategies and it was not appropriate to deal with this in open forum.
- The rationale for the increase in terminal size was clearly explained in the April 2006 presentation - a slide in this presentation entitled 'changes to business drivers' gave a number of reasons for the increased area.
- Given the detailed analysis and modelling undertaken by the T2 team to determine this size, the associated consultation, and the increased operational demand of the airline users, it cannot be said that the change was made with 'little thought'.

CAR notes that 'Engagement with non-Aer Lingus airlines was not planned at all for the Gateway 1, but one all-airline meeting was held towards the end of the process in March 2006'.

- At the outset of the project in January 2006, the first consultation plans for Gateway 1 did not show planned consultation with a range of airlines because it was anticipated that the brief collection would be carried out via the DA interface team who would liaise with the airlines through regular channels.
- However the T2 team found it more efficient to contact a range of airlines to establish the brief, and comparison between tables 2.1 and 2.2 of the first stakeholder management report show this change.
- The location and occupancy of T2 had been informed by the SOM master planning work and a subsequent review by Pascall & Watson (both of which had been undertaken in full consultation with users) so it is not correct to say that the airlines did not have the opportunity to inform key decisions – it simply happened before T2 planning and design work started in January 2006.
- In addition to the airline event in March, questionnaires were sent to airlines and ground handlers on the 15 and 27 March 2006 to elicit specific feedback on future plans and operational preferences to inform the brief and POR. This constitutes a key consultation exercise in this Gateway 1 period.

Annex 4 of CAR's report provides 'a summary of CAR'S understanding of the information airport users were provided with regarding the design and likely costs of T2':

- This Annex only refers to the information provided at the first six CIP airline consultation events. There were in fact 10 of these events, and additional information was provided at the later sessions that CAR has not reported on.
- This annex reviews only a subset of the total volume of information provided to the airline and ground handlers regarding T2 and fails to represent the full and sequential T2 stakeholder process that was conducted, and the logic underpinning it.
- From the outset and as the design of T2 developed the T2 Team presented the costs as they became available and details of this are evident in the PowerPoint presentations given. The airline events and CIP workshops (to which all airlines, ground handlers and IATA were invited) were the primary means to communicate these costs. The aim of the stakeholder consultation was to be open and share the development of the design and associated costs as they developed. The content of the events show that this did indeed happen.

3 T2 Stakeholder Consultation – Overview

This following summarises the consultation which has taken place from the beginning of the project to May 2007.

- The 2006 process is critically informed by the consultative process of 2005 during which Pascall and Watson, in consultation with the 4 home based carriers, conducted an independent review of the PM/SOM masterplan and made an unambiguous recommendation in relation to the location of all major airport passenger processing elements of infrastructure and the related airfield infrastructure. Critically, the nature of Terminal 2 operations, in terms of the profile of the type of airline users, was decided with reference to key masterplanning principles relating to the optimum location of aircraft contact stands. Pascall and Watson's Masterplan, and all related assumptions, constitute the foundation for the 2006 consultation and design development process.
- T2 Stakeholder Consultation Strategy was established in January 2006, and has continued uninterrupted to the present time. The consultation will continue through until the completion of the T2 project and will evolve to meet the needs of the users and the T2 team.
- The T2 stakeholder Strategy is based upon the wide ranging experience of the Arup team including Pascall & Watson and Mace on other major projects worldwide
- The stakeholder strategy was developed in conjunction with DAA, bringing together the knowledge and experience of the Arup design and deliver team with the local knowledge of users and and future needs of Dublin airport.
- The overall stakeholder strategy was planned as a two level process. Programme level dealing with consultation across the range of projects and Project level focused on a particular project, its users and consultation necessary for the design and delivery of that project. This report relates to the T2 project consultation and a separate report prepared by the Programme Managers covers the campus wide consultation.
- The independent review of the stakeholder consultation carried out by Boyd Creed Sweet on behalf of the Department of Transport concluded that the process 'accords with best practice'
- The T2 Stakeholder Consultation Strategy manages consultation with over 50 Stakeholder groups. This includes the T2 Airlines and Ground Handlers, but also groups such as Customs, Immigration (GNIB), Department of Agriculture, Airport Police and Security, DA Operations, DA Commercial, DA Retail, Disability User Groups, Near Neighbours, IATA, Utilities, US Customs Border and Protection (CBP), Fingal County Council, Fire brigade and the DoT - to name a few.
- The Consultation Strategy has been planned to address the specific needs of each of these different groups.
- The T2 project has had over 1280 formal stakeholder consultation sessions since the inception of the project.
- The T2 Consultation process has sought to provide the appropriate level of input from the stakeholders regarding the design of T2.

- The T2 Project has had over 100 formal consultation sessions with the various T2 Airlines and Ground Handlers.
- Three questionnaires have been issued to the T2 Airlines and Ground Handlers at strategic points through project to date – to obtain their comments on the consultation process and design product, and their preferred method of consultation going forward.
- The Programme has held 11 Airline and Ground Handler consultation events. From these events a log of 431 stakeholder comments was generated. Each of these comments was responded to in writing by the Programme and the T2 Team.