

12 March 2020

- 1.1 This report concludes the second iteration of the StageGate process, which focused on **HBS Standard 3 in Terminal 1**.

StageGate Process

- 1.2 The 2019 Determination on the maximum level of Airport Charges at Dublin Airport introduced a new process for certain large scale Capex projects. In total, 17 projects were identified for inclusion in the process, which was termed StageGate.¹
- 1.3 StageGate is a rolling iterative process intended to add flexibility for the scope and/or cost of these projects to develop over the regulatory period. It features an Independent Fund Surveyor (IFS) to provide independent expert views on any such developments to inform airport users and the Commission. The Commission has appointed Steer to act as IFS.
- 1.4 The 2019 Determination included initial allowances for each of the 17 projects; these allowances are termed the StageGate 0 allowances. When a project has reached a sufficiently detailed level of design and is ready to be progressed, the project is advanced to StageGate 1. Dublin Airport provides an up-to-date costing together with supporting detail to the IFS for assessment. The IFS assesses the Dublin Airport proposal; where it considers that the Dublin Airport proposal is reasonably costed and effectively scoped, it will agree with the proposal.
- 1.5 There are two factors which drive the revised StageGate 1 allowance: the IFS' conclusions on technical scope/cost efficiency, and the views of airport users. The StageGate 1 decision permutations are appended to this document. Where there is agreement between Dublin Airport, the IFS and airport users, the Commission will confirm this agreed figure as the StageGate 1 allowance. Where there is disagreement, the Commission will ultimately make the final decision based on relevant evidence and in line with its statutory objectives.
- 1.6 Following the completion of the StageGate 1 phase, the project enters StageGate 2. This phase allows for ongoing consultation as the project is being delivered. Any stakeholder may submit material for IFS consideration during the StageGate 2 phase, which the IFS will report on in the subsequent iteration of the process. In the absence of any further developments being highlighted to the Commission and the IFS, no further assessments will be carried out. StageGate 2 is considered to be complete when the project is delivered and closed out.
- 1.7 The outcome of the StageGate process drives the final level of remuneration for the project over its asset life. When reconciling actual expenditure against the allowance in the subsequent determination, the Commission's starting point will be the StageGate 1 allowance, which will be considered in the context of whether or not it was agreed among stakeholders as outlined above. The Commission will then consider any developments which may have occurred and been consulted on and assessed by the IFS during the StageGate 2 phase.

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- 1.8 The implementation of Hold Baggage Screening (HBS) standard 3 EDS (Explosive Detection Systems) in Terminal 1 was the only project advanced by Dublin Airport to StageGate 1 in this iteration. Dublin Airport provided details on the proposed scope and cost for this project at

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

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StageGate 1. Dublin Airport's proposed StageGate 1 allowance was €192m.

- 1.9 The IFS' report detailed its main findings at the StageGate 1 phase, summarised as follows:
- The building works were scoped efficiently and effectively.
 - Although it had concerns over the BHS Integrator's non-compliance with some of Dublin Airport's stated requirements (ERDs), the Standard 3 HBS will be effectively delivered to comply with EU Regulations.
 - The cost proposal was too high, and did not reflect the efficient cost of delivering this project. It also noted the potential for further cost changes until such time as all contracts have been placed and the design for all elements has been completed.
- 1.10 The IFS therefore proposed an alternative allowance of €183.58m, which was its estimate of the efficient cost of delivering this project.
- 1.11 The IFS report on this project was circulated to airport users on 2 October 2020. A videoconference was then held on 8 October, with presentations from the Commission, the IFS, and Dublin Airport. The videoconference was attended by Aer Lingus, Air Canada, Air France, ICTS, Ryanair, Stobart Air, and United Airlines. At this meeting, Dublin Airport confirmed that it would accept the IFS' proposal for the StageGate 1 allowance, and consequently that it should be considered that it agreed with the IFS for the purposes of the StageGate 1 permutations.
- 1.12 Ryanair provided follow-up written comments. Ryanair initially stated that it supported the upgrading of T1 HBS as required under EU Regulation, but did not support the IFS' proposal being adopted as the StageGate 1 allowance. Following further discussion, including on whether or not this should be considered as an objection for the purposes of the StageGate 1 permutations, Ryanair ultimately confirmed that it was not prepared to consent to the cost of the project proceeding through StageGate 1 on the basis of the IFS recommendation.
- 1.13 No other airlines objected to the progression of the project on the basis of the IFS' proposal.

Conclusions

- 1.14 In line with the StageGate process permutations, the StageGate 1 allowance therefore currently remains in line with the StageGate 0 allowance due to the objection from Ryanair.

Table 1: StageGate 0 and StageGate 1 allowances

CIP Code	Project	StageGate 0 Allowance	StageGate 1 Allowance
CIP.20.07.033	T1 HBS Standard 3 EDS	€160.3m	€160.3m

- 1.15 The StageGate 1 allowance will be the starting point for the Commission in the next determination for comparison against outturn expenditure (unless Dublin Airport chooses to repeat StageGate 1). As agreement has not, at this time, been achieved among stakeholders, we expect that the Commission will need to make a decision on the final allowance for this project at the time of the next determination, as provided for at paragraph 9.116 of the 2019 Final Determination.
- 1.16 The project is now considered to be at the StageGate 2 phase. Any further developments which are identified during the StageGate 2 phase will also be considered at the time of the next determination.

Appendix: Permutations for StageGate 1 allowance decisions

