

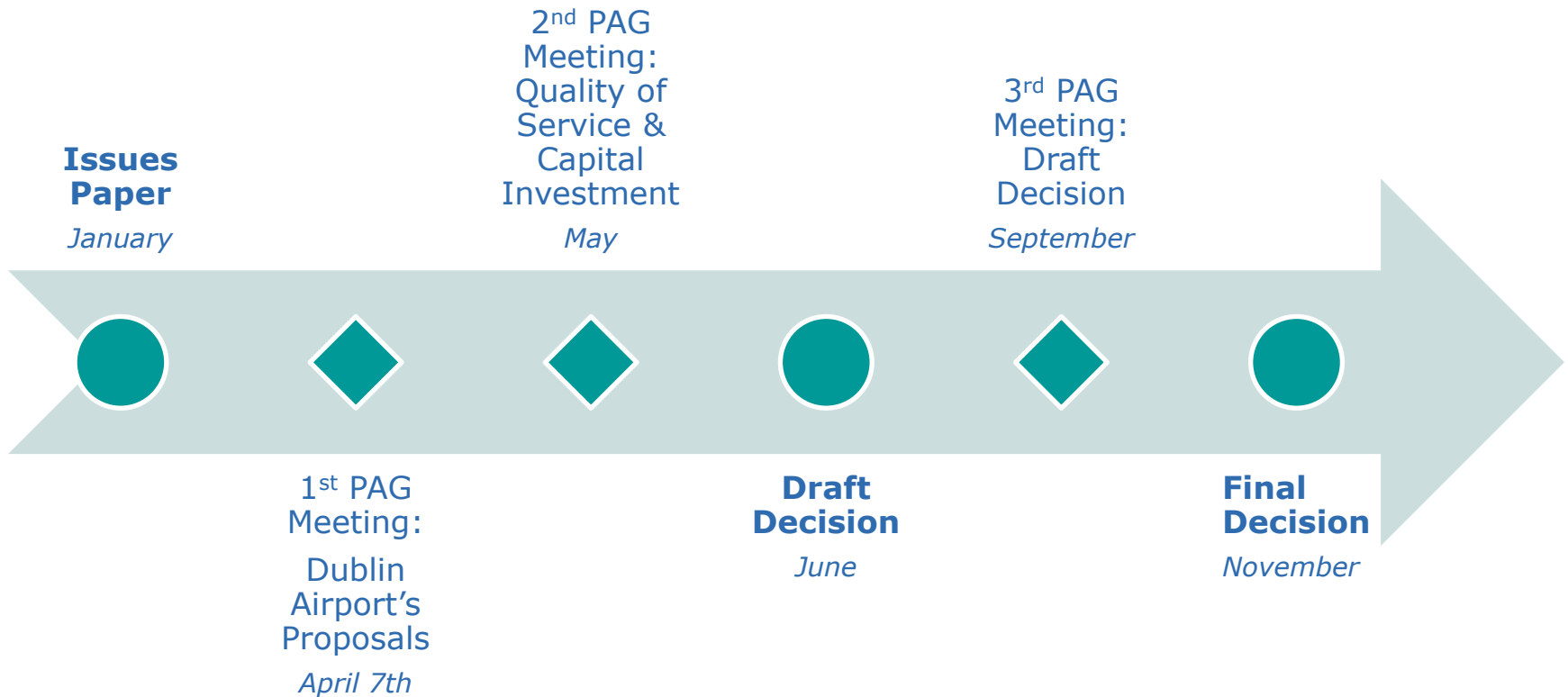
Second Meeting of the Passenger Advisory Group on the 2022 review of the 2019 Determination

26 May 2022

Agenda

- 1) Recap, update, and Timeline
- 2) Quality of Service: Dublin Airport proposals and CAR current thinking
- 3) Capital Investment Programme and funding: Dublin Airport proposals and CAR current thinking
- 4) Next steps

Timeline of Review



2019 Determination

- Set maximum price cap for 2020-2024.
- Current review period now intended to cover 2023-2026, adjusting the original determination for changes caused by COVID-19.
- 2019 Determination introduced enhanced Quality of Service (QoS) regime, developed in consultation with PAG and industry stakeholders.
 - This regime is designed to ensure balance between providing airport services at an efficient cost and maintaining a suitable level of service quality.

Dublin Airport Regulatory Submission

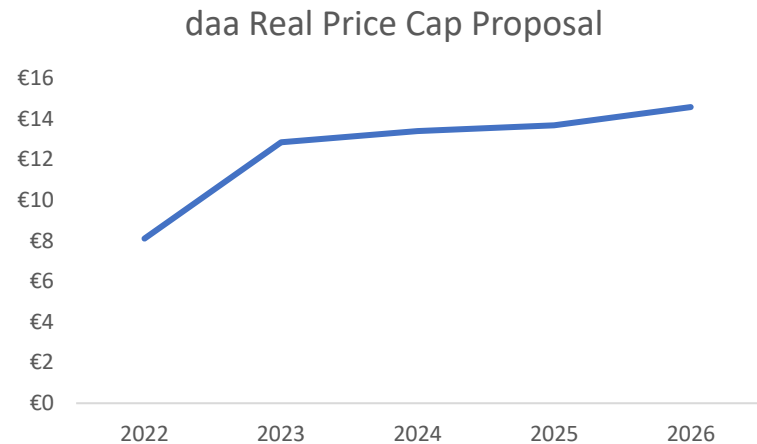
- Dublin Airport submission in early May consistent with presentations to CAR and PAG in April.
- In many ways, QoS proposal in line with our initial thinking.
 - 2019 scheme represents a good starting point.
 - Some more detail in the regulatory submission, which we will discuss today.
- Capital Investment Programme (CIP) in line with April presentation.

- Available here:

<https://www.aviationreg.ie/regulation-of-airport-charges-dublin-airport/2019-determination.841.html>

daa Proposes a Higher Passenger Charge

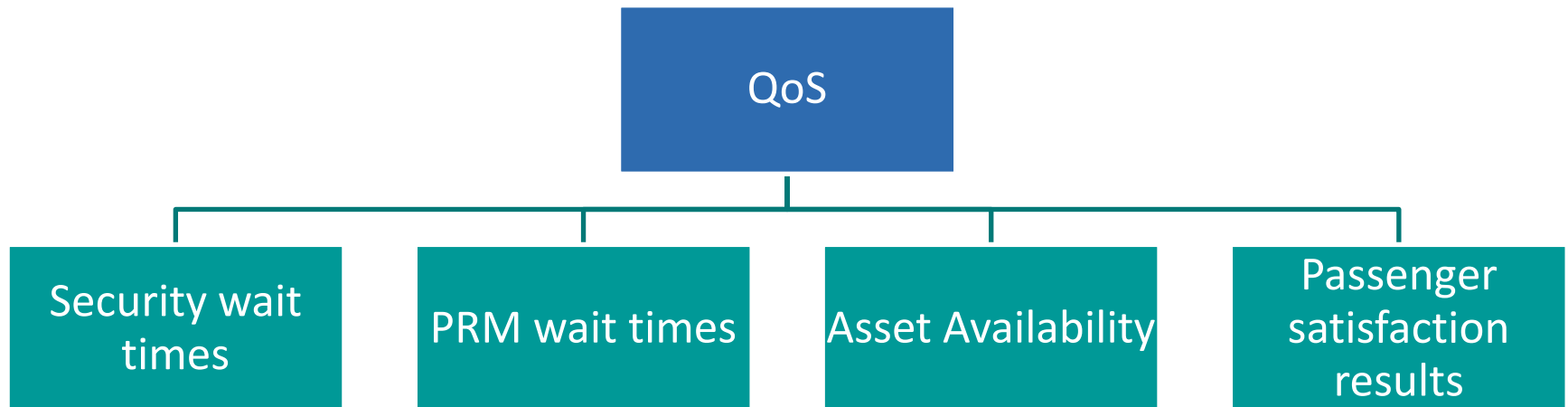
- Daa proposes a significant step increase in the real price cap per passenger for 2023.
- Further increases over 2024-2026.
- Inflation to be added to the real price cap:
 - High inflation would increase the charge further.



Quality of Service

Agenda Item 2

Measuring Service Quality from daa



Security Queues

Security Queues – 2019 Determination

| Target | Price Cap Adjustment |
|---|----------------------|
| Breach if queue is: | |
| Greater than or equal to 45 minutes | -€0.02 |
| Greater than or equal to 30 minutes, but less than 45 minutes | -€0.01 |
| Less than 20 minutes for less than 70% of the time, but less than 30 minutes 100% of the time | -€0.005 |

- The adjustments apply on a daily basis, up to a limit of 30 days.
- With 30m passengers, a single breach would lead to a financial adjustment of:
 - €600,000 if the queue is greater than 45 minutes
 - €300,000 if the queue is greater than 30 minutes
 - €150,000 if the queue is not less than 20 mins 70% of the time

Security Queues – Dublin Airport Proposal

| Target | Price Cap Adjustment |
|---|----------------------|
| Breach if queue is: | |
| Greater than or equal to 45 minutes | -€0.02 |
| Greater than or equal to 30 minutes more than 2% of the time, but less than 45 minutes | -€0.01 |
| Less than 20 minutes for less than 70% of the time, but less than 30 minutes 100% of the time | -€0.005 |

- The proposal is, essentially, to change the 30 minute target from 100% of queue times to 98%.
- Otherwise, targets are unchanged.

Security queues- CAR current thinking

- Security queue times are a key driver of satisfaction for almost all passengers.
- Dublin Airport's proposal is for a reduction in the 30 minute target relative to the 2019 target.
 - This target has been unchanged since 2009.
- Queue measurement system already filters queue times assessed to be outliers.
 - Thus the 100% target is not all measured queue times.
- We are developing our Operating Cost forecasts on the basis of meeting the 2019 targets.

Security queues- CAR current thinking

- Performance in 2022 has been very poor, due to a combination of factors.
 - General target should be to return to 2019 levels of performance by 2023.
 - Appropriate balance between cost and service level.
 - Therefore, we do not think it appropriate to allow for an ongoing reduction in the service standard.
 - Proposal: Reintroduce the security queue metric **unchanged from the 2019 standard**.
 - Should Dublin Airport prefer an adjusted measure which would achieve the same service standard without a 100% measure (for example, 98% less than 25 minutes), we can consider this ahead of the Final Decision.
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PRM Wait times

PRM Wait Times- 2019 Determination

- % of passengers assisted from the terminal reception point.
- % of passengers assisted from the aircraft to terminal holding point onwards.

| | Pre-advised | Non pre-advised |
|-----------|--|--|
| Departing | 95% within 15 minutes 98% within 20 minutes | 95% within 20 minutes 98% within 30 minutes |
| Arriving | 93% within 10 minutes 98% within 15 minutes | 93% within 15 minutes 98% within 20 minutes |

- Annual targets, with price cap adjustment of €0.01.

PRM Wait Times- Dublin Airport proposal

- % of departing passengers assisted **at** the terminal reception point.
- % of arriving passengers assisted from the aircraft to terminal holding point onwards.

| | Pre-advised | Non pre-advised |
|-----------|--|--|
| Departing | 95% within 15 minutes 98% within 20 minutes | 95% within 20 minutes 98% within 30 minutes |
| Arriving | 93% within 10 minutes 98% within 15 minutes | 93% within 15 minutes 98% within 20 minutes |

PRM- CAR current thinking

- The current metric is based on the Service Level Agreement (SLA) in place between daa and OCS.
- Daa is generally suggesting that this continues, with one significant exception for departing passengers: measuring the wait time for assistance 'at' reception, rather than 'from' reception.
- Reduction in standard compared to what is currently in place:
 - We believe the broader measure of assistance 'from' the reception point is a better measure of the overall service level provided to PRMs, and their likely satisfaction.
- No data available on current performance of the 'at' measure.

PRM- CAR current thinking

- Significant improvement required on 2021 departing performance if daa is to meet the SLA target, particularly for pre-advised. Arrival performance has been in line with target.
- But the solution is not to measure something else, but rather try to improve performance with OCS so that they meet the agreed SLA target.

2021 Departing performance compared to target

| | Pre-advised | Non pre-advised |
|--------|--|--|
| Target | 95% within 15 minutes 98% within 20 minutes | 95% within 20 minutes 98% within 30 minutes |
| Actual | 90% within 15 minutes 91% within 20 minutes | 96% within 20 minutes 97% within 30 minutes |

PRM- CAR current thinking

- Continue to use the current SLA targets as the basis for setting the targets.
 - Like SLA, measure wait times for departing assistance ‘from’ the reception point, rather than ‘at’ the reception point.
- Proposal:
 - Separate financial adjustment for arriving and departing performance, of **€0.01c each**, to maintain independent incentives in the event of underperformance on either one.
 - Secondary ‘backstop’ target for pre-advised departing passengers, to maintain some incentive if performance is not tracking in line with SLA. Target in line with **2021 actual performance**, adjustment of **€0.02c** if not met.
- Any comments or questions?

Passenger Satisfaction Surveys

Passenger Satisfaction- 2019 Measures

| | Departing | Departing with Assistance | Arriving | Transfer | Target |
|--|-----------|---------------------------------|----------|----------|--------|
| Additional Assistance | | ✓ | | | 9.0 |
| Helpfulness of security staff | ✓ | ✓ | | | 8.5 |
| Helpfulness of airport staff | ✓ | ✓ | | | 8.5 |
| Cleanliness of terminal | ✓ | ✓ | ✓ | | 8.5 |
| Overall satisfaction | ✓ | ✓ | ✓ | ✓ | 8.5 |
| Cleanliness of toilets | ✓ | ✓ | ✓ | | 8.0 |
| Satisfaction with Departure gates | ✓ | ✓ | | | 8.0 |

*target is out of 10

Passenger Satisfaction- 2019 Measures

| | Departing | Departing with Assistance | Arriving | Transfer | Target |
|--|-----------|---------------------------|----------|----------|--------------------------------|
| Walking distance | ✓ | ✓ | ✓ | | 7.5 |
| Finding your way around | ✓ | ✓ | ✓ | ✓ | 8.5 |
| Flight information screens | ✓ | ✓ | | ✓ | 8.5 |
| Ground transport information on arrival | | | ✓ | | 2020-21 - 8.0 2022-24 - 8.5 |
| Facilities for Passengers who require additional assistance | | ✓ | | | 9.0 |
| Availability of trolleys | ✓ | ✓ | ✓ | | 8.5 |
| Satisfaction with Wi-Fi | ✓ | ✓ | ✓ | | 8.5 |

*target is out of 10

Passenger Satisfaction- Dublin Airport Proposal

| | Departing | Departing with Assistance | Arriving | Transfer | Target |
|--|-----------|---------------------------------|----------|----------|--------|
| Additional Assistance | | ✓ | | | 9.0 |
| Helpfulness of security staff | ✓ | ✓ | | | 8.5 |
| Helpfulness of airport staff | ✓ | ✓ | | | 8.5 |
| Cleanliness of terminal | ✓ | ✓ | ✓ | | 8.5 |
| Overall satisfaction | ✓ | ✓ | ✓ | ✓ | 8.5 |
| Cleanliness of toilets | ✓ | ✓ | ✓ | | 8.0 |
| Satisfaction with Departure gates | ✓ | ✓ | | | 8.0 |

*target is out of 10

Passenger Satisfaction- Dublin Airport Proposal

| | Departing | Departing with Assistance | Arriving | Transfer | Target |
|--|-----------|---------------------------|----------|----------|--------------------------------|
| Walking distance-Ease of Movement | ✓ | ✓ | ✓ | | 7.5-8 |
| Finding your way around | ✓ | ✓ | ✓ | ✓ | 8.5 |
| Flight information screens | ✓ | ✓ | | ✓ | 8.5 |
| Ground transport information on arrival | | | ✓ | | 2020-21 - 8.0 2022-24 - 8.5 |
| Facilities for Passengers who require additional assistance | | ✓ | | | 9.0 |
| Availability of trolleys | ✓ | ✓ | ✓ | | 8.5 |
| Satisfaction with Wi-Fi | ✓ | ✓ | ✓ | | 8.5 |

*target is out of 10

Passenger Satisfaction- CAR current thinking

- Daa proposal is to replace 'walking distance' with 'ease of movement'.
 - Otherwise, metrics and targets are unchanged from 2019.
 - We agree with daa on the appropriate metrics.
 - Based on detailed evidence of the drivers of satisfaction.
 - As set out in the daa presentation in April.
 - We agree with daa that 'ease of movement' encompasses a broader range, with more opportunities for daa to improve performance in the short/medium term.
 - Not just distance but also circulation, facilities staff on-site, features such as the Pier 1 walkway wall displays.
 - Comments/questions?
-

Baggage System Availability

Baggage-2019 Determination

| System | Draft Target | Price cap at risk |
|----------|--|---------------------|
| Outbound | (Before the system has implemented HBS3): belts available within 30 minutes of request | Per event -€0.01 |
| | Outcome of delivering departing bags: available within 30 minutes of request | |
| Inbound | (Before the system has implemented HBS3) belts: available within 30 minutes of request | Per event -€0.01 |
| | Outcome of delivering arriving bags: available within 30 minutes of request | |

Baggage- Dublin Airport Proposal

- Dublin Airport does not propose any changes.
 - It asks that we continue to consider the reduced resilience while the Hold Baggage Screening Standard 3 (HBS3) systems are being installed.
- We do not propose to make any change.
- Terminal 2 is now fully HBS3 compliant, with Terminal 1 expected to be fully complete in Q1 2023.

Other Asset Availability

Other Assets- 2019 Determination

| Availability of: | Draft Target | Price cap at risk |
|---|---|--------------------------------------|
| Fixed Electric Ground Power (FEGP) | For new units, 93.5% available on average in the first year and 99% thereafter. | Monthly |
| Advanced Docking Guidance System (AVDGS) | | -€0.01 From 2021 |
| Passenger-facing escalators, travellers and lifts in T2 | In 2021: 98% available, on average across units. From 2022: 99% | Quarterly -€0.01 From 2021 |
| Self-service check-in kiosks and bag drop machines | 99% available on average across units. | Quarterly -€0.01 |

Other Assets- Dublin Airport Proposal

| Availability of: | Draft Target | Price cap at risk |
|---|--|----------------------------------|
| Fixed Electric Ground Power (FEGP) | For new units, 93.5% available on average in the first year and 99% 98% thereafter. | Monthly -€0.01 |
| Advanced Docking Guidance System (AVDGS) | | From 2021 |
| Passenger-facing escalators, travellers and lifts in T2 | In 2021: 98% available, on average across units. From 2022: 99% - 98% | Quarterly -€0.01 From 2021 |
| Self-service check-in kiosks and bag drop machines | 99% 98% available on average across units. | Quarterly -€0.01 |

Other Assets- CAR current thinking

- Mixed recent availability performance:
 - FEGP outperforming target at over 99%.
 - A-VDGS close to target at 98.6%.
 - Lifts and escalators weaker at c96%.
- Dublin Airport proposing a reduced target, relative to 2019, of 98% instead of 99%, to apply consistently across assets.
- The original 99% target should still be achievable, but may prove challenging for certain asset groups.
 - A two-step target would maintain the incentive to improve if certain assets are underperforming.
- Proposal
 - Retain 99% as the main target, but adjustment is **halved** if performance is less than 99% but **greater than 98%**.

QoS- Other Topics

Bonuses and Penalties

- Dublin Airport asks us to consider bonuses, rather than a system based solely on penalties.
 - A penalty with a correspondingly higher base price cap is no different, in effect, to a system of bonuses with a lower price cap.
 - In some cases, it is not optimal incentivise to go beyond the required standard (for example, ensuring 100% asset availability is likely to be inefficient).
- However, we consider that the passenger satisfaction survey metrics may be suitable for a bonus for outperformance.
 - Bonus for where performance is already above the target, and improves further.

Other Candidates for Metrics?

- We have not identified any fundamental shift in passenger priorities on an ongoing basis since 2019.
- Thus, we have not identified any new metrics we think should be introduced.
 - Any thoughts from PAG members?
- Note the following:
 - Metrics should be within control of daa (eg not Immigration, which is staffed by INIS).
 - Something that can be measured and reported without disproportionate inconvenience or cost.

Investment Programme

Agenda Item 3

CIP 2020+ overview

- Dublin Airports Capital Investment Plan (CIP) is a detailed overview of all capital investment projects that it seeks to commence within the determination period.
 - The Airport has based its 2022 Plan on the 2019 CIP, with several key changes:
 - Projects completed between 2020 and 2022 may enter the RAB from 2023.
 - The costs and scope of projects are being reassessed, with inflation a major consideration.
 - Certain projects not yet started are being cancelled or postponed beyond 2026
 - New projects have been included, mostly in the area of sustainability.
 - New projects in the CIP are presented in groupings, with the key drivers for changes in each grouping outlined.
 - The 2019 CIP was planned to cost approximately €1.9bn, while the proposed updated CIP is expected to cost €2.48bn, a 31% increase.
-

Project groupings in the updated CIP (1)

- **Capacity projects** make up 53% of the total requested cost allowances. They aim to address foreseeable capacity constraints to allow the airport to grow to 40 mppa.
- DAP has requested €1.3bn for capacity projects, a 15% increase over the 2019 CIP. The biggest drivers of this growth were design change and inflation.
- The 4 biggest projects, the West Apron Vehicle Underpass, the North Apron Development, Pier 5, and the South Apron Expansion account for approximately 79% of requested capacity allowances.

| Terminal 1 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|------------|-----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|-----------|---------|
| | 21.4 mppa | 4.9 mppa | 5.2 mppa | 13.6 mppa | 16.9 mppa | 20.1 mppa | 21.4 mppa | 22.5 mppa | 23.1 mppa | 24 mppa | 25.3 mppa | 26 mppa |
| Baggage | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green | Green |
| Check In | Green | Green | Green | Green | Green | Green | Green | Green | Yellow | Yellow | Yellow | Yellow |
| Security | Yellow | Green | Green | Green | Green | Yellow | Yellow | Red | Red | Red | Red | Red |
| IDL | Yellow | Green | Green | Green | Yellow | Green | Green | Yellow | Yellow | Red | Red | Red |
| Gates | Yellow | Green | Green | Green | Green | Yellow | Red | Red | Red | Red | Red | Red |
| Stand | Yellow | Green | Green | Green | Yellow | Yellow | Yellow | Red | Red | Red | Red | Red |

Project groupings in the updated CIP (2)

- **Commercial project** allowances requested by DAP are 45% higher than in 2019, at €172m. This change is driven largely by inflation, scope changes, and new projects.
- We will examine new or updated projects closely to identify the effect these will have on future Commercial Revenues.
- **Sustainability** is a new project grouping; it is proposed to help DAP meet its climate targets and includes the Terminal 2 Sustainable Upgrade and the Photovoltaic Farm phase 2.
- DAP has requested €384m in allowances for Sustainability projects, approximately 2/3 of the difference between the 2019 CIP and the updated version.
- For **Core projects** (asset management, IT, and security projects, etc.) DAP requests an allowance for the two additional two years of the CIP equal to the inflation adjusted yearly allowances for 2020-24 (€104m per year).
- DAP has **cancelled or deferred** several projects allowed in the 2019 CIP which have a total value of €221m.

CAR current thinking

- The size of the CIP is the main driver behind daa's proposed increase in the passenger charge.
- However, the timeline for project delivery remains uncertain due to difficulties related to obtaining planning permission.
- CAR is planning to address this timeline uncertainty through the use of triggers.
- Triggers will ensure that users are not paying for undelivered Capex by aligning Capex remuneration with the development of the project.

Next Steps

Agenda Item 4

Next Steps

- We will publish today's presentation and the meeting note in line with or shortly after the publication of the Draft Decision in late June/early July.
- This will help inform the 2 month public consultation.
- We will arrange another meeting of the PAG after we have received the consultation submissions.
 - Likely to be in September or October.
- The purpose will be to consider these submissions and any final changes before the Decision is finalised.