



StageGate Concluding Report Iteration 1 2023

08 June 2023

- 1.1 This report concludes the first iteration of the StageGate process for 2023. This cycle focused on the StageGate 1 assessment of two projects, **Critical Taxiways North** and **South Apron Taxiway Widening and Associated Pavement Rehabilitation**, and a StageGate 2 assessment of **Terminal 1 Hold Baggage**.

StageGate Process

- 1.2 The 2019 Determination on the maximum level of Airport Charges at Dublin Airport introduced a new process for certain large scale Capex projects known as StageGate. 17 projects were initially identified for inclusion in the process. This was increased to 27 projects in the Interim Review of the 2019 Determination in relation to 2023-2026.¹
- 1.3 StageGate is a rolling iterative process intended to add flexibility for the scope and/or cost of the StageGate projects to develop over the regulatory period. A key component of the process is the Independent Fund Surveyor (IFS) which provides independent expert views on any such developments to inform airport users and the Irish Aviation Authority (IAA)². The IAA has appointed Steer to act as the IFS.
- 1.4 The 2019 Determination (and subsequently the Interim Review of the 2019 Determination in relation to 2023-2026) provided initial allowances for each of the StageGate projects; these are termed the StageGate 0 allowances. When a project has reached a sufficiently detailed level of design and is ready to be progressed, the project is advanced to StageGate 1. At this stage Dublin Airport provides an up-to-date costing, together with supporting detail, to the IFS for assessment. The IFS then assesses the Dublin Airport proposal, and if it considers it to be reasonably costed and effectively scoped, it will agree with the proposal.
- 1.5 There are two factors which drive the decision on the StageGate 1 allowance: the IFS' conclusions on technical scope/cost efficiency, and the views of airport users. The StageGate 1 decision permutations are appended to this document.
- 1.6 Following the completion of the StageGate 1 phase, the project enters StageGate 2. This phase allows for ongoing consultation as the project is being delivered. Any stakeholder may submit material for IFS consideration during

¹ https://www.iaa.ie/docs/default-source/car-documents/1c-economic-regulation/final-decision-on-the-maximum-levels-of-airport-charges-at-dublin-airport-2023-2026.pdf?sfvrsn=6b8110f3_1

² Since the StageGate meeting for this iteration took place, the Commission for Aviation Regulation has merged with the Irish Aviation Authority.



this phase, which the IFS will report on in the subsequent iteration of the process. In the absence of any further developments being highlighted to the IAA and the IFS, no further assessments will be carried out.

- 1.7 The outcome of the StageGate process drives the final level of remuneration for the project over its asset life. When reconciling actual expenditure against the allowance in the subsequent determination, the IAA's starting point will be the StageGate 1 allowance. The IAA will also consider any developments which may have occurred and been consulted on during the StageGate 2 phase.

2023 – First Iteration

- 1.8 Two projects were included for StageGate 1 assessment in the first iteration in 2023:
 - Critical taxiways north (originally submitted to the StageGate in the 2021 first iteration and concluded in this iteration).
 - South Apron Taxiway Widening and Associated Pavement Rehabilitation.
- 1.9 One project was included for StageGate 2 in this iteration:
 - Terminal 1 Hold Baggage.
- 1.10 The final IFS reports on these projects were circulated to airport users on 29 March. A videoconference was then held on 5 April, with presentations from the IAA, the IFS, and Dublin Airport. The videoconference was attended by Aer Lingus, Ryanair, IATA, IALPA, The Department of Transport, British Airways, and IAC. Written submissions were subsequently provided by Aer Lingus, Ryanair, IALPA, and Dublin Airport.
- 1.11 As per the StageGate process, users were invited to provide written submissions, including indicating whether it objected to the proposed allowances.

StageGate 1

South Apron Taxiway Widening and Associated Pavement Rehabilitation

- 1.12 The South Apron Taxiway Widening and Associated Pavement Rehabilitation projects were the only new projects to be submitted for Iteration 1 2023, as the Critical Taxiways North project had been submitted previously. Dublin Airport's proposed StageGate 1 allowance was €57.97m.
- 1.13 The IFS' report detailed its main findings at the StageGate 1 phase, these are summarised as follows:
 - The IFS determined that the scope and specifications of the projects will



effectively and efficiently meet the required outputs of the project. It notes that while there has been considerable cost escalation, it has determined that Dublin Airport has considered opportunities to make savings where possible and control this escalation insofar as is possible.

- The IFS determined that while the majority of the costs were reasonable, some cost items were higher than it expected. This created a variation between the IFS estimate and Dublin Airport's proposal.

1.14 The IFS therefore proposed an alternative allowance of €54.3m, which is its estimate of the efficient cost of delivering this project.

Critical taxiways North

1.15 Dublin Airport's proposed StageGate 1 allowance was €36.93m. The IFS' initial assessment of the project found that it had changed significantly compared to the original proposal. As such, in October 2022, in advance of the IFS finalising its recommendation on the StageGate 1 allowance, we held a meeting of the StageGate group to ask for feedback on what we should include within the scope of our cost recommendation for StageGate, and on whether there was any other analysis or breakdown stakeholders would like us to include in this report, before we finalise our StageGate 1 cost allowance. One stakeholder asked for further information before it responded to the above questions, which was given. We did not receive any specific responses in relation to the questions posed.

1.16 The IFS' final report detailed its main findings at the StageGate 1 phase, these are summarised as follows:

- The IFS found that the design approach adopted by Dublin Airport provided construction programme benefits and will minimise operational disruption on the airfield. However, it also noted that considering the projects considerable cost escalation, opportunities to make savings had not been explored in sufficient detail.
- The IFS also found that while the majority of the costs for the project presented by Dublin Airport in its StageGate 1 submission were reasonable, the costs relating to certain taxiway stubs were not deemed to be a relevant element of the Critical Taxiways North project and should therefore be excluded. In addition, the IFS found that the taxiways shoulders were not the most efficient solution and therefore reduced the cost accordingly.
- The StageGate 0 allowances were far lower than the proposed StageGate 1 allowance, and there were several cost areas that did not have any StageGate 0 allowance. However, with the exception of the costs for the stubs and the taxiway shoulders noted above, and despite the budget shortfall, the cost for the remaining works as presented were determined to be reasonable.



- 1.17 The IFS therefore proposed an alternative allowance of €31.93m, which was its estimate of the efficient cost of delivering this project.

Stakeholder Views

- 1.18 Ryanair objects to the costs presented by Dublin Airport for both projects. It argues that both the scope and costs have changed considerably since the projects were first proposed. It also expressed concerns about the StageGate process if the cost increases are allowed and urged the IAA to protect users from the increases in costs proposed by the airport.
- 1.19 Aer Lingus supports both projects, stating that they remain critical to ensuring an efficient two-runway airport and enabling the development of the hub infrastructure. However, it also noted its disappointment at the cost increases. It requested that the IAA instruct the IFS to holistically assess Dublin Airports design development and cost estimation methodology to ensure that the challenges identified in these projects are avoided in other schemes.
- 1.20 IALPA has made several points regarding the design of the projects from a safety perspective. We note that the safety approval process for the South Apron taxiway widening project is ongoing. That is a separate process, i.e., we do not make decisions regarding safety approvals within the StageGate process. We note however that the StageGate process allows for flexibility for ongoing design development to occur if required, whether related to safety matters or otherwise.
- 1.21 Dublin Airport noted that it accepts the IFS assessment of Critical Taxiways North but maintains that the proposed hard taxiway shoulders are necessary for the safe and efficient operation of the airfield and should be allowed for in the IFS assessment. It also notes that it accepts the majority of the IFS assessment of the South Apron Taxiway Widening and Associated Pavement Rehabilitation project but disagrees with the €1.26m variance in the Design and Management costs, and the €2.11m variance in construction costs.

StageGate 2

Terminal 1 Hold Baggage

- 1.22 Terminal 1 Hold Baggage is the first project to be brought to StageGate 2 by Dublin Airport. The IFS assessment of the Airports StageGate 1 submission for this project was shared with users on 2 October 2020 and a videoconference was held on 8 October 2020. The Airports submission had proposed a cost of €191.99m, an increase of €31.69m over its StageGate 0 allowance. Following its assessment, the IFS recommended an alternative StageGate 1 allowance of €183.58m. However, this was not agreed to by Ryanair, and so the



StageGate 1 allowance remained in line with the StageGate 0 allowance³. As agreement has not yet been achieved among stakeholders, we noted that the IAA would need to make a decision on the final allowance for this project at the time of the next determination.

- 1.23 Dublin Airport’s proposed a StageGate 2 allowance was €185.15m, however, this was later reduced to €185.05 to reflect figures agreed upon with contractors. This is an increase of €1.47m over the StageGate 1 allowance previously recommended by the IFS. Following its assessment of the projects StageGate 2 submission the IFS proposed an allowance of €185.05m for StageGate 2, which was its estimate of the efficient cost of delivering this project.
- 1.24 We did not receive any stakeholder comments in relation to this project. The final allowance for this project will be set by the IAA at the time of the next determination.

Conclusions

StageGate 1

- 1.25 The estimated cost of delivering both of these projects has increased significantly since the StageGate 0 allowances were set. An airline user, Ryanair, has objected to the projects. In line with the StageGate process permutations, the StageGate 1 allowances for both projects therefore currently remain in line with the StageGate 0 allowances, due to the objection from Ryanair. We note the continued support from Aer Lingus for the delivery of both projects.

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

| CIP Code | Project | StageGate 0 Allowances | IFS recommendation | StageGate 1 Allowance |
|------------------------------------------------|---------------------------------------------------------------------|------------------------|--------------------|-----------------------|
| CIP.20.01.0 02, CIP.20.01.0 03 & SCP 17.03.004 | Critical Taxiways North | €12.38m | €31.93m | €12.38m |
| SCP.17.3.0 05 & CIP.20.01.0 02 | South Apron Taxiway Widening and Associated Pavement Rehabilitation | €18.63m | €54.3m | €18.63m |

- 1.26 As agreement has not, at this time, been achieved among stakeholders, we expect that the IAA will need to make a decision on the appropriate efficient

³ [https://www.iaa.ie/docs/default-source/car-documents/stagegate-reports/concluding-report\(1\).pdf?Status=Master&sfvrsn=ebcb14f3_0](https://www.iaa.ie/docs/default-source/car-documents/stagegate-reports/concluding-report(1).pdf?Status=Master&sfvrsn=ebcb14f3_0)



final allowance for this project at the time of the next determination, taking account of the objective evidence available to it from this process.

- 1.27 The projects are now considered to be at the StageGate 2 phase. Any further developments which are identified during the StageGate 2 phase will also be considered at the time of the next determination.

StageGate 2

- 1.28 The IAA notes the IFS recommended efficient estimate of €185.05m, which is €1.5m higher than the IFS' estimate at SG1.