

**Decision
on the
Second Interim Review
of the
2014 Determination
in relation to a
Supplementary Capital Expenditure Allowance for Dublin Airport**

Commission Paper 9/2018

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1. Executive Summary

- 1.1 This paper sets out our decision on the second Interim Review of the 2014 Determination, relating to a supplementary capital expenditure allowance for Dublin Airport. Pursuant to Section 32 (14)(a)ii of the Aviation Regulation Act, 2001, as amended by the State Airports Act, 2004, the Commission has reviewed the 2014 Determination at the request of daa, the airport authority for Dublin Airport.¹ We have amended the Determination as set out below in relation to capital expenditure only. There is no effect on the maximum level of airport charges for the current period 2015-2019, as set out in the 2014 Determination.
- 1.2 In 2016 we published Commission Paper 7/2016, a policy document setting out a process for providing for supplementary capital expenditure within a determination period by means of an Interim Review ('the Supplementary Capex Process').² Dublin Airport formally sought such an Interim Review in December 2017, requesting a supplementary allowance of €284m to deliver a suite of 23 projects collectively termed the Programme of Airport Campus Enhancement (PACE).³
- 1.3 We published a Draft Decision (CP3/2018) on this request in February 2018, in which we proposed to increase the 2015-2019 capital expenditure allowance by €267.5m.⁴ This was the draft estimate of our cost consultants, SDG, of the efficient cost of delivering all 23 projects. We also set out our proposed regulatory treatment of these allowances.
- 1.4 Based on submissions received, we have made the following amendments to the Draft Decision:
- We have revised the cost allowance up by €1.8m, to €269.3m, in accordance with the final report from SDG.
 - We have increased the asset life of the South Apron Pre-Boarding Zone (PBZ) from 20 to 40 years, and conditioned the remuneration of this project on obtaining permanent planning permission.
 - We have broadened the output associated with the allowance for Bus Gates and South Apron Stands Phase 2 to allow flexibility as to how these are provided. We have further made the South Apron Stands Phase 2 allowance contingent on delivering the widening of Taxiways Z/B1.
 - We require Dublin Airport to review the stand allocation rules as set out in paragraph 4.21 if we are to continue to make provision for the Apron 5H and South Apron Stands Phase 2 projects.
- 1.5 This decision is consistent with the aims of the 2014 Determination and thus is in furtherance of our three core statutory objectives. We have balanced the need for Dublin Airport to obtain certainty over the regulatory treatment of additional capital expenditure with ensuring the interests of current and future users are protected. While we have amended the 2014 Determination to increase the capital allowances therein, there will be no effect on the price cap in the current regulatory period as none of the additional allowance will enter the

¹ https://www.aviationreg.ie/fileupload/Image/PR_Legislation_Pub2_AviationReguAct2001.pdf
https://www.aviationreg.ie/fileupload/Image/PR_Legislation_Pub1_StateAirportsAct2004.pdf

² <https://www.aviationreg.ie/fileupload/supplementary%20capex%20decision/2016-12-09%20Decision%20on%20process%20for%20supplementary%20capex%20allowances.pdf>

³ <http://www.aviationreg.ie/fileupload/PACE/20180118%20DAP%20PACE%20Submission%20to%20CAR%20corrected.pdf>

⁴ <https://www.aviationreg.ie/fileupload/PACE%20Draft%20Decision/2018-02-20%20Draft%20Decision%20final%20draft.pdf>

Regulatory Asset Base (RAB) until the next regulatory period. However, subject to the conditions set out in this paper, this decision will result in a higher RAB in future regulatory periods, which will be remunerated in those periods. This regulatory treatment is consistent with the Supplementary Capex Process.

- 1.6 Published alongside this paper are the final report from SDG which assesses the efficient cost of delivering the PACE projects, as well as the report from Helios assessing the benefits of the taxiway projects and a chart for reporting against project timelines. Draft versions of each of these were published alongside our Draft Decision; based on submissions received, the SDG report has changed from the draft version, while the others have not.
- 1.7 Also published are the nine responses we received on the draft decision. These responses, which informed this final decision, are discussed throughout this paper. Aer Lingus, Dublin Airport, Emirates, Ethiopian Airlines, Etihad, IAA, IALPA, Ryanair and Stobart Air responded to the consultation.
- 1.8 Sections 2 sets out the background to this Interim Review. Section 3 sets out the PACE projects and allowances. Section 4 sets out our decision on the regulatory treatment of these allowances. Section 5 discusses elements of submissions received which do not relate to any of these three headings. The responses we received are published alongside this paper.

2. Background and Substantial Grounds

Supplementary Capex Process

- 2.1 In December 2016, we published a decision paper (CP7/2016) on a process for considering supplementary capital expenditure allowances within a determination period. This was a recognition that circumstances can change within a determination period; while there are some flexibilities regarding Capex in the 2014 Determination, in certain situations these will not be sufficient to allow Dublin Airport to respond appropriately while remaining within the scope of the regulatory settlement provided for in the determination.
- 2.2 The Supplementary Capex Process is a limited scope Interim Review of the prevailing determination. As it is an Interim Review, the Commission must satisfy itself that ‘substantial grounds’ exist to review the determination, as required under the Aviation Regulation Act, 2001, as amended by the State Airports Act, 2004.⁵
- 2.3 The Supplementary Capex Process has clear requirements for Dublin Airport to follow regarding consultation and reporting. It also set out how the Commission would assess whether substantial grounds existed, and, if such grounds did exist, how we would assess the proposed project(s). Our intention was to provide certainty to Dublin Airport over the remuneration of justified expenditure, while protecting the interests of current and future users by ensuring that any allowed expenditure would be fully justified. We also recognised the need for the Commission to conduct this process speedily, in order to minimise delay in the event that provision of the capital projects was urgently required.

Draft Decision and Responses Received

- 2.4 In December 2017 we received a formal request from Dublin Airport to carry out an Interim Review of the 2014 Determination in accordance with the Supplementary Capex Process.
- 2.5 The Draft Decision on this request (CP3/2018) set out substantial grounds to conduct the Interim Review and detailed how Dublin Airport had followed the requirements of the Supplementary Capex Process. The substantial ground was insufficient infrastructure to meet user demand. At the time of the 2014 Determination, it was expected that passenger numbers would reach 24.8m by 2019. Instead, however, passenger numbers for 2018 will exceed 30m. No respondent disagreed with this. The Commission’s view on this point has not changed and we have carried out the Interim Review as requested by Dublin Airport.
- 2.6 This Section sets out the existence of substantial grounds to carry out an Interim Review only. Section 3 further discusses whether the Supplementary Capex Process consultation requirements were met in full with regard to each individual project.

3. PACE Projects and Allowances

- 3.1 We have decided to provide an allowance for each of the 23 PACE projects, as they are in the interests of current and future users. We have provided for €269.3m in expenditure in total. SDG has advised us that €269.3m is the amount required to efficiently deliver all 23 PACE projects. Thus, we have decided to increase the total allowance by €1.8m from the Draft Decision.
- 3.2 This section also sets out the submissions received on the projects and allowances and our responses to these submissions.

PACE Projects- Submissions Received

- 3.3 Aer Lingus supports the provision of the PACE projects, particularly the widening of the Taxiways Z/B1 to allow simultaneous use by code E aircraft. It states that this project should be completed by 2020. However, it believes that further capital investment is required to address other capacity constraints at the airport; these comments are set out in Section 5.
- 3.4 Dublin Airport states that all 23 projects are required in order to allow 32m passengers to be processed in a year, without reducing service quality.
- 3.5 Emirates supports the installation of Fixed Electrical Ground Power (FEGP) and Advanced Visual Docking Guidance System (A-VDGS) on all contact stands.
- 3.6 Ethiopian Airlines states that it fully supports the investment plan, particularly the West Apron Surface Access project, which would greatly enhance the usability of the West Apron.
- 3.7 Etihad supports the provision of FEGP and A-VDGS. It states that providing this equipment across the campus would greatly enhance the Airport.
- 3.8 The Irish Aviation Authority Air Navigation Services Provider (IAA ANSP) welcomes the intention to re-open the 2015-2019 capital expenditure allowances. It states that any new infrastructure should be intended to improve safety and efficiency at Dublin Airport.
- 3.9 The IAA ANSP makes the following specific comments:
- The daa should consult further on the operational procedures for the proposed triple lane taxiway at Apron 5H; taxiway routeings should be simplified by new infrastructure.
 - The West Apron stands will only be readily accessible when Runway 16/34 is inactive. Even if inactive, surface traffic will need to be accompanied by 'follow-me' vehicles and will likely be a hindrance to ground operations.
 - It supports the West Apron Surface Access project if sufficient extra ground movement flexibility can be demonstrated through simulation.
 - It supports the provision of A-VDGS with timing displays.
 - While it supports the provision of extra stands, the South Apron Stands Phase 2 'needs to consider the potential negative effect of any associated taxiway restrictions in this area.'
 - It supports each of the airfield projects, provided that no additional taxiway restrictions or complexities result from them.
- 3.10 The Irish Air Line Pilots Association (IALPA) suggests that we reconsider providing funding for

projects which ‘failed initial daa screening’. It believes that these projects could be reconsidered for the 2019 Determination, following the completion of the review of the capacity needs at Ireland’s state airports which is currently being carried out by Oxford Economics and Cambridge Economic Policy Associates (CEPA), on behalf of the Department of Transport, Tourism and Sport.⁶

3.11 IALPA makes the following more specific comments:

- Dublin Airport should seek a firm legal undertaking from airlines to use the Terminal 2 Level 15 Bus Gates in advance of constructing them, to ensure that they are actually used.
- The South Apron Stands Phase 1 project is not future proofed, considering the potential for future fleet up gauges. Funding should be withheld pending a re-design of stands 410-418 to accommodate all code C aircraft without further restrictions on wingspan or length.
- As a new build, it does not support Dublin Airport applying for a Deviation Acceptance and Action Document (DAAD) for the Stands 101-104 project (relating to gradient greater than 1%). Notwithstanding this, any stands should allow for unrestricted use by Code C/Code E aircraft as applicable.
- Hangar 1 and Hangar 2 Stands should also be capable of accommodating all code C aircraft without any restrictions as to wingspan or length.
- The West Apron Stands project is premature given the potential for other development in this area (such as a satellite pier). The funding should be redirected to a fuel farm line extension to the West Apron.
- The Apron 5H project should consider the effect on towing operations from Hangar 6 to the South Apron, and taxiing flows when the North Runway is completed (especially given that Runway 28R is expected to be the primary departure runway). Stands should allow for unrestricted use by Code C aircraft. De-icing bays should be included, to allow for a ‘taxiing feed’ towards Runway 28R.
- It does not support South Apron Stands Phase 2, on the grounds that it will exacerbate operational complexities in the South Apron in relation to the single lane taxiway and the corresponding ‘one in, one out’ rule. It further noted that daa itself initially did not believe that this project should be progressed, but has done so in response to a user request. It recommends that we do not allow funding for this project.
- It supports the Piers 2 and 3 underpass projects and the provision of FEGP and A-VDGS. A-VDGS should only be rolled out on stands which allow for unrestricted use by code C aircraft, pending the redesign of those which do not.
- With reference to Runway 16/34 and the extension to Links 3, 6 and realignment of Taxiway A, it cites guidance material on Aerodrome Design issued by the European Aviation Safety Agency (EASA) which states that the number of entrances to a runway should be minimised, and guidance from Eurocontrol stating that long, straight taxiways leading to/from a runway crossing should be avoided.⁷ These recommendations are intended to reduce the risk of runway incursions.

⁶ <http://www.dttas.ie/press-releases/2017/review-capacity-needs-ireland%E2%80%99s-state-airports>

⁷ https://www.easa.europa.eu/sites/default/files/dfu/Annex%20to%20EDD%202017-021-R%20-%20CS-ADR-DSN%20Issue%204_0.pdf , Page 258

<https://www.eurocockpit.be/sites/default/files/2017-12/EAPPRI%20v.3%2C%202017.pdf> , Page 124

- It recommends that we do not provide an allowance for the extension of Links 3 and 6 on the grounds of safety and economic viability. This point notwithstanding, it believes that the extension of Links 3 and 6 would provide short term efficiency gains.
 - It stated that the re-aligned Taxiway A would reduce Runway Occupancy Times for aircraft landing on Runway 16.
 - It supports the Dual Taxiway F extension and Runway 10 Line-up points as they will provide long term benefits.
 - The widening of taxiways Z/B1 warrants full scrutiny from IAA SRD to ensure safety is not compromised.
- 3.12 Ryanair recognises that some expenditure may be required to deal with higher than expected passenger numbers.
- 3.13 Stobart Air supports the Pier 2 and Pier 3 underpass projects, which it believes should be prioritised to mitigate the current safety risk of bussing around these piers. It also supports the Terminal 2 Level 15 Bus Gates due to overcrowding in the existing bus gates.

PACE Projects- Decision

- 3.14 We have decided to make provision for each of the 23 projects. The majority of responses received expressed support, whether for the plan as a whole or for specific projects within the plan. IALPA is the only respondent to expressly oppose funding for certain projects. While we have not disallowed the cost related to any projects, we have adjusted the regulatory treatment in a number of cases. These adjustments are intended to address some of the concerns raised, and are set out in detail in Section 4.
- 3.15 The Draft Decision set out in detail, both generally and on a project by project basis, why we are of the view that this investment plan is in the interests of users. We have not changed our view in this regard. Appendix 1 summarises why each project is in the interests of users.
- 3.16 In response to IALPA's comment on contracts, in general, it is not appropriate or proportional for us to require Dublin Airport to enter into contracts with users in advance of providing allowances for particular projects. Both Stobart Air and Dublin Airport believe that more bussing gates are required to facilitate the growth in bussing traffic. Ultimately, the allowed costs of projects are passed on to users, so it would be counterproductive to support a capacity expansion project if it was not needed. However, given this uncertainty over the optimal location for new bussing gates, we have changed the regulatory treatment of this allowance: See Section 4.
- 3.17 With regard to the dimensions of the PACE stands, given limited space there is often a trade-off between the number of stands which can be marked out on an area of pavement, their location and their dimensions. The Draft Decision set out the proposed/actual dimensions of the PACE stands in order to allow users to assess whether they meet their current/future requirements; no other respondent raised this as an issue. There is a need for the efficient provision of additional stands at Dublin Airport. We do not consider that withholding funding on the basis that stand dimensions are not fully unrestricted would be in line with our statutory objectives.
- 3.18 Like most of the PACE projects, the West Apron Stands project was described by Dublin Airport as being compliant with the developing Masterplan, which we have taken into account when deciding to allow it. These are among the cheapest stands in the PACE programme, providing

parking and contingency. Given that the allowance is flexible, Dublin Airport could choose to reallocate it towards a different project. This project is complemented by the West Apron Access project, which will facilitate access to the West Apron for vehicle traffic when Runway 16/34 is not active.

- 3.19 We note the comments of the IAA and IALPA in relation to Apron 5H and associated taxiways. These comments should be considered by Dublin Airport. We would encourage Dublin Airport to continue to involve stakeholders as the exact scope and intended operational procedures are developed.
- 3.20 The remit of the Commission with regard to capital projects is to decide whether to provide an allowance which will feed into the price cap. It is not our role to decide on the safety related questions raised by IALPA in relation to the PACE stands and taxiways.
- 3.21 We continue to hold the view that the six taxiway projects are in the interests of users. As set out in the Draft Decision, each project was demonstrated to provide benefit through simulation modelling undertaken by Helios on our behalf, and separately by Dublin Airport.
- 3.22 As noted in the Draft Decision, where a safety compliant solution to address an infrastructural requirement is not immediately apparent, we can apply a regulatory treatment (such as making a project a Deliverable) which ensures that Dublin Airport can only retain the allowance if it delivers the project in a way which complies with safety or other requirements. This is preferable to withholding a decision on funding until a compliant solution is identified.

PACE Allowances- Submissions Received

- 3.23 The Draft Decision proposed to allow €267.5m to fund the PACE projects. This subsection sets out submissions we received in relation to the draft allowances.
- 3.24 Dublin Airport responded in detail to the SDG cost estimates, setting out why it believes the draft supplementary allowance is insufficient. It requested a workshop with the Commission and SDG to further discuss the costings.
- 3.25 Ryanair states that ‘much of the Capex allowance appears to be vastly inflated.’ Ryanair suggests that the Commission procure a report which benchmarks the allowances against similar projects that were efficiently procured elsewhere; it expects that the outcome of this assessment would be a reduction of the draft allowance by at least 25%.
- 3.26 Ryanair states that the allowance for the PBZ is too high relative to that for the Pier 1 extension, given that the output is broadly similar, and consequently the allowance for the PBZ should be reduced substantially. It states that while Apron Wide CCTV is needed, an allowance of €1m appears to be vastly over-expensive.

PACE Allowances- Decision

- 3.27 We have decided to provide for capital expenditure allowances totalling €269.3m to deliver the PACE projects. The regulatory treatment and price cap effect of this allowance is discussed in Section 4.
- 3.28 SDG have drafted a final report which addresses submissions on their draft report. Dublin Airport’s submissions on the allowances are broadly broken down into three categories:
- Cost elements for which clarification or additional information has been provided, demonstrating that they are necessary to deliver the project.

- Disagreement on some assumed rates, most notably the pavement and electrical rates in relation to a number of the airfield/taxiway projects.
 - Additional project specific cost elements which Dublin Airport has stated are necessary to meet user requirements and/or planning conditions.
- 3.29 The appendix to SDG's final report addresses each of the points raised by Dublin Airport and documents changes from the draft report. As requested by Dublin Airport, we facilitated a workshop with the Commission, Dublin Airport and SDG in attendance. No other response addressed the detail of the SDG costings. SDG have uplifted the allowances based on the first category only; it continues to hold the view that the rates it applied in relation to the second category of submissions are appropriate.
- 3.30 The third category of submissions are elements which SDG has identified as inefficient, but Dublin Airport has claimed that they are necessary to meet user requirements or planning permission. As the scope of the SDG report is to identify the efficient cost of the projects, these submissions are more properly addressed by the Commission. This category is composed of the following:
- Supplementary add-ons to the CUSS⁸ Self Service Kiosk (SSK) and Bag Drop Kiosk (BDK) basic units.
 - The 'look and feel' of the interior of the Pier 1 extension, particularly in relation to frame and floor finishes, to match aesthetically with the rest of Pier 1. Similarly, the 'look and feel' of the interior of the PBZ, which was intended to match T2.
 - Accelerating the procurement/delivery of the PBZ to have it in place for the Summer 2017 season.
 - Planning related requirements with regard to the exterior of the Pier 1 extension.
 - The 'look and feel' of the Bus Gates with regard to glass finishes and the steel stairs in the Vertical Circulation Core (VCC).
- 3.31 The 2014 Determination provided for €66.7m in business development expenditure over the period 2015-2019, 97% of which is flexible, meaning that Dublin Airport may spend this on any business development type projects. The Determination states that 'If DAA envisages going over allowance on a particular group, it should consult with users'. Even in advance of the formalised Supplementary Capex process, Dublin Airport always had the option of requesting an Interim Review of the Determination. Once Dublin Airport realised that the 2015-2019 allowance would be insufficient, it could have held an interim consultation in relation to proposed projects, potentially leading to a request for a formal Interim Review by the Commission.
- 3.32 Dublin Airport did not hold interim consultations on exceeding the allowance in advance of proceeding with the built projects (Pier 1 Extension, the South Apron PBZ, CUSS and South Apron Stands Phase 1). These projects were instead the subject of consultation at the same time as unbuilt projects. Consequently, we make no distinction between the PACE projects which have already been delivered and those which have not. As is the case with other projects, Dublin Airport can use the flexibility within the capex allowances to adjust the scope of projects.

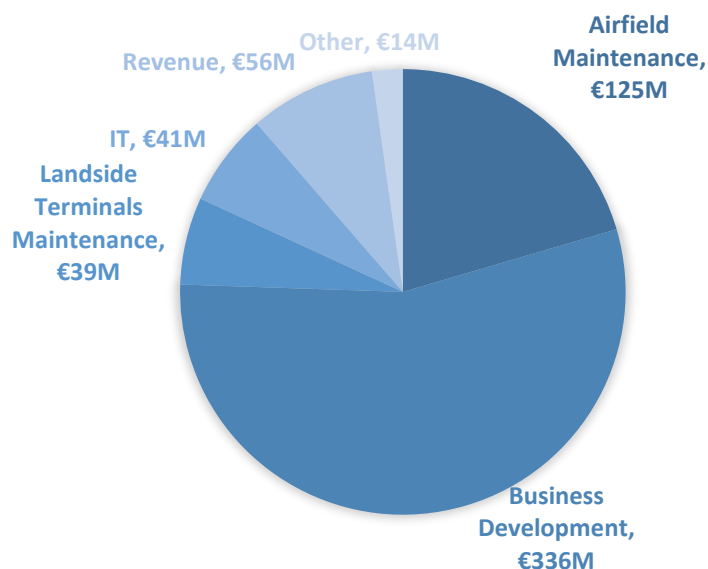
⁸ Common User Self Service

- 3.33 SDG identified the exterior finish of the Pier 1 extension as being expensive. When tendering for this project, and in its planning submission, Dublin Airport set out a specific form of cladding. This was then accepted by the planning authority. It is not clear how the planning authority would have viewed a request to vary this cladding. Neither is it clear that where there is an instruction to harmonise the finish with surrounding buildings, the specificity of the cladding as set out in the Request for Tenders (RFT) was required in order to follow this instruction. Thus, we have continued to use the efficient rate identified by SDG for the exterior of the Pier 1 extension.
- 3.34 SDG noted some inefficiencies relating to the PBZ, which Dublin Airport has ascribed to fast-tracking the project to have it in place for Summer 2017, as requested by one airline. Given that additional costs relating to this were not consulted on, we have continued to exclude them from the allowances. Ultimately, the project could not be delivered until September 2017.
- 3.35 Overall, the PACE project outputs are in the interests of current and prospective users. However, given that no broader consultation was carried out for projects that were already built, users were not afforded the opportunity to give views on these additional cost elements in a meaningful way. Despite the lack of meaningful consultation on the built projects, we have provided an allowance. However we have not allowed for these additional cost elements. We have provided for no more expenditure than is required to efficiently deliver each project, as determined by SDG.
- 3.36 On the glass finishes and stairs for the Bus Gates project, we continue to be guided by efficient rates as assessed by SDG. SDG has increased its allowance for the glass finishes from the Draft Report, although it remains considerably lower than the amount sought by Dublin Airport. Any expenditure beyond these amounts is at Dublin Airport's discretion; it will not be passed on to users as we consider these proposals from Dublin Airport to be inefficient.
- 3.37 The assessment by SDG is based on a benchmarking analysis of the various cost elements. Thus we do not agree with Ryanair that a further assessment with similar methodology would be useful. Ryanair does not specify which elements of the project costings it believes to be excessive.
- 3.38 A solution preferable to a standalone PBZ being available for Pier 1 does not imply that the South Apron PBZ is not an appropriate solution at the other end of the airfield. It is not currently possible to extend Pier 4 in the same way. Extending existing infrastructure is generally cheaper than building standalone infrastructure, requiring less enabling works, supporting services and additional floor area.

4. Regulatory Treatment and Price Cap Effects

- 4.1 This Section sets out the regulatory treatment of the PACE allowances. It also sets out the submissions we received regarding the price cap effect of the allowed expenditure and our views on those submissions. Paragraphs 4.5 to 4.8 list the changes we have made from the Draft Decision.
- 4.2 The supplementary allowance of €269.3m will be added to the Business Development capex grouping, one of six groupings set out in the 2014 Determination. We will not make any distinction between the original allowances and the PACE allowances.

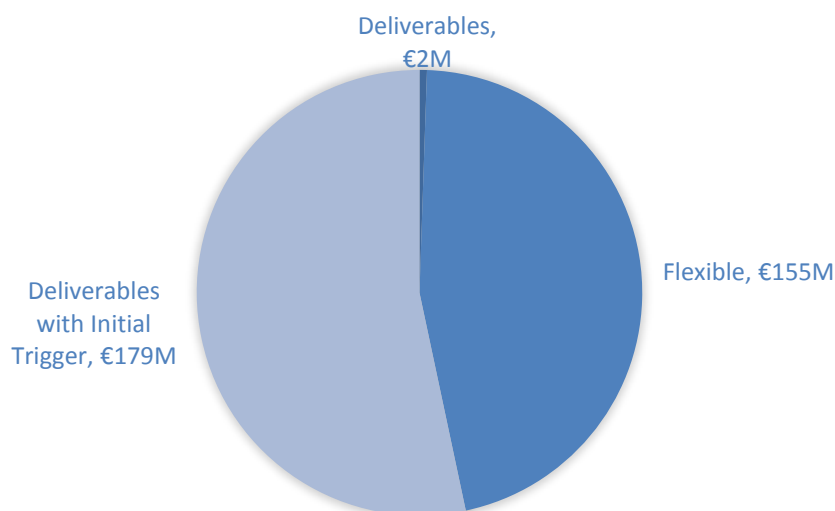
Figure 4.1: Capex Allowances in the 2014 Determination, as amended



Source: CAR Calculations

- 4.3 A number of the projects have been designated as Deliverables. This means that Dublin Airport must deliver the project in order to retain the allowance. Where an allowance is flexible, Dublin Airport can reallocate it to other Business Development type projects. We continue to attach initial triggers to the Deliverable projects, namely, the commencement of construction of the project. Commencement of construction is satisfied by evidence of completion of tendering for contractors and commencement of works (which could be off-site preparatory works).

Figure 4.2 Revised 2014 Determination Business Development Allowances Summary



Source: CAR calculations

- 4.4 In line with the Supplementary Capex Process, we are adjusting the capex allowance in the 2014 Determination without feeding this adjustment through to the stream of annual capital cost allowances in the current regulatory period. Thus there is no effect on the RAB or on the price cap in the current period 2015-2019. When we reconcile the Business Development capex grouping in order to derive the 2020 opening RAB, we will do so using the revised allowance. Therefore this Interim Review will likely lead to a higher RAB from 2020, which will then be remunerated via the price cap.
- 4.5 As per the Draft Decision, Dublin Airport must report quarterly against the timelines for project delivery by completing the reporting chart published alongside this paper. We will publish this update, starting with Quarter 2 this year.
- 4.6 For easy reference, we have included two summary tables: allowances, regulatory treatment and a summary of the reasoning for allowing each project in Appendix 1. The conditions attached to the remuneration of certain projects are summarised in Appendix 2.

Changes from the Draft Decision

- 4.7 We have decided to adjust the deliverable element of the Bus Gates project, to allow flexibility as to how additional bus gates can be delivered in order for Dublin Airport to retain the associated allowance.
- 4.8 We have increased the asset life of the PBZ from 20 to 40 years. We have also made the continued remuneration of the PBZ allowance contingent on obtaining permanent planning permission in relation to the PBZ.
- 4.9 In order to meet the initial trigger in relation to Apron 5H and South Apron Stands Phase 2, as well as commencement of construction as per the Draft Decision, Dublin Airport must carry out a review of the stand allocation rules.
- 4.10 Finally, in order to retain the allowance for South Apron Stands Phase 2, Dublin Airport must also deliver the project to widen taxiways Z and B1. However, we have added flexibility to the deliverable element of South Apron Stands Phase 2.

Submissions Received

- 4.11 Dublin Airport requests that the Additional Bus Gates not be designated as an initial trigger/deliverable type project given the potential for these gates to be developed elsewhere, either as a result of the developing Masterplan or if a preferable location is identified. It seeks clarity on how allowances for deliverable projects which have not been completed by the end of the current regulatory period will enter the Regulatory Asset Base (RAB) over the next regulatory period. It believes that they should enter the RAB in line with the respective construction periods for the projects, rather than being spread over the full regulatory period.
- 4.12 Dublin Airport asks how we will deal with projects for which the initial trigger has not been met by the time of the publication of the 2019 Determination, but is subsequently met in the final months of 2019, which is still the current regulatory period.⁹ It otherwise supports our proposed regulatory treatment.
- 4.13 Ryanair states that it is critical that the PACE does not lead to an increase in the price cap, which would depress demand and result in a decrease in passenger numbers. It states that if the projects fail to deliver certain outputs, we should adjust future Capex downwards to reflect this. Ryanair further states that if daa underspends on a project, future Capex should be adjusted to reconcile the underspend, while if it overspends the allowance, this should be entirely at daa's own risk.
- 4.14 Ryanair believes that the assumed asset life of the South Apron PBZ should be higher than 20 years, as per the Draft Decision. It notes that the location of the Hangar 1 and 2 Stands has been considered for future pier or terminal development. If this were to occur within the 30 year asset life of these stands, and consequently the stands need to be repurposed or demolished, Ryanair states that airport charges should be reduced pro-rata.

Decision on Regulatory Treatment

- 4.15 The time profiling of allowances for which we make provision in the 2019 Determination is a question to be decided as part of that Determination. Whether allowances should enter the RAB in accordance with the timeline for delivery of the projects to which they relate is discussed in the Issues Paper which we published in April 2018.¹⁰ While the timeline for delivery of the PACE projects is frontloaded towards the start of the next regulatory period, this may be balanced out by the timeline for delivery of projects in the 2020 Capital Investment Programme (CIP).
- 4.16 In the Draft Decision, we stated that up-to-date forecasts would be used for expenditure in the second half of 2019, when reconciling outturn expenditure with allowances as part of the 2019 Determination. We will take a similar approach regarding the initial triggers; if Dublin Airport expects an initial trigger to be met in the final months of 2019, and can show evidence of a clear timeline which demonstrates this to be the case, we will consider the initial trigger to have been met for the purposes of the 2019 Determination. Ultimately, these projects are deliverables, so the allowances will be subsequently revoked in any case if they are not delivered. Based on the timeline for delivery set out by Dublin Airport, the only projects to which this might apply would be South Apron Stands Phase 2 and Runway 10 Line-up points.
- 4.17 Ryanair correctly notes that under the 2014 Determination assumptions, if the PACE project allowances enter the RAB in full, the projects would need to facilitate 1.8m additional

⁹ Due at the end of September 2019 as per the current timeline.

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

¹⁰ <https://www.aviationreg.ie/fileupload/2019%20Determination/2018-04-30%20CP7%20Issues%20Paper.pdf>

passengers in a year in order to pay for themselves with regards to the price cap. Dublin Airport has presented a business case for the PACE based on facilitating 3.6m extra passengers per year.

- 4.18 As per the 2014 Determination, we expect to reconcile the 2015-2019 allowances (including the supplementary allowance) at a group level as part of the 2019 Determination. This means that, for each Capex grouping, we will revise the allowance downward for any deliverables which have not been completed. We will then add either this number or actual expenditure to the 2020 opening RAB, whichever is lower. Thus, the comments from Ryanair regarding under/overspends are largely reflective of the process as it stands.

T2 Level 15 Bus Gates

- 4.19 Rather than designating the Bus Gates allowance as flexible, we have instead adjusted the deliverable element attached to this allowance. Dublin Airport has stated that there is an urgent need for more bussing gates. It would not be appropriate for the Commission to permit this allowance to be reallocated to a project with a different output. However, we acknowledge that the current location for this project is tentative; we do not want to restrict Dublin Airport to delivering the bus gates at the currently envisaged location, should a superior location be identified. Therefore, in order to retain this allowance, Dublin Airport must deliver the outputs associated with this project, i.e. bus gates with the ability to service remote stands at least as effectively as the T2 Level 15 Bus Gates project, considering location, and number and mix of aircraft that can be served simultaneously.

South Apron PBZ

- 4.20 We have increased the asset life of the South Apron PBZ from 20 to 40 years. We agree with Ryanair that this project was built to a high standard, similar to the Pier 1 extension, and that this should be reflected in the assumed asset life. SDG noted that 40 years would be an appropriate asset life. Furthermore, we have made the continued remuneration of the PBZ allowance contingent on obtaining permanent planning permission in relation to the PBZ. This planning permission must relate to a location where the PBZ would provide similar benefit to users as it does in its current location, i.e. it must allow for walk-on access to a similar or higher number of Code C stands and be in reasonably similar proximity to appropriate bussing gates.

Apron 5H and South Apron Stands

- 4.21 We have decided to attach a condition to the satisfaction of the initial triggers on Apron 5H and South Apron Stands Phase 2. In order to attain these initial triggers, Dublin Airport must carry out a review of the current stand allocation rules.¹¹ This review must be carried out in collaboration with users and must be completed, with the revised rules in place, by the time of the 2019 Final Determination. The goal is to ensure that the rules allow for stands to be allocated in a way which utilises them efficiently. Given the severe shortage of stands identified by a range of stakeholders, it is timely that such a review be carried out.
- 4.22 Given the concerns raised by the IAA and IALPA regarding operational complexities and congestion in the South Apron, we have made two further adjustments to the regulatory treatment of South Apron Stands Phase 2. We have made the allowance contingent on the delivery of unrestricted dual Code E Z/B1 Taxiways. This project will mitigate any increased congestion in this area by allowing unrestricted simultaneous use of Taxiways Z and B1 for aircraft entering and exiting the South Apron.

¹¹ <https://www.dublinairport.com/docs/default-source/Airport-Charges/stand-allocation-rules.pdf?sfvrsn=0>

- 4.23 We have also added flexibility to the deliverable element of South Apron Stands Phase 2, such that Dublin Airport must deliver 5 additional Code C stands in the South Apron, relative to the current number, in order to retain the allowance. No additional restrictions, relative to the project as consulted upon, can apply to these stands (for example, restrictions in Low Visibility Conditions). However, there is additional flexibility as to where exactly it locates these stands. Thus, there is scope for Dublin Airport to engage further with stakeholders on their detailed design and location.

5. Other Issues

- 5.1 We received a number of submissions which do not directly relate to the issues discussed in the preceding sections. These submissions are set out here.

Consultation

- 5.2 IALPA stated that we failed in our strategic objective to increase stakeholder involvement, given that IALPA was not invited to the October 2017 consultation meetings in relation to the PACE.¹²
- 5.3 The Commission publishes all consultations and welcomes responses from any interested party. The October consultation meetings were held by Dublin Airport. We would suggest that IALPA, or any other interested party, contact Dublin Airport directly if it wishes to be invited to Dublin Airport consultations. We would encourage Dublin Airport to invite IALPA or any other interested party that seeks to attend such consultations.

Masterplan

- 5.4 IAA and IALPA comment that the lack of a completed strategic Masterplan risks nugatory expenditure or investment in infrastructure which may ultimately not be in accordance with the completed Masterplan.
- 5.5 As part of the PACE consultation, Dublin Airport assessed each project for compliance with the developing Masterplan.¹³ The Commission has taken this assessment into account when providing for allowances for the PACE projects. If, in future regulatory periods, this turns out not to be the case, the Commission will assess their continued remuneration at that time.
- 5.6 We agree that individual programmes of capital investment should be underpinned by, rather than just compliant with, a full Masterplan. The Masterplan development process must include a meaningful consultation process.

Other User Requirements

- 5.7 Aer Lingus states that there is an urgent requirement for further infrastructure at Dublin Airport, as the PACE does not go far enough to address its growth requirements and the development of Dublin as a hub airport, as set out in the 2015 National Aviation Policy.¹⁴ Aer Lingus has engaged with Dublin Airport and the IAA ANSP on these points. A set of proposed projects has been developed to address this. These include an additional pier and stands on the South Apron, a new CBP facility, a baggage transfer facility, as well as a new Rapid Exit Taxiway on Runway 28. It asks that we recognise this requirement in this Decision paper.
- 5.8 Etihad asked for more focus to be placed on the full transfer experience, including both passengers and baggage. It notes that connectivity between the terminals will grow in 2018.
- 5.9 The purpose of this paper is to review the 2014 Determination to allow for supplementary capital expenditure in relation to the PACE projects, not to express views on other potential

¹² http://issuu.com/commissionaviationregulation/docs/commission_for_aviation_regulation_?e=29341933/49323498 ; see Objective 2

¹³ <https://www.aviationreg.ie/fileupload/PACE/20180118%20DAP%20PACE%20Submission%20to%20CAR%20corrected.pdf> , Section 6

¹⁴ <http://www.dttas.ie/sites/default/files/publications/aviation/english/national-aviation-policy-ireland/national-aviation-policy-ireland.pdf>

projects. However, we acknowledge the work being carried out by Aer Lingus, Dublin Airport and the IAA ANSP regarding further developments on the South Apron and Terminal 2. We will assess related capital projects as and when they are presented to us for assessment.

- 5.10 The comment from Etihad in relation to the overall experience of transfer passengers is similarly outside the scope of this paper. Etihad may wish to highlight this question as part of the 2019 Determination process, or else direct this feedback to Dublin Airport.

Appendix 1: Decision on Expenditure Allowances - Summary Table

SCP Ref	Project	Allowance (€m)	Deliverable /Initial trigger?	Asset life (yrs)	Scheduled completion	The projects below were allowed in the interests of current and prospective users as they provide:
17.1.001	T1 and T2 CUSS Check-in	5.5		5	Q2 2018	Improved efficiency and additional capacity in the check-in process.
17.1.002	Pier 1 Extension	6.7**		40	Complete	Additional boarding gates, which are required to meet user demand.
17.1.003	South Apron PBZ	21.3**		40*	Complete	
17.1.004	T1 and T2 Immigration Facilities	11.1		15***	Q3 2019	Higher immigration capacity in both terminals, particularly T1. Immigration is currently an overall pinch point in the arrivals process.
17.1.005	T2 Level 15 Bus Gates	5.9**	Yes	30	Q4 2020	Additional bus gates to service remote stands, which are required to meet user demand.
17.2.001	South Apron Stands Phase 1	9.6**		40	Complete	Additional aircraft parking stands, which are required to meet demand.
17.2.002	Apron 5H and Taxiway Rehabilitation	49.1	Yes	40	Q2 2020	
17.2.003	Upgrade and Realignment of Stands 101-104	4.8		15	Q2 2018	
17.2.004	Hangar 1 and 2 Stands	14.4**		30	Q4 2019	
17.2.005	West Apron Stands	2.2		40	Q1 2019	
17.2.006	Pier 2 Underpass	4.8**		15	Q3 2019	
17.2.007	Pier 3 Underpass	0.2		5	Q1 2018	Efficient and safer bussing of passengers from T2 bus gates to remote stands on the Triangle/North Apron.

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17.2.008	West Apron Surface Access	3.0		10	Q2 2019	Accessibility of the West Apron, increasing the usability of this area.
17.2.009	Advanced Visual Docking Guidance System (A-VDGS)	4.8	Yes	10	Q3 2020	Enhanced operational efficiency as part of Airport Collaborative Decision Making (A-CDM).
17.2.010	Fixed Electrical Ground Power (FEGP)	4.8	Yes	15	Q4 2019	Efficient and reliable power for aircraft on stand, and space on the apron due to the reduced need for Ground Power Units.
17.2.011	South Apron Stands Phase 2	37.3	Yes	40	Q1 2022	Additional aircraft parking stands, which are required to meet demand.
17.2.012	Apron Wide CCTV	1.0		7	Q2 2019	Oversight of apron operations. It was suggested by users as part of the consultation process.
17.3.001	Link 3 Extension Taxiway	4.7	Yes	30	Q1 2021	Improved efficiency on the airfield.
17.3.002	Realignment of Taxiway A	5.3	Yes	30	Q1 2021	
17.3.003	Dual Taxiway F	37.3	Yes	30	Q1 2021	
17.3.004	Link 6 Extension Taxiway	5.6		30	Q1 2019	
17.3.005	South Apron Taxiway Widening (Dual Code E)	13.7	Yes	30	Q2 2021	Improved utilisation of the South Apron through the removal of taxiway B1/Z restrictions.
17.3.006	Runway 10 Line-Up Points	16.2	Yes	30	Q3 2021	More efficient use of Runway 10.
	Total	269.3				

* Asset life has changed from the Draft Decision (CP3/2018)

** Allowance has changed from the Draft Decision (CP3/2018)

***15 for the T1 hall extension, 10 years for the e-gate installation works

Appendix 2: Conditions on Certain Projects - Summary Table

SCP Ref	Project	Conditions attached to remuneration
17.1.003	South Apron PBZ	Obtain permanent planning permission in relation to a location where the PBZ would provide similar benefit to users as it does in its current location, i.e. it must allow for walk-on access to a similar or higher number of Code C stands, and be in reasonably similar proximity to appropriate bussing gates.
17.1.005	T2 Level 15 Bus Gates	Deliver the outputs associated with this project, i.e. bus gates with the ability to service remote stands at least as effectively as the T2 Level 15 Bus Gates considering location, mix and number of aircraft that can be served simultaneously.
17.2.002	Apron 5H and Taxiway Rehabilitation	Initial Trigger contingent on: 1- The review of the stand allocation rules carried out in collaboration with users; 2- Completed revised rules in place by the time of the 2019 Final Determination.
17.2.011	South Apron Stands Phase 2	1- Deliver unrestricted dual Code E Z/B1 Taxiways 2- Initial Trigger contingent on the review of the stand allocation rules as per Apron 5H above. 3- Deliver 5 additional Code C stands in the South Apron relative to the current number, with no additional restrictions relative to the Phase 2 project stands as consulted on.