



StageGate Concluding Report Iteration 3 2024

- 1.1 This report concludes the third iteration of the StageGate process for 2024. This cycle focused on the StageGate 1 assessment of **South Apron Support Centre - Conversion of FCB**, CIP.20.03.077 and the StageGate 2 assessment of **Critical Taxiways North (CTWN)** Part of CIP 20.02.003, CIP 20.01.002 and PACE SCP 17.3.004 at Dublin Airport.

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. Initially, 17 projects were 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). 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.
- 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 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

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



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.

2024 – Third Iteration

- 1.8 One project was included for StageGate 1 assessment in the third iteration in 2024:
- South Apron Support Centre (SASC) - Conversion of FCB
- 1.9 One project was included for StageGate 2 in this iteration:
- Critical Taxiways North (CTWN)
- 1.10 The final IFS report on these projects was circulated on **09 September**. A videoconference was then held on **18 September**, with presentations from the IFS, and Dublin Airport.
- 1.11 As per the StageGate process, airline users were invited to provide written submissions, which should include an indication of whether it objected to or supported the proposed project as per the IFS' recommendation.

StageGate 1

South Apron Support Centre (SASC) - Conversion of FCB

- 1.12 Dublin Airport estimated a StageGate 1 cost of €25.9m for this project.
- 1.13 The IFS' report detailed its main findings at the StageGate 1 phase. These are summarised as follows:
- The IFS assesses that the scope of the project will meet the required outputs of providing a modern and sustainable office unit for housing the design and construction teams in a landside environment for the proposed South Apron Hub project. The IFS notes that the change in scope since the SG0 allowance is efficient as Dublin Airport has provided evidence of option studies covering the functionality of the building. The IFS assesses that the chosen option to partially demolish and re-construct the existing structure is an efficient solution.
 - The IFS recognises there is a risk that Dublin Airport will not be successful in obtaining planning permission which could cause delays to the project of up to 12-15 months. The IFS also accepts that this issue is outside the



control of Dublin Airport and if the delays result in further costs to the project above the SG1 allowance then the SASC project could be subject to an SG2 submission.

- The IFS determined that while most of the costs for the project are reasonable, it concludes that the cost of the radon membrane, the ceramic wall tile, the anti-static vinyl floor tiles, and the workstations are higher than what the IFS would expect, and it has reduced the cost of these items in its assessment. This reduction had a knock-on impact on the assessment of the contractor’s preliminaries including overhead and profit, risk and inflation.

1.14 The IFS proposed an alternative allowance of €25.5m for this project, which is its estimate of the efficient cost of delivering this project.

Other Stakeholder Views

1.15 Aer Lingus acknowledges the need for upgrades and improvements to the airport’s infrastructure, particularly concerning the development of facilities to support the South Apron hub program. However, Aer Lingus raises concerns around the escalation of costs since the CIP estimate and states that Dublin Airport must provide more information to airlines on the decision-making process behind the selected option. Aer Lingus also states that Dublin Airport needs to better explain the intended use of the SASC building after construction has finished to demonstrate that the part demolition and re-construction was the most efficient solution.

1.16 Aer Lingus states that the IAA should disallow the difference between Dublin Airport’s proposed cost and the IFS’s efficient cost estimation (€445,000). The airline asks that Dublin Airport provide further information to users on its planning strategy.

1.17 Ryanair comments that the main driver of the increase in costs to the SASC SG1 allowance compared to the SG0 allowance approved by the IAA is the change in scope. It remarks that the increase in costs therefore derives from investments which airport users were not consulted on when the project was initially approved, which, it says, is a clear breach of the transposed Article 8 of the EU Directive 2009/12/EC. Ryanair raises concern that Dublin Airport is “*engaging in wasteful capex*” and asks the IAA to exclude the costs of the project from the RAB.

StageGate 2

Critical Taxiways North (CTWN)

1.18 The IFS assessment of Dublin Airport’s StageGate 1 submission for this project was shared with users on 29 March 2023 and a videoconference was held on



05 April 2023. Dublin Airport's SG1 submission had proposed a cost of €36.93m, an increase of €24.55m over its StageGate 0 allowance. Following its assessment, the IFS recommended an alternative StageGate 1 allowance of €31.93m. We note that at StageGate 1 phase, agreement on the project allowance was not reached amongst stakeholders and so the StageGate 1 allowance remained at the StageGate 0 level of €12.38m. 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.

1.19 Now, as part of the I3 2024 cycle, Dublin Airport submitted a proposal for a StageGate 2 allowance of €4.65m for this project.

1.20 The IFS report detailed its main findings on the four issues in respect of which the additional allowance was requested. These are summarised as follows:

- Ground Conditions - Low CBR Value: The IFS assesses that while the solution developed by Dublin Airport to address the soft spots was reasonable, for the level of poor ground conditions located the IFS concludes that the initial soil investigation prior to procurement may have been inadequate. The IFS nonetheless determines that the costs required to address the issue are reasonable.
- Operational Access - Closure of Gate Post 1Bravo: The IFS assesses that the measures taken by Dublin Airport to maintain progress of the project appear to be reasonable. However, the IFS also notes that the delay to the project was caused by a number of factors, some of which may have been within Dublin Airport's control. The IFS determines that the costs are reasonable.
- Operational Access - RWY 1634 Daily Hand back: The IFS assesses that while the measures taken by Dublin Airport to maintain progress of the project appear to be reasonable, better efficiency might have been achieved by exploring other approaches. The IFS is satisfied that the cost assessment undertaken by Dublin Airport is reasonable.
- Price Adjustment for Inflation- The IFS determines that Dublin Airport's cost submitted on this issue is reasonable.

1.21 As this project was objected to at StageGate 1, its final allowance will be set by the IAA at the time of the next determination.

Other Stakeholder Views

1.22 Aer Lingus supports the development of the Critical Taxiway North project but expresses concern over the "*significant escalation*" in project costs, referencing the need for greater transparency, improved cost management, and more



robust project planning from Dublin Airport. Aer Lingus notes that some of the proposed costs are required to address a “*deficient soil survey*” which it says is the responsibility of Dublin Airport to address due to inadequate preparations. Aer Lingus asks that the IFS be instructed to assess what costs could have been avoided if an adequate survey had been undertaken and the work appropriately planned.

- 1.23 Aer Lingus also states that the costs relating to restricted operational access should be disallowed by the IAA as it believes that the costs incurred relate to inadequate planning on the part of Dublin Airport and should not be recovered from airport users.

Conclusions

StageGate 1

- 1.24 The SASC project is being delivered under CIP. 20.03.077 and will have a StageGate 1 allowance that is €0.46m less than the proposal submitted by Dublin Airport.
- 1.25 We note that Dublin Airport has acknowledged the IFS’ assessment value and agrees to progress the project accordingly. Ryanair criticises the increase in costs relative to the SG0 allowance arising from changes in scope that airport users were not consulted on when the project was initially approved. We note that one of the key purposes of StageGate is to allow for such consultation to occur as the scope of any such changes crystallises, which is what has occurred here. We also note Aer Lingus’s support for the project while also recognising the airline’s request for further information and transparency from Dublin Airport.
- 1.26 We note that the IFS’ recommendation has been accepted by Dublin Airport for the SASC project. As per the StageGate 1 rules, the StageGate 1 allowance is therefore in line with the IFS’ assessment of €25.48m, as shown in Table 1 below.²

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

CIP Code	Project	StageGate 0 Allowance	IFS recommendation	StageGate 1 Allowance
CIP. 20.03.077	South Apron Support Centre	€12.77m	€25.48m	€25.48m

- 1.27 The SASC project is now considered to be at the StageGate 2 phase. Any

² See page 114 for further detail:

https://www.iaa.ie/docs/default-source/car-documents/2019-determination/final-determination/2020-2024-determination.pdf?Status=Master&sfvrsn=1fcb14f3_0



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 €36.6m for CTWN, which is €4.7m higher than the IFS' estimate at SG1. As mentioned above, the final allowance for this project will be set by the IAA at the time of the next determination.