



StageGate Concluding Report Iteration 2 2024

- 1.1 This report concludes the second iteration of the StageGate process for 2024. This cycle focused on the StageGate 1 assessment of **Upgrade to Hold Baggage Sortation**, Part of CIP.20.07.036 and **North Apron Airside Support ('NAAS')** Part of CIP 20.03.036 and CIP 20.09.001 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 IAA and the IFS, no further assessments will be carried out.

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



- 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 – Second Iteration

- 1.8 Two projects were included for StageGate 1 assessment in the second iteration in 2024:
- Upgrade to Hold Baggage Sortation
 - North Apron Airside Support ('NAAS')
- 1.9 No projects were included for StageGate 2 in this iteration.
- 1.10 The final IFS report on these projects was circulated on **11th June**. A videoconference was then held on **18th June**, 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

Upgrade to Hold Baggage Sortation

- 1.12 Dublin Airport estimated a StageGate 1 cost of €25.8m 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 and that the three projects should deliver improved make-up (MUP) capacity, sort capacity, equipment reliability, reduce energy consumption and improve the safety of the manual handling environment. The IFS remarks it would have expected some level of simulation modelling (at least static) to have taken place by this stage to validate that the baggage system proposed will be able to meet future growth and capacity requirements at Dublin Airport.
 - The IFS notes that without this insight from simulation modelling, there is a possible risk to the resulting overall process performance and capabilities that can be delivered, particularly since there are spatial constraints already identified which may result in reduced capacity and capability. The IFS



recommends that Dublin Airport get early contractor involvement so that these risks can be mitigated in contract specifications before a contractor commits to the D&B contracting process. The IFS notes that as BIM is being used it may be more efficient for Dublin Airport to appoint a single contractor for all three projects (rather than three different contractors to the three BHS projects).

- The IFS determined that while most of the costs for the project are reasonable, it reduced the subcontractor's overhead and profit (OH&P) percentage applied on baggage manufacturer cost items. The IFS has instead assumed a package contracting route where both the Baggage Contractor and Main Contractor are directly employed by Dublin Airport where the Main Contractor is the Principal Contractor for the works.² The Principal Contractor will then coordinate the works thereby negating the requirement of the subcontractor's overhead and profit (OH&P) on baggage manufacturer related cost items. This reduces the overall cost assessment.

1.14 The IFS proposed an alternative allowance of €23.8m. for this project, which is its estimate of the efficient cost of delivering this project.

North Apron Airside Support ('NAAS')

1.15 Dublin Airport estimated a StageGate 1 cost of €25.9m for this project.

1.16 The IFS' report detailed its main findings at the StageGate 1 phase. These are summarised as follows:

- The IFS found that the scope and specifications of the project will enable Dublin Airport to meet the project objectives and will avoid over provision by the use of shared facilities. However, the IFS does see some challenges with the efficiency of the project and notes there is a lack of evidence that modular structure is an efficient design option. Furthermore, it assesses that optioneering for the building functions is focussed mainly on the massing of differing building permutations and doesn't sufficiently consider alternative building configurations.
- The IFS determined that while most of the costs for the NAAS are reasonable, based on the design solution that has been presented, the cost of the workstations is higher than what the IFS expects, and the IFS has reduced it in its assessment.

1.17 The IFS proposed an alternative allowance of €25.8m. for this project, which is its estimate of the efficient cost of delivering this project.

² Dublin Airport had indicated that a baggage system specialist, and a main contractor would be required.



Other Stakeholder Views

- 1.18 Aer Lingus acknowledges the need to carry out the Upgrade to Hold Baggage Sortation project to improve the availability, reliability, maintainability, and resilience of the sortation systems. However, the airline refers to the need for Dublin Airport to manage this project efficiently so that the sortation systems will meet demand and capacity requirements of anticipated growth levels.
- 1.19 Aer Lingus does not believe that Dublin Airport's intention to procure a Framework Contractor for Baggage works and then subcontract it out to another contractor represents value for money. Aer Lingus requests that the variance of €1.996 million, as calculated by the IFS, be excluded from the RAB.
- 1.20 In relation to the NAAS, Aer Lingus pointed out that it would expect to see alternatives to the modular structure presented, such as different road layouts, with a thorough evaluation of their pros and cons. Aer Lingus requests that the exact difference between the IFS assessment and the Dublin Airport proposal of €154,000 be excluded from the RAB. Aer Lingus notes that it continues to be concerned about daa's procurement process.

Conclusions

StageGate 1

- 1.21 The Upgrade to Hold Baggage Sortation, project is being delivered under CIP.20.07.036 and the North Apron Airside Support ('NAAS') project is being delivered under CIP 20.03.036 and CIP 20.09.001. As per the submission received from Aer Lingus, the StageGate 1 allowance for the Upgrade to Hold Baggage Sortation project is €2m less than the proposal submitted by Dublin Airport. On the other hand, the variance of €154,000 between Dublin Airport's cost proposal for the NAAS and the IFS assessment is within the margin of appreciation afforded to Dublin Airport at StageGate 1, and so the StageGate 1 allowance for this project is in line with Dublin Airport's submission.
- 1.22 We note that Dublin Airport has acknowledged the IFS' assessment value and agrees to progress both projects accordingly. While raising the need for Dublin Airport to pursue the most efficient method of delivery and maximising design efficiencies, we note the continued support from Aer Lingus for the delivery of the projects and the IFS' assessment of same.
- 1.23 We note that the IFS' recommendation has been accepted by Dublin Airport for both projects. As per the StageGate 1 rules, the StageGate 1 allowance is therefore in line with the IFS' assessment of €23.8m and €25.8m for Upgrade to Hold Baggage Sortation and the North Apron Airside Support ('NAAS')



respectively, as shown in Table 1 below.³

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

CIP Code	Project	StageGate 0 Allowance	IFS recommendation	StageGate 1 Allowance
CIP. 20.07.036	Hold Baggage Sortation	€23m	€23.8m	€23.8m
CIP. 20.03.036 CIP. 20.09.001	North Apron Airside Support (‘NAAS’)	€22.4m €1.2m SG0 Total: €23.6m	€25.8m	€25.8m

- 1.24 Both 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.

³ 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