

DEPARTMENT OF TOURISM,
SPORT AND RECREATION

STADIUM AND SPORTS CAMPUS IRELAND

Independent Overview

Final Report

NOVEMBER 2001

capital management • engineering certainty

1260/Final

1.0 INTRODUCTION

1.1 The Department of Tourism, Sport and Recreation (“DTSR”) have entered into an agreement with High-Point Rendel Ltd (“HPR”) for HPR to undertake an independent overview of the cost of developing the proposed Stadium and Sports Campus Ireland at Abbotstown, Dublin.

1.2 The Terms of Reference for the overview are:

“to assist Government in determining final Exchequer allocations for Stadium and Sports Campus Ireland, and the sensitivity of such allocations to variations in the scale of each element of the project, the consultants will:-

- i) review the overall approach and contracting strategy adopted to date in securing the development of Stadium and Sports Campus Ireland and associated infrastructure, with regard to risk identification, management processes and structures, timing and overall cost effectiveness.
- ii) advise on the considered assessment of the contract awarding authority for the project, Campus and Stadium Ireland Development Ltd (CSID), of the gross cost range, and Exchequer funding requirements, for each facility proposed for the Campus emerging from the outline bid phase due for completion on 21 June, of the tendering process now underway.
- iii) advise on CSID’s assessment, at the end of the outline bid process, of operating costs and revenues likely to be associated with Stadium and Sports Campus Ireland, and the likely net impact on the Exchequer.
- iv) assess estimated costs of relocating existing facilities from the Abbotstown site arising directly from the decision to establish Stadium and Sports Campus Ireland.
- v) assess the estimated costs of access infrastructure directly attributable to the development of Sports Campus Ireland.
- vi) establish the extent and timing of the likely Exchequer liability associated with the above developments.
- vii) ascertain the direct and indirect benefits from the developments outlined above, including the impact of physical development and access on the hinterland of Abbotstown and on the Dublin region, including the positive impact of infrastructure development

and make recommendations to the Minister as appropriate in the context of the overall purpose of the overview.”

- 1.3 For the avoidance of doubt the Steering Group clarified to HPR that the Terms of Reference should be interpreted as including reference by HPR in their cost assessment, to the full outline bid process, including the outline bid documents and hence HPR have included a cost assessment of the full range of facilities specified at the time of the initiation of the outline bid process.
- 1.4 In the reading of the report it should be understood that High-Point Rendel are required primarily to assess the estimated costs of developing and revenues arising from Stadium and Sports Campus Ireland as defined both at the beginning of the Outline Bid process and as currently envisaged by CSID.
- 1.5 We consider that rationalisation of certain facilities and the overall infrastructure can be made, but the extent of such rationalisation can only be confirmed after agreement with the stakeholders. We have therefore set out processes for this rationalisation rather than specific recommendations.
- 1.6 The timing of the completion of this report means that CSID themselves are still in the process of finalising the extent of the facilities basing their discussions primarily on the outcome of the bid process.
- 1.7 Our investigations have resulted in a number of issues being critical to the realisation of the concept of Stadium and Sports Campus Ireland:
- i) The procurement strategy, in particular the DBFO strategy currently being pursued by CSID;
 - ii) the Stadium and Arena and in particular the detailed specification and functionality of these facilities
 - iii) the infrastructure and landscaping of the 500 acre site;
 - iv) the incorporation of and subsequent development of commercial end uses on the site;
 - v) the rationale for some of the minor facilities e.g. the golfing academy and the velodrome;
 - vi) the method of procuring and delivering non-sporting facilities i.e. the HQ offices and Sports Science Centre;
 - vii) the agreements with the sporting bodies; in particular usage, operational and commercial arrangements; and
 - viii) the future management of the development during and post construction

- 1.8 The Report is set out under the following headings:
- 1.0 Introduction, Terms of Reference (“ToR”) etc.
 - 2.0 Project Background and Current Status
 - 3.0 Review Overall Approach and Contracting Strategy (ToR i)
 - 4.0 Capital Costs (ToR ii)
 - 5.0 Operating Costs and Revenues (ToR iii)
 - 6.0 Relocating Existing Facilities (ToR iv)
 - 7.0 Access Infrastructure (ToR v)
 - 8.0 Social and Economic Benefits (ToR vii)
 - 9.0 Extent and Timing of Exchequer Liability (ToR vi)
 - 10.0 Critical Issues
 - 11.0 Options and Recommendations
- Appendix 1 – CSID’s considered assessment of the project
- 1.9 Meetings have been held with The Steering Group and representatives of:
- i) Campus and Stadium Ireland Development Ltd (“CSID”)
 - ii) Magahy and Co. (Agents of CSID)
 - iii) PriceWaterhouseCoopers (Agents of CSID)
 - iv) SIAS Transport Planners (Agents of CSID)
 - v) Davis Langdon PKS (Agents of CSID)
 - vi) Irish Sports Council
 - vii) Football Association of Ireland
 - viii) Gaelic Athletic Association
 - ix) Irish Rugby Football Union
 - x) Golfing Union of Ireland
 - xi) Tennis Ireland

- xii) Irish Cycling Federation
- xiii) Athletics Association of Ireland
- xiv) Department of Public Enterprise
- xv) Dublin Bus
- xvi) Dublin Transportation Office
- xvii) Light Rail Project Office
- xiii) Iarnrod Eireann
- xix) National Roads Authority

1.10 HPR's original proposal set out information required and further information has been requested during the process of the assignment. Information has been provided to HPR and HPR now assume that all information has either been issued to HPR or is not available.

1.11 Information received up until 21st September 2001 has been included in this report.

2.0 PROJECT BACKGROUND AND CURRENT STATUS

2.1 The genesis of Sports Campus Ireland was the desire of the Irish Government to develop a Stadium for the new century.

2.2 In 1999, PricewaterhouseCoopers were commissioned to carry out a feasibility study for a national Stadium. The broad conclusions of this study were

- The most appropriate location was at Abbotstown;
- The Stadium and other facilities at August 1999 prices were estimated to cost

	£m
Stadium (80,000 seats)	144
Fit Out and Facilities	16
Site Infrastructure	8
Fees	17
Contingency	32
Off-Site Infrastructure	13
Other Facilities	51
	<u>281</u>

The other facilities were an indoor event centre / multi sport dome, multi purpose halls, indoor tennis facility and sports science and medical centre.

- The Stadium could operate profitably before finance charges and depreciation generating approximately a £2.0m p.a. surplus although it was recognised that this was dependent on the number and contractual basis of events;
- No specific proposals were put forward in relation to funding but it was recognised that a number of sources were potentially available including a private donation of £50m;
- A Trust should be established to own the Stadium separate from a development entity to drive the design and construction of the Stadium; and
- A construction management approach was recommended in relation to procurement.

2.3 In a press release dated 26th January 2000 the Taoiseach announced that the Government was to proceed immediately with plans to build a “Campus of Sporting Excellence” to be called Sports Campus Ireland and have as it’s centrepiece an 80,000 all seated National Stadium capable of accommodating all field sports.

2.4 The announcement stated that the Campus represented an investment of £281 million at January 2000 prices with operating costs of £2.2 million per annum excluding financing charges and depreciation.

2.5 It was stated that the features of the Campus are to be:

- An 80,000 seater Stadium designed on intimate lines to ensure first class sight lines, generous seating and an ability to generate atmosphere even when not full;
- A Stadium designed with ease of access/egress and safety in mind, with special emphasis on the needs of families and the disabled;
- A Stadium with excellent corporate facilities but equally with first class facilities (e.g. shops and food outlets) for all spectators;
- A roof on the Stadium that will provide cover for all while retaining sunlight and ventilation of the pitch area;
- An indoor sports arena capable of seating crowds of up to 15,000 for a wide range of sporting and entertainment events;
- A series of multi purpose halls for use by the different sports;
- State of the art medical and sports science facilities;
- Accommodation for the administrative staff of a number of the national governing bodies of sport.

2.6 In January 2000 Government decided that CSID should also actively consider the feasibility of developing an aquatic centre as part of Sports Campus Ireland and following preparation of a feasibility study, Government gave it's approval to proceed with the development of an Aquatic Centre at the Sports Campus Ireland site.

2.7 CSID developed an overall cost plan incorporating the above facilities and in addition:

- Additional tennis facilities;
- Golf Academy; and
- Velodrome.

The overall estimated expenditure and funding were as follows:

Expenditure

- Sports Facilities - £391 million
- Infrastructure - £50 million

- Commercial - £109 million

Funding

- Exchequer - £350 million
- Private Donation - £50 million
- Private Funding - £150 million

2.8 In late 2000 CSID instigated an outline bid process inviting tenders on a DBFOM basis.

2.9 The scope and size of the facilities on the Campus included in the outline bid process were:

DESCRIPTION OF FACILITY	SCOPE AND SIZE
Stadium	80,000 spectators
Arena	15,000 spectators
Multi-Purpose Halls	6,900 square metres
Outdoor Pitches	30 pitches (various dimensions)
Tennis Centre	10 indoor and 20 outdoor courts
Golf Academy	Indoor and outdoor practice facilities
Velodrome	200 metre track/500 spectators
Sports Science Centre	9,650 square metres
Sports Organisation HQ offices	8,000 square metres

2.10 The result of the bid process was the receipt of a limited number of bids all of which were judged by CSID to be compliant.

2.11 CSID are continuing to evaluate the bids and it is their intention to commence negotiations with the bidders in the near future on a DBFOM basis as and when instructed to do so by the Government. Attached at Appendix 1 is CSID’s considered assessment of the project.

2.12 CSID have, since receiving bids, further refined some elements of the Campus and the scope and size of the facilities being taken forward to the next stage of the bid process is:

DESCRIPTION OF FACILITY	SCOPE AND SIZE
Stadium	80,000 spectators
Arena	15,000 spectators
Multi-Purpose Halls	6,900 square metres
Outdoor Pitches	29 pitches
Tennis Centre	8 indoor and 14 outdoor courts
Golf Academy	Indoor and outdoor practice facilities
Velodrome	200 metre training track
Sports Science Centre	5,000 square metres
Sports Organisation HQ offices	8,000 square metres

3.0 OVERALL APPROACH AND CONTRACTING STRATEGY

3.1 The Terms of Reference require HPR to review the overall approach and contracting strategy adopted to date in securing the development of Stadium and Sports Campus Ireland and associated infrastructure, with regard to risk identification, management processes and structures, timing and overall cost effectiveness.

Risk Identification

3.2 The project is currently still embryonic and as a result there is a lack of definition in many areas on which to base a risk assessment. This being the case at this stage it is only possible to undertake a strategic risk assessment.

3.3 The major strategic risk at this stage relates to time. As set out later in this report in our view the two major sources of capital funding likely to be available are a private donation of £50m and exchequer funding which is currently unquantified. Therefore over time, due to inflation, the real value of the donation has already diminished and will continue to do so and the funding may be cash limited and not subject to any form of indexation.

3.4 The second effect of time delays is that inflation may accelerate and further erode the true value of the available capital funding giving rise to a capital funding gap.

3.5 The third effect of time delay is that if the point at which the risk of the project moves from CSID to its commercial partner is deferred, this could lead to an increase in pre implementation costs to be funded by the exchequer.

3.6 The current programme does not include any allowance for delay and therefore in our opinion the strategic risk must be that a capital funding gap arises due to unforeseen delays.

3.7 CSID prepared a risk register in April 2001 which sets out the likely risks and we understand that the impact/effect and sensitivity of each of the risks is now being defined.

Management Processes and Structures

3.8 Unlike Stadium Australia, or perhaps Stade de France, Stadium and Sports Campus Ireland is not being developed for a single event which is time critical. The key features of Stadium and Sports Campus Ireland are:

- There are known event- owners and end-users for most facilities;
- The facilities must be built to a standard and specification acceptable to the end-users;
- Contracts must be put in place to provide certainty of usage; and
- The current timetable is self-imposed.

Therefore Sports Campus Ireland as currently conceived is a development being built for the benefit of a number of event-owners and users facilitated by CSID which will be constructed and operated by a third party for 25 to 30 years. This is a stark contrast with say Stadium Australia, which when contracted had one event, The Olympics, and had no clearly defined events post The Olympics. Given the current Sports Campus Ireland concept, we would expect the key processes to be:

- Preparation of an initial vision for the project;
- Discussion with the stakeholders on the likely demand and thus prospective size and specification for each of the facilities;
- Outline feasibility including revenues, capital, operating and maintenance costs;
- Preparation of a business plan incorporating revenues, costs and funding requirements;
- Decision on a procurement strategy;
- Agreement with the stakeholders on the contractual arrangements, size and specification for each of the facilities;
- Detailed definition of each of the facilities in terms of size, scope and specification, infrastructure and overall management;
- Preparation of technical and cost feasibility studies; and
- Invitations to tender for the facilities incorporating detailed employer's requirements and robust contractual arrangements.

3.9 In order to control the above process it would be normal practice to prepare and regularly update the following control documents.

- Overall Master programme;
- Business and Financial Plan and Model; and
- Overall Capital Cost Plan.

The major benefit of the preparation of the above documents is that it provides CSID with the ability to understand and assess the sensitivity of changes in assumptions in relation to financial performance, capital costs and funding. In particular it will inform the negotiations with the DBFO bidder.

3.10 We would recommend that CSID finalises the control documents above and processes below, prior to resuming negotiations with the bidders.

- Finalise discussion with the stakeholders on the likely demand and thus prospective size and specification for each of the facilities;
- Finalise feasibility studies for each facility including revenues, capital, operating and maintenance costs;
- Finalise preparation of an overall business plan incorporating revenues, costs and funding requirements;
- Agree with the stakeholders key contractual arrangements;
- Prepare a detailed definition of each of the facilities in terms of size, scope and specification, infrastructure and overall management;
- Finalise detailed employer's requirements; and
- Agree with Government the Exchequer funding for the project.

If CSID commence negotiations with the bidders prior to putting in place the above documentation the negotiations with bidders run the risk of becoming protracted increasing the likelihood of slippage in the timetable.

Systems and Procedures

- 3.11 CSID are developing overall integrated systems and procedures covering the Executive Services, Project Management and Operations and Maintenance teams.

Management Structure

- 3.12 The outline management structure of the combined Executive Services and Project Management teams provides the basis for a management structure for a project of this nature.
- 3.13 However, we consider that the challenges that lie ahead on this project, the size of the project and the international nature of the bids now being assessed make it essential that senior management have experience of major international projects.
- 3.14 CSID are currently pursuing a DBFO procurement strategy and the key skills required in this scenario relate to the commercial negotiations and contract structuring. The parties that CSID will be negotiating with will be experts whose core business is the development and operation of all aspects of major stadia and leisure complexes.
- 3.15 Other skills required for the delivery of major stadia and leisure complexes include construction, commercial and operational functions, the challenges and complexity of these projects being quite different to more standard developments.
- 3.16 In our opinion the breadth and depth of skills available in-house within CSID should be reviewed as it is our view that the CSID's in-house team needs to be strengthened to create a well rounded in-house management team with experience of projects of this size,

complexity and challenge, capable of both managing the project, the DBFO contractor and the various retained advisors.

Timing

- 3.17 Taking into account EU procurement requirements and the critical effect on the programme of the relocation of the existing laboratory facilities from Abbotstown the overall timing to date is reasonable.
- 3.18 To achieve a programme to complete the Stadium and Sports Campus by late 2005, with opening to the public in early 2006, is highly challenging and this proposed programme to completion does not have any float in the critical activities. Set out below are the critical dates:
- Choice of preferred bidder – 31st July 2002
 - Contractual and financial close – 31st January 2003
 - Finalise planning approval – 31st March 2003

As set out earlier, the key risk to the project at the current time is delay and slippage. The DBFO strategy together with the complexities of dealing with the event owners, increases the risk of delay particularly until the event owners have signed up to the facility specifications and agreed to the basis for taking their events to the Stadium.

- 3.19 The potential for slippage is real and should be considered seriously by both CSID and Government. In a commercial environment we would anticipate CSID being required by a commercial funder to be able to fund at least a delay of 12 months in the project. This issue is dealt later in this report in relation to the size of the contingency.
- 3.20 To achieve a programme to completion date of late 2005 with opening to the public in early 2006 also requires that construction work on the Stadium commences prior to relocation of the laboratories. Depending on the sequencing of events, it may be necessary for the Government to incur considerable costs and/or commit to the construction of new laboratories prior to financial close on Stadium and Campus Ireland. Government should review the timetable and advise CSID on their position viz a viz the preconditions for commitment to new laboratories if financial close has not occurred by the time and date a decision has to be made.
- 3.21 In addition to the on-site issues, the issue of off-site infrastructure needs to be considered. The Stadium is designed to operate with a new motorway junction and a defined programme for the junction must be agreed. The party taking the risk for late delivery of the junction needs to be determined.

Cost Effectiveness

- 3.22 The overall cost of projects depends partly on the risks the parties are prepared to accept. Generally in a DBFO strategy the risks to the contractor/operator are greater and the contractor/operator will require payment for this risk. However, this effectively reduces

the risk to the Employer so cost and risk should balance each other. However, it will be difficult to evaluate the risks to capital costs until the bid process is finalised.

- 3.23 The overall cost effectiveness of the project will depend largely on the quality of the management and the effectiveness of their implementation.
- 3.24 The key cost components of the current proposals are landscaping, infrastructure, the Stadium and the arena, these account for approximately 80% of the costs. These elements are not sufficiently developed for an in depth assessment to be made in relation to the efficiency of the design or procurement. However it is clear that these elements are critical to delivery within budget and in our view CSID should focus initially on these facilities and costs.

Contracting Strategy

- 3.25 The original PWC feasibility study recommended procurement using a Construction Management approach (“CM”). Government decided to develop the Stadium on the lines set out in that study as recommended by the Stadium Steering Committee.
- 3.26 CSID have since amended the procurement approach to a Design, Build, Finance and Operate and Maintain approach (“DBFO”). CSID have also referred to the approach as DBFOM. However, capital replacement maintenance is dealt with separately in this report and, for clarity, we use the term DBFO to include on-going maintenance but to exclude capital replacement maintenance.
- 3.27 In principle a DBFO approach is a possible approach for this type of facility. However, in the absence of a detailed business and financial model it would be difficult to form an objective view. The judgement on the realisable benefits of a DBFO strategy will be determined by a number of factors namely:
- the level of private funding secured;
 - the risk allocation between the parties;
 - the control and influence the client has retained; and
 - the quality of the end development.

As the DBFO structure is still embryonic it is difficult to take a view on these issues. However it is already clear that the level of private sector funding available is likely to be relatively small which gives rise to the questioning of the DBFO strategy.

- 3.28 DBFO approach requires:
- a well defined and deliverable project;
 - appropriate allocation of risk;
 - a clear definition by CSID of the requirements for each facility;

- a clear definition of the scale and timing of infrastructure and site access to be provided by CSID;
- an understanding of regulatory and policy issues;
- identification and allocation of central management and infrastructure costs between the different facilities;
- robust understandable contractual arrangements;
- buy-in by the stakeholders;
- scope for innovation;
- a competitive environment;
- predictability of revenue flows;
- potential for significant levels of private sector investment;
- appropriate rates of return being available to the investor; and
- a funding market willing and able to fund.

3.29 In order to undertake negotiations with a third party, one would normally expect that at an early stage the promoter would develop a business and financial model and a clear response to the criteria set out above.

3.30 Pursuing a DBFO strategy will entail:

- committing the parties to a 30 year concession period;
- formalising agreements with the sporting bodies covering 30 years;
- formalising any necessary guarantees from Government, where the sporting bodies cannot commit for 30 years, and/or where off site infrastructure is not delivered on time;
- undergoing due diligence by the financial institutions;
- formalising numerous other insurance, bond, guarantee documents and the like; and
- all parties being satisfied in relation to security in a default situation.

3.31 With regard to the Stadium, in the proposed financial structure, the revenues from the premium and corporate facilities generally accrue to the sporting bodies and the proportion of revenue available to the operators may not generate a significant surplus, and therefore limited potential for significant private investment to support a meaningful DBFO strategy for the Stadium.

- 3.32 The financial models developed by CSID resulting from the outline bid process, and the financial models developed by High-Point Rendel, indicate that the finance likely to be raised would be between 5% and 15% of the total capital cost. The difference in level reflects the difference of opinion as to the overall rate of return that the contractor will require. It is our opinion that the overall rate of return required by a contractor will be circa 20% whereas CSID feel a 10% overall rate of return is more appropriate.
- 3.33 The Stadium and Arena are the principal areas of commercial interest for the DBFO contractor. The surplus derived from the Stadium is limited due to the structure of the commercial arrangements envisaged with the event owners. In addition there is an inherent commercial conflict between the event owners who receive the revenue from the corporate facilities and the DBFO contractor who receives no revenue from the sale of these facilities but carries the cost of construction and operation. There is therefore a serious issue to be addressed in relation to reconciling the event owners' aspirations with the cost and risks falling to the DBFO contractor.
- 3.34 Until the bid process is complete it will not be clear how risks and responsibilities will be allocated between the various parties. The low level of private investment together with the likelihood of some key risks being left with CSID and/or Government, in our view, results in the benefits to be derived from a DBFO strategy becoming questionable.
- 3.35 Furthermore, the time consuming process necessary to close out the financial process must be considered.
- 3.36 CSID have explained that the main driver for the DBFO strategy was to obtain early input from commercial operators particularly in relation to the Stadium and Arena. We agree with CSID that operational input is critical but in our view this could be achieved through alternative structures. However the Stadium is procured it is inevitable that the design will need to be signed off by the event owners who will wish to be assured that the Stadium operates satisfactorily both in relation to their events and the revenue streams which accrue to them. It is our view that operational input could be secured by bringing into the project at a very early point key staff from Lansdowne Road and Croke Park as technical advisors.
- 3.37 If this would be problematic, operational input could be secured by reinforcing CSID with staff who have had experience of running complex facilities of the size proposed in order to conduct negotiations with the DBFO contractors.
- 3.38 The Masterplan and business strategy for Stadium and Campus Ireland has been principally driven by the sports components of the project. Recognition is given of the potential commercial development both within the Masterplan and to a lesser extent the business plan.
- 3.39 Should the Government wish to reduce the level of exchequer funding, this theoretically could be achieved by focusing on the early realisation of value from commercial development, which might be phased to run in tandem with the Sports Development. If this was to be the case, we would advise that both the Masterplan and business strategy should be revisited to ensure that the importance of the commercial development is

reflected, the connection between sports and commercial uses is clear and cross funding is incorporated as a strategic objective.

4.0 CAPITAL COSTS FACILITIES

4.1 The Terms of Reference require HPR to advise on the considered assessment of CSID of the gross cost range and exchequer funding requirements for each facility emerging from the outline bid phase of the tendering process (Post-Bid Stage), which has been clarified by the Steering Committee to include an assessment of the gross cost range and exchequer funding requirement for the facilities specified in the outline bid documents (Pre-Bid Stage)

Cost Assessment - Pre-Bid Stage

4.2 The overall description of the facilities in the outline bid brief includes:

- comprehensive range of state-of-the-art facilities;
- potential for international competition of the highest quality;
- training and practice facilities of world standard;
- an opportunity to take a leadership position in sports science, medicine and research;
- a centre of excellence capable of hosting international competitions at European and world level;
- designed to the highest possible standard using best practice models; and
- represents the best possible value for money investment and is independently sustainable into the future.

4.3 The Outline Bid Brief sets out that the facilities should accommodate the requirements of international federations, or that the facilities should be capable at a future date of being adapted (in particular with regard to spectator facilities), so as to cater for:

- World and European championships;
- International championships;
- Professional events and leagues;
- National level competitions and leagues;
- Local and regional competitions and leagues;
- Entertainment events and concerts;
- Trade fairs and exhibitions

4.4 The Outline Bid Brief sets out that the stadium should be built in accordance with all relevant codes of practice and the requirements of:

- Federation of International Football Associations;
- Union of European Football Associations;
- International Rugby Board;
- Six Nations Rugby; and
- Rules of the GAA.

4.5 The Outline Bid Brief also sets out the parameters for the various facilities in architectural terms:

- innovation, excellence, sustainability and functionality;
- innovation and best practice in terms of environmental sustainability and energy conservation.

Bidders were advised that the criteria for assessment would include architectural excellence and originality, buildability and functionality.

4.6 As part of the Outline Bid process tenderers were asked to include:

- Professional fees; and
- Costs for fixtures and fittings;

but to exclude:

- A provision for contingency;
- VAT; and
- Loose equipment.

4.7 The key functional parameters for each facility set out in the outline bid brief are set out below:

DESCRIPTION OF FACILITY	SCOPE AND SIZE
Stadium	80,000 spectators
Arena	15,000 spectators
Multi-Purpose Halls	6,900 square metres
Outdoor Pitches	30 pitches (various dimensions)
Tennis Centre	10 indoor and 20 outdoor courts
Golf Academy	Indoor and outdoor practice facilities
Velodrome	200 metre track/500 spectators
Sports Science Centre	9,650 square metres
Sports Organisation HQ offices	8,000 square metres

4.8 The documentation provided to the bidders described the facilities in general terms but did not include detailed specification requirements.

4.9 As an example, the level of media facilities was not specified in detail. This would include for instance, and as an example only, level of hardwiring, number of studios, number of media desks, number of camera positions, number of TV gantries etc.

4.10 Some of these specification requirements have minimum levels set by the various international bodies and codes but in a number of other areas it is not clear the level CSID or the event owners require. On a cumulative basis the negotiation of the detailed specification requirements can result in significant variations in cost estimates as the parties reach an understanding of what should be included and excluded.

4.11 Based on the outline bid brief, HPR's estimate of the costs at mid 2001 prices are as follows:

FACILITY DESCRIPTION mid 2001 prices	COST RANGE (£million)
Stadium	320
Arena	55
Multi-Purpose Halls	12
Outdoor Pitches	10.5
Sports Science	27.5
Tennis Centre	16
Golf Academy	6.5
Velodrome	13.5
HQ Offices	18
TOTAL	479

Cost Assessment - Post Bid Stage

- 4.12 Following receipt of the bids, CSID have amended the scope and size of certain facilities. The scope of the facilities included in the outline bid brief, as amended in the revised scope of facilities provided to us by CSID, is as follows:

DESCRIPTION OF FACILITY	SCOPE AND SIZE
Stadium	80,000 spectators
Arena	15,000 spectators
Multi-Purpose Halls	6,900 square metres
Outdoor Pitches	29 pitches
Tennis Centre	8 indoor and 14 outdoor courts
Golf Academy	Indoor and outdoor practice facilities
Velodrome	200 metre training track
Sports Science Centre	5,000 square metres
Sports Organisation HQ offices	8,000 square metres

- 4.13 As set out in Appendix 1, the CSID assessment of the gross cost range for the above facilities is:

FACILITY DESCRIPTION mid 2001 prices	COST RANGE (£million)
Stadium	226
Arena	74
Other Facilities	61
TOTAL	361

- 4.14 Based on the information included in the outline bid brief, on the revised scope of facilities provided to us by CSID and on subsequent discussions with CSID, we are satisfied that, based on the premises set out above, these costs are a viable estimate but with the critical qualification in respect of the Stadium set out below. HPR's estimate of the costs based on CSID design parameters are as follows:

FACILITY DESCRIPTION mid 2001 prices	COST RANGE (£million)
Stadium	226
Arena	55
Multi-Purpose Halls	12
Outdoor Pitches	6
Sports Science	10.75
Tennis Centre	14.75
Golf Academy	6.5
Velodrome	10.8
HQ Offices	18
TOTAL	359.8

4.15 However, the CSID design parameters for the Stadium include:

- a "sunken bowl" design; and
- a reduction in the seating in corporate boxes compared with the number included in the outline bid brief and agreements with one of the sporting bodies.

4.16 The most recently completed National Stadia have basement levels which are dedicated to the back of house servicing of the Stadium; specifically there is no public access to the basement level. The facilities incorporated at basement level normally include changing rooms, medical facilities, players warm up areas, press and media areas, kitchens, cold rooms, waste disposal, plant rooms, internal distribution road and vehicle vomitories to the pitch.

4.17 This separation of crucial back of house areas from public areas is generally considered to be the most operationally efficient configuration for a Stadium of this size with significant in-Stadium premium and corporate facilities.

4.18 The sunken bowl format is not consistent with the operational assumptions or stakeholders expectations in a number of areas.

4.19 Stadia such as the Millennium Stadium, Cardiff, Stade De France, Paris and Stadium Australia, Sydney have all incorporated a dedicated service level with a service road under the Stadium. There is a clear capital overhead to be incurred by the inclusion of the service level but there are significant operational and commercial benefits. These stadia have all been subject to financial constraints and have needed to justify the inclusion of this facility. This being the case it must be assumed that there is a sound business case which should apply equally in the case of Stadium Ireland.

4.20 CSID have correctly placed an emphasis on securing operational input at an early stage, but in relation to a fundamental issue such as the operational impact of a sunken bowl, as far we can ascertain, there has not been an assessment undertaken of the operational or commercial implications. In addition to any CSID assessment of a specific design, the event-owners, operator, caterer and licensing/statutory authorities would also need to be consulted and their agreement secured. As far as we are aware no meaningful dialogue has occurred with these third parties to test their views on the design currently being pursued by CSID.

4.21 All modern stadia of the proposed size in a northern temperate climate have to address the issue of pitch quality. Grass growth is affected by temperature, light and soil conditions. Large modern stadia including some English Premier League grounds have experienced problems with grass growth due to poor light conditions on the pitch, poor air circulation and the soil being overly wet in the winter months. Various technical solutions are available to address these problems and these generally involve some form of removable pitch and/or moving roof.

4.22 The cost estimates do not include any additional costs for pitch based or roof based solutions for the grass growth problem. In particular with a sunken bowl design the inclusion of pitch based solutions would be technically challenging and expensive.

4.23 CSID assessment of the additional costs for a retractable roof and pitch is £46,000,000. Until the design of the basic Stadium is further developed, it is not possible to assess accurately these additional costs. However it is our view that based on a sunken bowl the option of a retractable pitch may prove to be prohibitively costly.

4.24 It is our view that as a matter of urgency, CSID should consider the basic specification, configuration and costs of various stadia formats and form a view in conjunction with the stakeholders on the most appropriate form of Stadium.

The key issues to be considered are:

- Number of seats;
- Continuous bowl or separate stands;
- The number of tiers;
- Number and configuration of boxes and premium seats;
- The back of house facilities and standards of service for boxes and premium seats;
- Levels of catering provision for all seat categories;
- Quality and quantity of media provision;
- Back of house service and operational requirements;
- Roof configuration - fixed, movable, closable;
- Pitch technology - standard, palletised or retractable;
- Seats – fixed or retractable;
- Access and car park strategy;
- Ticketing strategy; and
- Event owners commercial sponsorship and advertising requirements.

4.25 We recommend that CSID take advice on the operational difficulties which are inherent in a design of the sort being considered.

Internal Infrastructure and Landscaping

4.26 The overall strategy is for each facility to be built on an “island” site with all external infrastructure, utilities and hard and soft landscaping being carried out by CSID. Therefore the DBFO proposal is not currently to be a 'turn key' operation including site servicing and infrastructure. This inevitably gives rise to issues during the development phase in relation to the concurrent working of two or more contractors on the site.

- 4.27 HPR has estimated the gross cost range and Exchequer funding requirements for the infrastructure and landscaping based on the very limited information available at this time. CSID has also estimated the gross cost range and Exchequer funding requirements for the infrastructure and landscaping to the site.
- 4.28 The competition for the Architectural Framework Plan required the participants to suggest the location of the various facilities within the overall Campus and to detail the infrastructure, transportation and landscaping. The competition for the Architectural Framework Plan requested participants to “outline the infrastructure required to create an identity and sense of place for the Abbotstown site and give a cost estimate for same”. Cost estimates were not provided by the participants.
- 4.29 The CSID assessment of the gross range for the internal infrastructure and landscaping is £66,000,000 at 2001 prices.
- 4.30 Based on the information emerging from the Architectural Framework and Environmental Plan Competition, we are satisfied that based on the premise set out earlier, these costs are a reasonable estimate but as with all work below ground the total cost cannot be estimated accurately.
- 4.31 Therefore, to ensure these costs are controlled, one of our primary recommendations would be a complete review including a value engineering exercise of the infrastructure and landscaping of the project particularly taking into account the topography and subsoil conditions to determine:
- The cost effectiveness within the overall scheme;
 - The cost effectiveness in relation to each of the facilities; and
 - The scope of the infrastructure and landscaping in respect of maximising the commercial value of the site.
- 4.32 We have been advised that the infrastructure for the commercial facilities is to form part of the initial development and one of our recommendations will be to review this decision and develop the infrastructure for the commercial facilities as part of that programme.

Contingency

- 4.33 The level of contingency cannot be determined in an absolute sense as it needs to reflect
- unforeseen costs;
 - changes in design; and
 - potential time delays.
- 4.34 CSID have not currently formed a definitive view on the level of contingency but they have informed us that in order to contain costs within their current projections they

would positively manage the specification, contract structures, phasing and time table, viewing the project as cash limited with no requirement for a significant contingency.

- 4.35 In our experience of major projects, at this early stage of a project, the potential for unforeseen costs, changes in design and time delays, including the effects of inflation, is far reaching and we recommend a contingency allowance of 15%.

Inflation

- 4.36 Inflation amounts will depend on the time work is carried out. In the overall programme some critical factors affect the commencement of work on site:

- Negotiation with the bidders;
- Receipt of planning permission;
- The relocation of the laboratories from Abbotstown; and
- The extent of the excavation and filling in the site formation.

- 4.37 CSID are currently estimating inflation to be:

YEAR	LOW RANGE	CUMULATIVE
2001 to 2002	5%	5%
2002 to 2003	4%	9.2%
2003 to 2004	4%	13.5%
2004 to 2005	4%	18.1%

- 4.38 We assess that the cumulative inflation figure is a reasonable estimate at this time also taking into account the contingency allowance. In terms of a calculation of the true impact of inflation, a calculation is undertaken to reflect the actual cash flow overtime which results in the true impact of inflation being estimated by HPR as circa 13% based on the current programme.

CSID management costs/consultants/legal costs

- 4.39 CSID have estimated management costs, consultants fees, design fees for infrastructural development and legal costs between 2000 and 2005 of £30 million. In our view this is reasonable. However it is clear that a delay on site or an extension of the development period will lead to additional costs which are accommodated in the contingency.

Capital Receipts

4.40 CSID's assessment is that contributions to the development cost will be as follows:

- Bidder Contribution £40 million
- External Capital Contributions £25 million
- Private Donation £50 million
- HQ and office accommodation £12 million
- Total contribution £127 million

4.41 Until the bid negotiation is finalised and detailed agreements are in place with the event owners these amounts cannot be assessed accurately. Assuming that a DBFO strategy is the final procurement strategy, we estimate that the cash contribution is likely to be in the region of £20,000,000. Our assessment of the private sector investment assumes an overall rate of return of circa 20% whereas the CSID assumed rate of return is circa 10%

4.42 The £25,000,000 sale of commercial rights relates to the sale of catering rights, naming rights (but not the Stadium) and other general rights. It is not clear whether these rights will be sold wholesale to the DBFO contractor or retained by CSID for subsequent sale to third parties. At this stage in the development of the project we agree that the valuation of these rights is a reasonable estimate of the likely capital receipts.

Conclusion on Capital Costs

4.43 As stated, the above figures are based on the outline bid brief and current brief as amended by the revised scope of facilities. One of our primary recommendations will be to carry out a detailed review of each of the facilities and particularly the Stadium in respect of:

- the requirements of the stakeholders in respect of the scope and size of each facility;
- the detailed specification for each facility; and
- whether the facility can form part of other commercial facilities; and in certain cases
- the basic need for the facility;

all of which would affect the assessments set out above.

4.44 We have not taken into account the proposed separate payments to the sporting bodies as negotiations are still underway with all the bodies and the terms of final legal agreement will be contingent on a number of factors regarding the final decision on the details of Stadium design, etc.

4.45 The summary onsite capital costs estimated by HPR for the original and current briefs are set out below:

FACILITY DESCRIPTION	OUTLINE BID BRIEF	CSID CURRENT PLANS
Capital Costs	£'m	£'m
Aquatic Centre	48.4	48.4
Stadium	320	226
Arena / Hall / Pitches	77.5	73
Sports Science	27.5	10.75
Tennis Centre	16	14.75
Golf Academy	6.5	6.5
Velodrome	13.5	10.8
HQ Accommodation	18	18
On Site Infrastructure	66	66
Sub Total	593.4	474.2
Contingency	81.9	63.3
Inflation	71.8	55.9
CSID Professional Fees	30	30
Total Capital Costs	777.1	623.4
Capital Income		
Donation	50	50
DBFO Investment	20	20
Commercial Rights	25	25
Total Capital Income	95	95
Net Exchequer Liability	682.1	528.4

VAT

4.46 As we understand the situation, the operator/contractor will have to charge the event owners VAT on the rental charges for the Stadium. However, historically, we understand the major sporting bodies have been VAT exempt and in our discussions with the sporting bodies they do not contemplate paying VAT. This is a fundamental matter to resolve.

4.47 The effect of this is that the true cost of renting the Stadium increases by 20%. This additional cost is likely to be the source of conflict with the event owners and it is unclear whether this can be absorbed by the event owners.

5.0 OPERATING COSTS AND REVENUES

- 5.1 The Terms of Reference require HPR to advise on CSID’s assessment, at the end of the outline bid process, of operating costs and revenues likely to be associated with Stadium and Sports Campus Ireland, and the likely net impact on the Exchequer.
- 5.2 HPR has made its own assessment of the operating and maintenance costs and revenues for each facility based in the first instance on the Indicative Utilisation set out in the Outline Bid Brief but amended where necessary in accordance with HPR’s own assessment.
- 5.3 HPR have also been provided with copies of draft Stadium usage agreements based on discussions between Government representation and representatives of the FAI, GAA and IRFU. HPR have also received a copy of the document prepared by PWC “Review of the implications of the draft agreement with the FAI and GAA on the estimated operating financial for the Stadium Operator”. We wish to stress that the levels of agreement between CSID and the event owner is currently at a strategic level. There are significant commercial issues to be resolved and the level of surplus and the appeal to a DBFO contractor is highly dependent on the outcome of these negotiations.
- 5.4 It is our view that the whole complex taking account of all costs will operate at a surplus of circa £3m to £4m per annum. This conclusion is basically consistent with that of CSID and the initial feasibility study. It should be stressed that this surplus is before taking account of a capital sinking fund.

Capital Replacement Maintenance

- 5.5 A regular programme of Capital replacement will be required both to ensure the continued efficient running of the facilities and to ensure the facilities do not become tired and dated. For both the eventowners and the DBFO contractor a replacement programme will be a critical issue.
- 5.6 A number of issues arise:
- Funding of the capital replacement;
 - Responsibility for the capital replacement; and
 - Relationship between regular and capital replacement.

Based on the initial feasibility study, the current CSID assumption is that the funding of capital replacements will fall to the Government and these costs are excluded from the operational costs and revenues previously set out.

- 5.7 HPR have assessed the Capital Sinking Fund requirements for each of the facilities, based on a capital replacement programme set out below and based on both the outline bid brief and the current facilities proposed by CSID. Based on an estimated inflation rate of 3.5% after completion of the facilities, and an interest rate of 3% approximates at £7,700,000 per annum and £6,000,000 per annum respectively.

ELEMENT DESCRIPTION	CAPITAL REPLACEMENT PERIODS (years)	PROPORTION TO BE REPLACED (%)	ANNUAL SINKING FUND REQUIREMENT
Sub-Structure			Nil
Structure	10	10	1%
Structure Completions	10	20	2%
Finishes	5	12.5	2.5%
Services (Mainly Piped and Ducted)	15	25	1.66%
Services (Mainly Electrical)	15	25	1.66%
Fittings and Furniture	5	20	4%

6.0 RELOCATION OF EXISTING LABORATORY FACILITIES AND MARINE INSTITUTE FROM ABBOTSTOWN TO BACKWESTON

6.1 The Terms of Reference require us to assess the estimated costs of relocating existing facilities from the Abbotstown site arising directly from the decision to establish Stadium and Sports Campus Ireland.

6.2 The existing facilities at Abbotstown consist of:

- State Laboratories;
- Department of Agriculture Laboratories; and
- Marine Institute.

6.3 The approximate size of the existing facilities is as follows:

- State Laboratories – 5,780 square metres;
- Department of Agriculture Laboratories – 13,000 square metres; and
- Marine Institute – 2,800 square metres.

6.4 After receiving instructions that the laboratories are to be relocated, OPW has managed the design and planning application process such that a design has been fully developed and planning approval has now been given for the new State Laboratories and Department of Agriculture Laboratories at Backweston.

6.5 The relocation of the Marine Institute to Galway has not yet been developed and only a preliminary cost plan has been prepared.

6.6 If the existing facilities at Abbotstown had been in reasonable working condition and the new facilities at Backweston were merely replicating the existing laboratories, the assessment would be fairly straightforward.

6.7 However, two issues make the assessment more subjective:

- (i) the existing facilities are not in reasonable working condition; and
- (ii) the new laboratories have been increased in the size in line with statutory including EU regulations and good working practices.

6.8 The documentation confirming the existing condition is available for inspection and is confirmed by our own site visit.

- 6.9 The proposed increase in the size of the facilities is as follows:
- State Laboratories – 5,780 square metres to approximately 12,000 square metres;
 - Department of Agriculture Laboratories – 13,000 square metres to approximately 24,000 square metres; and
 - Marine Institute – 2,800 square metres to approximately 8,000 square metres.
- 6.10 It could be argued that the increase in size would not have occurred if the laboratories had not been relocated. However, the existing condition means that renewal would be required to some scale in any event.
- 6.11 We have not determined whether the increase in size is essential to comply with regulations, or merely desirable, as we do not consider the increase in size arises directly from the decision to relocate in any event.
- 6.12 In respect of a new facility to directly replace the existing facility in its current size, we consider that the existing facilities are in such a condition that to comply with EU Regulations, renewal of much of the laboratories is required in any event.
- 6.13 The decision to relocate to Backweston is bringing forward the upgrading required rather than creating an additional cost.
- 6.14 We have carried out an investigation of the estimated cost of moving the laboratory campus to Backweston and our figures equate with the OPW estimate completed in November 2000 showing a figure of £141,000,000 including a contingency of 5% and the effects of inflation but excluding any special laboratory fittings and VAT based on a floor area of 37,500 m².
- 6.15 We have not carried out an investigation of the relocation of the Marine Institute to Galway but are in possession of a budget estimate of £30,000,000.
- 6.16 Both figures exclude the cost of land and the removal costs.
- 6.17 In our investigation we have been provided with letters from OPW stating:
- the current facilities are entirely inadequate to meet modern laboratory requirements;
 - wholly insufficient and inadequate space, unsuitable layouts etc;
 - the buildings would not comply with current recommendations.
 - they contain no Category 3 facilities (facilities to prevent spread of organisms to laboratory workers and the community)
- 6.18 Our analysis of the current accommodation supports the OPW position and in addition documents from the Department of Agriculture support this view.

6.19 In our opinion it is likely that the building of new facilities would have occurred in any event although we are not sufficiently aware of Government spending plans to determine if the construction has been accelerated by the proposed Sporting Campus.

7.0 ACCESS INFRASTRUCTURE

7.1 The potential costs of transport access directly attributable to the Sports Campus Ireland fall into two categories, as follows:

- long term infrastructure investments;
- short term costs of construction traffic management to be met by CSID.

It is important to distinguish transport costs attributable to the SCI project from transport costs actually borne by the project: we are concerned to identify transport costs which would not occur were it not for the SCI project, although some of these may be borne by others, not by CSID itself.

7.2 The principal sectors into which long term access costs will fall are the following:

- road junction and capacity increases, particularly on the M50;
- rail capacity increases on the Maynooth Line, involving a new station;
- Metro services, track and stations dedicated to the SCI site;
- Bus and pedestrian links across the M50; and
- bus service investments outside the SCI site, including route improvements, bus parks and Park and Ride sites, and possibly dedicated bus fleets.

In principle, CSID expect the operating costs of each of these modes (the train and the bus services themselves) to be cost covering in that the providing companies will offer the services willingly for their fare box value.

7.3 Transport access capacity needs to be provided to the Campus in response to an unusual demand profile: major ‘spikes’ in demand will occur for headline events at the Stadium, perhaps 20 or 30 per annum, with only a low level of background traffic generated by day to day activities at the site, and intermediate volumes of traffic for events at the water sports and velodrome facilities etc.

7.4 Confusion may result when attempting to attribute ‘shared’ costs of transport infrastructure, e.g. where rail or Metro capacity will benefit communities other than SCI, although occurring in response to SCI needs.

7.5 Arriving at an overview of CSID provision for access costs, is further inhibited by the early status of CSID’s own calculations on the subject. Unlike the on site facilities, which have been costed out at least at a preliminary level, work on access costs is so far only at a very preliminary stage. SIAS, the CSID transportation consultants have produced an Outline Accessibility Strategy, but for this to be developed into cost calculations requires further detailed work on trip generation and mode split for different types of event, including visitor dwell times, and the resulting Traffic Management Strategy converted into physical facilities and costs. This process is in its early stages as

yet. Our brief does not cover the validation of the transport strategy or the adequacy of the infrastructure proposal. Our remit is to comment on the costs of the infrastructure proposed

- 7.6 In these circumstances, we have concentrated on issues most likely to arise, and provided our own estimates for these based on discussions with informed sources like DTO, and the infrastructure and service providers like NRA, LRPO and the bus and rail enterprises.
- 7.7 Transport access is fundamental to the success of SCI, and ideally its transport planning would not take place in the circumstances of today. The City's transport network is undergoing a momentous period of reconstruction and expansion, which does not form a stable state within which to introduce the needs of the Sports Campus. It should be recognised that transport facilities for Abbotstown will consequently be more complicated and time consuming to provide, and ultimately more expensive than would otherwise be the case.
- 7.8 Further, the full access provision is unlikely to be in place on day one of the site's operation, and transport facilities will evolve over the first few years. This will make it correspondingly more difficult to construct a firm expenditure programme on which to take a view. The issue of what is provided on day one is also likely to be critical to the DBFO contractors. In particular the impact of late or non-delivery of transport infrastructure will need to be negotiated between CSID and the DBFO contractor. Specifically the DBFO contractor is unlikely to bear this risk and will seek compensation for late delivery.
- 7.9 The major elements of access expenditure directly attributable to the SCI will be:
- an additional motorway junction on the M50;
 - tunnel or bridge links across the M50, for pedestrians and buses;
 - additional facilities at a heavy rail station on the Maynooth line;
 - one or two additional Metro stations and associated line sections alongside the Campus site.
- 7.10 Extremely preliminary conversations with the M50 engineering consultants to NRA suggest that an additional junction 5A with associated works will cost between £4m and £12m. We have adopted a figure of £10m, but further information is needed to substantiate this cost.
- 7.11 The bus bridge over the M50, the pedestrian underpass and the associated passenger and bus handling areas have been costed by CSID at £2.9 million which seems a reasonable estimate at this stage.
- 7.12 Improvements to the Maynooth line, according to discussions with Iarnrod Eireann, will principally involve a new station near the Campus but not adjacent to it. Depending on its specification, and excluding land costs, this would be in the range £2.5m to £20m. The higher end of this figure would provide a dedicated siding and terminus facility.

Without stronger indications of the scheme likely to be chosen, it is our view that a £2.5m investment will be sufficient to produce an acceptable solution.

- 7.13 Metro facilities directly attributable to SCI are less easy to identify, as the choice of final alignment in the Blanchardstown area will reflect a multitude of factors of which the Campus is but one. Three potential alignments are now (October 2001) being distilled down by LRPO consultants Atkins McCarthy to a manageable number, and all would serve the SCI site. This work was uncompleted at our time of reporting, but the earlier (April 2001) Phase IA Report was made available by LRPO. Order of magnitude figures from the April Report suggest that Metro alignments offering three station locations adjacent to the Campus would be between £5m and £8m more costly than those providing only 1 adjacent station. The August report draft suggests typical individual station costs of between £0.9m (low level) and £2.2m (high level).
- 7.14 For bus service investments in infrastructure outside of the Campus site, no costings have been carried out. In practice such works are likely to be individually modest in cost, but potentially large in number, including traffic management measures, and parking facilities.

Summary on Access Infrastructure

- 7.15 As stated above the transport planning in relation to the Stadium is still at a very early stage and thus the figures below can only be seen as budget estimates.

ACCESS INFRASTRUCTURE	COSTS (£million)
M50 Roundabout	10
Bridge over M50	2.9
Station on Maynooth Line	2.5
Metro	6.5
TOTAL	21.9

- 7.16 In addition to the financial issues are the logistical issues relating to the delivery of the infrastructure. As indicated above the risk of non-delivery of infrastructure will not be borne of the DBFO contractor and the financial risk to the Government of late delivery of infrastructure may be potentially significant. At the current time it is impossible to quantify this risk in financial terms.

8.0 SOCIAL AND ECONOMIC BENEFITS

- 8.1 The review of socio-economic impact costs and benefits of the Sports Campus Ireland project follows the approach taken by the Indecon/PricewaterhouseCoopers (PwC) Report on the proposed National Stadium project at Blanchardstown.
- 8.2 However, recent changes to the recommended approach to calculating certain costs and benefits, particularly employment and taxation benefits, as presented by Forfas and other Government Development Agencies, has led to a diminution of the benefits realised under this as opposed to the former approach. The decision to revise the approach is a function of changed economic and labour market conditions.

Employment (excluding tourism benefits)

- 8.3 The project is anticipated to generate some 8,161 direct and 9,704 indirect jobs during the construction phase.
- 8.4 The project is anticipated to generate some 250 direct permanent, 80 indirect and between 2-4,000 event related jobs during the operational phase of the project.
- 8.5 The estimated value of employment income generated by the development (excluding tourism benefit) following the deduction of a 95% opportunity cost factor and discounting the resultant figure over 30 years using a 5% discount rate is £19 million at net present value.

Tax Contributions

- 8.6 Estimated tax receipts from both the construction and operational phases from employment and related sources are forecast and then reduced by 50% in the light of the revised benefit procedures and subject to the 5% discount factor to result in an estimated £53 million in Net Present Value terms.

Tourism Benefits

- 8.7 Tourism benefits are associated only with estimates of spending and employment generated by the additional number of Rugby Union supporters from outside Ireland attracted by the new Stadium complex. These visitor arrivals are in addition to those already attracted by the games currently held at Lansdowne Road.
- 8.8 Once again utilising a discount rate of 5% the Net Present Value of tourism benefits is estimated at £51 million.

Sporting Benefits

- 8.9 The principal rationale for building the Sports Campus Ireland project is the desire to invest in the future performance of Irish sportsmen and women through provision of a sporting infrastructure which enables them to achieve levels of sporting excellence for performance at the highest international levels. This strategic vision for sporting excellence in Ireland and through this medium to enhance the image of Ireland and Irish

culture domestically and internationally, is one whose intangible benefits cannot be subjected to economic analysis.

- 8.10 However, the support for a breadth of sporting activities through the medical, training and performance facilities planned does reinforce the Government policy behind the International Sports Tourism Initiative which seeks to raise the awareness of Ireland as a destination for high quality, high profile international sporting events. Securing of such events is focussed upon those which can both support and deliver follow-on economic benefit from the international tourist arrivals attracted to visit for related sporting and non-sporting purposes.
- 8.11 The proposed investment in an Irish national Stadium and the Aquatic Centre for instance will provide the Nation with international standard facilities capable of being considered for hosting high quality, high profile events like the Rugby World Cup which would otherwise not be held in Ireland.

Increased Property Values and the Residual Value of the Property

- 8.12 Blanchardstown has already been designated as a growth point for residential and light industrial business purposes and has also acquired a new shopping centre establishing a major regional presence. The town is located at a junction on the M.50 motorway, will have several stations on the planned new Metro line linking the airport and the city centre and is on a heavy rail link into the centre of Dublin. The current strong housing market and lack of city centre residential sites is focussing attention on suburban areas with development potential and transportation access thereby giving Blanchardstown a rapidly evolving appeal for residential and business purposes.
- 8.13 Given the range of positive market factors supporting residential and industrial property values it is considered that the effect of building the Sports Campus Ireland project locally will represent an influence which would be difficult to identify amongst others deemed more critical to shaping property values. This point is thus not considered appropriate for economic evaluation.
- 8.14 A residual value for the project is considered as a benefit to the project in the final year of the assigned 30 year operational life of the development.
- 8.15 Utilising the 5 percent discount rate used by the Irish Government Department of Finance, a Net Present Value for the residual value is estimated at £116 million.

8.16 The summary of the social and economic benefits arising from Sports Campus Ireland is as follows:

Potential Benefits of Sports Campus Ireland in Present Value Terms	
Benefit	Estimated present value assuming 5% discount rate (£ million)
<p>Employment (excluding tourism benefits)</p> <ul style="list-style-type: none"> - no. of jobs during construction 17,865 (direct and induced) - no. of operating jobs 250 permanent, 80 indirect 2-4,000 event – related <p>Estimated value of employment income (excl. tourism benefits) (assumes 80% opportunity cost)</p>	19
<p>Tax Contributions</p> <ul style="list-style-type: none"> - estimated total tax receipts <p>(NPV of tax contributions discounted at 5% per annum)</p>	53
<p>Tourism Benefits</p> <ul style="list-style-type: none"> - total estimated tourism benefits <p>(assumes that only rugby events generate additional tourists)</p>	51
<p>Sporting Benefits</p> <ul style="list-style-type: none"> - likely to be the main rationale for investment - not amenable to quantification 	-
<p>Residual value of Campus Project</p>	116
<p>Increased Property Value in Vicinity of Stadium</p>	-
<p>PRESENT VALUE OF TOTAL BENEFITS (assuming 5% discount rate)</p>	239

9.0 EXTENT AND TIMING OF EXCHEQUER LIABILITY

9.1 CSID's assessment of the Exchequer funding requirement is £348.4 million, the details of which are set out at Appendix 1. This sum of £348.4m does not include inflation and in our view does not contain an adequate contingency. Set out below is our view of the totality of the exchequer liability.

9.2 In line with the analysis undertaken in section 4, 5 and 7 of this report we have analysed the extent of the Exchequer liability based on both the original specification and the current specification and HPR's assessment is as follows:

DESCRIPTION	OUTLINE BID BRIEF	CSID CURRENT PLANS
	£'m	£'m
Sports Campus Ireland	682.1	528.4
Off-Site Infrastructure	21.9	21.9
TOTAL EXCHEQUER LIABILITY	704	550.3

9.3 In addition to the above is the Exchequer liability in relation to the relocation of facilities from the site. This is estimated at £171,000,000 in both scenarios but as stated it is likely that the building of new facilities would have occurred in any event.

9.4 In addition to the Exchequer liability for capital funding there is also a liability of between £6,000,000 and £7,700,000 per annum falling to the Exchequer in relation to the capital sinking fund.

9.5 The timing of the Exchequer liability excluding the relocation is set out below:

	Original	Current
	£'m	£'m
2001	30.2	30.2
2002	30.2	30.2
2003	69.51	62.95
2004	247.62	190
2005	306.02	223.8
2006	20.45	13.15
Total Capital	704	550.3
Each year thereafter	7.7	6.0

9.6 The above excludes any attributed value of the site at Abbotstown for an alternative use.

10.0 CRITICAL ISSUES

- 10.1 Unlike a standard development such as a business park or industrial estate this proposal involves a wide range of stakeholders who are not necessarily working to a common agenda or on commercial principles. Our recommendations throughout this report and as consolidated in section 11 focus on the key stakeholders agreeing a business model in the very near future.
- 10.2 This Business Model once agreed would clearly define a number of matters which are currently floating namely
- What is the end product i.e. range and specification of facilities;
 - Who will use the facilities and on what basis;
 - What is the capital budget, costs and income;
 - What is the operational performance including sinking fund;
 - What risks will Government accept both in the short and long term;
 - What level of funding both capital and revenue will the Government make available;
 - What capital procurement strategy should be pursued ; and
 - How should the facility be managed and operated.
- 10.3 As we have highlighted within this report there are indicative answers to the majority of these questions but it is apparent that there are currently inconsistencies and contradictions.
- 10.4 Given the analysis to date indicates that the current DBFO Strategy will produce a very small private investment then the key questions will all need to be addressed primarily by Government, as they are in effect 100% funding the project.
- 10.5 The issue for Government is not a commercial issue in terms of say return on investment but essentially value for money. The original and revised cost appraisals hopefully demonstrate this point. The specification differences between the two are not significant to the layman but in a technical sense are quite fundamental particularly in the case of the Stadium.
- 10.6 If CSID are to pursue a policy of working within a very tight fixed budget then it is inevitable that in order to contain costs within agreed ceilings the specifications will deteriorate and/or facilities not be included.
- 10.7 Alternatively if CSID are to maintain a baseline specification it would be necessary to agree what this base level is and provide sufficient funding headroom to ensure that the project quality can be maintained.

- 10.8 We understand and appreciate that reaching a consensus on these quite fundamental issues may be problematic at this point, but unless this is achieved in the near future the project will continue to evolve with little or no agreement possibly leading to an impasse at some point in the future. If this does occur there could be significant abortive costs and delays.
- 10.9 As we have previously highlighted, the critical risk at this stage of the project is time. The wider and clearer the agreement between the stakeholders including Government, the lower the risk of delay due to different interpretations of the nature of the facilities to be provided, the basis of usage and the allocation of risks and rewards.
- 10.10 Critical to the success of the project is the willingness of contractors to compete for the construction contract on a DBFO basis or any alternative basis. Contractors will take great comfort from a clear development brief which has the support of all stakeholders and broad and public political consensus that the project is real and will be built.
- 10.11 The experience of Laings at the Millennium Stadium, where Laings reported a loss of £50m on a contract with a value of circa £120m, and other major international projects which have not been implemented after protracted contract negotiations has created a general environment such that contractors are reluctant to invest in tendering for contracts which are ill-defined and speculative.
- 10.12 The brief provided as part of the Outline Bidding process was vague and it is imperative that irrespective of the form of procurement, that the next round of negotiations with bidders commences with clear, concise and detailed specification for all facilities which is signed off by the key stakeholders. The more contractors sense that the facility specification is subject to change the less committed they will be and the longer it will take to reach agreement with contractors.

11.0 OPTIONS AND RECOMMENDATIONS

Overall Approach

11.1 We recommend that prior to resuming negotiations with the bidders, CSID reviews and/or finalises the following:

- Finalise discussion with the stakeholders on the likely demand and thus prospective size and specification for each of the facilities;
- Finalise feasibility studies for each facility including revenues, capital, operating and maintenance costs;
- Finalise preparation of a overall business plan incorporating revenues, costs and funding requirements;
- Agree with the stakeholders on key contractual arrangements;
- Prepare a detailed definition of each of the facilities in terms of size, scope and specification, infrastructure and overall management;
- Finalise detailed employer's requirements; and
- Agree with Government the Exchequer funding for the project.

11.2 Preparation of the following control documents.

- Overall Master programme;
- Business and Financial Plan and Model;
- Overall Capital Cost Plan.

Management Processes and Structures

11.3 Finalisation of the standard systems and procedures.

11.4 Preparation of an outline strategy for the operations and maintenance of the facilities to assist in the understanding of the effects of capital cost decisions on the operations and maintenance of the facilities.

11.5 Determination of the level of staffing required within the management structures.

11.6 Ensure the Executive Services and Project Management teams include personnel with experience of major international projects of this size and nature.

Contracting and Development Strategy

- 11.7 A review of the DBFO strategy in the light of comments in this report.
- 11.8 A review is carried out to maximise the area of the site available for commercial development and to pursue robustly other commercial elements of the development.

Capital Costs - Facilities

- 11.9 A detailed review to be carried out of each facility in terms of:
- the basic need for the facility;
 - the requirements of the stakeholders in respect of the scope and size of each facility;
 - the detailed specification for each facility; and
 - whether the facility can form part of other commercial facilities.
- 11.10 These reviews could result in determining:
- a change in scale, size and/or specification of a facility;
 - a decision whether the facility should be developed by CSID or a commercial developer
 - the cancellation of a facility;
- 11.11 Some possible outcomes of this review could include:
- A reduction in the size of the Stadium;
 - A review of the facilities within the Stadium;
 - A review of the specification for the Stadium;
 - Similar considerations for the arena, halls and pitches;
 - Commercial development of the HQ offices;
 - Commercial and/or university involvement in the Sports and Medical Centre;
 - A review of the requirement for the golf and tennis centre and the velodrome
- 11.12 Following this detailed review, preparation of detailed Employer's Requirements with a view to proceeding with negotiations with the Bidders on a Design, Build, Finance,

Operate basis (“DBFO”), or alternatively a DBO or DB basis. The Employer’s Requirements would generally be similar for the three alternatives.

Capital Costs – Infrastructure

11.13 A detailed review of the proposals for infrastructure and landscaping to radically reduce their scope and cost addressing:

- changes in the overall scope;
- changes in the scope related to each facility;
- changes in specification;
- identify areas which could be developed at a later stage;
- identify areas which could be developed on a commercial basis by the developers of the sports facilities;
- identify areas which could be developed as part of and/or by the developers of the commercial facilities; and
- preparation of a detailed cost plan including value engineering to assist in the decisions to be made above.

Commercial Facilities

11.14 The original Government Memorandum on the project referred to 220 acres being required for Sports Campus Ireland and envisaged the rezoning of the balance of the site from agricultural and rural thus generating additional income.

11.15 We recommend that a detailed review of the potential for commercial facilities and/or commercial use of the site is carried out to assist in the funding of the sports facilities.

Appendix 1

CSID Considered

Assessment of Project

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SPORTS CAMPUS IRELAND –

**CONSIDERED ASSESSMENT OF CAMPUS AND STADIUM IRELAND
DEVELOPMENT LTD. (CSID)**

OVERALL APPROACH AND CONTRACTING STRATEGY

SECTION1:

Starting Point

CSID has, since September 2000, been developing a framework within which the development of Sports Campus Ireland can take place.

As noted by the Taoiseach Bertie Ahern T.D., in a media briefing on September 11th 2000, the following work had been or was to be, undertaken by the company.

- Board and Executive Services Team established
- CSID to develop the Campus by offering contracts for the design, construction, operation, maintaining and financing of the campus through a national and international tender process to the private sector.
- Tenders invited for the development of the Aquatic and Leisure Centre
- Tenders for the Entire Project to be invited
- Architectural and Environmental Framework Plan competition to be initiated.

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MILESTONE DATES

Aquatic and Leisure Centre

- | | | |
|----|-------------------------------|--------------------------------|
| 1. | Date of Publication of OJ AD | 27 th July 2000 |
| 2. | Short listed to 3 Bidders | 27 th October 2000 |
| 3. | Selection of Preferred Bidder | 19 th December 2000 |
| 4. | Planning Permission lodged | 22 nd December 2000 |
| 5. | Planning Permission received | 28 th March 2001 |
| 6. | Start on Site | 8 th May 2001 |

Architectural and Environmental Framework Competition

- | | | |
|----|---------------------------------------|---------------------------------|
| 1. | Date of Publication of OJ Ad | 27 th September 2000 |
| 2. | Announcement of Winner of Competition | 23 rd February 2001 |

DBFOM – Sporting Facilities

- | | | |
|----|--------------------------------------|--------------------------------|
| 1. | Date of Publication of OJ Ad | 22 nd November 2000 |
| 2. | Expressions of Interest received | 8 th January 2001 |
| 3. | Short listed to Outline Bid stage | 5 th February 2001 |
| 4. | Outline Bid Briefs Issued by CSID | 4 th April 2001 |
| 5. | Outline Bids received by CSID | 21 st June 2001 |
| 6. | Final Assessment to select 3 Bidders | 18 th July 2001 |

Architectural Panel

- | | | |
|----|-------------------------------------|--------------------------------|
| 1. | Date of Publication of OJ Ad | 13 th December 2000 |
| 2. | Announcement of Competition Results | 23 rd February 2001 |

Commercial Facilities

- | | | |
|----|----------------------------------|-------------------------------|
| 1. | Date of Publication of OJ Ad | 7 th February 2001 |
| 2. | Requests to participate received | 20 th March 2001 |

Project Managers

- | | | |
|----|-------------------------------|-----------------------------|
| 1. | Date of Publication of OJ Ad | 19 th April 2001 |
| 2. | Expression of Interest | 3 rd May 2001 |
| 3. | Selection of Project Managers | 12 th June 2001 |

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Basis for Tender for the Sports Campus project

The competition for the provision of sporting facilities had the following aims:

- 1) The involvement of the operator centrally in the initial design of the Campus such that this input would transfer the maximum amount of design/commercial risk to the operator, consistent with the nature of the facility involved, and providing the Campus with the best possible chance of being self-sustaining;
- 2) Ensuring that an international quality Campus be available at no ongoing cost to the Exchequer and that public policy objectives for sport were met;
- 3) Provision of the Campus on a value-for-money basis to the Exchequer with private sector expertise delivering the Campus on time and on budget;
- 4) In the event of operator default, CSID to have sufficient resources to correct any deficiencies in the facility or facilities involved and to be in a position to seek an alternative operator without recourse to Exchequer funds.

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Operation and Management of project

Executive Services: Providing a full range of executive, property, financial, marketing, planning, environmental, transport and communications services to CSID.

The team is headed by Magahy and Co. Ltd. and comprises Pricewaterhouse Coopers, Wilson Hartnell Public Relations, McHugh Planning Consultants, SIAS Transport Consultants and Ronnie Delaney. The team has extensive experience of property development and associated expertise.

Project Management: Providing a full range of project management services, including architectural, quantity surveying, mechanical and electrical engineering and civil and structural engineering services. The team comprises Davis Langdon Everest with their associates Patterson Kempster Shortall (PKS), KSS Hoare Lea and Partners and Jan Bobrowski and Partners. The Project Management team has previous experience of managing high-profile major projects of a similar nature.

Architectural and Environmental Framework Team: The team comprises architects, Behnisch, Behnisch and Partners of Munich with engineers, Buro Happold International.

CSID is developing the Framework Plan into a detailed Planning Scheme for the site including the layout and topography of the site when completed, the adjacencies of the facilities and landscaping and associated measures (security, access etc)

The Plan will be submitted to Fingal County Council as a Special Development Zone as provided for under the Planning and Development Act 2000, subject to the relevant Ministerial Orders being in place.

The teams conduct regular reviews of progress under the supervision of the Board of CSID; is audited by the Comptroller and Auditor General; holds regular internal risk identification and management reviews and briefings; and has retained Accenture as internal auditor.

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SECTION 2; FACILITIES FOR SPORTS CAMPUS IRELAND

The Board of CSID believe the following facilities should be provided in the Sports Campus by reference to the outcome of the Outline Bid process. These will meet the stated aims of Government by ensuring that the best sporting resources and facilities are provided on a value for money basis, in a viable, accessible and highly attractive setting. By working in close co-operation with the Irish Sports Council and the National Governing Bodies for Sport, Sports Campus Ireland will contribute to the development of sport throughout Ireland, will contribute significantly to Ireland's capacity to compete on the international stage, and will assist in making sport more accessible to all.

SPORTS CAMPUS IRELAND – FACILITIES TO BE PROVIDED

TABLE 1

Facility	Description
Stadium Ireland	UEFA Five Star Standard stadium, with flexible pitch configuration to accommodate all of the major field sports played in Ireland
Arena Ireland	Maximum 15,000 seat multi-purpose Indoor arena, horseshoe configuration
Multi-purpose sports halls and outdoor pitches	Three indoor halls, of varying size, to accommodate the training and competition requirements of National Governing Bodies and the general public Outdoor championship standard and training pitches, both turf and synthetic, 29 pitches in all
Sports Science and Medicine Centre	5,000 sq.m facility to accommodate the requirements of sporting organizations and individuals Specification modified from outline bid stage based on projected business case and capital cost
Tennis Centre	Indoor and Outdoor Tennis Centre, comprising 8 indoor courts and 14 outdoor courts and ancillary facilities Specification modified from outline bid stage based on projected business case
Golf academy	Indoor and outdoor facility comprising technical analysis and training facilities and three driving ranges
Velodrome	Training velodrome containing 200m training track Specification modified from outline bid stage based on projected business case and capital cost
Headquarters and Office Accommodation for sporting bodies	5,000 sq.m. of office space

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Stadium Ireland design Options/Costs

The Board of CSID, having discussed the various options, are of the following view on the design and cost of Stadium Ireland. There is a significant view that the stadium capacity should be 80,000 seats and that quality should not be compromised, in particular because it meets the aspiration for a large-scale facility of comparable size with other national facilities of this type and was the feasibility study model. There was also a view that commercial considerations might favour 65,000 seats. It was noted that a 65,000 seat stadium with roof and pitch would be in the region of the same price as an 80,000 seat stadium ex roof or pitch. There were arguments in favour of a retractable roof, particularly as a retractable roof would enable certain games, especially Gaelic games, to be played at times of the year when such games would not normally be played. There were also arguments in favour of a retractable pitch but more information is required on the latest developments on pitch enhancement and retractable pitch technology. The Board recommends that either a combination of standard and palletised or fully palletised pitch or a fully retractable pitch be considered.

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CSID assessment, following outline bid stage, of the capital cost of the facilities including the Aquatic and Leisure Centre as well as the necessary infrastructural development on site is as follows:

TABLE 3

CAPITAL COST (2001 prices)*	IR£ million
Aquatic and Leisure Centre	48.4
Stadium Ireland (gross cost overleaf)	226.0
Arena Ireland	74.0
Multi-purpose halls/outdoor pitches	20.0
Sports Science and Medicine Centre	9.0
Tennis Centre	7.0
Golf Academy	5.0
Veladrome	5.0
Headquarters and Office Accommodation	15.0
Infrastructure costs	66.0
Total capital cost:	475.4
Less	
Private Sector Contributions:	
▪ Contribution from Bidder	40.0
▪ External Capital Contributions	25.0
▪ Private Donation	50.0
▪ Headquarters Accommodation	<u>12.0</u>
	<u>127.0</u>
Exchequer contribution:	348.4
• It is estimated that inflation will be 11.38% of <u>construction costs</u> over the period 2001-5	
• Costs include 5% design reserve included in above capital costs	

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Gross costs for Stadium Ireland

80,000 capacity	IR£m	65,000 capacity	IR£m
International standard stadium	197m	International standard stadium	168m
Sophisticated moving seat system	17m	Sophisticated moving seat system	17m
Other enhancements	12m	Other enhancements	11m
Subtotal	226m	Subtotal	196m
Retractable roof	20m	Retractable roof	19m
Retractable pitch	26m	Retractable pitch	24m

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Current Costs/Operating Costs Position

The operating and current costs position for Sports Campus Ireland is as follows:

TABLE 4

Operator Surplus for Sporting Facilities	£ 5.54m a year
CSID current costs 2000-2005	£30m
CSID surplus (per year) 2006+ (i.e. Commercial Revenue less Mgt. Costs)	£ 1.65m p.a.

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SECTION 4: PROCESS FOR DETAILED NEGOTIATION

CSID now seeks a mandate to enter Detailed Negotiation, which it is anticipated will result in the project being on site in a period of 17 months. A current costs allocation for CSID will be required for that period at an annual level of £6m.

The future procurement strategy is as follows:

Having pre-qualified six consortia to bid for the provision of sporting facilities at SCI, CSID Ltd. received four compliant bids at outline bid stage. Two bids proposed the provision of all sporting facilities, including some commercial facilities. One bid was made for Stadium Ireland (Lot 1) only, and one bid was made for Arena Ireland, multi-purpose halls and pitches (Lot 2) only.

Stage 1 – 4 months

- Refinement of the output sporting specification for individual facilities
- Feedback sessions with bidders on the response of CSID to their outline bid.
- Development of an Invitation to Negotiate document setting out the framework within which the facilities are to be developed.

Stage 2 – 2 months

- Bidders initial response to Invitation To Negotiate document.

Stage 3 – 4 months

- Following the issue of ITN documentation, CSID will enter into a period of Detailed Negotiation with bidders. With each bidder, this phase will consist of six distinct negotiating/review groups.

Stage 4 – 3 months

- CSID Preparation/BAFO response
- Based on the negotiated contract and agreed design and usage patterns, bidders will be invited to make a final bid.

Stage 5 – 4 months

Following Final Bid, assessment will take place and a preferred bidder will be selected subject to planning permission, financial and contractual closure and government and statutory approval.

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Transport/Access Infrastructure Position

The Government set up a specialist high-level group to consider the appropriate arrangements to be put in place for public transport access to the campus in terms of:

- Metro-Link from Dublin Airport and city centre which is already planned as part of the Platform for Change Strategy prepared by the Dublin Transportation Office
- Developing rail infrastructure on the Maynooth Line which is of particular significant for the local community in Dublin West
- Enhancing bus links and Quality Bus Corridors
- Access to the complex by improving road alignments with the M50

A draft report has been prepared and will be finalised and submitted to Government shortly.

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SECTION 5: RECOMMENDATIONS TO GOVERNMENT

The Board of CSID, having considered the outline bids received and the assessment of the executive of the Company, and in order to assist the Government in determining final Exchequer allocations for Stadium and Sports Campus Ireland, recommend that CSID be mandated to enter the detailed negotiation stage of the tender competition with the following conditions:

- a. that there will be a limit of £350m. capital cost to the Exchequer at 2001 prices for Sports Campus Ireland including Stadium Ireland
- b. that there will be no current subvention of current costs at the total level but cross-subsidisation between facilities will be allowed
- c. that CSID ensure that the highest standards of facilities will be put in place in Sports Campus Ireland and for Stadium Ireland;
- d. no commitment will be made with a preferred bidder in advance of specific Government decision following on the detailed negotiation for which CSID are now requesting a mandate now approved;

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