

Meeting with Joint Committee on Transport and Communication

Wednesday, 23 June 2021

Kevin Thompstone, Director, Shannon Chamber

Opening Statement

Thank you, Chairman and members of the Joint Committee, for inviting me here today and for giving me the opportunity to outline how Shannon Chamber, in conjunction with the Irish Hotels Federation and with the support of Ennis, Galway and Limerick Chambers, want to present a solution to Government to aid the restoration of air connectivity to Ireland. and recover routes that were viable pre COVID-19.

The aviation sector contributes an estimated €8.9 billion to Ireland's GDP, with foreign tourists making a further €8.7 billion GDP contribution. It supports 140,000 jobs and attracts 8.8 million overseas tourists, arriving by air.

The recent announcement by Aer Lingus that it is closing its crew base at Shannon Airport is a devastating blow to the airport, to the Aer Lingus employees, and to the region generally. It is an indicator of the devastating impact COVID-19 has had on the sector, nationally and globally.

The collapse in international travel, through effectively halting aviation in Ireland, has the potential to cause further severe and long-term damage to a critical driver of our economy, in the absence of a clear and actionable plan to restore air services to regional airports.

We have prepared a business case setting out the urgent need for a multi-annual, fully funded, regional air access recovery and growth action plan for the aviation sector.

The business case outlines the three levels of multi-annual funding airports will require until at least 2024, and potentially as late as 2029, to restore international connectivity to 2019 traffic levels, a time span based on EUROCONTROL's most optimistic forecast for a return of Europe's air traffic to 2019 levels.

These 3 funding levels are:

1. **Multi-year CAPEX** funding in the order of €32m annually, based on current levels, to ensure that the smaller State-owned airports, such as Shannon Airport, can sustain operations as they recover from the crisis;
2. A doubling of Tourism Ireland's **Tourism Marketing Fund** from €47m to €94m, and an **Industry Activation Fund** of €92m over 3 years, as called for in previous Task Force reports to Government; and
3. **A fixed Euro amount per passenger**, also recommended by the Aviation Recovery Task Force, to subsidise airport charges to enable airlines to restore critical routes to/from North America, UK, and Europe as soon as possible.

To substantiate the business case, we have prepared a detailed traffic recovery support scheme (TRSS) providing costings for the airport charges' element of the business case. The model is based on a review of international traffic and route support schemes in operation in countries such as Spain, Denmark, and Cyprus, and has been prepared using Shannon Airport's 2019 traffic levels to estimate the level of funding required.

The current assumptions in the financial model show a total cost range of between €20m and €39m (for Shannon Airport), for the period July 2021 to June 2024, calculated on giving airlines a percentage refund of monthly all-inclusive passenger charges (AIPC) based on the percentage of traffic they deliver to an airport compared to the same month in 2019. To be eligible for a refund, an airline would need to achieve or exceed monthly traffic thresholds.

While calculations are based on Shannon Airport's traffic figures for 2019, the model can be used to quantify the funding requirement of all airports, based on their 2019 traffic levels.

We welcome the Government's special package of €80m for aviation, which included an EU state aids approved allocation of €20m for route incentives and charge rebates at Dublin,

Shannon, and Cork. We also welcome the €200m provided to the sector through wage subsidies, rate waivers etc. However, our business case shows that the levels of supports provided to airports and airlines will need to increase substantially and be multi-annual rather than focused on the recently completed winter season.

The TRSS costs over a multi-annual period, whether for Shannon alone or for all state-owned airports combined, is a fraction of the economic impact of the aviation sector.

For example, the maximum 3-year cost of airport charges' support for Shannon Airport is less than the annual local economy and exchequer spend of just three hotels, Dromoland Castle Hotel, Shannon Springs Hotel, and the Great National South Court Hotel.

The International Air Transport Association (IATA) has been consistently making the case for international government action to stimulate market recovery in the face of the devastating impact of the COVID-19 pandemic on the aviation, tourism, and hospitality sectors.

The TRSS presented to Government is our solution to stimulating such a recovery in Ireland.

Ireland must adopt this approach, given that global governments have given €173 billion to their airlines since the onset of COVID-19, up to December 2020. The aviation sector will be a competitive marketplace once travel restrictions lift, with airlines favouring airports with lower airport charges and route support, facilitating fare reductions to attract and reignite passenger numbers' growth. Ireland's regional airports simply must be enabled to compete.

That is why we need and must have a clear, actionable, and fully funded plan to restore connectivity to this island.

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