

Basil Geoghegan, Chairperson Designate, daa - Opening Statement Joint Committee on Transport and Communications

- Chairman, members of the Committee, I am honoured that the Minister for Transport, Deputy Eamon Ryan, has nominated me to serve a second term as Chairman of daa Group and I am grateful for the invitation to attend the Committee meeting today.
- Let me take this opportunity to bring you up to date on daa.
- Since I was first appointed, we have had two very different 18-month periods. The first was one of continued growth, breaking ground on the new runway and planning for the future. The second half was the impact of COVID – completely different, in an unprecedented and challenging way.
- We saw a thriving global business shrink back to levels last seen over 30 years ago and incur substantial financial losses of €284 million in 2020 alone. Many difficult decisions and extensive cost saving measures had to be implemented. However, I have been immensely proud of our people and the resilience and support they have shown for each other. They have kept our airports operational throughout the pandemic and facilitated our customers and passengers throughout the varying lockdowns and restrictions of the last 18 months. In the early period of COVID, they ensured delivery of PPE and other critical supplies. Globally, they helped sustain our international travel retail business - Aer Rianta International - and our advisory and airport management consultancy services business - daa International - both of which have exceptional reputations in their respective sectors.
- After a very long period of travel restrictions daa is now firmly focused on catching up with other countries. We are working with the airlines and tourism authorities to reconnect Ireland to the world. We also welcome the help of the Government's Aviation Package as announced in last week's budget.
- As we look to rebuild our business, we are keenly aware and hugely supportive of the Government's climate action ambitions. We already have a strong track record - Dublin and Cork airports both outperformed the public sector energy efficiency target in 2020, achieving an estimated 55% reduction in Dublin and 52% in Cork; Dublin Airport is the first airport in Ireland to achieve carbon neutral status following an extensive programme of activities to reduce and offset its carbon emissions in recent years. Our priority is to become a European airport leader in sustainability by 2030 and to achieve net zero emissions at our airports by 2050.
- We have a commercial mandate, funded from a combination of own resources and through borrowings in international financial markets. Between 2016 and 2019, the Group delivered a return of €125 million in dividends to the Exchequer. We are keen to ensure that we can continue to pay our own way. To achieve this, Dublin Airport, as the Group's largest revenue engine, urgently requires a regulatory decision that properly reflects the reality of our present circumstances and addresses the unsustainably low level of airport charges that currently pertain.
- Given the scale and severity of the crisis, it was clear from the earliest stages that the Commission for Aviation Regulation's 2019 Price Determination for Dublin Airport - which set the airport's pricing out to 2024 based on record levels of traffic and had stipulated a significant 18.5% reduction in airport charges for 2020 - had effectively been rendered void. As a result, Dublin Airport found itself facing into the crisis with a fundamentally flawed pricing structure, resulting in airport charges that were disproportionately low when compared with its European peers.

- What started pre Covid as an unfortunate mis-pricing, transferring value from the Irish taxpayer to airlines, has, in light of the devastation caused by the pandemic, become a fundamental issue for the future provision of critical airport infrastructure and for the stakeholders that depend on it. It is incomprehensible to me that following the greatest and most prolonged plunge in air travel in history – of a magnitude many multiples of that seen post 9/11 - that our already reduced charges per passenger are still based on air traffic forecasts from 2019 when Dublin Airport welcomed 32.9m passengers. Despite repeated requests, the now departing regulator, has not taken any decisive action whatsoever to address the situation.
- This is a grossly unsustainable position given our financial circumstances. It puts at risk our ability to deliver the high-quality day-to-day service expected at our airports. It puts at risk our ability to deliver critical airport infrastructure to support connectivity and it makes it almost impossible to deliver our sustainability ambitions and meet Government targets for our sector.
- Airlines and airports have moved decisively and at speed in response to the pandemic induced crisis. Yet almost 20 months after this crisis began there has been no change to charges that were predicated on five times the passenger volumes delivered to date this year.
- Under new legislation, the responsibilities of the Commission for Aviation Regulation will imminently be subsumed within a newly constituted IAA. It is critical that the new regime immediately establishes a fit for purpose price cap for 2022 which reflects current market conditions. Our business simply cannot countenance a third year of enforced below cost prices and regulatory inaction.
- We also need a full and considered regulatory review process for subsequent years, because if the past two decades have taught us anything, it is that aviation is enormously exposed to peaks and troughs, cycles and shocks. Investment in such an environment is critically reliant on regulatory certainty and agility, facilitating very long term decision making. This is not simply a matter concerning Dublin Airport, it must be linked to Government policy and the needs of Ireland as an economy and place to live.
- In this context, we welcome the addition of a statutory requirement for the regulator to take account of Government policies on aviation, climate change and sustainable development as part of its determinations for the future – it will be key that this facilitates decisions that enable us to meet the sustainability challenge.
- Taking a long-term view and ensuring the delivery of critical strategic infrastructure is at the core of daa's mandate. In this context, the new North Runway which will come into operation next year will facilitate connectivity for decades to come. We are fully engaged in the process to amend two problematic planning conditions attached to the runway's planning permission. It is now important that the statutory process reaches a speedy conclusion and that we do not see unintended curtailment of operations at Dublin Airport as a result of procedural delays, even as we seek to rebuild connectivity post Covid. I am also pleased to report that the team is making great progress on the runway reconstruction works at Cork Airport which will reopen at the end of next month and I also acknowledge the capital support from Government for this project.
- Regarding complementary infrastructure by other parties, it is concerning that progress on projects such as MetroLink seem to be stalling. In my view the delivery of MetroLink is essential for sustainable public transport to and from Dublin Airport and should be prioritised.

- In summary, if Ireland wants a full-service, passenger focused and fully sustainable capital city airport that complies with Government targets, then the regulatory regime needs to adapt immediately. The procrastination needs to stop now, so that Dublin Airport can continue to be a sustainable and passenger focused international gateway for Ireland's foreign direct investment, tourism and trade.
- Let me conclude by assuring you that I view the opportunity to be re-appointed as Chairman and to work with the shareholder, my fellow board members, the Executive team and staff of daa at this critical time as both a great challenge and an honour. Thank you again for the invitation to appear here today and I am happy to address any questions that you may have.