



SHANNON GROUP STATEMENT

Joint Committee on Transport and
Communications Networks

28 Oct 2020



Thank you to the members of the Joint Committee for the opportunity to appear before you again.

I know they say a week is a long time in politics, but it's a very long time in aviation these days! Prospects for the global aviation sector have worsened as the virus continues its hold on our people, our way of life and our economy.

Passenger Update

Like airports globally, Shannon has witnessed an almost total collapse in airport traffic, connectivity and revenues. When we met three weeks ago, I advised the Committee that passenger numbers at Shannon for the month of September were down 91%. Unfortunately, the outlook for the rest of the year is also bleak, and we now expect overall passenger numbers to be down over 80% by year end.

The situation in which we now find ourselves as a result of the COVID-19 pandemic, is a far cry from the positivity back in January, when we were anticipating growth across all our Shannon Group businesses, including the airport.

Impact of the Ryanair Decision

Since presenting to the Joint Committee on 7th October, the situation at Shannon Airport has deteriorated considerably. On 15th October Ryanair announced their decision to temporarily close its bases at Shannon and Cork for the winter period.

This is very disheartening for our airport employees who have worked hard to keep the airport operational throughout the pandemic. It has also generated further concern and genuine worry within industry, particularly for businesses located regionally, who rely on the connectivity the airport provides to global markets, and for those involved in tourism who rely on inbound and outbound Shannon services to make a living. It has also created concern and disappointment amongst our loyal customers, whose continued support we depend on.

In July we were hopeful. Ryanair resumed services to 16 destinations from Shannon and overall, there was optimism that the Government's green list together with the significant work we undertook to adapt the airport experience to ensure the safety of our passengers and employees would see a resumption of international travel.

This latest announcement shows just how critical the situation has become and how vulnerable the aviation sector is right now, and it copper-fastens the urgent need for targeted financial assistance to protect our airports, airlines and our air connectivity.

To put the situation in context, we have had no transatlantic services operating from Shannon since March of this year and US carriers Delta and United have advised that they will not resume services into Shannon until 2022 at the earliest. Aer Lingus has also suspended its transatlantic and Heathrow services. These long-established services are critical for business and tourism across western and southern regions.

It is therefore ironic that we have just marked the 75th anniversary of the first ever scheduled commercial transatlantic passenger plane which landed at Shannon Airport on 24th October 1945.

It was operated by American Overseas Airline and their successor, American Airlines, would normally operate a Philadelphia service from Shannon. This too was suspended this year, but the good news is that the airline is committed to operating this service from Shannon next year.



As a result of that first transatlantic service, Shannon became the original airport gateway between the US and Europe, and went on to build a successful transatlantic business, and to achieve a number of global firsts for aviation, including being the first airport to offer US Preclearance services, the birthplace of Duty Free and the first Customs Free Zone. Shannon was home for the pioneers of aircraft leasing, and today is home to a vibrant aviation sector comprising 80 aviation companies supported by Shannon Group's International Aviation Services Centre (IASC).

All of this is poles apart from where we find ourselves today but creates a determination and resolve to restore our lost connectivity. It will take time and perseverance, but we are determined to succeed.

Budget 2021 Supports are Welcome

Since we last met, we welcomed the announcement in Budget 2021 of €5m capital funding for Shannon Airport. We also welcomed the extension of the Employment Wage Subsidy Scheme (EWSS), and more recently the increase of the level of subsidy payable during Level 5 restrictions.

Approximately 90% of our airport employees are being partially sub-vented by the EWSS scheme and it is really important to see this continue until more normal levels of activity resume. The extension of the waiver on commercial rates is also an important support for us, as this is a very significant operating expense with Shannon Airport being one of the highest commercial rate payers in County Clare.

However, in light of the total collapse in business arising from COVID-19 which has led to the Group's revenues being down on average over €1.3 million a week since March, we urgently require further supports. The aviation sector is facing unprecedented challenges. What we need now is a wider stimulus package for the overall sector, including airports. We look forward to the publication of the National Economic Plan in November, and we would be hopeful that support measures will be forthcoming in this.

The aviation industry is in free fall. Passenger numbers have been decimated. As an island nation we need to connect to the rest of the world, and our economy is dependent on a thriving aviation industry. While recovery in the aviation sector is some time off, we must protect our nation's air connectivity and our vital airport infrastructure.

European Traffic Light System

What we need now is a clear pathway to recovery for aviation, a robust system to allow us to get aviation moving. We welcome the decision by Government to implement the EU Traffic Light system. While the implementation of this system is welcome, there is still confusion, and this urgently needs to be addressed at EU level. There needs to be one streamlined, harmonised system that is applied throughout Europe for it to work in a meaningful way.

Pre-departure Covid Testing at Airports

The continuation of current travel restrictions are heavily impacting passenger numbers. Testing instead of restriction on movements has to be the way forward.

The International Air Transport Association (IATA) has re-iterated the urgent need to re-open borders with COVID-19 testing and for further financial support for aviation as the COVID-19 shutdown of air transport continues.



They have highlighted that border restrictions, especially quarantine measures, have undermined one of the cornerstones of European development, the free movement of people. As a result, passenger demand has plummeted and 2020 is expected to see passenger numbers down at least 70% compared to 2019 for travel to/from/within Europe. Only 340 million travellers in the region are expected to fly in 2020 compared to close to 1.2 billion that flew in 2019.¹

Safety Comes First

Shannon Group has called for the development and implementation of routine COVID-19 testing for passengers boarding flights out of the country, as this will help aviation to resume in a safe manner.

For our part, we are working closely with our peers in the industry and the Department of Transport and we are ready to roll out a pre-departure COVID-19 testing regime at the airport once agreed testing protocols are in place.

Pre-departure testing is already proving effective in many other countries, a robust testing regime at airports can help to restore confidence and get aviation moving safely again. Consumers must be confident in the traffic light system in order for it to achieve the desired result of driving demand for international travel once more.

Measures Urgently Required to Assist Recovery

Our economy is dependent on a thriving aviation industry and restoring air connectivity is now critical as we learn to co-exist with the virus. As an island nation we are hugely dependent on air traffic to connect us to the rest of the world. We need to protect our airports to ensure that they can continue to do what they do best - welcome passengers and play a crucial role in globalisation, by connecting cities and countries, fostering economic activity and encouraging international commerce and tourism, all of which generate employment.

While the latest news on the development of a vaccine is encouraging, we know recovery will take time, it is important that we plan now for the safe restoration of air services. Therefore, we urgently need to see the **full** implementation of the Aviation Recovery Taskforce recommendations which call for supports for aviation and in particular in the case of Shannon, support for regional airports.

As a member of the Aviation Taskforce, I have highlighted on behalf of Shannon Group the importance of airports in regions around Ireland in driving economic recovery and balanced regional development.

The full measures contained in the Taskforce report are vital for recovery including **Protecting Public Health and Rebuilding Consumer Confidence and Rebuilding Regional and International Connectivity**. It is therefore critical that a stimulus package be put in place to encourage the rebuilding of air traffic.

There is an urgent need for Shannon Airport to be incorporated into the Regional Airports Programme. This would see the airport receive vitally needed operational as well as capital expenditure supports as part of this programme which already provides capital grants and operating subvention to four privately owned regional airports in Ireland—Donegal, Farranfore (Kerry), Ireland West Airport Knock (IWAK) and Waterford but excludes the States own airports i.e. Shannon and Cork.

As I outlined to you previously, Shannon Airport is the lifeblood of the regional economy. It supports not only jobs in the airport, but employment across the broader business and tourism sectors that are so vital to the West of Ireland economy.

¹ <https://www.atn.aero/#/article.html?id=77886>



These businesses right along the western seaboard who rely on air connectivity to sustain their operations need critical air services from Shannon Airport to the UK, U.S. and particularly in the context of Brexit to a central European hub. But none of these air services will be viable until the markets recover which experts say could be 2024.

In the context of the COVID-19 pandemic, which is ravaging the aviation sector across the globe, we are calling on Government to provide financial supports for these vital air services until they can return to normal commercial levels of activity. We are asking Government to support us to ensure that these routes are not lost to the Region.

Shannon Airport is a valuable state asset that needs to be protected and supported and we would hope this will be provided for in the National Economic Plan to be published next month.

Summary

We have taken many short-term difficult decisions in Shannon Group to deal with COVID-19 in order to preserve our businesses for the future. As an airport operator we have done everything in our power to help us navigate our way through this global crisis. It has been a very difficult time for our employees and customers. But all of these measures will not solve the problems facing our industry. It is now imperative we find a way to safeguard and financially support vital connectivity.

Shannon Airport supports not only jobs in the airport, but employment across the broader business and tourism sectors that are so vital to the West of Ireland. In doing so, it delivers on Government's stated aim of a balanced national economy envisaged under Project Ireland 2040.

Our business and the wider aviation, tourism and hospitality sectors in particular have weathered many economic storms in the past but never on such a scale. While we will eventually recover from the economic impact of COVID-19, it will undoubtedly take a number of years for activity levels to return to anything like normal and we need collective action now to safeguard this vital industry.

Shannon is more than an airport. It is a symbol of this region's progress, evidence of this region's innovation and when thriving, an example of this region's success and prosperity. Most importantly it is the hub that connects this region's people and industry with the world and this will be needed more than ever as we recover from this crisis.

Mary Considine
CEO
Shannon Group



APPENDIX

Background on Shannon Group

Shannon Group is a commercial semi-state company and our mandate from Government is to ***“promote and facilitate air transport and aviation services in and around Shannon Airport, and to optimise the return on its land and property and its shareholding in any subsidiary company.”*** We employ more than 600 people across our businesses - Shannon Airport, Shannon Commercial Properties and Shannon Heritage. Through our International Aviation Services Centre (IASC), we also support the development of a cluster of over 80 aviation companies based at Shannon Free Zone in County Clare.

The Group is a key driver of economic growth in the Mid-West and along the Atlantic seaboard. Our activities support 46,000 jobs in the region; the connectivity the Group provides through Shannon Airport is vital for the business and tourism industries located in our region enabling them to live locally but trade globally.

Since the Group’s establishment in 2014, we have demonstrated our commitment to our region and balanced regional development by investing €126 million to build world-class property solutions that have attracted FDI and indigenous companies to locate in the region and create jobs, upgrading our core airport infrastructure and facilities at Bunratty Folk Park. In that time, occupancy rates at Shannon Free Zone have grown from 40% to over 90%.

To the end of 2019, we had 23% growth in airport passengers, and visitor numbers to our Shannon Heritage sites had almost doubled, growing from over 520,000 in 2014 to almost one million in 2019.

Ends