

Good afternoon Chair, Deputies and Senators

Thank you for the invitation to speak at today's meeting

We are all aware of the impact that COVID-19 has had on the aviation sector. Over the last number of weeks, you have heard from several witnesses that have attested to a fall in airport passenger numbers of roughly 80% by the end of this year and that the aviation sector is unlikely to fully recover from the fallout of the pandemic before 2023. As it stands the reinstatement of routes lost to date will be based on commercial decisions taken by airlines. During the recovery there is a risk that airlines will focus on Capital airports given the size of their catchment area and this will have serious implications for the timeline of the restoration of routes in regional airports and as a consequence the speed of the economic recovery.

This is concerning not only for the aviation sector itself but also for the many businesses and organisations that depend on the operations of the airports within our regions. As a small island economy connectivity is crucial. Regional airports in particular play an important role in not just attracting FDI to a region but also in retaining it. Furthermore, regional airports make significant contributions to the national economy. For example, Cork and Shannon airports contribute approximately €1bn and €3.6bn respectively to the Irish economy.

Limerick Chamber along with our colleagues in Ennis, Galway and Shannon Chambers (who together represent 1,200 member organisations supporting 105,000 jobs) recently met with Ministers Ryan and Naughton to discuss our concerns regarding the future of Shannon Airport. We welcomed indications from the Ministers regarding their commitment to supporting regional growth and put forward several short and long term requests in support of the aviation sectors recovery including the implementation of the Aviation Recovery Taskforce recommendations. Further details on these requests are included in your briefing documents.

We acknowledge that all airports are currently benefiting from the Employment Wage Subsidy (EWS) scheme, commercial rate waivers and that Shannon and Cork airports have received capital funding in Budget 2021. The announcement on Tuesday of an additional support package worth €50 million to support the aviation sector in the short term is very welcome.

Since the outset of this pandemic we have urged the Government to be strategic in their response to this crisis. COVID-19 has shone a light on some of the most fragile elements of our economy. As a society we face a number of challenges particularly with regards to ensuring that this crisis does not exacerbate existing inequalities or more particularly, regional imbalances.

This is not a regional versus Dublin argument. For Ireland to thrive, Dublin needs to thrive but so do the Regions. These do not need to be competing interests.

National policy recognises the key role that airports play in supporting growth in the regions. Yet some worrying trends have begun to emerge in recent years particularly with regards to national passenger share. Between 2013 and 2019 passenger numbers at Shannon grew by 270,000 and in Cork by 342,000. Dublin Airport in the same period however, exhibited growth in passenger numbers of 12.8 million and last year won 96% of all new passengers into Ireland. In light of this worrying trend Limerick Chamber commissioned Copenhagen Economics to carry out a review of national aviation policy and its impact on Shannon and other regional airports (the findings of which were presented to the then Taoiseach, Leo Varadkar, and Minister for Transport, Shane Ross). No one could have foreseen the devastating crisis that would unfold in the months following the report's publication.

A more detailed overview of the report's findings is included in your briefing material. I will just touch on the main elements here but I am happy to take questions on any element of the research during today's session. Copenhagen Economics most significant findings include:

- The existence of significant regional disparity. Since 2002 GDP per capita has grown by 8.3% in Dublin while other regions such as the West and Mid West have experienced economic growth rates of less than 3%.
- Recent developments in passenger numbers show that the capacity at Dublin Airport is increasingly under pressure, whereas the capacity in regional airports is increasingly underutilised. The spare capacity of regional airports needs to be actively leveraged in support of a balanced approach to economic growth with an attendant reduction in pressure on Dublin as a consequence.
- The dominance of Dublin airport in an Irish context should not be viewed as a natural state of affairs and such dominance is certainly not common in the EU. Other small open economies, where a similar concentration in market share has been observed, have implemented policy initiatives to counteract the dominance of the national airport and mitigate negative impacts on other airports. Schiphol is the only national airport with a larger share of the total number of passengers than Dublin, and Dutch aviation policy has recently capped the number of aircraft movements through the national airport to alleviate bottlenecks in and around Amsterdam. Similar intervention by Governments have been seen in other countries most notably, but not exclusively, Austria.
- There is no level playing field between state and private airports. Both Cork and Shannon airports have historically been excluded from accessing capital supports under the Regional Airports Programme despite meeting EU criteria for such

desperately needed aid. To give an example of this, Shannon Airport (a State controlled airport) utilised its own resources and borrowings when upgrading its runway at a cost of €15m, whereas private airports can access 75% of the funding from the State for similar projects. (The recent €16.5m capital funding announcement for Shannon and Cork is helpful but it neither remedies the issues of the past nor provides comfort for future needs).

- National Aviation Policy in its current form does not support Project Ireland 2040. While national and regional policy (i.e. Project Ireland 2040 and the Regional Spatial and Economic Strategies) recognise the strategic importance of airport infrastructure for economic growth, no targets have been set for the development of airports outside of the Capital. Furthermore, no formal links exist at present between route development and FDI strategy despite a ‘clustering’ principle currently being put forward as the key theoretical foundation for future economic growth in the regions.

If we are to address regional imbalance in a serious fashion then the patterns that have emerged in the airports sector must not be allowed to continue. In the midst of this crisis we should take the opportunity to address existing issues so that our new normal will not just replicate a damaging status quo but instead support targeted policy actions that develop our regional economies. What might this look like in the case of the airports sector? We should of course start with the ‘low hanging fruit’ like: (i) allowing Cork and Shannon airports official access to the regional airports programme; (ii) implementing a fund to support route development from regions outside of the Capital; and (iii) ensuring that Project Ireland 2040 and enterprise policy aligns with aviation policy. More challenging reforms relating to the potential redistribution of traffic are more medium to long term objectives, but it is crucial that the necessary discussions begin now so that this can soon become a reality.