

DÁIL ÉIREANN

AN COMHCHOISTE UM IOMPAR AGUS CUMARSÁID

JOINT COMMITTEE ON TRANSPORT AND COMMUNICATIONS

Dé Céadaoin, 23 Meitheamh 2021

Wednesday, 23 June 2021

Tháinig an Comhchoiste le chéile ag 12.30 p.m.

The Joint Committee met at 12.30 p.m.

Comhaltaí a bhí i láthair/Members present:

Teachtaí Dála/Deputies	Seanadóirí/Senators
Joe Carey,	Jerry Buttimer,
Cathal Crowe,	Gerard P. Craughwell,
Michael Lowry,	Timmy Dooley,
Darren O'Rourke.	Gerry Horkan.

I láthair/In attendance: Deputies Maurice Quinlivan and Violet-Anne Wynne.

Teachta/Deputy Kieran O'Donnell sa Chathaoir/in the Chair.

Business of Joint Committee

Chairman: Apologies have been received from Deputy Duncan Smith. Deputies Maurice Quinlivan and Violet-Anne Wynne will substitute for Deputies Darren O'Rourke and Ruairi Ó Murchú in the second part of our meeting today.

Merchant Service Providers in the Travel Trade in Ireland: Discussion

Chairman: The first session is a discussion is on merchant services providers in the travel trade in Ireland. The purpose of today's meeting is to discuss with the Commission for Aviation Regulation, the role of merchant service providers in the travel trade in Ireland. This is part of the committee's ongoing work on the impact of Covid-19 on the aviation travel industry sectors. On behalf of the committee, I welcome to today's meeting Ms Cathy Mannion, commissioner of the Commission for Aviation Regulation, CAR, and Mr. David Hodnett, deputy commissioner of the Commission for Aviation Regulation.

I will now read the note on privilege. Witnesses are reminded long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name, or in such a way as to make him, her, or it identifiable, or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. Therefore, if their statements are potentially damaging to an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative that they comply with any such direction. For witnesses who are attending remotely from outside of the Leinster House campus, there are some limitations to parliamentary privilege. As such, they may not benefit from the same level of immunity from legal proceedings as a witness who is physically present does. Witnesses participating in this committee meeting from a jurisdiction outside of the State are advised that they should also be mindful of their domestic law and how it may apply to the evidence that they give.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside of the House or an official, either by name or in such a way as to make him or her identifiable. I remind members of the constitutional requirement that members must be physically present within the confines of the place which Parliament was chosen to sit, namely Leinster house and-or the Convention Centre Dublin, in order to participate in public meetings. I will not permit a member to participate where they are not adhering to this constitutional requirement. Therefore, any member who attempts to participate from outside of the precincts will be asked, reluctantly, to leave the meeting. In this regard, I ask any member partaking via Microsoft Teams that, prior to making their contribution to the meeting, they confirm that they are on the grounds of Leinster House campus. For anyone watching this meeting online, Oireachtas Members and witnesses are accessing this meeting remotely. Only I, as Chair, and the necessary staff essential to running the meeting are present in the committee room. Due to these unprecedented circumstances, and the large number of people attending the meeting remotely, I ask for everyone's forbearance should any technical issues arise. However, it has been pretty good of late.

I now call on Ms Mannion, who has roughly five minutes.

Ms Cathy Mannion: I thank the committee for the opportunity to tell it about what we do in relation to the travel trade sector. By way of background, the Commission for Aviation Regula-

tion was established in 2001. We have a number of duties. These including the following. We set the maximum price the Dublin Airport Authority, DAA, can collect from airport charges at Dublin Airport. We review the costs and revenues of the Irish Aviation Authority, IAA, as air navigation service provider. We license Irish-based air carriers and authorise ground-handlers. We investigate complaints about flight cancellations, delays of at least two hours, and instances of denied boarding. This is more usually referred to as “EC-261 rules”. We investigate complaints about assistance received by passengers with reduced mobility. We license travel agents and tour operators established in Ireland and administer a bonding scheme for licensed travel agents and tour operators. We process claims if a travel agent or tour operator goes out of business. I now turn to describe our work in relation to the Irish travel trade sector.

Tour operators and travel agents established in Ireland apply to our organisation for a 12-month contract. These licences are usually renewed in April and October of each year. We spread them out between the April and October round. We issue a licence when the company has fulfilled certain criteria. This licensing framework has been in place since 1982, although it has been updated over the years to reflect the ongoing monitoring requirements and a number of European directives that came into play in the intervening years.

To give the committee a feel for the number of licences, in 2020, we issued 181 licences - 24 for tour operators and 157 for travel agents. This is a reduction compared to 2019 when we issued 211 licences. During the year, we monitor our licensees, where they provide us with a variety of information, including monthly and quarterly management accounts and audited annual accounts. This is our only role in relation to solvent tour operators and travel agents.

We have a second role and this is where, unfortunately, a tour operator or travel agent is unable to fulfil its obligations to its customers and becomes insolvent. As part of the licensing process a tour operator is required to put in place a bond calculated as 10% of its projected licensable turnover. Effectively, that means its forecast future sales for the years ahead. It must give us a bond for 10% of that amount. For travel agents, a figure of 4% applies. These same figures have applied since the 1980s. In the event that a tour operator or travel agent becomes insolvent, we call on their bond to cover the cost of consumer claims. Where the bond is insufficient, there is also in place a travellers’ protection fund. This is used to cover legitimate claims, where the size of the claim exceeds the amount of the bond. In this way, the customer is completely covered for legitimate claims. In principle, the insolvency protection arrangements cover packages - for example, accommodation, flights and transfer from the airport to the hotel would be considered a package - where travel starts in Ireland and where the package has been cancelled due to the insolvency of the licensee. There are some requirements that need to be met for the claim to be included in the scheme. In addition, flights from Ireland, booked through a licensee are also covered. It is important to bear in mind, though, that certain sales are not covered. These include accommodation only, and items such as visas and insurance. The important factors are it is a package, the travel starts in Ireland, and the package is cancelled due to the insolvency of the licensee.

Under secondary legislation dating back to 1983, claimants have 60 days from the date of the collapse to make a claim to us. We are in the process of extending the claim period to 120 days to provide affected customers with more time to submit a claim to CAR. In fact, we have had that in place since Monday of this week and it has been completed. One of the concerns raised by merchant service providers was that we had only a 60-day period. We have now extended that period to 120 days, which aligns with some of the period they apply for customers making a claim to them, something I will come to later.

In June 2020, the Government introduced a refund credit note scheme. This allows licensed tour operators and trade agents to offer refund credit notes to their customers where a booking has been cancelled due to Covid-19 travel restrictions. By voluntarily accepting a note, customers could book another package holiday in the future and the Government will back the value of the note in the event of insolvency. This arrangement was put in place to provide additional support to travel agents and tour operators, which are required, under a recent European directive, to provide a refund to customers in certain circumstances. This arrangement allowed them to offer their customers a refund credit note and that allowed the companies more time to get their own rebate from their suppliers. At the same time, the Government provided that the travellers' protection fund would be maintained, which was another important aspect of the additional arrangements put in place last year.

As the committee will be aware, merchant service providers give travel agents and tour operators the ability to accept debit and credit cards in payment for goods and services and they charge for this facility. I understand, from travel industry representatives, that some providers have required significant upfront financial security deposits. CAR is not a party to these discussions and does not play a role in these commercial relationships. It is a matter between the merchant service provider and the business in question.

There is one point of interaction between merchant service providers and CAR and this relates to how consumer financial protection arrangements operate in the event of a travel agent or tour operator becoming insolvent. Following an insolvency, an affected customer may seek to recover moneys from us or from the merchant service provider. If the customer submits a claim to CAR, it falls under the insolvency protection arrangements. The customer may also request the credit or debit card provider to consider reversing a transaction because the travel agent or tour operator has not delivered the services paid for. This is called a charge-back.

In early 2016, in discussions with some merchant service providers, we provided clarity on how our two processes should work. We agreed that CAR would be the first point of contact for the customer. Therefore, if we determined that the customer should be paid under the insolvency protection arrangements, the customer would then not be considered in the charge-back process. This gives clarity to the merchant service provider that the person will come to us first and we will determine whether he or she is part of our scheme. If the person is part of our scheme, he or she will not be included in the merchant service provider scheme. If we determine that the claim is not covered in whole or in part under the insolvency protection arrangements, we notify the claimant accordingly and he or she can provide this information to his or her credit or debit card issuer where he or she chooses to explore the charge-back route. This is an important point. In this way, we provide clarity to the merchant service provider about what our role and its role are, and we are the first point of contact. It goes through our service first, before going down the charge-back route.

As for our process for reviewing claims, when a travel company becomes insolvent, its customers can access a claims form on our website, *aviationreg.ie*. We then assess each submitted form, together with all supporting documentation such as receipts, itinerary and proof of purchase. At the end of this process, we decide whether the claim can be settled in full, in part or rejected, and we notify the claimant accordingly. The claimant has an opportunity to have the decision reviewed, and in a number of cases, we have reviewed decisions.

At the end of this process, if the claim is not covered in whole or in part by Ireland's insolvency protection arrangements, and if the claimant has paid by credit or debit card, we suggest they may be entitled to a charge-back from his or her bank and that the claimant contact his

or her bank if this is the case. We suggest they provide the bank with our communication as evidence that the claimant does not have a claim under the bond or refund credit note scheme of the insolvent travel company.

It cannot be any clearer than that. The consumer goes through our process first. If they get the money from our process, all well and good, and if they are not eligible under our scheme, we communicate this to them and he or she brings that to the bank in order that the bank will know that the consumer has been through our process first. In addition, where we can, we have provided any necessary clarity to merchant service providers that have contacted us over the years about how Ireland's insolvency protection arrangements work and what is covered by the scheme.

I will conclude with a summary of recent insolvencies. In 2020, six collapses resulted in claims, the largest of which was USIT Travel Limited, which ceased trading on 27 March. In total in 2020, we received more than 3,600 claims and these have been closed out. In 2021, there has been two insolvencies, the later of which was Joe Walsh Pilgrimitours Limited, which ceased trading on 27 April. To date, we have received roughly 2,489 claims relating to Joe Walsh Pilgrimitours Limited. We are reviewing these claims and have started to pay out on them.

I hope the committee now has a clear view of our role in respect of the travel trade in Ireland.

Chairman: I thank Ms Mannion.

Deputy Darren O'Rourke: I thank Ms Mannion. This meeting was prompted by concerns raised by the travel agency sector. Ms Mannion referred to significant sums. The sector is reporting that in some instances, a cash security of €1.5 million is being sought at short notice. It has expressed concern that this may have an impact on the sector and that it may, in fact, contribute to and cause failures within the sector. It has raised a further concern that there has been no indication or basis outlined for the decisions being made by the merchant service providers. There have been references to risk but there is no proof of that risk and no clear indication. There has been a suggestion that a differentiation has not been made between the bonded system here and the non-bonded system elsewhere, or between Britain and Ireland. The processes employed in Britain are just being transferred to Ireland in an entirely different context, and that is of concern.

Is the commission aware of that concern? Does it share that concern for an industry for which the commission has responsibility in licensing? Does Ms Mannion have an opinion on how that issue could be resolved? What level of engagement has the commission had with the merchant service providers, for example, and what have been their asks? I note the point about the 60-day period versus the 120-day period. Have there been any other requests? What useful role can the committee play in supporting efforts to find a quick resolution to this issue?

Ms Cathy Mannion: As I said, CAR does not have any part to play within the commercial arrangements between the merchant service providers and the travel trade. For our part, we need to try to be as clear as possible about what we do. In 2016, it was very important to have clarity as to whom customers should go first, ourselves or the merchant card providers. Such clarity reduces the risk providers might see in other markets. The consumer comes to us first, we deal with the claim and, where it is not part of the our scheme or arrangements, the consumer can choose to seek a chargeback.

As the Deputy noted, we have moved from 60 days to 120. That was in response to requests from service providers and followed discussions with our Department. I just wanted to say those key things. Our door is always open. If any of the providers want to talk to us about what is in the scheme, what is outside it and the process we use, we are always happy to speak to them. That is as much of a role as we can play in this area.

Deputy Darren O'Rourke: There are real concerns about this. I do not know who the relevant authority is. Is it the Central Bank, the merchant service providers, MSPs, themselves, the Minister, Deputy Varadkar, or the Minister, Deputy Ryan? Perhaps this can be amended as further contributors come in but I propose that the committee write a letter with regard to this issue which has been identified. There is a real question mark over whether the process here is fair in light of the real risk that exists, given the fact this is bonded sector.

I also ask that the committee write a letter with regard to the cliff edge the sector new faces with the regard to the Covid restrictions support scheme, CRSS. My understanding is that it has been confirmed the sector will not be supported beyond 12 July and so faces a real cliff edge. I am clear this is something on which the Ministers, Deputies Varadkar and Ryan, should be contacted. It is important there be that focus, given the precarious state of the sector as a whole as a result of the implications of Covid.

Chairman: With regard to the second matter, the CRSS, we will write a letter. That is straightforward. The scheme needs to be extended. On the first item, we may continue with our deliberations and questions and get a complete picture. That is why we have Ms Mannion and Mr. Hodnett before us today. We will then, as a committee, write to whomever we need to write to and do whatever further work we need to do. It is a good suggestion but we are just starting the process.

Deputy Darren O'Rourke: We will tease it out further for sure. I thank the Chair very much. We can tease that out and hear from more contributors.

Chairman: We will now move to the Fianna Fáil slot. Senator Horkan has five minutes.

Senator Gerry Horkan: I thank Ms Mannion for her presentation. I am only a new member of this committee so I am not as familiar with the topic as some of the other members but, from what I am seeing, it seems merchant service providers want to have it both ways. If an operator gets into trouble or enters liquidation, the Commission for Aviation Regulation is there, but the MSPs seem to want extra deposits and extra security on top of that. Is that the case?

Ms Cathy Mannion: As I said, we operate an insolvency protection scheme but only for certain packages. Certain things such as accommodation-only packages and insurance are not covered by our scheme. These might be covered by a merchant service provider's chargeback arrangements. As to what they charge for their services, I am not party to that and do not know. All I have heard is what the travel traders have said to the committee.

Senator Gerry Horkan: The commission's role is to provide a service in respect of tour operators, as they were known in the past, operating package holiday arrangements. That is the commission's sole responsibility. Its bonded scheme does not apply to people who book flights separately from accommodation or accommodation separately from flights.

Ms Cathy Mannion: We license the travel agents and tour operators. Our bonding arrangements cover packages and flight-only arrangements.

Senator Gerry Horkan: If an airline were to get into difficulty, the commission would provide refunds.

Ms Cathy Mannion: No, the arrangements apply in respect of the insolvency of a travel agent or tour operator.

Senator Gerry Horkan: Okay. The commission's scheme does not cover airlines that get into difficulty.

Ms Cathy Mannion: That is not covered by the scheme. The scheme has to do with the insolvency of tour operators or travel agents who cannot provide a service.

Senator Gerry Horkan: If a customer has paid for a package deal with a tour operator, everything the consumer has given to the tour operator is covered.

Ms Cathy Mannion: The scheme applies where the package cannot be performed as a result of an insolvency of a travel agency or tour operator. The legislation is quite specific on this point. We have to look at matters case by case. What I am giving the committee today are the high-level principles of how it works. Generally, if a package is booked and the travel agent or tour operator becomes insolvent resulting in it not being possible for the package to be taken, we step in. Sometimes the travel agent might become insolvent but the customer has all the necessary information on the booking and so can go on the holiday. An insolvency does not mean every customer will not be able to take a holiday. It depends on the case in question.

Senator Gerry Horkan: In the case of a tour operator failing, the commission will repatriate people or make sure people can go on their holidays regardless. Is that the case?

Ms Cathy Mannion: We give them a choice between continuing with the package and claiming back the cost of the accommodation when they return - customers generally pay for the flight first so that is generally good to go - and asking for all of their money back if they do not want to go anyway and make a claim subsequently.

Senator Gerry Horkan: With regard to the mechanism, is it the case every travel agent pays into the scheme?

Ms Cathy Mannion: It is for travel agents established and licensed in Ireland. There are many laws involved, some of which date back to 1982. Generally, an agency has to be licensed in Ireland to avail of the scheme. There are other rules that can be enforced in Ireland but I do not propose to get into them today because they involve different sorts of arrangements.

Senator Gerry Horkan: Okay, it involves all tour operators licensed here. How does the levy or the scheme work?

Ms Cathy Mannion: As I said, we license the travel agents and tour operators each year and we monitor their financials during the year. We require them to put in place a bond of 4% of expected turnover for travel agents and 10% for tour operators. We monitor them during the year to ensure the value of the bond is in line with the projected licensed turnover as the year progresses. If, unfortunately, one of these companies becomes insolvent, that money can be drawn down. It is like money in escrow. We have first call on it. We draw down the money and use it to settle claims. If that money is insufficient, Ireland has a travellers' protection fund, which Government ensures is sufficiently funded to cover any excess.

Senator Gerry Horkan: It is not the case that every tour operator puts money into the

scheme so that, if one fails, the others pick up the tab.

Ms Cathy Mannion: With regard to the way the scheme currently works, if we go back to 1982, it used to be that only tour operators paid into this travellers' protection fund. Mr. Hodnett might want to step in on that. I believe this arrangement ended in 1987. Since then, the money has been increased over time.

Mr. David Hodnett: Each tour operator or travel agent puts in place a bond relative to its business. The Travellers' Protection Fund was collected in the 1980s. It is a State fund and it sits behind that. It pays out to the customers of the company that happen to be affected by the insolvency.

Senator Gerry Horkan: That happens when there is an issue because of a greater amount than is sufficient from the tour operators bond. Is that correct?

Ms Cathy Mannion: Yes.

Mr. David Hodnett: That is correct.

Senator Gerry Horkan: Generally speaking, in the past five or ten years has the bond covered the amount? Have the bonds of the tour operators covered the shortfall when something goes wrong?

Ms Cathy Mannion: We looked into this some years ago. We find that we are drawing more on the Travellers' Protection Fund over time. This is perhaps because the way the market operates compared to the 1980s has changed with the advent of the Internet and how people book things. It is something we looked into in the past and we will probably be looking into again with the Department in time.

Senator Gerry Horkan: There was a time in the 1980s when we did not have the likes of Ryanair offering independent flights and people tended to go on their holidays with tour operators far more than they do now. Do we have an idea of how the volume of business has changed? How has it fallen over time in respect of the tour operator market?

Ms Cathy Mannion: No, we do not.

Chairman: Ms Mannion, do you have any concluding remarks on this question? Many other members are looking to get in.

Ms Cathy Mannion: I do not have those figures but those in the travel industry suggest 10%. Mr. Hodnett will correct me if I am wrong but those in the industry say that licensees have approximately 10% of the market.

Senator Gerry Horkan: My thanks to Ms Mannion and Mr. Hodnett.

Chairman: We will now move on to Senator Buttimer. He has led on this issue in the committee and asked for the officials from the Commission for Aviation Regulation to come in. Senator Buttimer has five minutes.

Senator Jerry Buttimer: I welcome Ms Mannion and Mr. Hodnett to the meeting and thank them for being here. Senator Horkan has covered many of my questions in the context of where we are at today. I believe the merchant service providers are being disingenuous and unfair to the travel agents. Clarity is needed around this scheme and I hope we can get clarity

around the packages mentioned.

The merchant service providers have been in correspondence with the Department of Transport. I have seen an email from the Department of Transport to a representative of AIB Merchant Services. It is fair to say that the merchant service providers have been asked in the context of the matter we are discussing to bring clarity and they have not brought clarity. Has the commission engaged with the merchant service providers at any level?

Ms Cathy Mannion: Whenever they contact us to talk to us about any part of the scheme, we have an open door and we meet them and talk to them. We give them what clarity we can about how the scheme operates, what we cover and what the process is and information about the definition of the different parts of packages.

Senator Jerry Buttimer: Given the legislation and the robust bonding we have in place, the merchant service providers are being unreasonable. Does Ms Mannion agree with that?

Ms Cathy Mannion: I am sorry to say I do not have a view on that. I would say it is not within our scope of work unless it is part of the commercial arrangements between the providers and the companies.

Senator Jerry Buttimer: It is not within the scope of work of the commission. What is the risk to the merchant service providers? On a scale of one to ten, with ten being high-risk and one being low-risk, where would the commissioner put the risk? Will Ms Mannion answer that?

Ms Cathy Mannion: I cannot because I do not know the details of what is being requested by the service providers.

Senator Jerry Buttimer: Where should the committee take this matter next? No matter who we are, for a merchant service provider to decide that 30% or another percentage of the total value of future bookings is the risk is not in line with CAR bonding levels relative to turnover. That level has broadly worked out for the past 30 years, with a couple of exceptions. Let us take the 30% figure or the €1.5 million being asked of a travel agent. Given that the agents have had no trading in the past 18 months and that we have a high bonding indemnity here, surely that is unfair.

Ms Cathy Mannion: I do not have a view on that. All I can say is that this is the scheme we operate. We encourage the customer to come to us first to deal with claims.

Chairman: What is the legislation under which this bond is in place and under which the Commission for Aviation Regulation operates? Which Department? What legislation does the commission operate under to look for bonds from the travel agents and tour operators? What is that legislation?

Ms Cathy Mannion: It is the 1982 Act.

Mr. David Hodnett: The full title is the Transport (Tour Operators and Travel Agents) Act 1982.

Chairman: Which Department?

Mr. David Hodnett: It is under the Department of Transport.

Senator Jerry Buttimer: The statutory instruments have moved to 120 days. Again, this gives the merchant service providers further security in the context of our debate today. Let us consider the behaviour of the merchant service providers. On 4 May, the Department of Transport wrote to AIB Merchant Services. The Department said the Minister had received representations from licensed travel industry operators about significant changes to terms being applied by merchant service providers arising apparently from a reappraisal of the risk profile. Has the commission been made aware of any of that?

Ms Cathy Mannion: We have heard this from the travel trade representatives that have spoken to committee members.

Senator Jerry Buttimer: Given the number of supports that the Government has given and put in, surely there is another route the committee can take in respect of merchant service providers. Deputy O'Rourke made reference to a proposal. I would put an amendment to it to invite in the merchant service providers. It is important that we give support to the travel industry. It is important that we support the travel agents who have not done anything wrong. They are being asked for outrageous amounts of money. I believe there is a possibility that the merchant service providers are confusing the UK with Ireland.

Ms Cathy Mannion: All I can do is repeat that whenever we speak to them, we are clear on the process that we run. The consumer comes to us first before going the chargeback routes.

Senator Jerry Buttimer: Our legislation is clear that all merchant service providers refer all chargeback claims to CAR in the event of financial collapse. Is that not correct?

Ms Cathy Mannion: It is in the first instance. My understanding is they do not deal with the claim until they get the letter from the customer through us to say that it is not included in the arrangements.

Senator Jerry Buttimer: Is it not correct that the merchant service providers are better protected by the regulator and consumer legislation in Ireland?

Ms Cathy Mannion: I do not know the detail of the legislation in the UK.

Senator Jerry Buttimer: My thanks to the commissioners for being here this morning.

Chairman: Has CAR sought legal opinion? The commissioners have travel agents and tour operators coming to them with this issue. Has CAR sought legal opinion on the rules under which the merchant providers or banking providers operate in Ireland? Does the framework enable CAR to say that as long as travel agents and tour operators comply with the bonding requirement as set out under Irish law, CAR can instruct them not to look for a higher bond level? Has CAR sought legal opinion on that?

Ms Cathy Mannion: We have not sought specific legal opinion on that but that does not lie within our legal remit. As I said before, that is the commercial arrangement between the service provider and the agent.

Chairman: Under national legislation from the Department of Transport, the commission is dealing with travel agents that are legally registered in Ireland and operating here.

Ms Cathy Mannion: Yes, that is the scheme we operate.

Chairman: I respectfully suggest that as part of our overall review of this, the commission

would look to get legal opinion on whether its remit extends in that area. There is a lacuna here. The practical implication is that it may put travel agents and tour operators out of business in Ireland. Many jobs are involved in the tourism sector, so we ask the commission to examine that area. Beyond what we are going to do as a committee, there is a need for that lacuna in the law to be examined.

Deputy Ruairí Ó Murchú: I thank our guests. Ms Mannion has covered some of what I was going to ask. The commission has engaged with the merchant service providers and told them exactly what is going on. They are not confused about how the commission operates, the extent of their risk or the process they have to follow. Is that fair to say?

Ms Cathy Mannion: Yes, we are very clear on what our process is.

Deputy Ruairí Ó Murchú: In those circumstances, it would not be wild to state that demanding up to 30% of projected turnover in a bond is absolutely unfair and uncalled for. I agree with the Chairman that there is a lacuna here. There is a failure to regulate or control this. We should invite in the merchant service providers but we probably need to examine where regulation is necessary. We all failed when we were considering the Air Navigation and Transport Bill 2020, which will change the nature of how CAR is going to operate. The regulatory parts, in any event, are going to become part of the IAA.

Ms Mannion has made her case in regard to that. We have put on the table that the merchant service providers are being utterly unfair and that we need to find a means of dealing with that and asking them the direct questions. What is the timeline, as Ms Mannion sees it, and what changes does she foresee in regard to aviation regulation as this new legislation is put into operation? What is her view on it? Beyond that, is there scope for new regulation that could deal with this?

Ms Cathy Mannion: The regulatory forum is a great opportunity to bring best practice into the Irish market, so I am really looking forward to our merger with the safety regulation division of the IAA. It is always best to be part of a larger strand or organisation. In short, the sooner, the better. I hope it will all be in place by September or October of this year, if we get through all the necessary processes.

Mr. Hodnett might wish to comment.

Mr. David Hodnett: I have nothing to add.

Deputy Ruairí Ó Murchú: I appreciate that. Obviously, all legislation will have weaknesses that need to be examined, not least from a point of view of best practice regulation. Sometimes it is only through interaction with all the stakeholders and by putting something into operation that we can see those weaknesses. There is a definite difficulty for travel agents and they are being dealt with utterly unfairly. There is a failure, too, at State level. I accept that Ms Mannion cannot comment at length in respect of that but we as a committee need to deal with it.

I am happy enough to return to the other members whatever time remains because I know we will be under time pressure.

Deputy Cathal Crowe: I understand that in her heart of hearts, Ms Mannion would probably agree with much of what we have to say, but that given her role, she has to be above politics and above committing to positions insofar as travel agents are concerned. I accept that she will not be able to agree with what I have to say but I want to use a little of my time to make a brief

statement. As a sector, travel agents have been ravaged. They pay a bond fee to the Commission for the Aviation Regulation, at 4% of their annual turnover, as a safety net to ensure that if somebody goes totally insolvent, or if there are issues with air fare refunds, there will be some clawback and something there to protect them.

What I have been alarmed by over recent months is that these merchant service providers are on the wings. Depending on how one views them, they are either an asset to protect the consumer, which they are, given that a person can book by card and there is an additional safety net there, or a vulture to many in the sector because, in some instances, they demand cash security deposits as high as 30% of projected turnover. In one case in Ireland, they demanded a cash security deposit of €1.5 million, which was absolutely ludicrous and would be crippling for businesses that are trying to function to some degree of normality and have fallen well short of that over the past 15 months. They are striving to recover, but that will be impossible when they are being charged more than seven times what the commission requires them to hold as a bond. The merchant service providers are hanging around asking for seven times that. I accept that Ms Mannion cannot comment on this and I have heard what she said in response to other members, but I just wanted to make that point.

Ms Mannion sat on the aviation recovery task force last year. One aspect of its report related specifically to the commission's role and I want to home in on it. Recommendation No. 5, on Dublin Airport, states:

The regulatory regime as overseen by the Commission for Aviation Regulation (CAR) should continue to apply to Dublin Airport, with a planned Interim Review of the current price-cap determination to be held in the coming months. Airlines should continue to pay all airport and air navigation charges relating to Dublin. The Government should provide a rebate directly to the airlines of all Dublin Airport charges and air navigation charges as paid by the airlines. This would represent State Aid, and it would have to be notified to the European Commission for approval in accordance with State Aid Rules.

People have bemoaned the fact that recommendations from the aviation task force have not been implemented. Again, I do not expect Ms Mannion to comment on that, given that the task force met as a broad entity and we are not individualising this. Nevertheless, one issue I have seen in the report is that it was intended for the continuance of the commission's regulatory functions at Dublin Airport, so it still has all of this scope.

As we approach the end of June and look to 19 July as a date from which international air travel will resume, and as we look to the sector bouncing back, is there anything Ms Mannion can say to people who are tuned in and who work in the aviation sector, such as travel agents and others who are concerned about where the sector in general is going, in regard to how pricing charges and the regulatory framework that is in place can be used in a positive discriminatory way to ensure that air travel into and out of Ireland will be shared better with the regions, rather than funnelling everything through our national airport? Dublin Airport is important - do not get me wrong - but it is equally important to have economic recovery in the regions and air travel to them. Is there anything in the current regulatory framework that could be used as a positive discrimination tool?

Ms Cathy Mannion: Our remit is to set the charge for Dublin Airport. As the Deputy said, we are going through a process of reviewing that. We had a determination in 2019 but its underlying assumptions became invalid when Covid emerged because the airport's passenger

numbers dropped by up to 90% due to the devastating effect it has had. Since then, there have been two changes to prices for Dublin Airport for 2020 and 2021, effectively suggesting we keep them as they are. We are in the process of consulting all interested parties as to what we should do from 2022 onwards.

Deputy Cathal Crowe: I accept that Ms Mannion is quite curtailed in regard to what she can say.

Deputy Michael Lowry: I thank our guests for their submissions, which have been informative. The questions I had intended to ask have been answered. Travel agents have appeared before the committee previously and I know many of them personally. They have had a desperate two years and are under considerable pressure to survive. At a time of crisis in the industry, excessive burdens are placed on travel agents. Compliance is a big issue. Anomalies have been highlighted at this meeting and we will need the merchant service providers to appear before the committee. In 2020, the commission issued 181 licences, including 24 tour operator licences and 157 travel agent licences. Part of the commission's role is to monitor a variety of information including monthly and quarterly management accounts, and annual accounts. The impression we have is that when those 181 licences come up for renewal in October, there will be a significant reduction in the number applying because they are not able to survive the current crisis. From the commission's information on ongoing checks on travel agents and tour operators, does it feel that there will be 181 applications again in October or does it think that will be reduced significantly?

Ms Cathy Mannion: We completely agree with the Deputy about the devastating impact on the travel sector. It has had a difficult time, which we fully appreciate. Against that background, much of the industry was relicensed last year, which seems positive. They battened down the hatches and managed costs as well as they could.

Regarding this year, we are finding that for the most part, businesses are on top of their costs. They are hanging in there, waiting for something to improve. For many of these companies, bookings in the summer and the months afterwards are of vital importance. Even in the latest round, many people were licensed, which is positive. It gives me a feeling that they are managing the situation as well as they can. I know it is difficult for them but for the most part, they are doing their best to hang in there and to wait for an uptick in sales.

Senator Timmy Dooley: Anything that was of interest to me has been asked. I concur with Deputy Lowry that we should have the merchant service providers before the committee. It might give us an opportunity to understand the rationale behind some of their actions. Maybe we can schedule that at an appropriate time.

Chairman: I will conclude with a few questions. The bond that is paid is 4% of turnover for a travel agent and 10% for a tour operator. What turnover figure does the commission look at?

Ms Cathy Mannion: It is the forecast for the 12 months covered by the licence. It is what the business expects to sell in the following 12 months.

Chairman: Is that a calendar year?

Ms Cathy Mannion: The April round would be from 1 April to 31 March in the following year. We are finding that the projected turnover is reduced for this year compared with last year. The bond potentially remains the same but the level of the bond has reduced.

Chairman: Do they have to pay physical cash?

Ms Cathy Mannion: They have a choice. It can be a bank bond, insurance bond or cash bond.

Chairman: Are they typically cash bonds or insurance bonds?

Ms Cathy Mannion: I do not have the breakdown, but I can get it for the Chairman if he would like it. Many are bank bonds. Off-hand, I cannot remember the specifics.

Chairman: Am I correct in saying that the only person who has access to that bond is the customer? The merchant providers do not. Am I correct in that assumption?

Ms Cathy Mannion: If a company becomes insolvent, we access the bond in full.

Chairman: If a payment had been made to the travel agent, which it put through for the customer, and the entity it was dealing with becomes insolvent and the provider has paid the money, is it purely the customer that can submit a claim to the commission?

Ms Cathy Mannion: Yes. We encourage customers to make a claim to us. As soon as the company becomes insolvent, we put up notes on our website and we try to get as much information as possible to consumers. On occasion, we have got people in the company to help us to contact all the consumers. It works quite well in some cases where we actually get the company to work with us. Generally, it wants to work with us to look after its customers and make sure they get their money back.

Chairman: The merchant providers have little, if any, contact with the commission on a financial level.

Ms Cathy Mannion: They have no contact with us apart from the fact that if insolvency occurs, we let them know because it is important that they know. If they communicate to consumers that their claim has been rejected in whole or in part by our scheme, they can take that to their bank.

Chairman: This is slightly unrelated. I note that the Commission for Aviation Regulation is responsible for the scheduling, co-ordination and allocation of slots at Irish airports. How does that work? I assume that has nothing to do with the allocation of slots outside this jurisdiction.

Ms Cathy Mannion: No. We have responsibility for the slots at Dublin Airport because it is a constrained airport.

Chairman: Is that the only airport? It does not arise in respect of Cork Airport or Shannon Airport.

Ms Cathy Mannion: They are not constrained airports so that level of regulation is not required.

Chairman: What does “constrained” mean?

Ms Cathy Mannion: It means that many airlines want to use the airport and it needs to be co-ordinated to make sure it is used as effectively as possible.

Chairman: Might I suggest that if more passengers were transferred to Shannon Airport and Cork Airport, there might not be the serious, continual congestion in Dublin Airport?

I will bring Senator Buttimer back in. As it stands, it is clear from all members that there is a lacuna. We need to invite the merchant providers in. I suggest that we write to the Department of Transport. The legislation is coming from Mr. Hodnett. It is Department of Transport legislation. What is its view on this issue? We might also write to the Central Bank about the financial regulation of providers. The more immediate issue is that we have a sense of urgency about getting merchant providers into the committee so that we have an overall view. The travel agent and tour operator sector is important. It has come through a difficult time. This measure that the merchant providers are looking at is placing an impossible burden on the sector. Deputy Lowry asked how many will renew their licences. I suggest that if this measure continues, far fewer will renew it. We need to cover that.

Senator Jerry Buttimer: I was going to redouble on the request to bring in the merchant providers. As a committee, we should look at the potential in the Air Navigation and Transport Bill, when it comes to the Seanad, to try to address that lacuna. I thank Ms Mannion and Mr. Hodnett. It is important that we do not let this matter rest today.

Chairman: When we write to the Department of Transport, we will address the Air Navigation and Transport Bill too.

Senator Jerry Buttimer: I thank the Chairman.

Chairman: I thank Senator Buttimer. I thank Ms Mannion and Mr. Hodnett for attending today's meeting and engaging with the committee. We will come back to this matter. We ask Ms Mannion, for the sake of completeness, to seek legal opinion to be certain about the legislation on the Commission for Aviation Regulation and merchant providers. She might let us know the outcome of that.

Sitting suspended at 1.29 p.m. and resumed at 1.38 p.m.

Issues facing the Aviation Industry: Discussion (Resumed)

Chairman: We are continuing our discussion on aviation. We are discussing the proposals on supports that are necessary to ensure rural air connectivity, with specific reference to Shannon Airport, with the Shannon Chamber in association with the Irish Hotels Federation. On behalf of the Shannon Chamber we have its director, Mr. Kevin Thompstone, and from the Irish Hotels Federation, Ms Elaina Fitzgerald Kane. They are both very welcome. It is sunny in Limerick. I am not certain where Mr. Thompstone is based today, but I have no doubt it is in the mid-west.

Mr. Kevin Thompstone: I am in Shannon.

Chairman: That is good. Witnesses are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person or entity by name or in such a way as to make him, her or it identifiable, or to engage otherwise in speech that might be regarded as damaging to the good name of the person or entity. If the witnesses' statements are potentially defamatory in relation to an identified person or entity, they will be directed to discontinue their remarks. It is imperative that they comply with any such direction. For witnesses attending the meeting remotely outside of the Leinster House campus, there are some limitations to parliamentary privilege and as such they may not benefit from the same level of immunity from legal proceedings as witnesses physically present do. Witnesses

participating in this committee session from a jurisdiction outside the State are advised that they should also be mindful of their domestic law and how it may apply to the evidence they give.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable. I remind members of the constitutional requirement that they must be physically present within the confines of the place in which Parliament has chosen to sit, namely, Leinster House or the Convention Centre Dublin, in order to participate in public meetings. I will not permit a member to participate where he or she is not adhering to this constitutional requirement. Therefore, any member who attempts to participate from outside the precincts will be reluctantly asked to leave the meeting. In this regard, I ask that prior to making his or her contribution to the meeting, any member participating via Teams confirm that he or she is on the grounds of the Leinster House campus.

I now call on Mr. Thompstone to make his opening statement. I am very much looking forward to this. We have been looking to set up a meeting on these proposals for quite a while.

Mr. Kevin Thompstone: I thank the Chairman and members of the joint committee for inviting me and 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 the Government to aid the restoration of air connectivity to Ireland and recover routes that were viable before 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, the Aer Lingus employees and 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. It is against that background that 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 we have prepared 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. That time span is based on EUROCONTROL's most optimistic forecast for a return of Europe's air traffic to 2019 levels.

The three funding levels are the following. First is multi-year capital expenditure funding to enable our regional airports to survive during the recovery period. Funding of the order of €32 million annually has already been provided by the Government, and we welcome that. That level of funding will need to be sustained over the period of the crisis. The second category of funding is a doubling of Tourism Ireland's tourism marketing funding from €47 million to €94 million, together with an industry activation fund of €92 million over three years, as called for in previous task force reports to the Government. Finally, and as covered in the aviation task force report from last year, is a fixed euro amount per passenger to subsidise airport charges to enable airlines to restore critical routes to and from North America, the UK and Europe as soon as possible.

To substantiate the business case, particularly for the last item, the fixed euro amount per

passenger, we have prepared a detailed traffic recovery support scheme, which we call the TRSS for short, 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 in other parts of the world, 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 €20 million and €39 million for Shannon Airport for the period July 2021 to June 2024. It is calculated based on giving airlines a percentage refund of monthly all-inclusive passenger charges. The idea is that they will get the refund based on the percentage of traffic they deliver to an airport compared with the same month in 2019. To be eligible for a refund, an airline would need to achieve or exceed monthly traffic thresholds. All the detailed assumptions are set out in the model we have shared with you, Chairman. While the calculations are based on Shannon Airport's traffic figures for 2019, the model can also be used to quantify the funding requirement for all airports, based on their 2019 traffic levels, using the CSO data we have added to the model.

We welcome the Government's special package of €80 million for aviation, which included an EU state aid approved allocation of €20 million for route incentives and charge rebates at Dublin, Shannon and Cork airports covering the winter period that has just finished. We also welcome the €200 million in horizontal supports which have been provided to the sector through wage subsidies, rates waivers and so on. 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 three-year cost of airport charges support for Shannon Airport is less than the annual local economy and Exchequer spend in respect of just three hotels in the region where I am sitting today, Dromoland Castle Hotel, Shannon Springs Hotel and the Great National South Court Hotel, Limerick.

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 we are presenting to the Government is our solution to stimulating such a recovery in Ireland, so we are very much in solution mode. Again, I emphasise that as Shannon Chamber, together with the Irish Hotels Federation and with the support of Galway, Ennis and Limerick chambers, we believe Ireland must adopt this approach, given what is happening internationally, with €173 billion given by governments globally to airlines and airports since the onset of Covid-19, and that is just up to December 2020. We will be facing into a very competitive aviation 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.

Chairman: I thank Mr. Thompstone. We now move to the members. First up is Fianna Fáil and Senator Dooley.

Senator Timmy Dooley: I welcome Mr. Thompstone and thank him for the body of work he has done. Knowing him for as long as I have known him, I am not at all surprised by the quality of his work and the level of detail contained therein.

Chairman: Senator, I will not take from your time and will allow you to start again, but some members' loudspeakers are on, so will everyone go on mute? There is a lot of feedback.

I ask members and witnesses to check their settings.

Senator Jerry Buttimer: I apologise to Senator Dooley, but there is also a message appearing on the screen that there is someone waiting in the lobby, just so you know that, Chairman. I do not know what that is about.

Chairman: Senator Dooley, you may recommence. My apologies.

Senator Timmy Dooley: I have a couple of questions to start. We are hearing from airlines that are looking for State support and funding. According to Mr. Thompstone's analysis of what is occurring in countries across Europe and elsewhere that are trying to attract business and generate a recovery, has there been a mixture of funding for airlines and airports or is it more the role of the airport to ensure that connectivity is linked to a region? We had representatives of Aer Lingus before the committee yesterday. Mr. Thompstone may have had an opportunity to see the proceedings. We were trying to understand why an airline such as Aer Lingus would not make commitments to an airport such as Shannon Airport even though the State is providing significant support to it through loans, etc. From Mr. Thompstone's experience, does he believe one of the best approaches is to support the airport in the region with the necessary funding to ensure connectivity, and that this is ultimately how we might best achieve the balanced-----

Chairman: We shall suspend the meeting for some minutes to resolve a technical issue.

Sitting suspended at 1.51 p.m. and resumed at 1.53 p.m.

Chairman: Could Mr. Thompstone start his response to Senator Dooley from the beginning? We will add on a little bit of extra time at the end.

Mr. Kevin Thompstone: The critical thing we are trying to achieve is lower airport charges for airlines. If they have lower airport charges, that increases their potential to restore routes they were previously providing. When we looked at what was happening around the world, we found that the airport in Copenhagen, for example, is providing airport charge rebates, starting at 45% this year, to airlines that are connecting Copenhagen to global hubs. We found this was being done in Cyprus as early as last summer. In Spain, the authorities have introduced a system that is very straightforward and simple. They are saying that a rebate will be given on airport charges *pro rata* based on the level of traffic this year compared to that in 2019, before Covid.

The critical piece in our model is that the Government would provide the airport with the cash needed to pass on lower airport charges to airports. Why do we say "to airports"? It is because the airports currently do not have any income stream because the airlines are not flying. If they can be got back flying, an income stream will come in. The airports need the income stream to run their operations. It is for a defined period. We have modelled from July of this year to June 2024 to coincide with the optimistic scenario coming from EUROCONTROL. The idea is that, for the defined period, regional state airports, in particular, would get a sum in euro per passenger and, in turn, pass on the saving to the airlines, but with the incentive that if the airline hit a threshold based on 2019 levels of traffic, it would get back a portion of its airport charges *pro rata*. We start the rate at 35% this year, rising to 50% next year, and then to 70% and, ultimately, 80%. Indeed, if an airline reached a higher level, it would also get back a *pro rata* rebate. If it reached 100% of its 2019 level, it would get back the full rebate. The arrangement is designed to be very straightforward and easy to understand. If 2019 levels are reached, one gets back a proportion of the airport charges.

Senator Timmy Dooley: That is very good. I thank Mr. Thompstone. To some extent, his proposal can be used by all airports. From my observation of what is happening across Europe, the same kinds of things are being done for all airports. Coming from the Shannon region – others will have a similar view – I believe it is about ensuring the best outcome as the recovery takes place in Ireland, which is ultimately a small island where airlines are trying to consolidate for the obvious reason that they are under enormous pressure. They are trying to consolidate out of one location, principally Dublin. Is there anything in the schemes Mr. Thompstone has devised that can be applied exclusively to Shannon Airport? The bottom line is that if there is a scheme that covers all airports, they will try to reduce their costs, as we know. They have already got rid of the crew base at Shannon Airport. Mr. Thompstone, from his experience, will be conscious of the state aid rules and all that go with them, as am I. Is there an imaginative way to design a scheme that would protect the foundations at Shannon Airport so we could build upon them to protect and enhance the recovery in the region?

Mr. Kevin Thompstone: In response to what Senator Dooley is saying, the first point is that in July 2020 the Aviation Task Force, in its recommendations on airport charges, said the Commission for Aviation Regulation should decide on charges for Dublin Airport as it would normally. Separately, for the regional airports, particularly the regional State-owned airports of Cork and Shannon, there is a need for some kind of intervention to incentivise airlines to come back in. The proposal we are putting forward would be for the regional airports, including those in Shannon and Cork but also those in Donegal, Knock and Kerry. The reason for that, from a state aid point of view, is that we are trying to minimise the red-circling. The more one red-circles in respect of a geographical area or sector, the greater the issues from a state aid point of view. Therefore, we are trying to make it very much a regional issue. After that, it is really up to the airports and airlines to work together. The most innovative airports will attract the traffic in the end. Shannon Airport has a strong base from which to work. One should remember that we are talking about restoring routes that were viable up to 2019. It is not about new business; it is about getting back the Shannon-Heathrow, Shannon-New York and Shannon-Boston services and so on. This also applies to other airports. The services in question are what provide the passenger feed for the hospitality and leisure sectors and what enable internationally traded companies in Ireland, be they foreign owned or Irish owned, to engage with their customers and supply chains and so on. The connectivity is vital. It is very much about regional connectivity.

Senator Timmy Dooley: I thank Mr. Thompstone.

Deputy Joe Carey: I thank the Chairman. I welcome Mr. Thompstone and Ms Elaina Fitzgerald Kane from the Irish Hotels Federation. Like other members from the Clare and Limerick region, I have had a lot of engagement with the Shannon Chamber around this proposal, which I believe is a very strong proposal. It is evidence based and a lot of work has gone into it. I welcome that it is a collaborative approach between the Irish Hotels Federation and the chambers of commerce at Shannon, Ennis, Limerick and Galway. It is a strong combined effort. I propose that this committee would endorse the proposal in full and that we would put our whole weight behind it as a committee to recommend to Government that it adopts this approach. There have been some lifesaving measures provided by the Government in supports but we need a pathway forward and we need to ensure that it is a multiannual approach. There is a strong emphasis on multiannual in this report, be it capital expenditure funding or incentives around passengers and marketing. Shannon Airport is so important to the mid-west and the western region and to all the hospitality and businesses that need this vital connectivity. I want to emphasise that point. Will Mr. Thompstone please explain how important the Heathrow route is to Shannon and to the mid-west, and especially for business connectivity?

Mr. Kevin Thompstone: I would be happy to do that. The Shannon-Heathrow route is a scheduled service and we have three flights a day. Pre-Covid we were at about 40 flights a week. That Shannon-Heathrow connectivity connects Ireland to a global hub in London Heathrow. In my day-to-day commercial business I spend most of my time in countries around the world, be it in Africa, the Middle East Asia and Europe. I would fly to a client's location for one week or two weeks. Typically, I could be found at 5.30 p.m. on a Saturday evening catching that Shannon service into Heathrow and then I would take an overnight flight from Heathrow and arrive into southern Africa or the Middle East or Asia. What is interesting about doing this regularly is that I meet other business people, from not just the Shannon free zone but also from Galway, Limerick and other areas who are catching that very same flight. We will also usually meet in the connection centre at Heathrow going to all corners of the earth. Similarly, the route is a vital link for the tourism side. Transatlantic connection is very important but Heathrow is also a source for generating a significant amount of back haul traffic into Shannon Airport and the wider Wild Atlantic Way.

I will put this into perspective. Transatlantic Shannon Airport numbers in 2018 would have been the bones of 500,000 or 450,000 passengers on transatlantic services. Consider hotels such as Dromoland Castle in Clare. It would have had about 16,000 American bed nights up to 2018-2019 and 75% to 80% of those would have come through Shannon Airport. That business is gone. The same situation applies to many of the Irish Hotels Federation member companies that Elaina is representing today. A scheduled service like that and the connectivity it provides to a global market is absolutely vital for the hotel industry, the hospitality industry and the leisure sector. It is also vital for foreign direct investment and Irish owned businesses who are trading internationally. Such connectivity is a critical piece of economic infrastructure and is not available to us today.

Chairman: I thank Mr. Thompstone. I will now move to the Sinn Féin slot. Substituting for Deputy Darren O'Rourke is Deputy Maurice Quinlivan.

Deputy Maurice Quinlivan: I will start by confirming to the Chairman that I am in the convention centre.

I thank Mr. Thompstone for his presentation. I was very interested in reading the traffic recovery support scheme, TRSS, statement on how that would work. Perhaps Mr. Thompstone will give us some figures on how he came up with the projected numbers that he has. I assume that they are coming from the European model of what will come out after recovery. Mr. Thompstone has answered most of the questions I had about being back to the 2019 levels, and if the airlines do not reach that level they do not get a refund or whatever. Obviously then there is the exponential growth and the more flights they bring in the more passengers they bring in. I do not have to tell anyone in this room how important the flights are - especially those Shannon-Heathrow connections - for the economy, for business and for families. A lot of Irish people have family connections in the UK and there are ongoing connections too. Will Mr. Thompstone outline for the committee the concerns that the chamber is getting from business people? Are they concerned about the cabin crew base going from Shannon? Do the businesses see this as a threat to the Heathrow slot? Are they telling the IHF that they are concerned about that? Will Mr. Thompson give us feedback on what he is hearing from the businesses?

I would also like some more information on how Mr. Thompstone has modelled the figures. I worked in the travel industry for 19 years and I know how difficult it is to get routes in and especially to bring them back once they have ceased being with an airline. My time is very short and I appreciate Mr. Thompstone answering those questions.

Mr. Kevin Thompstone: I thank the Deputy. On the TRSS and how it works, at a minimum level and just month by month, consider July this year for example. We would say to airlines that if they hit a minimum level of 35% of the traffic they had in July 2019, we will give them back the same proportion of their airport charges. We are not saying that it is 1%, 2% or 3%: the airlines must hit a minimum threshold. We want something back from the airlines, which is a minimum level of traffic. If the airlines hit that we would give them back their airport charges *pro rata*. If they go above that and hit 50%, 60%, 80% or 100% they will get back those charges also. If every airline was to hit 2019 levels of traffic just at the threshold level of 35% this year, going up to 50% next year and graduating up to 80% the total cost would be €20 million over the three years of the programme. If every airline was to hit 100% the total cost would be €38 million or €39 million. This is the equivalent - at the upper end - of what three hotels, for example Dromoland Castle, Shannon Springs Hotel and the South Court Hotel in Limerick, would pay out in wages and Exchequer contributions annually. So the payback is very quick.

With regard to the Aer Lingus decision to close the cabin crew base at Shannon, it is regrettable. I particularly feel for the Aer Lingus employees and staff there. While I do not know many of them not personally, as a frequent user of the airport I know all of their faces and their names. It is important to emphasise, however, that although Aer Lingus is taking the crews out this does not necessarily mean that Aer Lingus will not be bringing the services back. It would mean that they will have to position crews into Shannon. The business community's questions on this are about whether there are any implications for the timings of flights in and out of Shannon airport as a result. The same would apply to Cork Airport if any such decision was to be made there in the future. I heard the CEO engaging yesterday with the chairman. Aer Lingus is obviously under significant financial pressure and are now looking at every angle to cut costs. This brings us back to why the traffic recovery support scheme is so important. We must recognise that for a defined period of time the airports are going to be in difficulty and need to be sustained during the recovery period. That is when governments should be intervening, when there is a market failure and when there is a problem particularly with economic infrastructure. I put it to the committee that connectivity to Heathrow, to Europe and to north American market is a critical piece of economic infrastructure to the whole of the Atlantic economic corridor, wherever one is in that space.

Deputy Maurice Quinlivan: I thank Mr. Thompstone for clarifying that. I also have a query on the Shannon-Heathrow slot which is critically important to us. Mr. Thompstone said that he flies out to Africa, to Asia and other places. I know many people who are doing similar things. My concern is that when an airline is not based in Shannon, we are depending on flights coming elsewhere. If a flight goes technical out of Dublin first thing in the morning, then we are goosed. I know Aer Lingus has claimed it will not do that, but our job as public representatives is to keep the pressure on in that regard. I believe the TRSS is a very good scheme. I am sure other airlines will do something very similar. We need to ensure we sell it as best we can. People have vented their frustration. They want to travel as soon as soon as we can get through the pandemic.

Deputy Cathal Crowe: I thank Mr. Thompstone and Ms Fitzgerald Kane for being appearing before the committee. As the Chairman and other members know, there is significant engagement with Shannon Chamber, the Irish Hotels Federation and all who hold Shannon close to their hearts and have concern for the airport. Far more happens beyond the Joint Committee on Transport and Communications.

I have read Mr. Thompstone's document, which was already presented to us in the county

some weeks ago. What is proposed is very innovative. Three countries, Spain, Denmark and Cyprus, have operated schemes along the lines of the suggested traffic recovery support scheme. Mr. Thompstone is correct to say that this money will recirculate in the economy because landing planes on the tarmac in Shannon means that the passengers they carry will exit the airport and, invariably, spend their money in local shops and restaurants. They sleep overnight in local hotels. The economy is cyclical. The money comes back in and goes around. It is similar to the way people said the construction industry works in that 70% of the money circulates right back through the economy again and everything comes full circle.

Intervening in Shannon has effects throughout the region. The two are interlinked. They are cogs of a wheel going in the same direction. The economy in our region lives and dies in Shannon. I do not use the word “dies” in a pessimistic way. They are so symbiotically linked such that if one is damaged, the other also gets damaged. The proposed scheme is very innovative. It would involve a sliding scale that would take account of where figures are on a seasonal basis and thereby would allow the Exchequer to adjust. That is a point I have been making to my colleague, the Minister for Public Expenditure and Reform, Deputy Michael McGrath. This intervention can absolutely work. The document is self-explanatory.

I want to change my questioning somewhat. I commend the witnesses before us. Two and a half years ago, they came forward with a document to reinvigorate Shannon Airport and air connectivity into an out of the mid-west. I refer to the report compiled by Copenhagen Economics and commissioned jointly by the chambers of commerce in the mid-west. It was issued at a time when Shannon was faltering and trudging along because it was competing against Dublin. Things were not very rosy. However, this document has a new sparkle to it because it is very relevant as we get beyond 19 July and as we look towards summer scheduling and, moreover, a recovery.

This needs to be looked at in tandem with a capital expenditure, capex, per passenger intervention involving a capping of the number of passengers who can land at the capital’s airport. Before people in Dublin start jumping on Twitter, I am not looking to shut Dublin down. This works very successfully in the Netherlands where there is an annual cap of 500,000 flights into that nation’s capital airport. That has resulted in many airlines using the airports in Eindhoven, Rotterdam and The Hague. It has driven far more traffic and given rise to a 6% to 10% boost in air travel via those airports. That was one of the recommendations from a year and a half or two years ago. Does Mr. Thompstone believe that is still in the mix?

Mr. Kevin Thompstone: The Copenhagen Economics report, as it is now known, was led by Limerick Chamber with the support of the other chambers, the very same group that is involved here today. It is indicative of how important chamber members regard connectivity through airports in the regions. Every argument I am making here today applies equally to Cork Airport as it does to Shannon or any other airport in the western region. The Copenhagen report highlighted that very few if any countries in Europe or the rest of the world have the level of concentration of air traffic that Ireland has on Dublin with over 90%. In February, the Government announced the route incentive scheme which was very welcome. It provided €26 million of which €20 million was for Dublin, Cork and Shannon airports. As the incentive scheme is based on 2019 levels of traffic, by definition most of it will go to Dublin Airport. We need a strong capital city and we need a strong Dublin Airport, but we also need strong regional connectivity. Our issue is with the level of concentration in Dublin.

The rationale for either capping or incentivising more traffic into Cork and Shannon is to reduce the level of congestion. One of the things we have learned from the Covid pandemic is

that there is a significant premium on space - space around people and ability to move into and out of an airport quickly. We can contribute to the Covid solution by bringing more traffic into Cork and Shannon airports. It is not an either-or in that sense. It is not about equity. It is about coming up with something that is sensible for our economy, for our country and for our people.

This comes back to the argument for intervention. If we do nothing and just leave it to the market forces, then the Copenhagen Economics people will be back in two, three, four or five years' time and that number will be 99%, which would not be good for the country.

Deputy Cathal Crowe: One of the eye-openers of the past 18 months has been the minuscule level of air cargo into and out of Shannon Airport. Apart from a Turkish Airlines 747 which lands there quite regularly, DHL flights etc, there is very little cargo traffic. Some 1% of cargo leaving Ireland goes by air. I was alarmed to see crates of cargo from Boston Scientific, each valued at €1 million, on pallets on the apron of Shannon Airport to be trucked overnight to Heathrow, to fly back over our skies again to the United States.

We all talk about passengers who go on the ground and spent money in Ms Fitzgerald Kane's hotel and other hotels throughout the region. Based on its long runway, the capacity of its hangers etc., does Mr. Thompstone envisage the potential for more air cargo into and out of Shannon airport in tandem with this? I thank Mr. Thompstone and Ms Fitzgerald Kane.

Mr. Kevin Thompstone: There certainly is a future for cargo. It could be high-value low-volume goods in the belly of aircraft that are carrying passengers. During the pandemic, a very high volume of cargo traffic has come through Shannon Airport. It is a very competitive business which is why some cargo goes by road. One of the things we have learned during the pandemic is that businesses value choice. We need multiple points of connection to our key markets. It is strategically weak for us as a country to have everything go through one seaport connection as we have discovered through the UK. The very same argument applies to air cargo. I definitely see potential in that space for airports in the western region.

Deputy Cathal Crowe: Mr. Thompstone has my full support and I thank him for all the work he is doing.

Chairman: The committee will endorse the report. To which Departments has Mr. Thompstone sent the report and what response did he get?

Mr. Kevin Thompstone: As a number of the committee members have mentioned, we have had a number of briefings with Oireachtas Members in the wider region. We had very good engagement with them. On 6 May we would have presented to the Minister of State at the Department of Transport, Deputy Naughton. She was accompanied by advisers and Department officials. We had a good engagement that day. We have shared all the documentation the members have, namely, the business case from March, the more detailed presentation in May and the Excel model that backs everything up, with the Minister for Transport and senior members of Government. We have a meeting scheduled, the latest date I have for it 16 July, with the Minister for Transport, Deputy Eamon Ryan, and we look forward to that engagement.

As I emphasised, we are here today to talk about the need for an action plan. We cannot just wait and leave it to the market. That action plan has to be put together now. We cannot wait until all the public health issues are resolved. Now is the time to plan. That plan must be multiannual; it cannot be just for a winter period or a summer period. It has to be in line with the forecasted recovery, which in the most optimistic scenario is looking like 2024. It also has

to be funded. There is a defined period of time for this.

Chairman: We very much support this document. We will write to the Minister for Transport and the Government indicating our full support for it. We will be engaging with the Minister, Deputy Ryan, in the Chamber next week; this is a matter members will be able to raise with him.

I want to touch on two issues. Regarding the scheme the group has put in place, if an airline carries 35% of the passenger numbers it had in a month, say, July, in a previous year, and if its passenger numbers for that month were 100,000, it would have to carry 35,000 passengers in the month of July. If its numbers increase to 50% of the passenger numbers for that relative month, how much funding would the airline get back from the Government? What funds will Shannon Airport get from the State? To drill it down, if the airline carries 50% of the passengers in a respective month relative to that month in a previous year, which is 15% above the 35% figure, how much funding it get from the State?

Mr. Kevin Thompstone: The way it would work is the airline would have to hit the threshold, a minimum of 35%. If it were to hit 50%, it would get back 50% of the airport charges. That is why there is a minimum cost and a maximum cost in the scheme. The minimum cost is if they just hit the threshold.

Chairman: If an airline were to hit 100% of its traffic number in July this year relative to July 2019, it would get 100% of the charges refunded.

Mr. Kevin Thompstone: Yes, exactly. The reason for that is we want to incentivise airlines to do as much as possible but at the same time there is a minimum floor they must hit.

Chairman: I have a follow-up question. Will the same scheme apply for the four years or will it be a scaled scheme reducing over the four years?

Mr. Kevin Thompstone: The scheme would apply over the four years but we would change the threshold every year. We are assuming market conditions will improve and, therefore, the likelihood of airlines coming back will increase. We would start this year with the summer season with a threshold of 35%, we would drop it down in the winter season to 30% because that is when it is hard to get airlines flying. During next year's summer season we would move it up to 50%, in the following year we would move it 70% and then we would move it to 80%. It would have a stepped effect.

Chairman: Which other member state of the European Union has a similar scheme in operation for which it has received state aid approval?

Mr. Kevin Thompstone: The scheme that stood out for us was the Spanish one. We modelled the solution we have proposed for Ireland on the Spanish system.

Chairman: It got European approval for that.

Mr. Kevin Thompstone: As far as I know, yes. It is up and running and operating. I do not have the slide in front of me but we have replicated its promotional piece in the documentation we have provided to the committee.

Chairman: I assume Iberian Airlines would be availing of that, which as you well know is part of the same group as Aer Lingus. Would it be fair to say that?

Mr. Kevin Thompstone: Yes. The scheme is run by AENA, which is the airport body for all Spanish airports. It is not restricted to any airlines. Any airline flying in and out of Spain would be eligible. It would include Iberian Airlines.

Chairman: It could arise that an Irish airline such as Aer Lingus or Ryanair would be getting funds under the Spanish scheme. It could put our industry here at a comparative disadvantage if this scheme were not in place.

Mr. Kevin Thompstone: Yes. A key element of state aid is European law does allow for exemption from the normal anti-competitive rules in emergency situations. That is exactly what we have. That is how Lufthansa, Air France and KLM have been able to get support from their governments.

Chairman: Has Mr. Thompstone looked at the multiplier effect? If the State provides funds to Shannon Airport for these route supports has he examined the multiplier effect and the net cost to the State overall? Has he had an opportunity to examine it in that level of depth?

Mr. Kevin Thompstone: The example I gave was the hotels. Three hotels in one year would pay back, through wages and Exchequer contributions, the cost of three years of the scheme. To return to an earlier question from the Chairman, if the airlines were to hit 100% of their 2019 levels over the full lifetime of the programme, the State would get its payback in one year from just three hotels.

Chairman: I will move on to the hoteliers. I welcome Ms Fitzgerald Kane, president of the Irish Hotels Federation. The federation is seeking to double tourism marketing fund from €47 million to €94 million. Can Ms Fitzgerald Kane indicate what impact that will have? As one of the premier hoteliers in the region, will she give us an overall perspective on the impact on her members and tourism in the region with respect to Covid and what is happening in the aviation sector?

Ms Elaina Fitzgerald Kane: I thank the Chairman for his question. I thank the members for this opportunity to speak with them. We appreciate their time and interest. With respect to Covid, ours is a decimated industry that operates in a symbiotic relationship with aviation. We ran at a level of 30% of our overall revenue last year. We have had five months of closure. We are taking baby steps into recovery as part of the quasi reopening we have in so far as we are open to residents only or for outdoor service. To give members an indication of the summer months, what would be considered the peak season of June, July and August, hotel occupancy in Limerick city is running at 16%. Essentially, that means only one out of every ten bedrooms is occupied. Ours is the worst performing region in the country despite all the fantastic amenities we have. It was great to see Fáilte Ireland's development plan launched this week.

In essence, hotels across the country, in the main, are only existing because of the life support they have been on from the Government perspective. The outlook is poor. We could not be confident about it, particularly in the context of international travel. There is some uncertainty about the sector reopening on 19 July. If the reopening goes ahead, and everybody hopes it will, we also hope public health plans will progress, but what will that look like for the sector? We are cognisant a number of southern European countries, in particular, announced very early when they would reopen. They have made some progress ahead of us. There is also a sense of progress markers. At what points will we see changes in that respect?

As Mr. Thompstone mentioned, our tourism industry is worth €9 billion. Some €7 billion

odd of that comes from overseas and less than €2 billion comes from the domestic market. Irish people have been fantastic in supporting hotels across the country last year when they could but Covid has had a major impact. During the worst period of the pandemic in our 270,000 job-strong tourism industry, some 160,000 jobs were lost.

In the areas represented by the Shannon, Limerick, Clare and Galway chambers, 50,000 jobs in the tourism sector alone would fall within those areas. If we were to extend that along the western seaboard and take into the consideration the other regional airports, for which the case is also being made today, we would be talking about hundreds of thousands of jobs. Tourism represents one in ten of all jobs in Ireland and 70% of those tourism jobs are outside Dublin. As many members know from their constituencies, sometimes tourism is the only show in town. It has a significant impact on suppliers and the retail sector. When we had the first lockdown, in my home village of Adare, the shops closed very soon after the hotels just before the lockdown. They are very interlinked. That is the reality of it. Reference was made to the business community and foreign direct investment. We cannot exist without it. Regional airports such as Shannon, Cork and the others are the lifeline to the area. We are really feeling the hit. To answer the question regarding doubling the tourism marketing fund, that was something suggested initially as part of the tourism recovery task force, of which I was a member. To give an idea of its scale, in previous times, every euro Tourism Ireland spent on overseas marketing led to €130 in tourism revenues. If that ratio of 130:1 is not return enough, it tells its own story in terms of the ability of tourism to contribute. Prior to Covid, tourism contributed €2 billion per annum to the Exchequer. We believe the impact of tourism is critical in terms of supporting Shannon. The Irish Tourism Industry Confederation, ITIC, has suggested, as has Mr. Thompson in his report, that recovery may not come until 2024 and as an island nation, we have a lot more to do, particularly given that the restrictions have been a bit tougher than what was experienced across Europe. Particularly from a regional perspective, this is a really proactive approach. It is three-pronged and looks at multi-year capex. As Mr. Thompson mentioned earlier, airlines simply have no income. It also looks at the doubling of the Tourism Ireland marketing fund and an industry activation fund because one cannot exist without the other. The last piece is the TRSS. The merits of it speak for themselves. The impact of the visitors to the area, not to mention the business community, is the glue that ties our whole region together. The committee will see a similar glue in the other regional airports as well. Hopefully, that answers the Chairman's question.

Deputy Michael Lowry: I thank the witnesses for their presentations, which were clear and easily understood. It is a sensible approach to rebuilding. I compliment them on their initiative. They have put forward a very compelling case, which is accompanied by a strong business plan. It is innovative and shows vision and ambition, which is what we require at this difficult time. It deserves moral and practical support and I have no doubt the committee will endorse the report, put its authority behind it and seek Government intervention, as outlined in the report.

We mentioned Clare, Limerick and Galway. It is also important to remember that Shannon is of significant importance to Tipperary, an area I represent, and north Tipperary in particular. A large number of our people work in Shannon or rely on the Shannon hub for connectivity. In particular, Lough Derg and our tourism sector feed off Shannon Airport and the Shannon region. Many involved in our business sector rely on connectivity through Shannon to run their enterprises properly. I listened to the Tánaiste last week in the Dáil put forward a suggestion that we should promote Shannon as a cargo hub. This indicates that there is Government support for that initiative and the witnesses should pursue this in a more formal manner and

possibly make a business plan for that particular project within the business plan. I thank the witnesses for their presentations today, which were very professional, and assure them of our support.

Senator Gerard P. Craughwell: I will not take four minutes because I know there are people from the constituency who want to get back in a second time. It is great to see Ms Fitzgerald Kane from the Woodlands Hotel in Adare here. It is the most beautiful village in Ireland. I have great memories of her hotel and am delighted to see her here. I support everything the witnesses are trying to do. I would sound a note of caution. I live in Dublin now instead of Galway. Many people on this side of the country are asking what is the big issue as with motorways nowadays, one can be in Dublin within an hour and a half, two hours or whatever. Consequently, they think there is no great need for the regional airports or the emphasis on them. I ask the witnesses to look for additional funding for marketing, particularly for Shannon and Cork airports. I will not talk too much about Cork too much because I do not know as much about it as some of those present. I first flew from Shannon in 1968 to London as a boy and have great memories of that airport.

I have significant concern about the negative press relating to Shannon because of flights by US forces. I want to put on the record that nothing illegal is happening. Those aircraft are flying in under UN chapter and are perfectly legal. We have a paper on that if anybody cares to contact me about it. I wish the witnesses the best. Some of my colleagues from the region may wish to get back in there.

Deputy Violet-Anne Wynne: I echo everybody else's welcome to the guests here today and thank them for their submissions and information, which were very informative. My questions may touch on issues raised previously. I will start with the recent announcement by Aer Lingus and the closure of its cabin crew base. In light of the fact that there has been no commitment to resume the vital Heathrow route, could the witnesses comment on the direct and indirect knock-on effects on tourism and hospitality business owners in the region they have seen or that have been relayed to them? No conclusions have been drawn on the back of numerous reviews and reports and task force recommendations have not been implemented by the Department of Transport. Therefore, very little action has been taken. How has this affected confidence in the region? This is something with which I am particularly concerned.

What does Shannon Chamber anticipate with regard to the strategic review of Lufthansa and will this result in its closure? Do the witnesses think that Shannon Group should intervene to prevent further decline in the aviation industry base at Shannon? Do the witnesses anticipate a decrease in foreign direct investment in Shannon if connectivity continues at its current rate? To date, has the Government committed to or considered a capital investment scheme such as the witnesses' proposal of the TRSS? Has the Government engaged with Shannon Chamber and taken on board the measures outlined in detail in the presentation to the Minister of State, Deputy Naughton, several months ago?

I will touch on something mentioned in the witnesses' responses. They spoke about Spain being an example of best practice or a country that has modelled their TRS scheme. In light of this, can the witnesses give us an example of what Spain has provided for regional airports akin to Shannon?

Mr. Kevin Thompstone: I thank everyone for their support for the proposal, which is very much appreciated. In response to Deputy Wynne's questions, I would always be a glass half-full person. One of the things I can say about aviation over the years having worked in econom-

ic development and in aviation, particularly in Shannon and around the area over many years, is that it is a cyclical business and there will be ups and downs. Aviation is clearly in a down phase at present. The airline industry and the wider aviation sector are impacted, which is why we are talking about Lufthansa Technik doing a review of its operations. I have been around and have seen a lot of those in the past. Many of the businesses that are there today have been through multiple ownerships but the one success we always have in Shannon is reinventing to deal with whatever issues are thrown at us from the marketplace. I would be very confident about Shannon's future from that point of view.

As I mentioned earlier, the Aer Lingus decision on the cabin crew base in Shannon is regrettable, particularly from the point of view of the people working there who are directly affected and their families. At the same time, though, I would be confident that we will see Aer Lingus flying into Shannon again. The question is when. Hopefully, it will be sooner rather than later. I would be confident because, as Ms Fitzgerald Kane mentioned earlier, right up and down the Wild Atlantic Way, we have a superb tourism project. We know there is pent-up demand around the world for that. With Tourism Ireland getting the marketing funding we are proposing on the back of previous task force recommendations, we believe the message will go out to the world that Ireland is open for business.

If we can back that up with the route incentive scheme we are proposing today, there will be a market for the future. The same also applies to foreign direct investment. We have blue-chip companies, most of them run by Irish people, regardless of where the ownership is, up and down the Atlantic economic corridor, whether it is in Castlebar, Galway, Ennis, Shannon, Limerick or Cork. We have a strong base there and we have good, practical Irish and non-Irish people working in those businesses. They will push, as they have always done, to make sure those businesses succeed.

That brings us all the way back to the reason we are here today, which is that governments intervene when there is market failure. We clearly have market failure now. Our recommendation is to intervene for a defined period during the recovery to enable that critical mass we have, be it in tourism, hospitality, leisure, manufacturing or the international service industry to realise its potential, as we have shown in the past. If the Government does that, it will get the payback as our numbers have shown.

Chairman: We will now move to Senator Buttimer, who has four minutes.

Senator Jerry Buttimer: I will not use the four minutes. I thank our two witnesses for attending. I concur with the sentiments expressed by many members on the need to enhance regional connectivity. Not surprisingly, coming from County Cork, I have a particular Cork angle. I do not make any apology for that. I thank the witnesses for the presentation.

If NPHEET recommends to Government that we do not proceed with the roadmap for opening in July, how would Ms Fitzgerald Kane describe the impact or import of that decision to the sector if it were to occur?

Ms Elaina Fitzgerald Kane: It would have a profound impact. I am in a hotel in Dublin right now as a guest. The doors are locked for people who are not staying in the hotel. Some hotels have such a close link with their communities. When they cannot provide indoor dining, it is a huge part of their business. Not being able to reopen at a fuller scale or a restricted version of a fuller scale will have a huge impact on businesses, teams and communities. It is untenable and, in some cases, businesses have not been open for 16 months.

One of the points I will make is that we as hoteliers, and I am sure I can say this on behalf of all the tourism community, cannot wait for the point where we are not dependent on supports, which we are. They are so welcome, particularly now as we are trying to recruit people and re-train them. It is like starting all over again but the notion of not being able to proceed to the next level would have a hugely devastating effect. It is across all elements of one's business, whether it is indoor dining or weddings with a couple whose hopes and dreams have been put on hold. Any threat to international travel is untenable given the fact that other countries are open and have more clarity around their lead time and what it will look like. As an island nation, with €9 billion in tourism revenue and €7 billion of that coming from overseas, any further threat to that is just untenable. It is something I do not want to think about. It will make the road to recovery so much more difficult than it already is. That is 270,000 livelihoods in terms of tourism, not to mention the other people who are affected. We have seen that it is catastrophic.

In the context of Government, we often hear the sector was the first and hardest hit but the last to recover. That is the difficult bit and that is where we need the most help. We are very thankful for what has been put in place. If we want to get back to having sustainable levels of activity to sustain regions and communities, however, this three-point plan needs to be put in place to pivot us to be the best version we can be.

Senator Jerry Buttimer: I concur with Ms Fitzgerald Kane. I will finish on this. The issues around the tourism marketing funding, industry activation fund and route incentivisation schemes are initiatives that we as a committee should support at all levels and actively pursue. That is critical. I thank Ms Fitzgerald Kane for her presentation.

Chairman: I thank Senator Buttimer. Senator Horkan has four minutes.

Senator Gerry Horkan: As somebody who is based in Dublin but who has three west of Ireland grandparents, I wish Shannon Chamber and Ms Fitzgerald Kane the very best in everything they are doing. My local publican, Mr. Charlie Chawke, is from Adare. I know Adare very well and I believe the region has so much to offer.

I have always admired Shannon as the birthplace of things like duty-free and Irish coffee. Aeroflot's fuel farm was there in the 1980s and 1990s and so on. Shannon has been a significant part of Irish aviation forever and I certainly want to see it do well.

I would often be much happier if not everybody was flying or had to fly out of Dublin. It benefits people who do not or should not have to come to Dublin for all the flights. If we can share that aircraft and airport traffic better across the entire island, it would be good for everybody, including sometimes on days when Dublin Airport is enormously congested. Do not think that just because we are in Dublin we want to keep it all for ourselves. That is not the case.

I have a couple of questions on route incentivisation. Is that purely and only for returning traffic? It is not for new routes. It is just for routes that were there in 2019.

Mr. Kevin Thompstone: I thank the Senator. The way we set the scheme up is for the recovery of traffic and routes that existed up to 2019 that were viable. That is our whole objective. It is getting back routes that were operating successfully beforehand but because of the pandemic and restrictions on travel have not been able to operate over the period.

We said in our assumptions to the model that airlines could opt for either the existing route support schemes that most airports have already or the traffic recovery support scheme we are putting forward but not both. It is one or the other.

Senator Gerry Horkan: In terms of the airlines that are there, obviously we have had discussions about Aer Lingus. How much of the business was Ryanair's in 2019 in terms of the total passengers carried? Has Mr. Thompstone had negotiations with Ryanair on what it might be able to do if these systems were put in place?

Mr. Kevin Thompstone: I do not have the numbers to hand for the Senator. If we were to go back five, six or seven years ago, Ryanair was a major contributor to traffic at Shannon Airport. It had reduced the number of services in recent years. The great thing about Shannon Airport in recent years is that if people were taking transatlantic flights, for example, a whole range of airlines were flying transatlantic routes. Between Cork and Shannon airports, at the peak in summer 2018 I believe just short of 50 transatlantic services were coming into Ireland every week. We are not just talking about Aer Lingus but United Airlines, American Airlines and Norwegian Air. I am sure I have missed others. We have a good product.

Senator Gerry Horkan: What is the building or carrying capacity of Shannon Airport? I know it is at approximately just under 2 million for the past ten years or so. What is the actual total capacity? What could Shannon Airport comfortably handle going through it in a year? Is it 10 million or 15 million? What is it?

Mr. Kevin Thompstone: The design capacity is 3 million for the airport at the moment but most airports around the world will be able to operate beyond their design capacity

Senator Gerry Horkan: There is, therefore, plenty of spare capacity there if Shannon can handle it. That is a message our committee should take. Rather than having to build loads of extra terminals for capacity in Dublin if we get back to pre-pandemic levels, which I accept will not be today or tomorrow, we should try to make sure that Shannon Airport and the regions outside Dublin, which is a region in itself, also do well. It is in everybody's interest. I wish both witnesses the very best.

Mr. Kevin Thompstone: I thank the Senator. The points he has made are most relevant. This is not a zero-sum game. It is not a case of one versus another.

Senator Gerry Horkan: It is a win-win.

Mr. Kevin Thompstone: It is a win-win. The Senator is right. If we can reduce congestion in Dublin, it will improve the visitor and passenger experience there. Taking my own situation, for example, it also means I will not be heading off on a Friday evening or a Saturday morning to drive to Dublin, unsure of when I will get to Dublin Airport because of the traffic and congestion on the M50, and spending an extra day travelling in both directions. If you take a layman's business, passengers are flying into Dublin, spending their time there and being bussed to the Cliffs of Moher with very little local economic impact. Again, that leads to more congestion in Dublin. We know from the Covid-19 pandemic that we need more space. Yes, we need a strong capital city and Dublin Airport, but there is unrealised potential in our regional airports, particularly-----

Senator Gerry Horkan: A final question. Has Mr. Thompstone spoken to representatives from Ryanair about this scheme?

Mr. Kevin Thompstone: We have not engaged with them directly. There has been a whole range of engagement with various aviation interests, including airport leasing companies, manufacturing maintenance companies, the hotels, Tourism Ireland and the airports themselves. We have not yet engaged directly with airlines but we are very much open to doing so. It is a mara-

thon, not a sprint, so we will be working on it constantly. We started work on it back in January. That will continue over the coming months until we get the right result. It is too important for our economy. We cannot appear to get it wrong.

Senator Gerry Horkan: Shannon is a valuable asset and we need to work it as hard as we can for everybody's benefit and for the country's benefit as a whole. I thank the Chairman for letting me contribute. I thank the witnesses for everything they are doing. I wish them all the best with it.

Chairman: The witnesses will appreciate this is a topic we would like to explore but, like everyone else, we are constrained by Covid-19. We have gone over time. It is a very important subject. Phenomenal work has been done, specifically by Mr. Thompstone in respect of the document he has produced and Ms Fitzgerald Kane in her role as president of the Irish Hotels Federation. They have worked together to prepare the proposal. I also acknowledge the work of the Shannon Chamber CEO, Ms Helen Downes, along with its president, Mr. Stephen Keogh, who have also worked on the proposal. It is very practical.

The proposal for a Covid-19 traffic recovery support scheme, TRSS, which in effect supports routes, is very well researched and is grounded in fact. It seeks to restore the type of aviation connectivity that existed before the pandemic. The proposal looks at routes that were vibrant before the pandemic and Shannon specifically in terms of its huge capacity. There is a large multinational base and a large tourism sector there. How many airlines were flying transatlantic out of Shannon Airport before the pandemic?

Mr. Kevin Thompstone: There were 45 transatlantic services per week across around half a dozen airlines. It was in that order of magnitude.

Chairman: Aer Lingus was flying to Heathrow and Ryanair was also flying to the UK and elsewhere from Shannon. We are fully behind this proposal. We will follow it up with the Department and Government. Perhaps the witnesses could inform us of the outcome of their deliberations with the Minister. There is also an element of active engagement with the airlines. I ask the witnesses to provide us with feedback from that engagement.

I represent Limerick city. I know how important Shannon is to the mid-west. It is the jewel in the crown. It brings the tourists in and the multinationals into the area, and it facilitates travel from the area. We are an island nation. Along the western seaboard and in the mid-west, in particular, Shannon is key. We fully endorse the proposal as a committee. Perhaps the witnesses will also explore the cargo aspect. We must go onwards and upwards. I have not seen a proposal like this in some time. It is thought-out, specific, easy to understand, results-driven and based on viable routes. It is something we feel very strongly about.

On my behalf and on behalf of the committee members, I thank Mr. Thompstone and Ms Fitzgerald for attending today's meeting and engaging with us. It is to be hoped this will be the start of further engagement. Our next meeting will be in private on Tuesday, 29 June 2021.

The joint committee adjourned at 2.55 p.m. until 12.30 p.m. on Wednesday, 30 June 2021.