



**Shannon  
CHAMBER**

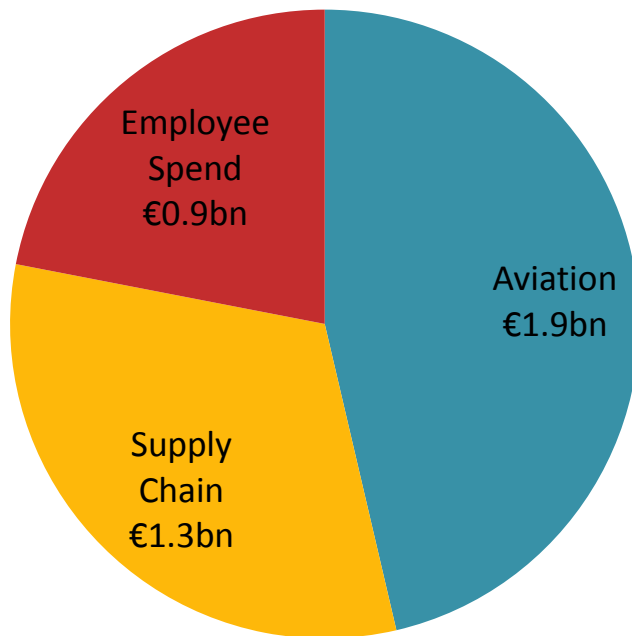


**Response  
to  
Department of Transport  
*Integrated Irish Aviation Policy  
Issues Paper***

July 2013

# Background: Importance of Aviation to the Irish Economy

**Aviation Sector  
Generates €4.1bn to GDP**



	Direct	Supply Chain
Jobs	26,000	16,000
Tax Paid	€400m	€400m

**Ratio of Inbound Tourism Arrivals  
Air: Sea = 80:20**



**Tourism Sector Generates  
€5.3bn GDP  
180,000 JOBS**

# Issues Paper – Topics addressed by Shannon Chamber

## Most pertinent to Business Community

- Airports
- Air Services
- Aircraft Leasing and Finance
- Aerospace, Maintenance, Repair and Overhaul
- Education and Training
- General Aviation

# Topic 1: Airports

Component	Questions	Shannon Chamber Response
<b>Airport Ownership</b>	What airports are critical to Ireland in future in terms of its tourism and business needs?	<p>While Dublin will retain dominant position as the country's main gateway, Shannon and Cork airports are critical to their catchment areas: Cork as a gateway to the south of the country, as a tourism hub for Cork and Kerry, also serving the business community with short-haul connectivity; Shannon as an important gateway for long-haul transatlantic services for the entire west of Ireland; and offering short-haul options to both the business and tourism sectors along the western seaboard. Shannon should also be developed as a cargo hub as outlined in the Business Aviation Task Force report. Shannon has distinct advantages - international airport with a long runway; uncongested airspace; ample adjacent land which must be capitalised on.</p> <p>Shannon Airport's catchment area is the entire western seaboard – most particularly for transatlantic travel. While the road infrastructure has improved nationwide in recent years, the criticality of completing motorways to Galway (N18 to N17) and Cork (M20) is evident, to open up the Shannon catchment area. Shannon Chamber would request that this be incorporated in the compilation of an Irish Aviation Policy.</p>
	What is the best ownership policy for the DAA and SAA and their terminals?	<p>As an island nation, aviation/access is critical to Ireland's economic prosperity. The model of State ownership of key aviation infrastructure, with airport management boards given the freedom to chart their respective airport's future, best serves Ireland's interests. Government commitment to developing airport infrastructure is critical, to encourage private sector participation/commitment in infrastructural project development.</p>

# Topic 1: Airports (continued)

Component	Questions	Shannon Chamber Response
	<p>What role should the Department, DAA, SAA and others play in Irish airport development and operation?</p>	<p>As a shareholder, the Department should continue to maintain a position of governance in Irish airport development and operation, however, as outlined in the Business Aviation Task Force report, SAA and DAA need to differentiate themselves by developing routes that economically serve the needs of their respective catchment areas. Respective airport management should strive for differentiation and offer an attractive customer experience for leisure and business travellers alike.</p> <p>Planning for future demand must be factored into the Irish Aviation Policy. Runway capacity at airports needs to match operational needs. Shannon Chamber endorses Chambers Ireland's recommendation that Ireland should position itself to respond to an airport capacity crunch as predicted in the '<i>Airports Council International Challenges of Growth 2013 Report</i>.' and be in a position to handle capacity from congested markets such as the UK and London in particular. Hence the retention of Heathrow slots must be regarded as a critical component of Irish Aviation Policy.</p>
<b>Regional Airports</b>	<p>Is it appropriate to provide exchequer subsidies to regional airports in competition with State-owned airports?</p>	<p>The current system of providing exchequer subsidies to regional airports is untenable and inequitable. With the requirement for State airports to be commercially viable and self-financing, similar determinants must be applied to regional airports in receipt of State subsidies. A fully transparent set of KPIs should be set for smaller regional airports; their proven sustainability without state subsidisation must be clearly evident. An even playing pitch is essential when it comes to support for regional airports. Market failure should be the sole determinant of state subsidisation to regional airports.</p>

## Topic 2: Air Services

Component	Questions	Shannon Chamber Response
<b>Irish Airlines</b>	Does the current policy of having two airlines with significant Irish bases support the goal of a competitive Irish aviation sector?	Given the increasing consolidation in the airline industry, Ireland needs a competitive airline environment to avoid being marginalised. Ireland needs two competing airlines, committed to delivering the level and types of services Ireland needs – particularly for short-haul routes. With long-haul split between the national carrier Aer Lingus and US airlines, strategic consideration of aircraft type by the national carrier will increase frequency and destination development. Irish businesses require frequent and easy access to key markets from Shannon, Cork and Dublin; this is best served by two competing airlines committed to delivery of broad based air services.
	What more can be done to encourage and support inbound tourism and business traffic?	Inbound connectivity to Ireland has improved in recent years, albeit mostly via Dublin, for short-haul connections. However, fares, ticket taxes and airport charges still impact demand. There is demand from the business community in Shannon for increased direct connections to key hub destinations in Europe in particular. Time, rather than cost, is a key determinant in business travel; direct routes save time and fare costs can be offset by reduced accommodation costs. New emerging markets are becoming increasingly important to the business sector in Ireland. A trusted traveler programme must be extended to all non-EU markets, with a more liberal and affordable visa regime. This is essential if Ireland is to capture its share of the fast growing Asian market for international travel. Pre-clearance facilities at Shannon and Dublin should be marketed to airlines not currently using Irish airports.

## Topic 2: Air Services (continued)

Component	Questions	Shannon Chamber Response
<b>Connectivity</b>	<p>Should Ireland be more proactive in negotiating with carriers using alternate hubs? Which hubs, offering access to which markets, are important?</p> <p>What is the importance of London Heathrow for Ireland “s international connectivity now and in the future? Are other hubs substitutable?</p>	<p>Connectivity is essential for Irish business – inbound and outbound, for customers and suppliers. Interlining that facilitates intercontinental connections is essential. Based on feedback from the Shannon business community Frankfurt, Paris CDG and Amsterdam are important European connecting hubs; London Heathrow is a critical connecting hub in the UK, followed by Manchester; New York JFK, Boston and Chicago are key US hubs; and Shanghai and Dubai in Asia. Airline interlining must be considered a key constituent of route development considerations by SAA and DAA into the future. New Irish Bi-lateral Air Services Agreements, including fifth-freedom rights, are needed to enable Shannon target additional long-haul airline service opportunities.</p> <p>It is critically important that the Heathrow slots held by Aer Lingus are maintained for the benefit of Dublin, Cork and Shannon airports.</p>
<b>Air Travel Tax</b>	<p>Does the Travel Tax impact negatively on capacity and connections and to what extent? Should the proceeds from the Travel Tax be ring-fenced for aviation or tourism- related spending?</p>	<p>As an island nation, Ireland should not be disadvantaging itself from other European destinations. Shannon Chamber members request that the current travel tax be abolished as it adds to the cost of travel, and is at odds with current practice in other European countries. If not abolished, the Government should provide a clear indication of what this income is ring-fenced for...it should not be incorporated into tourism-related spend.</p>

## Topic 2: Air Services (continued)

Component	Questions	Shannon Chamber Response
<b>Cargo Services</b>	<p>Should Ireland continue to pursue an “open-cargo” policy for dedicated cargo services?</p> <p>What cost-effective strategies could be employed to avoid delays in the transport of time-sensitive air freight?</p> <p>How critical is obtaining US cargo preclearance (customs, agriculture and security) to the industry given the existing regimes in place with the US authorities?</p> <p>Is US Food and Drugs Administration (FDA) preclearance also critical to the industry and, if so, why?</p> <p>Are there other initiatives which the air freight sector would wish to see introduced to enhance the effectiveness and efficiency of air freight services?</p>	<p>Yes, Ireland should continue to pursue an ‘open-cargo’ policy to support free movement of goods and to complement FDI policy, which accounts for a high percentage of exports. The benefits accruing to expanding the electronic pre-clearance, to, for example, clearance for goods in transit, would benefit Irish exporters.</p> <p>The recommendation made in the Business Aviation Task Force report that a modern cargo terminal with cold-chain capability be developed at Shannon should form part of the Irish Aviation Policy . Capital allowances for the construction of a hangar and the creation of an aviation cluster at Shannon must be forthcoming. Cargo preclearance facilities should also be sought and pilot tested at Shannon</p>
<b>Public Service Obligation (PSO) Air Services</b>	<p>Should the current PSOs continue beyond 2014 and why?</p> <p>Is there a case for other PSO routes that are not currently in place and what is the case?</p> <p>Is there a better way to support air connectivity to the regions?</p> <p>Could co-operation with airports in Northern Ireland be considered in the context of PSOs?</p>	<p>Ireland’s improved road network enables fast connectivity between major regional airports and outlying regions, thereby eliminating the need for new PSO routes. Connectivity between Northern Ireland and the western seaboard warrants consideration to support all-island trade as successfully promoted by InterTradeIreland. East coast access is simplified via the MI but speedy connectivity from west of Ireland locations is lacking.</p>



# Topic 4: Aircraft Leasing and Financing

Component	Questions	Shannon Chamber Response
<b>Aircraft Leasing and Financing</b>	What further opportunities are there for expansion in this sector?	<p>Ireland holds a unique position in the global leasing industry with 30+ lessors/ 50% of the Global Aircraft Leasing Market managed out of Ireland.</p> <p>Transition services for leased aircraft: Interior design and reconfiguration/cabin furnishing/manufacturing are further opportunities than can be leveraged from the aircraft leasing and financing sector.</p>
	What threats are there and how can they be addressed?	<p>Shannon Chamber supports the view presented by GECAS in Dublin in December that other jurisdictions are keen to replicate Ireland's success. The provision of localised fleet support services, and a localised Centre of Excellence of technical support services for the leasing industry would serve to alleviate this threat, sustain Ireland's leading position, enhance existing activity and create new jobs.</p>

# Topic 5: Aerospace, Maintenance, Repair and Overhaul

Component	Questions	Shannon Chamber Response
<b>MRO</b>	<p>What more can be done to facilitate growth of the MRO sector? Are there potential impediments to growth of this sector?</p>	<p>Ireland's long association with the MRO sector has resulted in a specialisation which can be built upon and expanded to include complimentary services e.g. aircraft storage/aircraft painting/aircraft recycling (as referenced in the Business Aviation Task Force Report.)</p> <p>Price competition could be regarded as an impediment to growth. Labour costs, as a key constituent of price, need to be controlled. Commercial rates on large hangars required in this sector, serve as an impediment to growth and warrants attention.</p> <p>Appropriate infrastructure is a deterrent to growth. MRO providers seek to rent facilities. Government must ensure that funding proposals for Shannon, as proffered in the Business Aviation Task Force Report, are progressed.</p>
	<p>What particular education/training requirements are there?</p>	<p>Manpower training support for MRO businesses is essential. Skilled and qualified personnel are a requirement of this segment. Attention should be directed to the types of apprenticeships available, and course relevance/alignment with industry needs examined. Shannon Chamber is currently conducting a training needs survey with key Shannon region companies for input to the Action Plan for Jobs 2013.</p>

# Topic 6: Education, Training and Employment Rights

Component	Questions	Shannon Chamber Response
<p><b>Education</b></p>	<p>What skills are necessary for the continued development of Irish aviation? What are the current gaps and long term training needs of the industry? What is the best way to ensure a steady supply of skilled workers?</p> <p>How can the relevant Government Departments and agencies ensure the industry remains internationally competitive in retaining key staff and in attracting new entrants to the workforce?</p> <p>Do we need a bonding system for pilot trainees and other students?</p>	<p>Trained flight crews and maintenance engineers will be required in the medium to long term as the sector develops. Shannon presents an attractive location as a training centre in existing and new technologies, and for pilot training. Global airlines continuously use Shannon for aircraft type training and this could be expanded to include ground activities within the sector.</p> <p>Shannon is the ideal location for technical training on new composites, in conjunction with local ITs and universities, while also utilising the expertise that exists within the Shannon College of Hotel Management for English language training, cabin crew training and non-technical areas.</p> <p>Consideration should be given to expanding the apprenticeship schemes which FAS/Solas/College Ireland currently undertake with Shannon-based companies, in industry and airport operations.</p>

# Topic 7: General Aviation

Component	Questions	Shannon Chamber Response
General Aviation	What is the size and scale of the contribution of the business and general aviation sectors?	The European Business Aviation Fleet (end 2010) totalled 4,160 aircraft: Jet fleet (2,860); Turboprop fleet (1,249); and Executive Jet fleet (51) ( <i>Source: AvData Jetnet</i> ). The sector contributes over €20bn to the European economy annually, generating €5.7bn in salaries and wages. Benefits to an economy from a vibrant business aviation sector are both direct (manufacturing, operations, MRO) and indirect (purchase of goods e.g. metal and upstream products) and workforce salaries and spend in the economy
	What more needs to be done to encourage this sector?	<p>Ireland may not be a suitable location for general aircraft manufacturing but it could target component manufacturing, flight training services, avionics, composites, and MRO. Support should be given to incorporating business aviation into the overall plan to develop an International Aviation Services Centre at Shannon. Shannon is already well-equipped to support ancillary activities such as back-office support, financial services and MRO, and this should be extended to incorporate business aviation. The large concentration of FDI at Shannon would act as the beacon to attract further investment from the business aviation niche. Consideration should be given in the Irish Aviation Policy to designating Shannon as the Centre of Excellence for Business Aviation, marketed internationally by State promotional agencies, endorsed also by the existing aviation companies at Shannon.</p> <p>Increased marketing effort by SAA, Enterprise Ireland, Tourism Ireland and the IDA to promote Shannon pre-clearance to the international aviation community, specifically at business aviation conferences and trade shows.</p> <p>The FDI potential of business jet owners – from a business and tourism perspective - should be examined. Consider selling a complete package – preclearance, overnight stops...capitalise on the real opportunity that the business jet segment could offer Shannon. Business jet owners are key decision makers; they should be given the best views of Shannon/Ireland.</p>

## Topic 7: General Aviation (continued)

Component	Questions	Shannon Chamber Response
<b>General Aviation</b>	What are the links between the business and general aviation sectors and other parts of the industry, including MRO and airport usage and how can they be exploited?	There is little overlap between MRO providers to the commercial and general aviation sectors. There is an opportunity for Shannon, as a relatively low-cost location in the sector, to exploit opportunities in corporate aircraft completion and configuration, through exploration with corporate aircraft maintenance facilities and aircraft manufacturers. Shannon Chamber supports the concept of examining the feasibility of establishing an Irish corporate aircraft register.
	What steps can be taken to encourage operator use of general aviation US preclearance at Shannon?	The take up of Shannon's US preclearance by business jet operators has been disappointing but recent negotiations by SAA to address pertinent issues with US Authorities will serve to improve uptake levels. However, any additional anomalies, such as curtailed opening hours, that might serve as a hindrance, should be addressed. Business jets may not conform to the current pre-clearance opening hours that exist for passenger flights.

# Final Point: Consultation with Industry

Component	Questions	Shannon Chamber Response
<b>Consultation with Industry</b>	What can the Department do to improve/increase its consultation with industry?	The aviation sector is renowned for its retention of personnel, noted for movement within the sector but less frequent out of the sector. 'It's in the blood'. This accumulated knowledge and IP should be harnessed for the collective progression of the sector in Ireland. Conferences like the December 2012 Aviation Conference are the ideal opportunity for collaboration/consultation. A 'Farmleigh' type gathering of key national and international aviation personnel warrants consideration with clearly defined roles, targets and outcomes.
	Should other fora be established to facilitate consultation on particular topics in addition to those committees mentioned above?	Shannon Chamber has assembled a CEO Forum for Shannon businesses (similar to a very successful HR Forum initiated in 2012), and would be happy to form an Aviation Forum of key players in the sector in the Shannon Region to meet on a regular basis to share knowledge, identify and share issues etc. For example an outcome of the HR Forum has led to training needs being identified, the results of which will be presented to Government as input to the Action Plan for Jobs. Such gaps would not have been forthcoming from businesses had a Forum not been established.
	Are there new innovative ways for the Department to inform and consult with industry – is there a preferred means of communication?	<ul style="list-style-type: none"> <li>• Set up a LinkedIn Discussion Group to facilitate commentary, information sharing and support idea generation.</li> <li>• Incorporate a Blog on the Department's website ref. Institute of Director's blog (<a href="http://www.iodireland.com">www.iodireland.com</a>) where guest commentators could input papers and latest innovations in the sector.</li> </ul>