



**Shannon
Chamber**
Advancing business together

Policy Supports for Regional Airports

Preparation of new Regional Airports Programme 2020 to 2024

Issues Paper for Consultation

Shannon Chamber Submission

September 2019

<p>Question 1: What category of stakeholder do you represent?</p>	<p>Chamber of Commerce</p>
<p>Question 2: Having regard to the actions on regional airports in the National Aviation Policy, what are your views on the effectiveness of the current Regional Airports Programme?</p>	<p>In 2013, when responding to the question on the appropriateness of providing Exchequer subsidies to regional airports in competition with State-owned airports, Shannon Chamber stated: <i>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.</i></p> <p>Since then, over the past 7 years, Ireland’s four regional airports have received circa €94 million in direct state funding. Our question therefore is: Has this expenditure been assessed for its value for money? Has an analysis been undertaken to assess any displacement occurring as a result of the current Regional Airports Programme? Is there a level playing field between non-subsidised State Airports and subsidised private airports? Our view is that there is not. Some subsidised airports are in competition with non-subsidised State airports. How effective therefore is the current programme?</p> <p>When the comments of the ‘Review of Air Services Supported by the Essential Air Services Programme’ (a DKM Report) are taken on board, that: <i>‘a system of subvention for regional air services which affects substantially, if indirectly, the finances of the regional airports will thus have consequences for competition between airports’</i> – it brings the funding made available to airports, be that CapEx, OpEx or funds generated from PSO services into question.</p> <p>They, by default do affect the financial position of that airport and their competitive offering. This was noted in the DKM report which stated that the <i>‘reality of competition between (Kerry and Shannon) was underlined by the decision of Ryanair to re-locate a Frankfurt service from Shannon to Kerry, apparently on the basis of airport-related costs’</i>. The instance of Ryanair moving services from Shannon to Kerry, would suggest that the funds made available to subsidised airports such as Kerry does result in displacement of services. Can this therefore be regarded as ‘Value for Money’ for the Exchequer. It clearly is not; on the contrary, it is clearly not effective.</p> <p>Passenger movement or displacement prompted by PSO must also be looked at when considering the effectiveness of the current Regional Airports Programme. Passengers travelling from PSO airport to effect onward connection from Dublin are, in many cases, simply pulling passengers from non-subsidised airports, such as Shannon, and by default, this is a root cause of displacement.</p> <p>An additional critical question that we would ask, having had discussions with Irish Rail, is, what impact is PSO subsidisation having on rail services? With the State already subventing rail services, the question must be raised as to the value of this double subvention if it is simply causing people to shift from rail to air? We note that the 2011</p>

	<p>AECOM report '2030 Rail Network Strategy Review' noted this potential for modal shift of passengers from air to rail services.</p> <p>Also, as noted in the Spending Review 2019, A Review of the Regional Airports Programme, there are no detailed surveys capturing passenger profiles. We regard this as an essential element of the Programme as this is the only mechanism for assessing whether subsidised PSO airports are, in effect, taking passengers from non-subsidised airports.</p> <p>Any programme that does not gather this level of information is not getting value for money. This level of detail is essential if the viability of subsidised airports is to be adequately assessed. Are their business models flawed? Are they dependent on State supports to the detriment of non-subsidised State airports?</p>
<p>Question 3: What, if any, changes would you like to see reflected in the new Programme and why?</p>	<p>Shannon Chamber would request that the Regional Airports Programme be extended to include <u>all airports</u> with less than 3 million passengers.</p> <p>Our assessment of the current rationale for not including either Shannon or Cork in the current programme - the 60-minute or 100-kilometer distance requirement – is that it needs to be reviewed. The State Aid Guidelines, which contain this requirement, also note that the specificities of each airport need to be taken into account. But, has the impact of the current Scheme on non-subsidised airports been taken into account? Has its distortion of the competitive aviation landscape within the State been accounted for? We would say no and that this needs to be reviewed in the new Programme.</p> <p>Both Shannon and Cork Airports exceed the 100-kilometer requirement: Shannon Airport is 118km from Kerry Airport and 157km from Knock Airport whilst Cork Airport is 105km from Kerry Airport. This has to be looked at from the point of view of both airlines and airports, who, when defining their market, look at catchment areas. The current application of the rule by the Irish Government fails to recognise situations where the catchment areas of airports overlap particularly for key urban markets. There is evidence that airports that are further than 60 minutes or 100km are in fact competing and have overlapping catchment areas. We refer to the 'Spending Review 2019: A Review of the Regional Airports Programme' conducted by the Irish Government notes that <i>'the one-hour catchment of the airport (Ireland West Airport Knock) overlaps with that of Shannon Airport, with the overlap happening around Galway City, the most populous location in IWAK's catchment'</i>. It also notes that the catchment area of Kerry overlaps with that of Cork and Shannon Airports. We also say that it does; that the catchment area of Kerry and Shannon are very much interlinked.</p> <p>How therefore can subsidisation be allowed for one regional airport and not the other? It's an uneven playing field, in our view, which cannot be allowed to continue, particularly when the 'Review of Air Services Supported by the Essential Air Services Programme' report noted that: <i>'any regulatory regime extended to the regional airports will have to devise a formula which addresses the issues raised, specifically the terms of competition between subsidised and unsubsidised airports serving shared hinterlands'</i>. This report also noted that Kerry Airport was close to both Shannon and Cork as well as the overlap between Knock and Shannon. Non subsidised airports are, in reality, being impacted by the current scheme. Change is needed and urgently.</p>

<p>Question 4: How do you think the new Programme can best support Ireland’s transition to a low carbon economy, having regard to policy on climate action and sustainability?</p>	<p>While CapEx support may be increasing the capacity of subsidised airports, it is having a counteractive negative impact, through affecting the spare capacity of non-subsidised regional airports Funding a glut of non-required capacity has an environmental impact. How can this be allowed to continue?</p> <p>The environmental impact of people movement should be an essential assessment element of the new programme – the additional carbon footprint being caused by passenger displacement must be taken into account.</p>
<p>Question 5: What are your views on the PSO Scheme, the air service routes currently being supported and the need for a continuation of the Scheme beyond 2022?</p>	<p>Shannon Chamber believes that there would be a better return on this Exchequer funding if it were invested into supports for airline connectivity into the regional airports to support diversification of trade and tourism as we face into Brexit.</p>