

DTTAS Consultation on the Preparation of new Regional Airports Programme 2020 to 2024

City of Derry Airport (Operations) Limited and Derry City and Strabane District Council RESPONSE

*Note: The **limit** for all submissions is **2,000 words** and the **deadline** for receipt of submissions is **18:00 on 30 September 2019**.*

Appendix 1: Public Consultation Questionnaire

New Regional Airports Programme 2020-2024

Question 1: What category of stakeholder do you represent?

Responses may include airport company, airline, transport infrastructure owners or operators; state or commercial transport service providers; local authorities; environmental groups; and transport system users, amongst others.

City of Derry (Operations) Limited- airport operator
Derry City and Strabane District Council- airport owner

City of Derry Airport (CODA) was operated as part of Derry City Council from 1977 until 2010. In April 2010, the airport was established as an incorporated company, CoDA Operations Ltd., separating its management from the Council (which continues to own the Airport and is the sole shareholder). Derry City & Strabane District Council (DCSDC) owns 100% of the shares in City of Derry Airport (Operations) Limited.

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?

Please give your views on how effective existing grant schemes are in supporting policy objectives on regional airports

The National Aviation Policy and in particular the Regional Airports Programme (RAP) recognises the important role that regional airports play in their areas and in regional development. In line with the actions on regional airports in the National Aviation policy (highlighted below), we would comment as follows:-

- Ireland will implement an EU approved Framework (Regional Airports Programme 2015 – 2019) of supports for regional airports,

- We welcome the implementation of the Regional Airports Programme 2015-2019 (RAP) as an effective package of support for regional airports, recognising the important role that regional airports play in regional development, in particular peripheral regions not adequately served by other transport infrastructure. We welcome the significant investment that has been made in this area. CODA is in the unique position on the island of Ireland of serving a large customer base of passengers based on both sides of the Border. It provides essential connectivity for North West passengers from both ROI and NI to a range of UK destinations (London, Liverpool, Manchester, Glasgow and Edinburgh) We believe that given its very significant customer base in ROI - which CODA estimates is in the region of 40%-45% of its total passengers - it should be included in the group of regional airports allowed access to this funding under the RAP.
- Exchequer support for operational expenditure at regional airports will be phased out over a maximum period of 10 years, in accordance with EU Guidelines.
- EU State Aid guidelines recognise that under current market conditions airports operating with annual passenger numbers of less than 700,000 face difficulties in breaking even. The guidelines also recognise that investment aid to very small airports with less than 200,000 passengers per annum such as CODA is unlikely to result in 'significant distortion' of market competition, Commission Regulation (EU) 2017/1084 states that small airports are only subject to one of the two normal conditions regarding proportionate investment aid. Again, in respect of airports that handle less than 200,000 passengers per year, the Regulation allows public authorities to cover their operating costs as long as the aid amount does not exceed the operating losses and a reasonable profit and that there is open and non-discriminatory access to the infrastructure.

On this basis, it is accepted that smaller regional airports will require operating investment aid to remain sustainable and avoid closure particularly given the continued difficult market conditions and volatility being experienced in the aviation sector, to which small regional airports are particularly susceptible. Whilst we welcome the €23.9m of investment that has been set aside over the past 4 years, we would assert that the Department must strongly consider the continuation of support for operational expenditure for regional airports, particularly those with less than 200,000 passengers per annum who provide vital connectivity in areas where other transport infrastructure has not been adequately developed.

Additionally, as an airport who provides essential connectivity for North West passengers (both ROI and NI) to a range of UK destinations (London, Liverpool, Manchester, Glasgow and Edinburgh) we believe that City of Derry Airport should be included in the group of other regional for access to this funding. As stated earlier, CODA services a very significant portion of air passengers originating from ROI – CO. Donegal in particular -and provides a service to these passengers that is not available within an reasonable and practicable distance of their location. This CoDA adds to the GVA of Donegall through providing connectivity to UK airports

and transfer hubs. CODA is in compliance with EU State Aid rules in terms of funding received from its 100% shareholder, DCSDC. CODA is also eligible for inclusion in the RAP under EU guidelines attaching to State Aid.

- **Exchequer support for capital expenditure will be limited to safety and security related expenditure.**
- The construction and maintenance of airport infrastructure is essential to ensure the continued operation and growth of regional airports in line with safety requirements. We again welcome the 75% aid intensity that is provided to airports with less than 1 million passengers and without which critical capital investment on safety and security related expenditure could not have happened, placing regional airports at risk of closure. We would again assert that this critical investment must continue for regional airports, particularly those with less than 200,000 passengers per annum who provide vital connectivity in areas where other transport infrastructure has not been adequately developed. Since 2015, Derry City and Strabane District Council has had to wholly finance capital investment in the sum of GBP £790k at significant cost to local ratepayers despite providing a critical service for passengers from beyond the Council area (predominantly ROI). The ratepayer base in NI is both commercial and domestic ratepayers. Therefore all ratepayers, both commercial and domestic, have been subsidising an airport whose passenger base is only partially made up of passengers within the rates catchment area. We therefore believe that City of Derry Airport should be included with other airports for access to this funding which would broaden the funding base of CODA and more accurately reflect the geographical mix of its customers. Additional capital expenditure will be required at CoDA over the medium term, to continue to ensure facilities and equipment are modernised, meet required safety standards and meet changes of regulation.
- **Clear business plans will be required from the airports seeking supports. In considering funding to regional airports, the Department will take account of the level of regional involvement, including investment by local authorities and/or business.**
- In addition to £790k GBP of capital investment since 2015, Derry City and Strabane District Council currently provides an annual operational subsidy of £2.145m GBP which is £1.0 million (or 32%) lower than it was in 2010 although in recent years this has had to be supplemented by additional subsidies from Council reserves. The additional support has been required to fund the increased opening hours required by the PSO operation. In totality, financial support to CoDA currently accounts for 6% of Council's net expenditure budget which is a very significant burden on local ratepayers and is not sustainable or affordable going forward in light of other financial challenges and priorities. Nor is it reflective of the geographical mix of the customers using the facilities at CODA, a significant portion of which originate/terminate in ROI (predominantly Co. Donegal). We support the necessity

for clear business plans to support applications and given the significant local authority investment provided, believe that as an airport who provides essential connectivity for North West passengers (both NI and ROI) to a range of UK destinations (London, Liverpool, Manchester, Glasgow and Edinburgh) City of Derry Airport should be included with other airports for access to this funding.

- From 2015, PSO contracts, for Donegal/Dublin and Kerry/Dublin air services will run for two years initially and, subject to a satisfactory review after 18 months, may be extended by a maximum of one year.

We welcome the PSO support provided. CoDA itself receives PSO support from the UK and Northern Ireland Governments for the Derry to London route, without which the route would not exist and the airport facility would no longer be sustainable. PSO support is critical to ensure areas with inadequate connectivity maintain critical routes to major hubs such as London which are essential however currently very difficult to operate commercially. A Derry – Dublin PSO, solely funded by the Irish Government operated from 2006-2011. Due to slot restrictions in Dublin, at this point CODA does not envisage a re-introduction of the Derry-Dublin PSO and is not seeking funding for this purpose.

Question 3: What, if any, changes would you like to see reflected in the new Programme and why?

City of Derry Airport provides essential connectivity for North West passengers (both NI and ROI) to a range of UK destinations (London, Liverpool, Manchester, Glasgow and Edinburgh).

Year	Passenger numbers
2015/16	290k
2016/17	280k
2017/18	179k
2018/19	187k

CODA estimates that between 2013 and 2018 the average number of ROI passengers has been around 40% of the total passenger numbers for the airport and equates to circa 74,800 per annum travellers originating from the ROI. This clearly shows role of the airport in serving the North West of the island providing connectivity for the growing number of international businesses located in the Northern West of Ireland to the UK. **Up until now CODA has been unable to avail of the Programme or funding support despite its role in supporting the development of the North West region.**

In line with the Irish governments previous promise and the tangible commitments under the St Andrews and more recently the Fresh Start agreement in 2017 – *specifically to invest in the A5 Western Transport corridor serving the North West as well as directly supporting the development of the North West through its shared investment in the North West Development Fund* - and its willingness to consider strategic approaches for the development of the North West region we feel very strongly that the Irish Government considers the possibility of using the opportunity of a new Regional Airports Programme to further support the development of the North West by extending the programme to include City of Derry Airport for both the Opex and Capex funding schemes. City of Derry Airport would be happy to be included with other airports for access to these programmes on the basis of clear business plans and on the strength of the significant investment made by the Local Authority.

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?

Responses should indicate potential actions or measures with justification for their consideration. Evidence for the efficacy of proposed measures or further information, such as the associated costs for implementation, may be provided to support your response.

DCSDC is taking a very proactive approach to tackling climate change and over the last two years we have appointed a Climate Manager and we have been developing a climate adaptation plan. In partnership with Donegal County Council, we are also developing a North West Climate Action Plan (NWCAP) which will deliver adaptation and resilience to the effects of climate change in the region as well as mitigation against further global warming.

DCSDC has been working with CODA to ensure a proactive approach throughout all Council activities to reducing the carbon footprint of the airports ground operations in the future through improved and more efficient carbon reducing working practices in particular through procurement and investment in more efficient if not carbon neutral equipment. Furthermore, we will seek to offset the airports carbon footprint through other mitigation measures and activities as part of the NWCAP.

As examples, CoDA has replaced all terminal and car park lights with LEDs and is replacing AGL with LED units. Additionally, CoDA is working to improve airspace management locally to the airport in order to reduce air space delays.

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?

PSO schemes are critical to ensure the connectivity of remote regions such as the North West not adequately served by other essential transport infrastructure and services with central transport hubs such as London and Dublin. CoDA's London route would not be sustainable without the support of the current PSO. The route provides connectivity for almost 50,000 passengers per annum. Without this PSO support this route predominantly used by business travellers from the North West would not exist.

We believe that PSO support should continue beyond 2022 and we would again ask that the Irish Government considers the possibility of using the opportunity of a new Regional Airports Programme for 2020 to 2024 can further support the development of the North West by extending the programme to include City of Derry Airport.

Additional Comments

Please feel free to add additional comments as part of your submission.

