Regional Airports Programme 2020-24

Limerick Chamber Submission

30th September 2019

Question 1: What category of stakeholder do you represent?

Limerick Chamber of Commerce welcomes the opportunity to provide input into the development of the Regional Airports Programme 2020-24. Limerick Chamber is the largest business representative body in the Mid-West, with over 450 member companies who support over 50,000 jobs across the region.

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?

Since 2013, Ireland has enjoyed steady economic growth, and positioned itself as the fastest growing European economy. GDP increased by 8.2 per cent and 2.4 per cent in 2018 and Q1 2019 respectively. While the performance of the economy continues to exceed that of all its European neighbours, it has been subject to heightened levels of uncertainty in recent times. The dual threat of Brexit and trade wars has negatively impacted consumer and producer sentiment.

Furthermore, the fruits of the recovery have not been balanced across the country as these dramatic growth rates have hidden significant regional disparities. Dublin, and to a lesser extent the wider Eastern and Midland area, has recently witnessed an alarmingly overconcentration of population, homes and jobs. Since 2002 GDP per capita has grown by 8.3 per cent in Dublin, while other regions such as the Mid-West and West have experienced economic growth rates of around 3 per cent or less.

A robust economy – nationally and regionally – creates the necessary conditions for sustainable employment and population growth. A growing population is an advantageous resource that can be harnessed in working towards balanced regional development. Furthermore, given the uncertainty surrounding the impact of Brexit, balanced regional development is needed to secure Ireland’s economic future.

The governments long term national strategy, Project Ireland 2040, seeks to align spatial planning with investment decisions to address challenges such as population growth, demographic change and unbalanced regional growth. As an island nation, air connectivity is crucial for regional economic development and as such airport development must be supported. The ability of local firms to do business internationally depends on aviation, and the attractiveness of a region for foreign firms, labour, and tourists from abroad likewise depends on its air connectivity.

The current Regional Airports Programme does not support a level playing field between State and private airports, and therefore does not support the Project Ireland 2040 goal of balanced regional development.

Due to proximity, Dublin Airport tends to be the first choice for most passengers flying to Ireland with Dublin as their end destination, whereas all Irish airports to a large extent compete for the remaining passengers arriving to Ireland. With a 200 km radius, a report conducted by the UK Civil Aviation Authority concludes that the catchment areas of Shannon and Dublin airports are expected to overlap.[1] Since then, infrastructure investments have brought down travel time and enhanced the potential for overlapping catchment areas between the two airports.[2] The report also concludes that the connectivity between regions in Ireland is such that most of the population is well within 90 to 120 minutes of multiple airports, which indicate significant overlaps of catchment areas. These findings imply that Shannon Airport competes both against Dublin Airport and against other Irish airports. A recent study of catchment areas of Irish airports confirms that even at 90 minutes there is considerable overlap of the airport catchment areas, see Figure 1.

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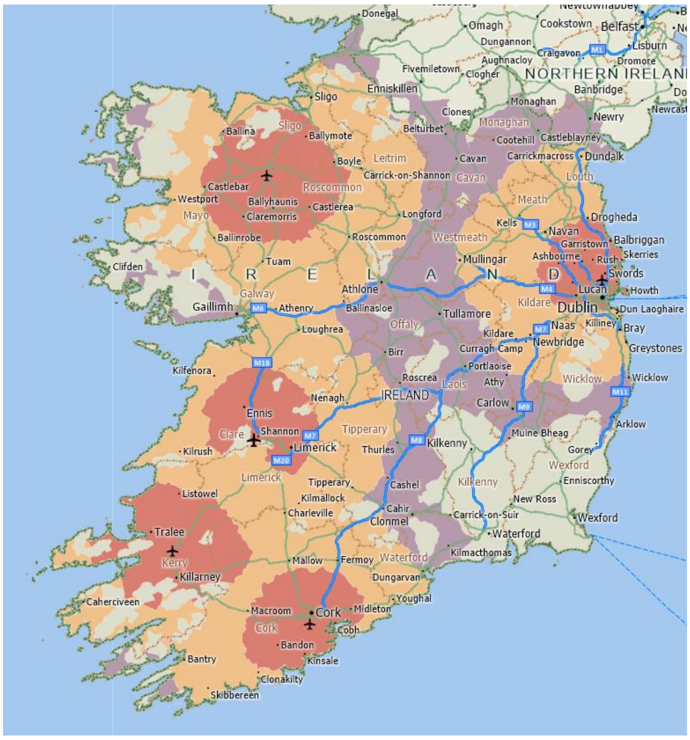
1 Civil Aviation Authority (2006).
2 http://www.m7upgrade.com/.

Figure 1

Map over 90-minute drive times from Dublin, Shannon, Cork and Knock airports



Note: The map shows the 90-minute drive times for Dublin, Shannon, Cork, and Knock airports using 30-minute increments.
Source: Copenhagen Economics based on Aviation Economics (2018)

There are both negative and positive effects on Shannon Airport from the overlap in catchment areas with Dublin Airport. On the negative side, overlapping catchment areas suggests that the airports compete and that the growth in passenger numbers of Dublin Airport, to some extent, has taken place at the expense of Shannon Airport. Without policy that is sensitive to overlapping catchment areas, a recent report highlights the risks associated with the expansion of Dublin Airport's catchment area coming at the expense of both Shannon and Cork airports.[3]

On the positive side, the proximity of Shannon Airport to Dublin Airport suggests that the excess capacity in Shannon Airport could serve as a buffer to alleviate pressure on Dublin without costly infrastructure spending. In the longer term, the proximity of Shannon Airport to

3 Oxford Economics (2018).

Dublin Airport should be taken into consideration. The 2019 revision of the National Aviation Planning should therefore go beyond airport ownership and be amended to ensure that airport growth is integrated into national as well as regional planning as foreseen in Project Ireland 2040.

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

It is important that there is a level playing field for Irish airports competing for an increasingly lower share of passengers outside Dublin Airport. While the development of the inter-urban road/rail network has reduced the importance of airports for connectivity within Ireland, it has also enhanced competition between the airports as catchment areas increasingly overlap. A level playing field for attracting inbound tourism, FDI business, and supporting local business will be important for sustainable economic development and balanced regional growth.[4]

Airports are, as with other businesses, subject to competition law. Aviation is also an inherently international sector, and aviation policy and regulation are to a large extent determined in an international context. Besides this, governments have competence to determine national policy priorities within this overarching international context and provide state aid to stimulate the development of regional airports.

The Department of Transport, Tourism and Sport provides funding to Ireland's regional airports (Donegal, Ireland West Airport Knock (IWAK), Kerry and Waterford) through the current Regional Airports Programme. According to point 25(26) of the Aviation Guidelines, 'regional airport' means an airport with annual passenger traffic volume of up to 3 million. Shannon Airport (and Cork airport) therefore qualifies as such a "regional airport", and the airport is thus allowed to receive investment aid. However, both Shannon and Cork Airports are excluded from the programme despite satisfying EU conditions for capex support. This places these State airports at a disadvantage compared to other private regional airports.

Recently, Shannon Airport has taken on debt of €14m to resurface its main runway whilst an upgrade of Hold Baggage Screening, which is mandated by EU border security regulation, will

[4] A recent survey of 16 FDI announcements in the Mid-West in 2016, for example, found that each company involved cited Shannon Airport as a factor in their investment location decision.

cost a similar amount. The costs associated with this investment will not generate any additional revenue and will undoubtedly limit the money available to the Airport for projects including the development of new strategic airline routes.

The Department of Transport, Tourism and Sport has stated in the Regional Airports Programme 2015-2019 that it will continue to carefully monitor the business development of all airports for evidence that the network is operating efficiently. Within this monitoring and revision of the new programme, the Department should consider if the low capacity utilisation of Shannon Airport[5] could warrant action and call for the Government of Ireland to take full advantage of the possibility to grant investment aid and still comply with EU state aid rules. This would allow airports outside Dublin to compete on more equal terms and improve the business case for opening new routes out of Shannon Airport.

Note

Limerick Chamber recently commissioned Copenhagen Economics to carry out an assessment of aviation policy as a driver of economic development in the West and Mid West of Ireland. A copy of this report was recently circulated to officials in the Department of Transport, Tourism and Sport.

[5] Shannon Airports peak hour capacity is just 45 per cent (Copenhagen Economics 2019)