

Mr. William Prasifka,
Commissioner,
Commission for Aviation Regulation,
36 Upper Mount Street,
Dublin 2.

25 July 2001

Reference - Commission Paper CP6 / 2001 26th. June, 2001.

Dear Mr. Prasifka,

I refer to your Draft Determination and Explanatory Memorandum dated June 26, 2001 regarding the Proposed Maximum Levels of Airport Charges. Set out hereunder are views of the Chairman and Members of the government appointed Shannon Airport Marketing Consultative Committee. Separately, a number of the organisations represented on the committee have made direct submissions to the commission including Shannon Development, Limerick Chamber of Commerce and the Irish Hotels Federation.

The policy of balanced regional development is particularly contained in the National Development Plan 2000/2006. This Plan identified the imbalance within regions and, in particular, the concentration of development that had taken place along Dublin and the East Coast of Ireland in previous National Development Plans 1989/1994 and 1994/1999. The new plan seeks to improve the situation and bring about more balanced development.

Shannon International Airport is a major asset to its wide hinterland and plays a key role in supporting the development of the economy, not alone of the Mid West, but of the whole West Coast of Ireland generally, including parts of the Midlands. Based on previous studies we estimate that the airport, and its wide sphere of influence, helps underpin over 40,000 jobs. It supports jobs at the airport and it supports manufacturing and internationally traded service jobs within companies who have chosen to locate close to the airport to avail of its passenger and cargo services. It also supports jobs created directly and indirectly as a result of the spin-off benefits that accrue from tourists arriving via Shannon, year-round, from North America, Europe, Britain and from other parts.

Our committee's interest is in ensuring that Shannon International Airport continues to thrive so that it can play an increasingly important role in helping Ireland achieve the goal of more balanced regional development as set out in the National Development Plan. The vision of more balanced development is also an objective contained in the draft National Spatial Strategy proposals which will ultimately chart a path of progress for Ireland to follow well into the future. Within the strategies it is envisaged that economic corridors such as the Limerick / Shannon / Ennis Region will be strengthened to help Ireland absorb and disperse expected growth. Critical to this will, of course, be a strong and vibrant Shannon International Airport - offering improved levels of air services - east and west-bound.

Currently Dublin Airport is the massively dominant airport. If you exclude domestic traffic, it accounts for over 80% of Aer Rianta's terminal traffic. This is disproportionate to the population base of its hinterland, to its industry base, to its tourism share and to the general level of economic activity in the area. It is now also experiencing the problems of congestion, as is the City itself. Understanding this, and the National objective of achieving balanced regional growth, it cannot make any sense to have the lowest maximum levels of airport charges at the massively dominant airport and the highest levels of maximum charges at the two airports where there is spare capacity. The committee believe that:

- The proposal to have higher charges at Shannon relative to Dublin has the potential to undermine the growth of services at Shannon International Airport and increase the already massive over-concentration of air traffic into Dublin. Even if they are only 'maximum figures' - setting Shannon's maximum aeronautical charge rates at 22% ahead of Dublin's and Cork's maximum rates at 37% ahead of Dublin and 15% ahead of Shannon has the potential to turn 'regional balance' on its head. It appears to us to be against the sense of the Aviation Regulation Act, 2001 as per section 33 (d) which states that the commission *"shall aim to facilitate the development and operation of cost effective airports which meet the requirements of users and shall take due regard to the contribution of the airport to the Region in which it is located"*.
- Shannon International Airport has been particularly successful in recent years in building up a substantial cargo business. The maximum charges being proposed by you at £61.50 per ton, if implemented, would result in a loss of business to the airport and to the region and could have serious implications for businesses that have a heavy cargo export requirement.
- Overall, a far more flexible formula must be found to ensure that Shannon and Cork are offering competitive rates to users to sustain existing traffic and to stimulate new traffic. They certainly should not be placed at a competitive disadvantage to Dublin, the increasingly dominant airport.
- To have a strong, sustainable airport offering a wide range of international air services, that meets the needs of all users, requires it to be efficient in all respects as you have correctly identified. It must represent 'good value' to its diverse range of customers, including full-service and low-cost carriers and their customers. In this respect we welcome the concept of benchmarking to help determine the scope for efficiencies that will need to be achieved. We are however concerned

that the airports that Shannon is being benchmarked against are dissimilar in many respects and don't, for instance, handle intercontinental traffic to the same extent. Shannon's 'peer group' needs to be re-looked at.

- We understand from our contacts with many user groups (e.g. airlines) that they are expressing the most extreme dissatisfaction at the concept of paying higher costs, which they would have to pass on to the consumer, to cover certain infrastructural developments already in place or planned for. In some cases they advise they were not consulted; in some cases they believe these developments should not be factored into the costs at all because they feel they are inappropriate, or that they don't meet their needs or that they go beyond them. This needs to be looked at. It is also clear that, into the future, it will be essential that there is a consultation process and that those who are largely funding future developments i.e. 'the users', and certain other key interests and stakeholders, are fully involved in a process that helps determine investment requirements and the elements to be recovered through aeronautical charges.

Finally, despite the dominant position of Dublin, Shannon International Airport has been reasonably successful in attracting new business to the airport and to its broad hinterland. However, it does need to continue to build on this, to strengthen its traffic base and to achieve greater efficiencies. It must be supported by sensible regulatory policies to ensure it continues to thrive and continues to be a strong engine of balanced regional growth. Unfortunately, we think your draft determination has the potential to seriously damage Shannon's future prospects and we therefore don't support its implementation. A revised formula is needed that also pays due regard to the points above and the critical role Shannon International Airport plays in underpinning the economic well-being of a substantial part of Ireland.

Yours sincerely,

**T. Kirby,
Secretary.**