

Presentation to

**Joint Oireachtas Committee on Transport and Communications**

on the

Impact of a Potential Sale of Aer Lingus

by

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and

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at

**Leinster House, Dublin**

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Good afternoon and thank you Mr Chairman for your invitation to attend and present to this meeting of the Joint Oireachtas Committee on Transport and Communications on the impact of a potential sale of Aer Lingus.

## 1. BACKGROUND – WHO WE ARE

My name is Helen Downes and I am attending in my role as Chief Executive of Shannon Chamber. I will present today in collaboration with the Interim CEO of Limerick Chamber, Dr.Órlaith Borthwick. We are also joined by Frank Greene, President, Galway Chamber. The concerns and views we will present to the committee also have the backing of the other Chambers of Commerce representing other employment and commercial hubs along the Western coast, namely Galway and Ennis

The content and substance of our submission is being made on behalf of:

- The economic corridor that stretches from Galway to Ennis, Shannon and Limerick;
- The 1,355 businesses which form the membership of the four Chambers in the area;
- The 45,700 people who are directly employed in the region by these businesses.

## 2. SHANNON AIRPORT

Before making some observations on the impact of a potential sale of Aer Lingus, it is important to consider why Chambers from the west of Ireland wish to contribute to this discussion,

As we stated in a previous presentation to this Joint Committee, when addressing the 'General Scheme of the Shannon Aviation Services and Miscellaneous Provisions Bill 2013' Shannon Airport and air connectivity in general is important to each and every one of us because it is ultimately about making connections – connections between people, places, products and services. Where there is connection there is opportunity. Where there is opportunity, things happen, some planned, some unexpected. Where there is opportunity confidence grows, business develops and economies flourish.

The connections delivered by scheduled air services to/from Shannon, the Americas and Europe are critical parts of Ireland's economic infrastructure:

- They enable mobile investment projects to locate in places like Ennis, Galway, Shannon and Limerick as they provide businesses with the certainty needed to transport people, products and services to all parts of the world
- They provide tourists with easier and frequent access to the network of world class tourist products available along the length and breadth of Ireland's Western regions
- Yes, tourists can also access through Dublin airport but those that do have a much greater propensity to stay in the city or its environs; in contrast most of those who access through Shannon Airport will spend longer periods of their holiday in Western regions.

It is against this background that we present here today, on the impact of a potential sale of Aer Lingus.

### **The question we would pose at the outset it:**

*What vision do we have for Ireland? Do we want it to remain an internationally traded open economy, with global corporations conducting business globally? If we do, then we must keep connectivity to the fore when considering the sale of Aer Lingus. Connectivity is vital for the retention and growth of business on this island nation. We cannot afford to let Ireland's connectivity be determined by market forces; it has to centre on citizens' needs – business, tourism and the general public.*

### 3. Chambers Overall Views on the Potential Sale of Aer Lingus

1. First and foremost, we would state, that our focus is less about the ownership and more about ensuring that that 23 slot pair connecting London Heathrow and Irish airports are retained for connectivity to EACH airport, and not just Dublin. This MUST be enshrined in government policy regardless of ownership and must be central to (a) the decision making process and (b) any deal that may subsequently follow with IAG or any other carrier. Cast iron guarantees must be put in place to ensure that the slots at Heathrow are maintained for access from Irish airports, including major regional airports. This guarantee must be long-term. The minimum of the 3 slots for Shannon MUST be retained at any cost, and should Competition authorities consider that the combined total of slots occupied by IAG and Aer Lingus is anti-competitive, then any displacement of Dublin slots should be allocated to the other airports in Ireland, thus facilitating delivery of a more balanced Irish economy and resulting at least the same number of slots for Ireland Inc.
2. The potential loss of the London Heathrow slots would be at odds with the Government's plans to correct regional imbalance and will add a hollow ring to Minister Richard Bruton's concerns that Ireland will 'pay a heavy economic social cost in years to come if regional imbalances are not addressed'.
3. Airports, including Shannon, play a vital role in the economic and social development of their regions acting as a gateway and an engine of growth. Why place so much emphasis on developing a National Aviation Policy and a National Tourism Policy for Ireland on the one hand, and cutting connectivity on the other?
4. Any short-term gain from the sale has the potential to do much more long-term detrimental damage to the country's economic well-being. The financial gain of circa €320m, in the context of a €67bn bailout, does not warrant the potential detrimental impact the loss of connectivity will have.

#### Impact on the Economy

1. The State has a duty to act strategically in the interests of its citizens', employers' and investors' long-term requirements, and carefully take into account the wider impact of the sale of Aer Lingus on our economy and connectivity. The loss of connectivity to London Heathrow would have almost immediate and dire consequences for business across the country.
2. Irish business travellers strongly depend on the hub at Heathrow and require interlining services to access third locations. Ireland cannot afford to lose this critical link to global hub connectivity via a potential sale of Aer Lingus and its associated LHR slots.
3. Aer Lingus also operates long-haul routes to NY, Washington, Boston and San Francisco. It is uncertain whether these direct transatlantic connections from Ireland would remain available to Irish users following a potential sale. This is of particular importance given the technology investment into Ireland from West Coast headquartered FDI companies.

4. The frequency of this hub connectivity and direct access to North America is a unique selling point which has successfully attracted inward investment to Ireland. Any potential reduction in this connectivity will have a detrimental impact, not only on foreign-owned firms who operate here but on our indigenous firms as they seek to expand and internationalise into new markets.

## In Conclusion:

Our 1,355 member companies, along Ireland's west coast, would be greatly challenged by the loss of a 'valuable route' such as London Heathrow, by any loss of connectivity from this critical hub, and by any loss of linkage to US destinations, caused by a potential sale of Aer Lingus.

We're an island nation and our businesses need to connect easily and speedily with their customers and suppliers.

- **Shannon suffered greatly from the loss of Heathrow connectivity in 2007.**
- **It gave businesses a lot of headaches – to quote one company (Marcus Craven, Managing Director, AGC Instruments, with customers worldwide):** *“ We couldn't get out of the country and we couldn't get customers into the country....having customers coming to us all the way from Dublin, as opposed to directly from Heathrow to Shannon Airport, was a huge problem....it had a massive effect, not only on me, but all industry around here...we rely on proximity to the airport. It's critical and it ticks a box for a lot of customers looking at our location in the world.”*
- **The loss of Heathrow connectivity stopped Genworth Financial in its tracks in terms of growth at Shannon and militated against bringing more business activities to Clare. Bob Brannock, President, International Protection with the company said:** *‘Losing the link was very challenging....we've just opened (2013) a new state-of-the-art new premises in Shannon but companies will be less inclined to make major investments locally without the Heathrow connection....without the ability to get in and out to Asia, Latin America, different countries across Europe...it makes no sense to have it there...there simply has to be a quick, easy connection to and through Heathrow from Shannon.’*
- **Connectivity to major European and US destinations from Shannon was instrumental in attracting recent new investment to the west coast...AMAX, Wipro and Zimmer.**

**If we're serious about our future as an internationally traded island nation, we simply have to retain critical air connectivity to all Irish airports, including Shannon.**