
Final Report

Taskforce for Aviation Recovery

July 7, 2020

Introduction

The Aviation Recovery Taskforce Final Report is presented to the Minister for Climate Action, Communication Networks and Transport, Mr Eamon Ryan, T.D. and the Minister of State with responsibility for International and Road Transport and Logistics, Ms Hildegard Naughton T.D. at a moment of unprecedented financial and commercial risk for the aviation sector. At risk are both thousands of high-skilled well-paid jobs, and a level of global passenger and cargo connectivity that is critical to Ireland's economy and its economic recovery.

Key Numbers (Oxford Economics 2018)

€8.9 billion – estimated GDP contribution of air transport to Ireland

140,000 – number of jobs supported by aviation sector in Ireland

€8.7 billion – estimated GDP contribution of foreign tourists

8.8 million – number of overseas tourists arriving by air

Aviation is a strategic foundation for our small, open economy on an island at the periphery of Europe. Aviation services and infrastructure promote economic development through higher productivity¹. To restore our economy, Ireland needs the restart of aviation services, aircraft back in the air and the rebuilding of international connectivity.

Ireland has had a leadership position in global aviation. While two highly regarded international carriers are the anchors of the national industry, Ireland also controls over 60% of the entire global leasing market for aircraft, and has a significant international position in maintenance, repair and overhaul (MRO). The airports have been strategic enablers of this business growth and economic development.

As a result, Ireland has been one of the most highly connected island nations, with both extensive short-haul and increasingly pervasive long-haul route networks. Dublin Airport had over 50 airlines operating in the summer of 2019. These routes not only have given strategic advantage to the entire economy but also have been viewed enviously by some other jurisdictions.

¹ See for example Venables, Laird and Overman, "Transport investment and economic performance" (2014) which discuss transport in general rather than aviation specifically. In addition to the time savings for passengers, with better connectivity, firms can reach wider markets, expand, gain scale economies and develop specialist skills; markets are more competitive; cities and countries can specialise; workers can better reach productive centres of activity and firms reach a wide catchment area of employees.

Each day and passing week of confusion and stagnation in the Irish aviation sector increases the probability of job losses, long-term loss of connectivity, unbalanced regional development and economic damage (including a risk to foreign direct investment). The standstill is deepening the eventual cost of national economic recovery.

Unfortunately, Covid-19 may be a fact of life for some time to come. The Taskforce fully accepts the public health concerns related to re-opening the domestic economy. It acknowledges that there is an added public health concern related to opening up our borders. We must together apply our best efforts and insights on how to economically co-exist with the virus and, as an island nation, this has to include international travel. Ireland cannot function as a closed economy without permanent damage being done.

Our economy will not survive on the basis of a blanket policy of “essential travel” only. Our tourism and hospitality industry will starve on domestic staycations alone. Domestic tourism in 2018 contributed about €3.3B to the Irish economy, whilst foreign visitors in the same year contributed an estimated €8.7B².

Businesses face potential liability from employees if they ask staff to fly internationally to business meetings whilst the Government advice is for “essential travel” only. Much of our key business and services sectors – including high technology, software, pharmaceutical, medical, finance, food & beverage – cannot survive indefinitely with zoom-like calls. Face to face meetings are required for international business development, new commercial relationships, market expansion, major sales, raising of finance, and mergers and acquisition activity. Business is rarely done between companies, but rather between the people in those companies. Brexit requires that new markets are urgently nurtured and developed, and virtual meetings are not particularly effective when building new business relationships. A grounded Irish corporate community places it at a severe and dangerous disadvantage with those international competitors able to fly and/or with land borders, and who consequently can continue to grow and expand.

² Oxford Economics, 2018

Priorities

The immediate short-term objective is to ensure survival of businesses and to protect as many jobs as possible within both the sector and the economy at large.

Aviation is amongst the last sectors of the economy still waiting for clarity from the Government on precisely when and how it is to open.

Even after Ireland reopens its economy, the position of the aviation sector will remain precarious. Easing travel restrictions will not immediately repair the aviation sector. On re-opening, it is clear that airlines will need to seek to stimulate traffic by substantially discounting ticket prices. Already drained of liquidity by months of grounded fleets, and now facing lower margins, airlines will lack the liquidity to risk any resumption which might only serve to further weaken them. The Taskforce thus is placing a priority on helping the industry rebuild services with less financial risk.

Other European governments have already moved to provide substantial financial assistance both to airlines but also to their hospitality and tourism sectors³. There is likely to be an international price war in an attempt to jump-start demand from a smaller pool of likely customers. In re-building our lost connectivity, including regional connectivity across Ireland, the Taskforce is placing a priority on recommendations to commit capacity to re-connect our economy.

The Taskforce has categorised its twelve recommendations into three sections:

- **Protecting Public Health and Rebuilding Consumer Confidence**
- **Rebuilding Regional and International Connectivity**
- **Saving Jobs and Supporting Irish Business**

³ Lufthansa are reported to be in advanced discussions for a range of liquidity packages to the value of €9B supported by the German government. Likewise, TAP is receiving €1.2B package with the support of the Portuguese government; and Air France-KLM a range of packages to about €10B supported by the Dutch and French governments. Spain has announced a €4B stimulus for its tourism sector. Denmark has announced a €97M package to compensate travel agents for cancellation of travel packages due to the exceptional circumstances caused by the coronavirus outbreak and by the subsequent travel restrictions imposed by the Danish Government.

Protecting Public Health and Rebuilding Consumer Confidence

The commercial future of the aviation sector in Ireland is highly dependent on people having the confidence to travel. It must be clear to passengers that air travel is reasonably safe if appropriate protocols are followed, and that it is likewise manageable for public health. Whilst the aviation industry is seeking to try to re-build business as quickly as possible, having to abandon routes or abort operations after just a short number of weeks of re-opened operations would be immensely costly and detrimental to both the recovery in the aviation sector and to other sectors reliant on aviation.

- 1. Green List:** There should be full transparency by Government on the metrics and data being used to decide the constitution of the “Green List” and its periodic update⁴. The epidemiological models adopted by Government should be published, and so increase public confidence with full transparency. The aviation industry should be amply forewarned on the evolution of the “Green List” and on any proposed updates, before they are finalised and periodically publicised. Countries on the “Green List” should have no quarantine requirements for inbound passengers to Ireland. All relevant Government Offices and Departments should have exactly the same message: if it is on the Green List then it is safe to fly provided the safety protocols are followed.
- 2. TravelWise:** The Government should develop a single, consistent, current (up to date), and accurate source for *all* consumer and citizen advice relating to international travel. An obvious candidate is the existing DFAT “TravelWise” App. It should be very actively promoted to the public as a one-stop-shop for all of the relevant citizen and consumer information related to international travel, to consumer protection and to their rights if they do not travel due to Covid-19. A complementary one-stop-shop for information for visitors incoming to Ireland, setting out all of the current behavioural rules and norms, should also be made available as soon as possible.
- 3. Comprehensive Test, Track and Trace:** There is a strong common interest of the aviation sector with the public health authorities in agreeing how to operationally co-exist with the virus. The aviation sector believes that the economy as a whole would be strengthened if a well-funded, very highly efficient test, track and trace scheme at scale was made widely available nationwide and which could turn-around results quickly. Testing should be free, so that routine testing can become a cultural norm and provide public reassurance.

⁴ The Interim Report noted that the EU Commissioner for Home Affairs, Ylva Johansson, had called for Member States to lift all border restrictions to EU citizens by June 15th last.

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- 4. National Code:** The Government should ensure that the National Code of Practice for Safe Air Travel in alignment with the European Aviation Safety Agency (EASA) and European Centre for Disease Control (ECDC) protocol⁵ is finalised, adopted and implemented by the Irish industry without any further delay. This Code should be kept in line with any new modifications developed by the EASA and ECDC.

Rebuilding Regional and International Connectivity

The aviation ecosystem is almost entirely dependent on airlines operating routes. Therefore, the starting point must be to encourage airlines to re-open, to commit to routes and to restore capacity and services. Airlines need to manage the financial risk of route restoration. Measures to reduce the costs are an effective catalyst. Airport infrastructure programmes need to continue and virus mediation measures need to be best practice. It is important that Ireland remains competitive and an attractive destination. The following set of stimulus recommendations, including rebates on certain charges and per passenger sums as appropriate, are intended to reduce the financial risk of rebuilding capacity and passenger numbers whilst meeting Government objectives on re-building connectivity and capacity:

- 5. Dublin Airport:** The regulatory regime as overseen by the Commission for Aviation Regulation (CAR) should continue to apply to Dublin Airport, with a planned Interim Review of the current price-cap determination to be held in the coming months. Airlines should continue to pay all airport and air navigation charges relating to Dublin. The Government should provide a rebate directly to the airlines of all Dublin Airport charges and air navigation charges as paid by the airlines. This would represent State Aid, and it would have to be notified to the European Commission for approval in accordance with State Aid Rules. The above arrangements should apply for the duration of the aviation sector's recovery from the virus⁶.
- 6. Cork, Shannon, Donegal, Ireland West and Kerry:** A stimulus package should be put in place concurrently for each of Cork, Shannon, Ireland West, Kerry and Donegal airports to encourage the rebuilding of traffic. As part of this package, the State should directly provide the airports with a common fixed sum per passenger which will be used by the airports to stimulate traffic by reducing airport charges for airlines and restoring and growing passenger

⁵ EASA SIB 2020 02R5

⁶ Currently, general industry expectations are of the order of up to three years.

numbers to the regions. This scheme would represent State Aid and it would have to be notified to the European Commission for approval in accordance with State Aid Rules; and it should apply for the duration of the aviation sector's recovery from the virus.

- 7. Slots:** The current waiver for 80:20 slot use-it or lose-it should be over the 2020/2021 winter season. With passenger throughputs substantially reduced due to social distancing and pandemic management requirements at the airports, there will be a consequent impact on passenger embarkation and disembarkation, and hence on slot usage. Any loss of slots would permanently reduce connectivity to the island of Ireland. There should be a reasonable notice period over any relinquishment of slots.
- 8. Tourism Taskforce:** Ireland's aviation and tourism sectors are inextricably linked. Measures to support tourism recovery are good for aviation, and measures to support aviation recovery are good for inbound tourism. The Government should adopt the interim recommendations from the Tourism Taskforce. An increased investment in international marketing funding for Tourism Ireland is necessary so as to rebuild inbound tourism, including emphasis on the regions in conjunction with the regional airports to stimulate regional recovery of inbound tourism.
- 9. Sustainable Development:** The Government should enhance investment in the aviation sector in response to Covid-19, and also in particular for the costs to support transition to carbon neutral operations. Ireland should be aligned with EU initiatives led by European Commission in conjunction with the European Aviation Safety Agency, the European Environment Agency and EUROCONTROL⁷. It is important that airport infrastructures have operational flexibility to meet market demands at the times required, including delivery of planned infrastructure programmes in full and on time. In the case of airports, the Government should also provide funding for essential capital projects in line with European Commission rules on State Supports to Airports i.e. all airports with fewer than three million passengers are deemed eligible for capital expenditure support.

⁷ European Organisation for the Safety of Air Navigation.

Saving Jobs and Supporting Irish Business

The aviation sector supports upwards of 140,000 jobs in the Irish economy, almost 40,000 of which are direct employment by the sector⁸. Firms range from large and medium scale employers such as the international airlines, the airports, aircraft leasing companies and MRO facilities, down to SMEs nationwide including 200 travel agencies in rural and regional towns as well as in the larger cities. Many of the jobs across the aviation sector are well-paid, highly-skilled and of high value to the economy. But jobs have already been lost, and more are at risk.

The Government entered the Covid crisis committing to protect jobs and to minimise the long-term damage to stalling the economy. The various wage and income supports already available have been well received by industry, and have contributed to the alleviation of some of the worst impact of the crisis. For that reason, they should remain in place for as long as necessary, but at the very least throughout the winter months and into the first six months of 2021.

The Irish aviation sector in general fortunately came into the Covid crisis from a position of reasonable strength with healthy balance sheets, growing employment levels and ambitious investment and business expansion plans. The sector was globally competitive and globally significant. The sector was a strong foundation for most of the economy.

However, with the stagnation of the industry now as a result of the virus, otherwise viable companies across the industry and its supply chain in Ireland may be unable to trade their way through. The risk of bankruptcies across the sector looms. There is a need for short- and medium-term liquidity supports in the form of low interest credit lines and loan guarantees. The sector needs State-backed access to such financial supports at commercial, but nonetheless attractive, borrowing rates. The Taskforce recommends that:

- 10. TWSS:** The Temporary Wage Subsidy Scheme should be extended until June 2021, subject to review in light of economic developments in the meantime. Employers in the sector will be able to support many more jobs than would otherwise be possible. If the purpose of the Scheme is to maintain a relationship between employees and employers and to protect enterprises until they can begin to trade at a reasonable level again, then it needs to be extended. Keeping people in jobs and keeping companies “business ready” means that they will be ready to better respond to market opportunities when they emerge.

⁸ As was highlighted, with details, in the Taskforce Interim Report, of 22nd June last.

11. Liquidity Supports: Government should enable a liquidity initiative for the aviation sector to help companies that make a material contribution to the Irish economy. This should be available to companies that had strong balance sheets on 1st March (pre-Covid). It should include offerings similar to those made available by other European Governments such as guarantees, credit lines and underpins for interest rates, in line with pre-Covid levels. In the short term, applications should be supported across the industry which assists the cost of social distancing and pandemic management, including public confidence levels. In the medium term, a Pandemic Recovery Initiative should help address sustainable developments in operations and physical infrastructure.

12. Next Gen EU: Government should ensure that a sizeable amount of funding is drawn down for the Irish aviation sector from the 'Next Generation EU' €750 billion funding. This is particularly important given our physical isolation from the EU continent as an island, and the risk of that being exacerbated by an unfavourable Brexit outcome.

Costings and Returns

The recommendations to protect public health and rebuild consumer confidence are, financially, relatively modest. Investment in further improving the efficiency and productivity of national Test, Track and Trace mechanisms would benefit the entire economy and the health of the public.

The Tourism Taskforce's recommendation of a €32M investment in international marketing of Ireland by Tourism Ireland appears prudent and timely. The returns on rebuilding the tourism industry, and especially the protection of jobs in the sector, should be considerable.

The costs of the recommendations to rebuild regional and international connectivity are modest, particularly in comparison to the very considerable incentives being offered by jurisdictions elsewhere⁹. In 2019, the total fees for Dublin Airport and air navigation charges by all of the more than 50 airlines then operating in the State was approximately €320M. In rebuilding capacity during the crisis, the total fee income from the industry to Dublin Airport will be considerably less than that figure. Thus the full cost of rebates to airlines for Dublin Airport would accordingly be some fraction of this figure.

For Cork, Shannon and the Regional Airports, their traffic in 2019 in total was about 6M passengers. In introducing a per passenger subvention from the Government to help to rebuild passenger numbers towards the 2019 number, the cost to the State would then be relatively modest in national terms.

In return for these traffic stimulation measures at the airports, the facilitation of international business development by manufacturing and service industries based across Ireland, including the indigenous high potential companies, in the face of their international competitors and of the challenges caused by Brexit, will help protect employment across the economy. The domestic tourism industry will of course also be stimulated.

The costs of the sustainable developments will vary depending on the nature of the package developed for the various assets across the industry: direct investment, loans and/or even equity participation. Whilst both main airlines already have modern fleets with high fuel efficiencies, moving to carbon neutral operations across airport infrastructures and ground operations will take considerable investment by the industry.

⁹ See footnote 3.

It is not proposed that the liquidity support measures recommended in this report would be in form of grant aid by the Government to the sector. Rather they would be in the form of guarantees, credit lines and underpins for interest rates which would facilitate the aviation sector borrowing as appropriate from commercial banks.

Longer Term Issues

The Taskforce believes that a renewed National Aviation Policy is appropriate in setting the national trajectory for the aviation sector for the current decade.

The Taskforces urges the Minister to initiate a process for considering a renewal of the National Aviation Policy, with an appropriate forum and process for all stakeholders to be able to engage, and to produce an outcome over the coming months.

Conclusion

The Transport, Tourism & Leisure sector has suffered a very severe downturn. In April, the sector registered the fastest contraction of the four monitored service industry categories¹⁰ for all non-price survey variables¹¹. The business activity, new business and new export business indices for services were all in single digits for the first time on record.

As a peripheral island with an open internationally trading economy, the aviation sector has been fundamental to Ireland. It now urgently needs clarity, transparency and commitment from Government to rebuild.

The Members of the Taskforce thank former Minister Shane Ross for his invitation of June 10th to urgently make recommendations on behalf of the entire aviation sector. The Taskforce also thanks those across the industry who took the time to make submissions. These were substantive contributions to the Taskforce's deliberations.

The Taskforce met four times, producing an Interim Report after two weeks and this Final Report within a month of being formed.

The Taskforce is now equally encouraged by the interest and engagement of Ministers Ryan and Naughton.

The Members would be delighted to continue to make themselves available to Government, as appropriate, in any further consultation and strategic planning to rebuild the aviation sector in the light of this Final Report.

¹⁰ The four categories are: Business Services, Financial Services, Technology, Media & Telecoms, and Transport, Tourism and Leisure.

¹¹ AIB Ireland Services Purchasing Manager Index <https://aib.ie/content/dam/aib/fxcentre/docs/resource-centre/aib-ireland-services-pmi/apr-2020-report.pdf>

Appendix One: Aviation's contribution to the Irish economy:

Passenger Numbers in 2019	
• Dublin	32.7m
• Cork	2.6m
• Shannon	1.6m
• Knock	0.8m
• Kerry	0.4m
• Donegal	0.05m
• Total	38.15m

Aviation in Ireland in 2019
• 140,000 jobs – direct and indirect
• Over 200 direct destinations
• 42 countries served
• Served by over 50 airlines

Regional Airports Supporting Balanced Nationwide Development
• Connectivity supporting businesses, start-ups, innovation, increased trade
• Employee spending supporting economy, infrastructure, communities
• Facilitating tourism, commerce, investment, productivity, economic growth

Aviation's Contribution to Tourism (2019)
• 10m visitors by air
• €8.7bn spent in Ireland by overseas tourists
• Helps facilitate the 1/10 tourism jobs in the economy

Aircraft Leasing Industry
• Over 2,000 employees
• 60% of aircraft worldwide are managed from Ireland
• Contributes €550m+ to the economy

Appendix Two: List of Taskforce Members

- Chris Horn, Chairman, Venture Partner at Atlantic Bridge
- Mary Considine, CEO, Shannon Group
- Sean Doyle, CEO, Aer Lingus
- Niall Gibbons, CEO, Tourism Ireland
- Joe Gilmore, Managing Director, IWAK
- Cathal Guiomard, Lecturer, Aviation Management, DCU
- Aengus Kelly, CEO, AerCap
- Patricia King, General Secretary, ICTU
- Cathy Mannion, Commissioner, Commission for Aviation Regulation
- Conor McCarthy, CEO, Dublin Aerospace
- David O'Brien, Commercial Director, Ryanair
- Pdraig O'Ceidigh, Founder Aer Lingus Regional; and former Senator
- Dalton Philips, CEO, DAA
- David Swan, Chairman, Aircraft Leasing Ireland
- Fintan Towey, Assistant Secretary, DTTaS

Appendix Three: List of Submissions to the Task Force

Aer Lingus
Arup
ASL Aviation
Biosecurity Systems
DCU Centre of Excellence for Diversity and Inclusion
dnata Catering Ireland
Donegal Airport
Dublin Aerospace
Dublin Airport Authority (daa)
Fórsa Trade Union
Inflight Flix
International Air Transport Association (IATA)
Irish Aviation Authority (IAA)
Irish Airline Pilots' Association (IALPA)
Ireland West Airport Knock
Irish Travel Agents Association (ITAA)
Joe Gill – Goodbody
Kerry Airport
Lufthansa Technik
Pádraig Ó'Céidigh
Ryanair
Shannon Group
Stobart Air
Swissport
Tropical Medical Bureau
United Airlines