

Public Hearing on the Impact of Brexit on the Aviation Sector

Committee on Transport and Tourism, European Parliament

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Ireland's Success is Built on Connectivity

- As an island nation, Ireland's connectivity & accessibility is a key enabler for economic growth
- In 2016 there were just under 33m air passenger journeys
- 78% of all Ireland – UK trips are made by air
- Over 1,000 new full time jobs developed by daa Group in last 3 years



- Ireland's gateway to world, contributes 3% of national GDP; supports 117,300 jobs
- 12th best connected airport in Europe with further potential to grow
- Dublin/London is busiest air route in Europe, 2nd busiest in the world
- Services to 23 airports in UK - 30% of transferring passengers are on UK-Dublin routes



- Key economic engine for South of Ireland, supports almost 11,000 jobs, €0.7bn in GVA
- Excellent connectivity with the UK – flights to 13 different UK airports
- Strong dependence on UK market

Open Skies and a Liberalised Market has Provided a Platform for Increased Connectivity....

All of EU	Pre-Liberalisation	2015	Percentage Change
Number of EU Domestic city-pair routes	813	953	17%
Number of domestic routes with more than one carrier	106	439	414%
Number of intra-EU city-pair routes	692	3,218	465%
Number of intra-EU Routes with more than two carriers	61	646	1059%



Pax Growth:

1989 – 5.1million

2016 – 27.9million



Source: ICAO, 2003, *European Experience of Air Transport Liberalization for the pre-liberalisation figures.*
OAG Schedules Data for 2015 figures.



....and Delivered Huge Benefits for Ireland

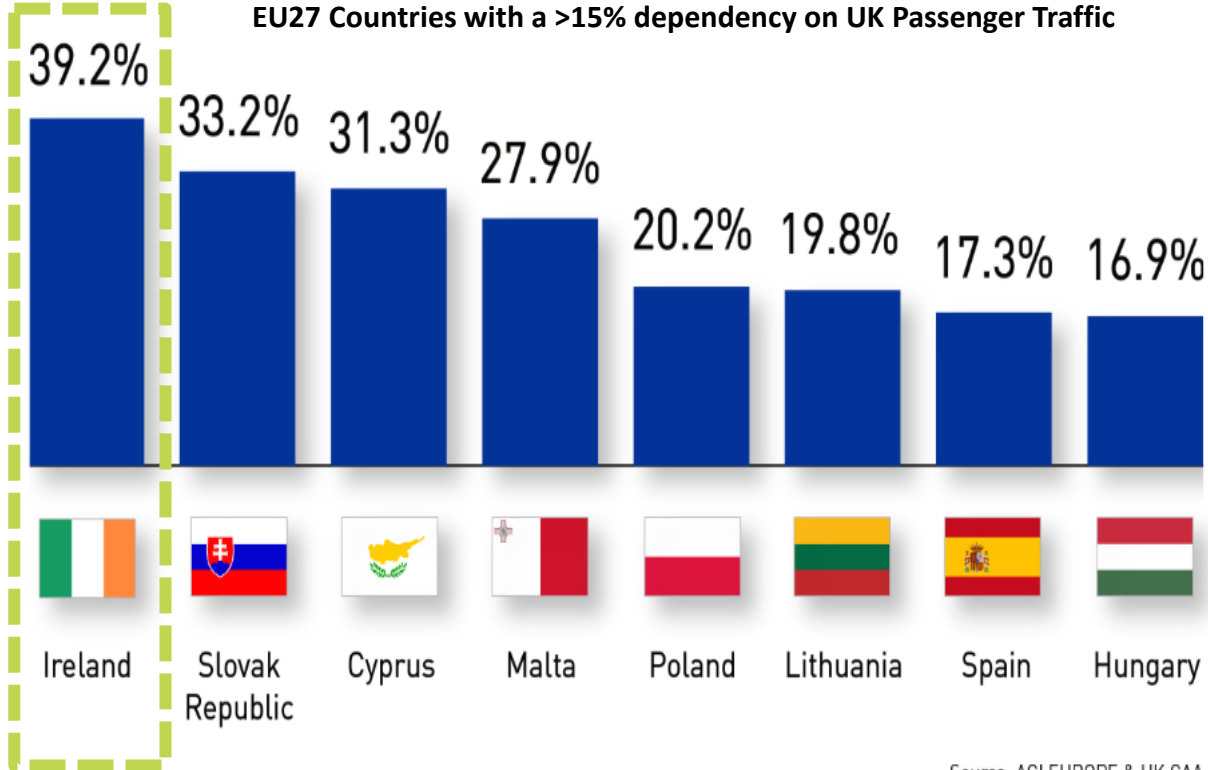


- Driven down the cost of air transport
- Increased competition
- Facilitated tourism growth
- Made doing business easier
- **Benefitted consumers**



Brexit Creates Unique and Disproportionate Challenges for Irish Aviation due to Strong Traffic Flows – Ireland is the EU Country Most Dependent on UK traffic

EU27 Countries with a >15% dependency on UK Passenger Traffic



2016 UK Market Share

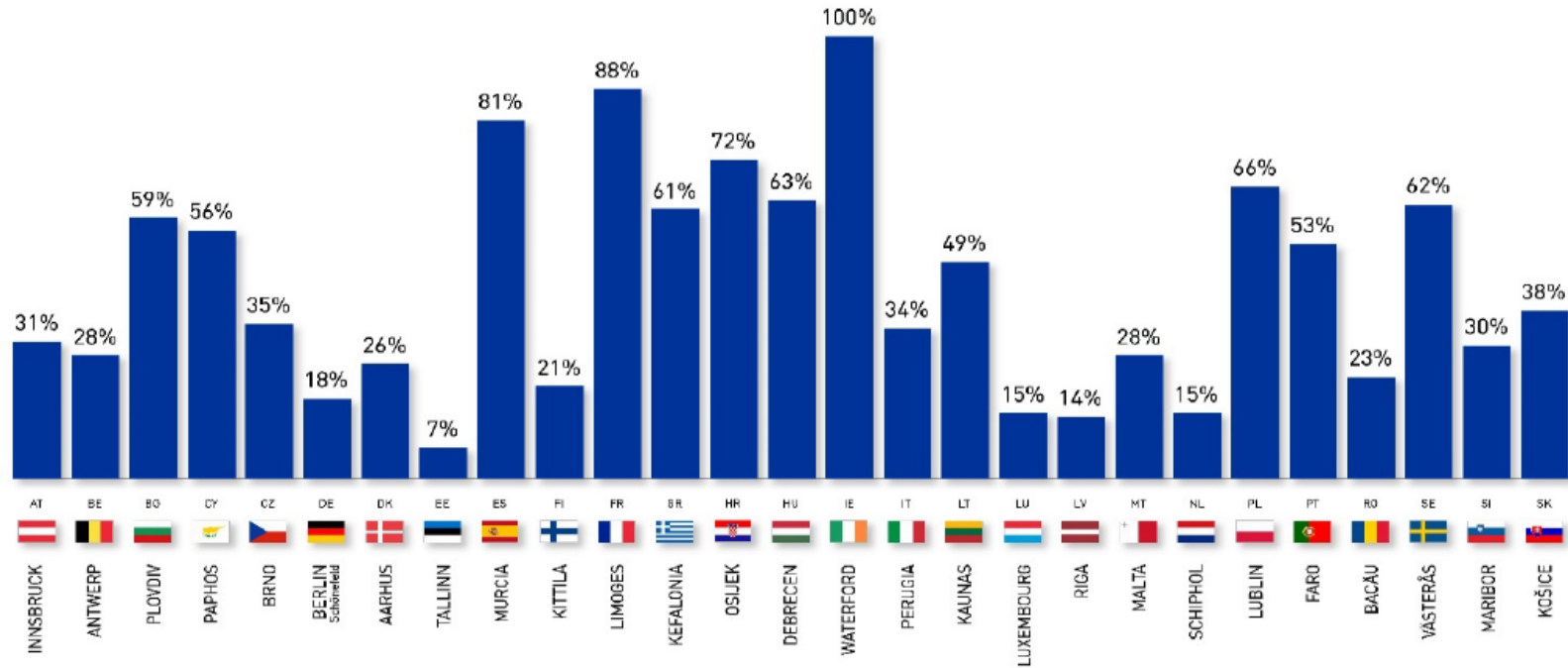


Germany-UK: 6.1% of traffic
France-UK: 6.8% of traffic
UK-EU27: 53.7% of traffic

Source: ACI EUROPE & UK CAA

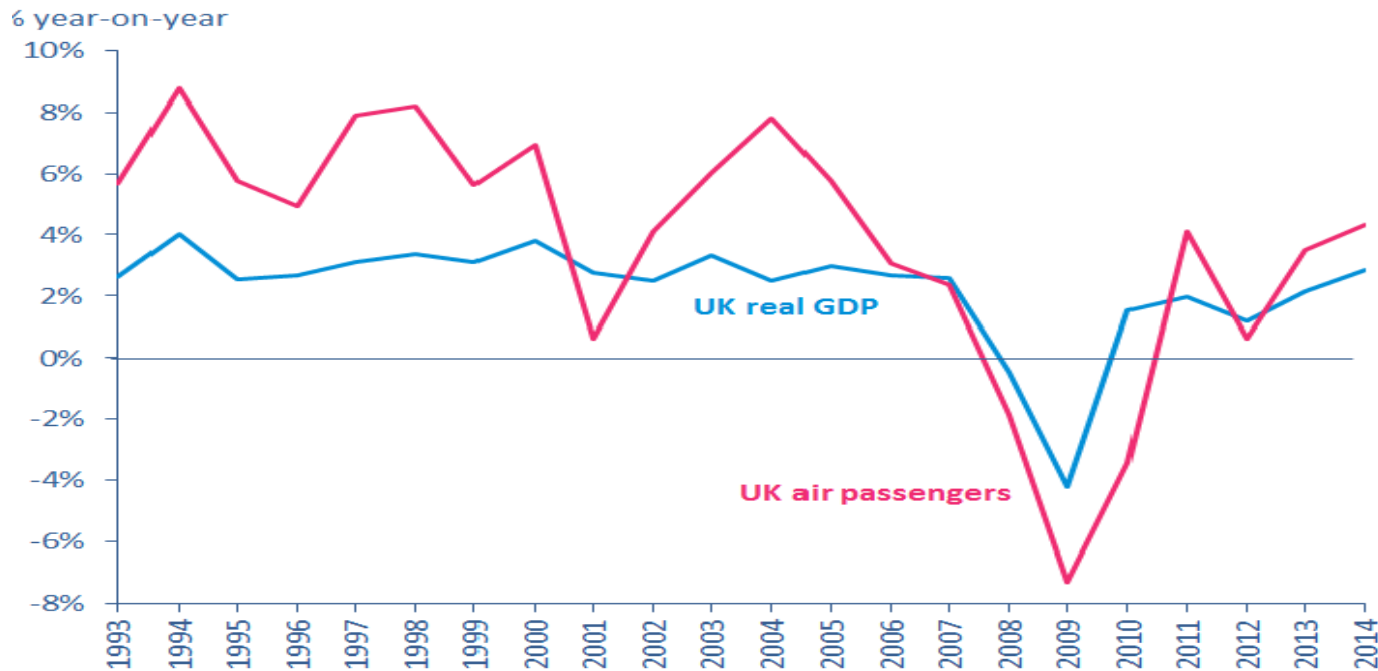
Smaller, Regional Airports Across Europe Are Most Significantly Impacted

Airports most dependent on UK traffic for each EU-27 country



ACI Europe estimates that under the current unrestricted market regime EUI27-UK traffic supports 285,000 jobs and is associated with €13.7bn GDP in EU27

Strong Correlation between UK GDP & UK Air Passenger Volumes since 1993 – Vulnerable to Post Brexit Economic Shock



Sources: UK CAA, Thomson Reuters Datastream

- Strong Ireland/UK economic relationship facilitated by ease of access.
- 44% of all Irish/EU business trips are to/from the UK

Tourism is a Key Contributor to Rep. of Ireland Economic Growth

€4.7bn Revenue
+10% vs. 2015

9m Visitors
+12% vs. 2015

220k Jobs in the
Sector

1 in 9 People are
employed within
the tourism &
hospitality sector

3.8m UK visitors to
Rep. of Ireland
generated €1.1bn

Tourism Marketing
Funding Increase
Critical

**2016 Record Year for Irish tourism fuelled by Connectivity
& Unique UK/Ireland relationship**

Strong Leisure of UK Traffic Component Heightens Concerns re Brexit Impact

Departing Passengers 2016	Routes	
Purpose of Trip	London	UK Provincial
Main/Annual Holiday	14%	7%
Additional Holiday	12%	20%
Visiting Friends/Relatives	31%	29%
Business	26%	22%
Personal/Family	13%	19%
Work	3%	2%
Other	1%	1%
Total	100%	100%

- 42% of Inbound Visitors to Rep. Ireland are from GB
- Challenges emerging:
 - Staycation
 - Weaker Currency (Brexit referendum caused a 15%-20% drop in value of £Stg; ROI more expensive for UK visitors)
 - Increased spend on UK Regional Tourism

While Overall Passenger Growth Continues to be Positive...

YTD 2017 vs. 2016

Dublin Airport traffic up 6%
Transatlantic +24%, Europe +6%,
other international +5%



....Challenges are beginning to emerge for UK Tourism Market

Jan-May 2017

Trips by residents of Great Britain to ROI decreased by 6.8%



Actions to Address the Challenges & Secure the Opportunities

Brexit Raises Challenges and Opportunities

- Limitations to Free Movement of People & Goods: Border Control, Schengen & Visas
 - Threat to Common Travel Area: Must maintain its current form
 - Tourism Decline: UK visitor numbers already reducing in 2017 for 1st time in 5 years, UK increasing regional tourism spend
 - Freedom of Skies/Liberalised EU Air Transport hampered
 - Inconsistent Safety, Security & Other Regs: Incl State Aid
 - Currency Movement/Broader Economic Effect
-
- Potential Duty Free Opportunities: UK Routes
 - Transfer Pax Opportunities from Non-EU to EU for Dublin Airport
 - FDI Relocation Opportunities – e.g. European Medicines Agency



Key Actions

1. Ireland faces unique challenges from Brexit

- Maintaining current levels of connectivity is essential to ensure that Ireland remains open & accessible to the world and enable continued economic growth and prosperity for the island.

2. Continued Liberalisation of EU Air Transport/Smooth Transition of Aviation Agreements between the EU & UK is critical.

- EU's commitment to continued liberalisation of aviation must be maintained
- Any new agreement must continue to facilitate air connectivity & avoid the potential for any "cliff edge" scenarios.
- Prioritise aviation during negotiations & ensure transitional arrangements are utilised to remove any uncertainty for aviation.
- The post Brexit aviation regime should be as close as possible to the current full integration afforded by the Single Aviation Market
- Individual governments needs to put contingency arrangements in place for aviation in case of Hard Brexit, as no WTO safety net.

Key Actions

3. Tourism/Free Movement of People/Maintenance of the Common Travel Area (CTA)/Exploration of Trusted Traveller Schemes.

- Methods to maintain the integrity of the CTA and its associated rights must be examined and solutions for maintaining the CTA in its current form found.
- Investigate potential technological solutions that could be implemented to maintain the free movement of people between Ireland & the UK.
- More tourism funding required nationally to ensure we can (i) compete with UK tourism product (ii) defend current UK market share (iii) enable market diversification.

4. Continued co-operation on aviation safety and security standards is crucial.

- Diverging/Non recognition of standards would create huge cost and complexity challenges for European airports.

5. Take advantage of opportunities – re-establish duty free and secure our place as an attractive option for businesses seeking to re-locate from UK (particularly European Medicines Agency).