

**Statement by the Chairman of the Dublin Airport Authority**  
**Gary McGann to the Joint Oireachtas Committee on Transport**

**June 20, 2006**

Good afternoon ladies and gentlemen and thank you Chairman for this opportunity to address the committee.

I plan to inform you as concisely as possible about a range of important developments concerning the DAA and its various business units, but I would like to begin by updating you on the continued very strong aviation and passenger growth at Dublin, Shannon and Cork airports.

In Dublin's case, the year-on-year increase of over 15% is more than twice the current average for major international airports. Shannon Airport's passenger numbers are 24% higher than last year's record performance while in Cork, numbers are 20% up on the then unprecedented volumes achieved last year.

As the airports move into the peak summer travel season, current projections indicate that Dublin Airport's passenger numbers could surpass 21 million in 2006, 2.6m higher than last year's outturn of 18.4m passengers. Current estimates for Shannon Airport indicate an increase to 3.4 million passengers this year while Cork Airport's passenger numbers are forecast to rise to 3 million.

There are many reasons for this ongoing surge in traffic growth. The continued strong performance of the Irish economy; the increased size of some of the aircraft fleets serving our airports; the launch of new routes and services by Irish and overseas carriers at all three airports; and the targeted marketing campaigns by both our own colleagues and by the various tourism agencies to attract new services and new passengers, represent some of the principal underlying factors.

We welcome this growth as beneficial to the overall economy, to the regional economies where our airports are based and to our own business and its many stakeholders.

Prolonged growth on this scale presents particular challenges at Dublin Airport however, which as every user of the airport is aware, requires significant catch-up and future-oriented investment to manage both current traffic volumes and the projected volumes of more than 30 million passengers per annum within the next ten years.

One of the DAA's two principal strategic policy objectives is to deliver the infrastructure that Dublin Airport needs as rapidly and as cost-effectively as possible. That work is well underway.

Following the Government's decision of May 2005 that a second passenger terminal should be built at Dublin Airport and that the DAA should build it, we moved swiftly to engage the major airlines at Dublin Airport and ascertain their principal business requirements going forward. This consultation process was managed on our behalf by a reputable international airport planning and design firm, Pascall & Watson in order to ensure objectivity.

Following completion of significant consultation, Pascall & Watson delivered their recommendations for the optimum development of Dublin Airport for the approval of the DAA board last September. This was subsequently published as a ten-year development framework plan for the airport costing approximately €1.2billion in 2005 prices. This will be one of the largest and most complex building programmes in the history of the State.

This development plan will deliver a second passenger terminal in excess of 75,000 sq meters before the end of 2009. It will deliver close to 50 new boarding gates at two new piers, where long-haul and short-haul aircraft can board and disembark their passengers directly to and from the airport buildings without need of bussing. It will deliver extensive new parking facilities, internal road networks and set-down kerbsides required for between 30 and 35 million passengers per annum. It will deliver a new runway, parallel to the existing main runway and thousands of square meters of concrete apron works on which aircraft can taxi and park.

Central to the work carried out so far, has been an extensive consultation process with the airlines and other major stakeholders at Dublin Airport as well as close liaison with both the Commission for Aviation Regulation and the independent firm, which the Government has appointed to verify the costs associated with Terminal 2.

I am pleased to inform you that construction has commenced on Pier D, which will deliver 14 new boarding gates by October of next year. The consultation process with airlines concerning Terminal 2 is well advanced and we will submit a planning application to Fingal County Council before the end of the Summer. Subject to an expected seven-month planning process, construction of the new terminal will begin next May. It will be operational 30 months later in October 2009. We have also received planning permission for a new runway and that is now wending its way through the planning appeals process.

I cannot over-emphasise how critical it is to anyone who uses Dublin Airport, and indeed to the wider Irish economy, that Dublin Airport's development programme proceeds without unnecessary obstacles, along its already challenging timeline. The swiftest possible delivery of this new capacity is critical to the comfort, convenience and well-being of the estimated 250 million passengers who will use the Airport over the next ten years. It is also critical to Dublin's development as a convenient transfer airport for long-haul aircraft and passengers traveling between North America, the Middle East and Asia.

In the past six months we have seen the launch of the first two services between Dublin and the Middle East and there is significant potential to expand both point-to-point and long-haul transfer business in and out of Dublin when the new terminal comes on stream.

The development programme is also critical to the delivery of the type of major international gateway, this country needs and deserves as a progressive, prosperous, 21<sup>st</sup> century European State.

In this context, one of the principal challenges to Dublin Airport's development is funding. In order to deliver the plan in full and to the required timescale, as previously stated, the DAA requires an average airport charge per passenger at Dublin Airport of at least €7.50. The DAA as a fully commercial organisation, has no sources of revenue other than its own commercial income and airport charges.

Last October, the Commission for Aviation Regulation (Commission) determined that Dublin Airport should have a maximum charge of just €6.14 per passenger in real terms over each of the next four years. At these levels according to figures supplied recently to the European Commission, Dublin Airport is the fourth lowest-charging major airport in the world and is at approximately 50% of the average charge for large European International Airports. At these levels, the company will be seriously challenged in its ability to complete the Dublin Airport investment on time, and also to separate Shannon and Cork Airports as autonomous businesses.

It is essential that the Commission moves quickly to implement the recent recommendations of the Statutory Appeals Panel and that it follows through on its commitment to urgently review Dublin Airport's capital investment requirements as it indicated last year, it was predisposed to do.

All the major business and tourism organizations have supported our calls for a reasonable airport charge to fund our investment programme, which would still leave us well below the European average. So have those passengers we have surveyed, who say they would be willing to pay more for a significant enhancement of the Airport's facilities. We request the support of all members of the Oireachtas in our endeavour to fulfill our mandate.

Before moving on from Dublin Airport, I would like to remind you of the range of measures we are implementing to optimise the passenger experience there, while we are waiting for significant new infrastructure to be delivered.

- (1) On the airfield, eight new temporary boarding gates have been provided to facilitate the rapid turnaround of our low cost airline customers and their passengers.
- (2) We have provided additional circulation space for passengers on the departures floor of the terminal by relocating non-operational facilities.
- (3) We have hired up to 200 additional passenger security screening staff and increased the number of passenger security screening channels by 50% over the past year to expedite this critical function as effectively as possible.

- (4) New airside catering facilities have been provided beyond the security channels for extra passenger convenience and choice.
- (5) We have also put in place over 150 customer care staff throughout the terminal and in our car parks to facilitate passengers on their visit to the airport.
- (6) 2,000 new long-term car parking spaces have just come on stream.
- (7) And finally, we will deliver a new customized check-in area, below the arrivals floor of the terminal by next December, capable of handling up to 3 million arriving passengers per year.

I am conscious that some members of this committee have expressed concerns recently about congestion at the Airport at peak periods. I have outlined the reasons why congestion is a challenge for us, the measures we are introducing and the encouragement we are giving other service providers to introduce appropriate measures of their own to manage passenger throughflow as effectively as possible. I would also like to reaffirm that the safety and security of customers and employees rank foremost amongst the priorities of the DAA board and management and we will continue to take all appropriate actions in this regard.

I would now like to turn to the other key policy objective of the DAA, namely to achieve full separation of Dublin, Cork and Shannon Airports, as directed by the State Airports Act, 2004. As you are aware progress here has been slow. The elapsed time reflects the challenge involved in surmounting two key hurdles before full separation can be achieved.

In the first instance, the State Airports Act stipulates that the DAA must submit detailed business plans to the Minister for Finance and the Minister for Transport that demonstrate the operational and commercial viability of the three stand alone airports. These strategic business plans are not yet complete though significant time and effort has been expended in developing them by the respective boards, management and staff and their advisers.

The principal outstanding issue in Shannon is the securing of agreement with staff and their trade union representatives for a comprehensive restructuring programme to bring Shannon's cost base into line with its business realities and with other competing airports and to have appropriate conditions in place to sustain that position.

Working under delegated authority from the DAA, the Board, management and staff at Shannon have worked impressively to stimulate additional low-cost traffic to the UK and Europe and to sustain transatlantic traffic. But Shannon's cost base is significantly out of line with its rapidly-changing business requirements, including the definite prospect of an "Open Skies" environment. Significant underlying losses are currently masked only by the temporary impact of military transit traffic.

Notwithstanding the many claims on its scarce capital resources, the DAA has been prepared to support a restructuring programme at Shannon Airport with a generous voluntary severance package. It is now almost a year since the

DAA and the SAA made efforts to bring about an appropriate cost base in Shannon through negotiation with the trade unions. Progress has been poor and while we welcome the Labour Court's recent involvement in the process, we are now seriously concerned about the urgent need for a breakthrough so that Shannon Airport can continue to act as a key economic gateway for the West of Ireland and that a detailed strategic business plan can be completed as part of the separation process.

Completion of the Cork Airport Authority strategic business plan centers on a resolution of how the significant investment in the redevelopment of Cork Airport is remunerated.

To help expedite matters, the DAA has commissioned consultants to carry out a detailed independent analysis of Cork Airport's growth potential, its cash generation potential and its likely capital investment requirements. This analysis, which we are informed will be completed in a number of weeks, should support the boards and management teams of the DAA and CAA respectively to move this issue forward.

The most high profile element of Cork Airport's redevelopment, its new terminal building, is about to become operational. This has been a highly complex project, inherited by the Board of the DAA and its progress has not always been as smooth as planned. But I am now pleased to inform the committee that the building contractors, Rohcon, transferred control of the

building on June 9th and that a certificate of completion is currently being prepared by the project architects, Jacobs International.

We anticipate that the CAA and management at Cork Airport will obtain full access to the building within the next week leaving them in position to complete any remaining on-site training, systems commissioning and final safety and security procedures before determining the date on which it becomes operational. At this stage Cork management is planning to have the new terminal operational in July.

We would like to thank the people of Cork and all the stakeholders of Cork Airport for their support and patience as we completed this landmark new facility and trust they will derive full benefit not only from the country's only current 21<sup>st</sup> century terminal building, but also a completely revamped airport from the roundabout on the Kinsale Road to the edge of the airfield.

The second hurdle in the path to full separation of Shannon and Cork Airports is the level of the DAA's distributable reserves. This may sound like a technical accounting issue, but under company law unless the DAA has distributable reserves – effectively accumulated profits – at least equivalent to the value of assets it wishes to separate, such a separation cannot be effected. The DAA does not currently have distributable reserves equal in value to the key assets in question namely Shannon and Cork Airports and there are a number of outstanding variables that must be resolved before adequate reserves will exist.

Finally, I wish to turn briefly to the question of the DAA's loss-making businesses. At our last presentation to this committee, we emphasized that as a fully commercial organization, the DAA could not continue to support loss-making entities within its organisation or those that offered no prospect of returning to profitability.

In this context last February, the board of the Great Southern Hotel Group decided to sell its hotels on a going concern basis, a decision which was subsequently approved by the board of the DAA. The hotel company's staff was briefed fully on the decision and in May, a full marketing campaign was launched in both the domestic and overseas markets. The hotels are being sold by competitive tender and the deadline for completion of the tender process is July 7<sup>th</sup>. To date we are very satisfied with the quantity and quality of the expressions of interest in the business and we plan to have the sale completed before the end of the year.

There are many other issues I could present to you, but perhaps at this stage, it might be best to hand back to you Chairman, and my colleagues and I will be more than happy to respond to any questions you, or other committee members may wish to address to us. Thank you.