

**Address by Minister for Transport, Tourism and Sport, Shane Ross T.D.
at the IATA AGM – Dublin, 2 June 2016**

Introduction

Many thanks [to Stephen Kavanagh, Aer Lingus CEO and Tony Tyler, IATA Director General] for your kind introductory remarks and I wish Stephen well in his role as President of the AGM over the coming days.

Mr Chairman of the Board of Governors [Mr Andrés Conesa, Aeromexico], incoming and outgoing Director Generals [Mr Alexandre de Juniac and Mr Tony Tyler], Mr President of the ICAO Council [Dr Aliu, Nigeria], distinguished guests, ladies and gentlemen.

It is a privilege indeed that one of my first tasks in the aviation field as Ireland's new Minister for Transport, Tourism and Sport is to speak to the world's largest annual gathering of airline leaders. While Ireland has hosted a number of other IATA events in recent years, this is the first time since 1962 that we have hosted IATA's most important annual event; the AGM. It is high time indeed that we welcomed the event back to the emerald isle.

While all politics is local, today I am conscious that I am addressing a truly global audience from all regions of the world. So I will attempt to give an Irish perspective on the global issues facing the industry today.

Most of you here today will have travelled from overseas to be here in Dublin. As the Minister for Tourism as well as Transport, I would like to extend a particular welcome to you. I hope the purpose of your visit turns out to be both

business and pleasure, and that you are in a position to enjoy some of our legendary hospitality here in Ireland.

Ireland is certainly a worthy location for the event. We have a successful, modern, trade-dependent knowledge economy, focusing on services and high-tech industries. It is no surprise therefore that air transportation plays a vital role in the social and economic life of Ireland.

The Irish have a proud history of innovation in aviation, which has contributed considerably to the development of the industry on a number of fronts. Innovation has always been at the heart of the aviation sector in Ireland; from the technical innovations of the pioneer Irish aviators to our role in the development of aircraft leasing and low-cost airlines.

Over recent years the aviation industry has played a vital role in Ireland's economic recovery. We recognise the importance of having a clear policy framework in place that will create the right conditions to encourage continued growth in the industry.

Last year an updated National Aviation Policy was developed outlining an ambitious plan to continue to grow the Irish aviation sector across all regions of the country. Good progress on implementing this plan is being made and I intend to continue that progress during my tenure as Minister.

IATA's role

There will always be debate as to what balance between regulation and self-regulation is best in different sectors. Since its foundation in 1945 the work of IATA and ICAO together has been a great example of collaborative regulation.

IATA remains the primary forum for inter-airline cooperation to promote safe, reliable, secure and economical air services.

The implementation of ICAO's Standards and Recommended Practices (SARPs) would not be possible without the complementary suite of standards, practices and procedures developed within IATA to help the global industry conform to those SARPs. This spirit of collaborative regulation will be needed all the more as the industry faces the challenges of the 21st century. I commend your efforts and look forward to IATA continuing to play this role into the future.

It was in this spirit of collaboration between industry and regulators that my Department recently convened the new National Civil Aviation Development Forum under the National Aviation Policy. The Forum is bringing together all interested aviation stakeholders to develop shared understandings of regulatory and policy issues impacting on the industry.

The objective is to identify the measures with the most potential to foster growth of aviation enterprise in Ireland, with the overarching focus on competitiveness. The Forum is being supported by industry at the highest level, as well as by decision-makers across a range of government policy areas. I look forward to hearing the results of this innovative collaboration later this year.

Safety and security

The safety and security of air travel underpin all other objectives in this sector. This is essential for maintaining public confidence in aviation. In recent times, the aviation industry has been faced with the sometimes seemingly insurmountable task of managing challenges such as terrorist attacks and the

impact of global conflicts. Each of these situations has presented its own unique challenges to overcome. These events have highlighted that now, more than ever, we must be cognisant of the importance of maintaining the highest standards of security and safety in aviation.

Airlines are central to the delivery of safe and secure aviation services, within a system of interdependent relationships with other aviation stakeholders and with the on-going collaboration and communication with States and Appropriate Authorities. In support of this, Ireland's National Aviation Policy acknowledges the need for robust aviation safety and security management systems and for risk-based, outcomes focussed, aviation safety and security regulation.

Within this context, the resilience of our aviation systems in the face of cyber-attack is of growing concern and I am delighted to see this very important issue on the agenda here.

The Irish Aviation Authority, which is responsible for aviation safety and security regulation in Ireland, continues to maintain Ireland's proud record of aviation safety and security standards and practices, and is committed to the continued promotion of safety and security through its work with air carriers and other aviation operators.

Airline Liberalisation

This is my fourth week in the new job, so you will appreciate that I am still reading myself into the brief. What I can say is that I have always been pro-consumer and pro-competition. At a global level I believe that an open and competitive aviation sector is the best mechanism to meet the challenges ahead.

In the case of aviation policy, I am glad to say that Ireland is a convert to a pro-competition aviation policy. The positive results speak of this for themselves.

There is now a diverse range of airlines based in Ireland; from legacy to low-cost and from long-haul to regional. In addition, the wider Irish aviation cluster now comprises multiple home-grown and international aviation companies that have chosen Ireland as their base.

The airline liberalisation process going back to the 1970s has been vital for the development of Irish aviation. IATA has played an important role throughout this process. The competitive restrictions created by the bilateral system dictated the industry structure in its early years. Loosening those restrictions has allowed increased competition and multiple new airlines have entered the market. New, mainly low-cost carriers, have now been established in pretty much every region of the world.

Facing up to these new market forces has not been easy and many airlines that failed to keep up with developments are no more. However, the big picture shows that the liberalisation process has contributed hugely to the development of the sector as a whole. Most importantly it has provided the industry's customers with new routes, new and better services and lower fares, whilst also facilitating general economic growth.

The airline industry provides a vital service to its customers that allows international economic and social relations to flourish. As airline executives, you are all aware of the importance of moving with the times to meet the changing needs of your customers. However, those customers are not as organised and vociferous as some of the other stakeholders in the industry, such as shareholders, management and labour interests. It is very easy for the

customers' needs to get lost in the complex policy-making process at both national and international level.

Let me be clear that from my perspective the needs of the customer should always be at the heart of aviation policy making; whether it be their safety, security, service or economic needs. This principle underpins everything else I have to say today. Where airports are run by State monopolies they should not exploit their position.

There have always been those opposed to the liberalisation process. However, without the foresight of the policy makers in the past, international civil aviation would be nothing like it is today. As the global debate continues on the further liberalisation of international aviation, it is apparent that there are interests on both sides of the Atlantic that would like to reverse the process.

It is unfortunate that the Norwegian Air Group, a relatively small new entrant to the transatlantic market, appears to have fallen victim to this wider global debate. The airline is already providing new routes at low-cost between places on both sides of the Atlantic that have never had transatlantic services before. The Irish airline within the group also wants to provide such services; for example the Cork to Boston route that was due to commence last month. However, the Irish airline has been unable to start operating these services because it is still waiting for a permit from the US authorities.

To my knowledge this is the first time since the EU-US Open Skies Agreement came into force in 2008, that an airline has announced new transatlantic services to the travelling public, but has been unable to operate the services due to delayed Government approval. Clearly this is not in the interests of the many

people in the Cork and Boston regions that are looking forward to using the new service.

The EU-US Open Skies Agreement has been a huge success and is an example to the rest of the world of the benefits of open skies. It has been good for airlines, passengers and wider EU-US economic and social relations.

I look forward to the US authorities confirming its tentative decision to grant a permit to the Irish airline as soon as possible. Such competition is exactly what the Agreement was designed to achieve when it was put in place nearly a decade ago.

Airport Infrastructure

Of course, air services - their growth, expansion and liberalisation - require airports. For Ireland, they are particularly vital, given that 80% of all passenger movements into and out of Ireland are by air. And Ireland is well served by airports with an extensive airport network providing connections to Europe, North America and the Middle East. The largest of our state airports – Dublin – is one of the busiest of its size in Europe. Last year 25 million passengers used Dublin airport, flying to over 180 destinations in 40 countries, using over 30 different airlines.

With growth and expansion can come constraints: the European Commission in its Aviation Strategy for Europe published last year speaks about a “capacity crunch”, highlighting the importance of tackling this problem, maximising the use of existing airport assets while all the time planning for the future provision of high quality airport infrastructure.

In this context, I welcome the decision made by daa in April to proceed with the development of a second runway at Dublin Airport. The project is expected to create thousands of jobs and will be invaluable in allowing the airport to grow, which in turn allows the Irish economy to grow, by supporting employment, trade, FDI and tourism.

Aviation Finance

In recent years, some of the most important innovations in the aviation sector have been in the area of aviation finance. Ireland has been at the heart of these developments and is now one of the leaders in aircraft leasing and financing, with 9 of the world's top 10 largest leasing companies based in Ireland. As of 2015, approximately 4,300 leased aircraft are managed from Ireland with a total estimated value in the region of US\$125 billion.

There is no place for complacency in this highly competitive sector. In order to maintain and grow Ireland's position in the market, the Irish Government will continue to keep Ireland competitive and an attractive location for aviation financial services.

The Irish corporate tax regime continues to be supportive of the sector, both in terms of the 12.5% corporation tax rate and also through Ireland's suite of bilateral taxation treaties with other countries.

Aviation Taxes

Speaking of taxes, I know that aviation taxes, particularly departure taxes, are a matter that IATA and its member airlines have strong views on. In Ireland's case following discussions with airlines, the Government took the decision to suspend the Airport Travel Tax in 2013 as part of our efforts to encourage the

development of new routes and services and as a further demonstration of the Government's commitment to the sector.

I'm glad to say the response to this initiative has been very positive, with additional routes and extra capacity. The Programme for Government 2016 has confirmed the new Government's commitment to continuing the 0% Airport Travel Tax policy.

However, that tax was introduced during a fiscal emergency. I can appreciate why Governments faced with the very difficult task of balancing the books, have chosen to introduce aviation taxes, given that in many cases airlines are exempt from other taxes such as VAT and fuel tax. Taxation is a sovereign matter for each Government to decide on and no industry should feel that it is immune from contributing its fair share.

Air navigation services

A further area of focus in the market at present is air navigation services. Promoting modernisation and commercial development in Air Traffic Management is recognised as a priority at both a global level in ICAO and at a regional level in Europe.

We must also recognise that the provision of high-quality services and the maintenance of a modern aviation infrastructure represent a significant challenge for Ireland and other EU member States under the legislative provisions of the Single European Sky.

The current ATM landscape, with the high number of air navigation providers has resulted in a complex operational landscape. I believe that it is only through innovative approaches that we can expect to see a clear way forward to

improved operational efficiencies. Service providers must find ways of collaborating ever more closely and hopefully leading to greater specialisation in service provision with consequent cost efficiencies to airspace users.

Environment

While aviation brings about significant economic and social benefits, it is also contributing negatively to climate change, noise and local air quality, with consequential impacts on the health and quality of life of citizens globally, particularly those in close proximity to airports.

The significant upward shift in demand for air travel has of course led to increased overall pressures on the environment and this trend will continue. However, for all the rapid developments in aviation technology that have been made over the past few decades, and bearing in mind the strides that will likely be made in future years, the industry will struggle to reconcile its rapid growth with its environmental footprint. Other industries are facing the same problem.

Historically, the aviation sector has been excluded from a number of environmental regulations, for various different reasons. However, it is clear now that the industry must play its full part in addressing these global challenges and must participate fully in the efforts to offset its environmental impact.

The aviation sector needs to prepare for and develop resilience to potential future environmental impacts. Actions have been initiated at European, national and organisational levels to help to counteract these effects.

It is hoped that a new approach to curb CO₂ emissions will be finalised at the ICAO Assembly taking place in late September. The proposed new system will

mean that airlines will effectively have to offset their CO2 emissions using market mechanisms designed to allow airlines to continue to grow in a sustainable and cost-effective manner through the off-setting of some of the associated negative environmental impacts.

Principles of transparency and non-discrimination are vitally important for the proposed new offset system. So too is simplicity of operation. We must not end up with a system that it is so complex that it becomes impossible to implement effectively and efficiently.

Conclusion

To conclude, once again, thank you again for the invitation to address you here today.

I hope that you have found this overview useful. I wish you a successful AGM.