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Air Access and the Western Region
A Regional Perspective

WDC Policy Briefings: The Western Development Commission (WDC) is a statutory body promoting economic and social development in the Western Region of Ireland (counties Donegal, Sligo, Leitrim, Mayo, Roscommon, Galway and Clare). WDC Policy Briefings highlight and provide discussion and analysis of key regional policy issues.

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Introduction

Air travel is a particularly important transport mode for an island economy and for connecting geographically remote regions. In Ireland, government policy[1] supports the development and expansion of regional airports in order to improve accessibility and promote balanced regional development. However, policy supports are being reviewed due to both budgetary constraints and the cessation of contracts supporting air routes between Dublin and regional airports.[2] The Department of Transport has recently announced a reduction in future route support and has published a *Value for Money Review of Exchequer Expenditure on the Regional Airports Programme* which makes recommendations to also reduce other supports for regional airports.

This WDC Policy Briefing examines the importance of air access to the Western Region and the role of regional airports. It will show that these airports are important to the region's economy, improving accessibility for enterprises and tourists. Airports in the Western Region will need continued support if they are to effectively help drive regional economic growth.

What is the role of air transport in regional economic development?

Transport infrastructure is recognised as one of the most important factors in stimulating economic growth, enabling more efficient movement of goods and services, reducing firms' transportation costs and allowing better operation of labour markets.[3] Geography helps determine the relative importance of different transport modes and for an island economy air access is particularly important.

For enterprise, quality transport links between producers, consumers and suppliers are required to trade efficiently and confer competitive advantage through reduced costs, predictable journey times and access to wider markets. The Western Region needs to have good international connections and without efficient air access companies in the region are placed at a competitive disadvantage to companies elsewhere. As noted in the WDC Policy Briefing, *Why care about regions? A new approach to regional policy*,[4] infrastructure is a necessary condition for regional development and lagging regions need to have a similar quality of infrastructure as is available in more successful regions so that they can compete on a more level playing field.

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1   Most recently expressed in Department of Transport, 2008, Statement of Strategy, 2008-2010 and Transport 21 www.transport21.ie
2   These are termed Public Service Obligation routes (PSO) and the current contracts are to expire in July 2011.
3   Department of Finance, 2010, Infrastructure Investment Priorities 2010-2016, A Financial Framework
4   WDC, 2010, Why care about regions? A new approach to regional policy

Air access is particularly important for 'short-break' tourism where travel time needs to be minimised

Air is the preferred form of travel for most tourists, particularly tourism to island and long haul destinations.[5] Air access is particularly relevant in the case of the 'short-break' market where travel time needs to be minimised. In the Western Region, tourism is particularly important, employing nearly one in five (19.2% or 23,700 people) of all those working in the accommodation and food service sector in Ireland.[6] If the region is to capitalise on key international markets then effective international access is critical.

The European Commission recognises that regional airports play a major role integrating peripheral parts of Europe and supporting balanced regional development. "Airports that provide good services can act as a magnet for airlines and thus promote business activity as well as economic, social and regional cohesion within the EU".[7] The EU believes that greater use of regional airports can help to counter increased congestion at larger airports.

Which airports serve the Western Region?

In Ireland there are various types of airports ranging from the larger facilities which serve many international centres through to smaller airports with more limited services to domestic and UK destinations. There are also airfields which do not offer commercial services.[8]

State airports and 'regional' airports

The airports of Dublin, Cork and Shannon are in State ownership, while the term 'regional' refers to the privately owned airports which were established in response to local demand

Government policy distinguishes between State airports and 'regional' airports. The airports of Dublin, Cork and Shannon are in State ownership, while the term 'regional' refers to the privately owned airports[9] which were established in response to local demand. Shannon airport and the four regional airports at Donegal, Sligo, Ireland West Airport Knock and Galway are located in the Western Region. Table 1 shows passenger numbers at the State and regional airports and the ratio of international/domestic passengers. The State airports are the largest, while the regional airports vary in terms of passengers carried and share of international traffic.

Table 1: Passenger numbers 2004, 2008 and percentage international/domestic

AIRPORT	2004	2008	% CHANGE 2004-08	% INTERNATIONAL 2008	% DOMESTIC 2008
Dublin	17,138,373	23,507,205	37.2	96.0	4.0
Cork	2,254,251	3,259,109	44.6	86.2	13.8
Shannon	2,395,116	2,956,951	23.4	92.8	7.2
Knock	368,977	629,712	70.7	98.1	1.9
Kerry	378,654	426,115	12.5	70.4	29.6
Galway	225,430	266,473	18.2	66.4	33.6
Waterford	60,875	144,253	136.9	96.5	3.4
Donegal	42,675	65,539	53.5	26.2	73.8
Sligo	41,053	42,493	3.5	22.1	77.8

Source: CSO, Transport 2008. State totals cannot be computed due to double reporting of arrivals and departures of domestic (national) traffic. The international passenger data for Waterford, Donegal and Sligo Airports is from CSO Airports Pairings data which is sourced from the airlines rather than airports and is sometimes different as they may not include charter or private traffic.

5   Forsyth, P., 2008, Tourism and Aviation Policy: Exploring the Links in Graham, A., Papatheodrorou, A., Forsyth, P, (eds) Aviation and Tourism, Implications for Leisure Travel
6   CSO, Quarterly National Household Survey, Q1 2010, Table 2, Special Run
7   EU *Community Guidelines on financing of airports and start-up aid to airlines departing from regional airports.* p.3,4. (http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2005:312:0001:0014:EN:PDF)
8   For this reason they are not examined in this paper.
9   Donegal, Sligo, Ireland West Airport Knock, Galway, Kerry and Waterford. These airports are managed by trusts and boards which include members of the local business communities.

State airports

The State airports, operated by the Dublin Airport Authority (DAA), a State owned company, are considered the most important international air access points. Map 1 below identifies accessibility to the State airports and Belfast International airport and also shows those areas with a greater than two hour drive-time to these airports. This shows the extent to which Dublin, Cork, Shannon and Belfast International airports serve their respective catchments, as well as demonstrating that parts of the West and North West are very poorly served. In addition to geographic proximity, the extent of an airport's catchment is also dependent on the quality of its transport links, a factor which contributes to the West and North West's relative 'inaccessibility'.
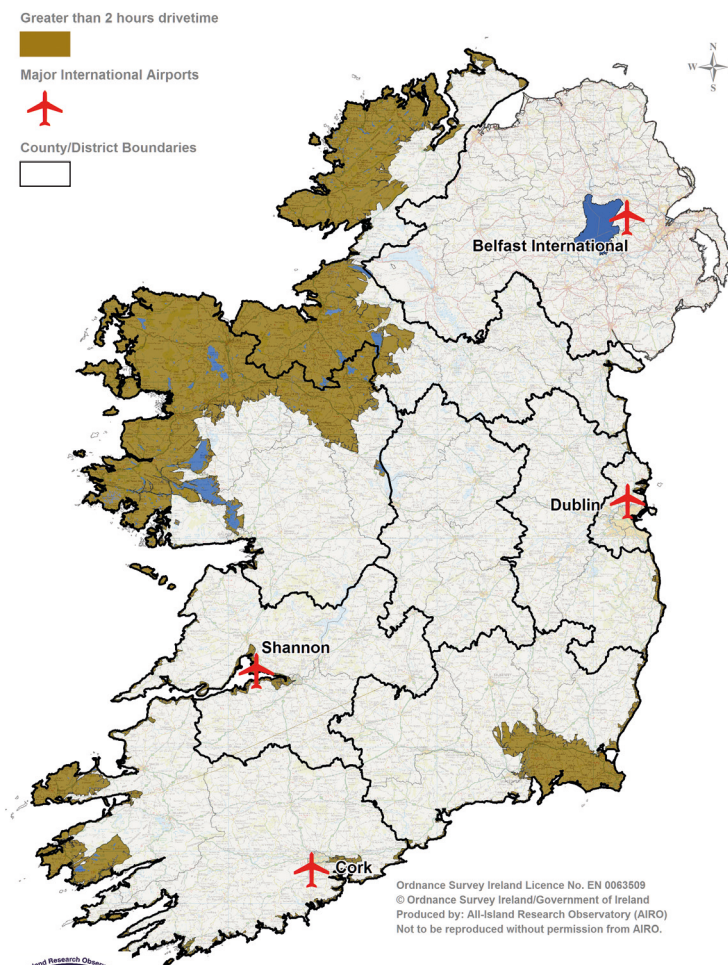
The Department of Transport's *Value for Money Review* (2011) notes the importance of better transport links to airports which improve accessibility and extend their catchments. However, recent investment has been concentrated on radial routes from the regions to Dublin, promoting Dublin airport and international routes from there, rather than developing the potential for direct international services from other airports.

Most of counties Mayo, Sligo, Leitrim, Donegal and parts of Roscommon and Galway are 'inaccessible' with a greater than two hour drive-time to any of these State airports. These 'inaccessible' areas include the National Spatial Strategy (NSS) gateway of Sligo and the NSS twinned hubs of Castlebar and Ballina, which are key urban centres in the West/North West.

Most of counties Mayo, Sligo, Leitrim, Donegal and parts of Roscommon and Galway have a greater than two hour journey time to any of the State airports

Map 1: Accessibility to State airports and Belfast International

Accessibility to Major International Airports: Greater than 2 hour drivetime

Greater than 2 hours drivetime

Major International Airports

County/District Boundaries

Belfast International

Dublin

Shannon

Cork

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Source: All Island Research Observatory, 2010

'Regional' airports

The regional airports (see Map 2), vary considerably in terms of passenger numbers, infrastructural capacity and range of routes served. Within the Western Region, two of the regional airports, Galway and Sligo, serve NSS gateways. Donegal airport is located at Carrickfinn, west Donegal serving a remote community. Ireland West Airport Knock, the only airport in the Border, Midlands and West (BMW) region with the capacity to handle transatlantic aircraft, is located in east Mayo and is accessible to the gateways of Sligo, Galway and Athlone as well as serving much of Connacht and beyond. Donegal, Sligo and Ireland West Airport Knock are all located within the 'inaccessible' areas depicted in Map 1.

The regional airports vary considerably in terms of passenger numbers, infrastructural capacity and range of routes served

Map 2: State and Regional Airports, Passenger Numbers 2008

Passenger Numbers 2008	
Dublin	23,507,205
Belfast International*	5,200,000
Cork	3,259,109
Shannon	2,956,951
Belfast City*	2,570,000
Knock	629,712
City of Derry*	439,000
Kerry	426,115
Galway	266,473
Waterford	144,253
Donegal	65,539
Sligo	42,493

- Domestic/National Travellers
- International Travellers

Western Region is the area depicted in white

Source: CSO, Transport 2008. State totals cannot be computed due to double reporting of arrivals and departures of national traffic.

* NI airport data from CAA (UK Civil Aviation Authority). NI airports classify domestic and international travel differently and so this distinction is not made for NI airports.

The designation 'regional' under-estimates the role the larger 'regional' airports perform in connecting regions to international locations

Government policy distinguishes between State and regional airports but apart from ownership, the purpose of this distinction is not clear. However the implications of the distinction and the designation 'regional' underestimates the role the larger 'regional' airports perform in connecting regions to international locations. These <u>are</u> international airports with some carrying a greater share of international passengers than the State airports (see Table 1). Thus 'regional' airports, outside of State ownership, are important international access points serving local and regional demand.

What policy instruments support 'regional' air access?

Though the Government's transport programme is contained in Transport 21,[10] aviation policy is most recently expressed in the National Development Plan 2007-2013 and the Department of Transport Statement of Strategy 2008-2010.[11] While these policies acknowledge that some regional airports have international connections, the role of regional airports is expressed only as supporting links to and from State airports, rather than improving direct international linkages to the regions.

> *The six regional airports, with the aid of Exchequer support, complement the role of the three State airports by helping to ensure that the benefits arising from their success as international gateways are widely distributed throughout the country.*[12]

EU policy supports air access from regional airports. Though air transport operates in a liberalised market, the EU sanctions state aid in limited circumstances, acknowledging the role regional airports play in supporting regional economic development and alleviating congestion at main hub airports.[13]

All Irish regional airports are categorised by the EU as *small regional airports* (Category D – less than 1 million passengers per annum) and are entitled to the most generous aid terms. There are different types of state aid allowed, of which the first three, (Capital and Operational expenditure and PSO), are available in Ireland but may be significantly curtailed as recommended in the *Value for Money Review*. There is also a fourth possible support mechanism (for start-up aid for new routes, see below).

1. Capital Expenditure

Under Transport 21 the Government approved €86.5 million for specific projects up to end 2010, covering both safety and security (€39 million) and developmental projects (€47 million). Due to budgetary constraints this allocation has been reduced from €86.5 million to approximately €25 million.[14]

2. Operational Expenditure

This programme provides for subvention to cover eligible losses which airports incur and are unable to finance through charges and commercial income. This is operated on a yearly basis and is subject to strict assessment criteria. Total expenditure for the three years 2007-2009 for all six regional airports amounted to €8.3 million.

3. PSO Services

The Department of Transport funds air services on selected routes (known as Public Service Obligation routes, PSO), on the basis that they are not provided commercially and are considered vital for regional economic development. The operation of these daily PSO air services are open to tender by different airlines. The current contract, from July 2008 to July 2011, will cost approximately €45 million and connects Sligo, Donegal, Ireland West Airport Knock, Galway, Kerry and Derry airports with Dublin airport. Across the EU there are currently approximately 165 PSOs operated in 12 countries.[15] In 2009, there were in excess of 122,000 passengers on the four PSO routes from the Western Region (Donegal, Sligo, Ireland West Airport Knock and Galway).

The Minister of Transport announced (January 2011) that the Government has agreed to continue to support just one PSO in the region (Donegal – Dublin) after July 2011. The *Value for Money Review* also recommends a curtailment of operational and capital supports to Sligo and Galway airports, noting that these airports may close to commercial traffic as a consequence.

New PSO contracts must adhere to stricter EU guidelines[16] to have regard to alternative transport modes, in particular where rail serves the same route with a travel time of less than three hours. However, many parts of the region have rail journey times to Dublin in excess of three hours. In addition, much of the significant investment in the road network has occurred outside of the Western Region (for example four of the five major

10 *Transport 21* (2006-2015) is the largest investment in Ireland's transport system which aims to *transform Ireland's national roads, rail and bus services, and regional airports*. www.transport21.ie
11 In 2009 the Government published *Smarter Travel - A Sustainable Transport Future. A New Transport Policy for Ireland 2009 - 2020. The most recent Green Paper on Transport Policy was published in 1985.*
12 Department of Transport, 2008, Statement of Strategy 2008-2011 p.24
13 EU Council Regulation (EEC) No. 2408/92 July 1992
14 Department of Transport, 2009, Submission to The Special Group on Public Service Numbers and Expenditure Programmes, p.134
15 The inventory of EU PSO routes is at http://ec.europa.eu/transport/air/internal_market/doc/2009_12_pso-eu_and_eea.pdf
16 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32008R1008:EN:NOT

(sidebar)

In Government policy the role of regional airports is seen only as supporting links to and from State airports, rather than improving direct international linkages to the regions

The Department of Transport funds air services on selected routes on the basis that they are not provided commercially and are considered vital for regional economic development

The Minister of Transport announced that the Government has agreed to continue to support just one PSO in the region (Donegal-Dublin) after July 2011

Therefore much of the Western Region will remain 'inaccessible'

inter urban routes are outside the region connecting Dublin to the Border, Waterford, Cork and Limerick). North of Galway there have been limited improvements and planned investments, particularly the Atlantic Road Corridor, N5 and N4, have been deferred. Therefore much of the Western Region will remain 'inaccessible' as illustrated in Map 1.

Budget 2011 announced a forthcoming route incentive scheme for the three State airports designed to grow tourism, through a rebate of airport charges.[17] This suggests a considerable difference in approach for State and regional airports and highlights the relative lack of recognition of the role and importance of the 'regional' airports in supporting economic growth and tourism and in providing direct international air access.

4. Start-up aid for the operation of new routes from small regional airports

The EU permits aid for the establishment of new routes from small regional airports to support route development

This aid is permitted for category C airports (passenger numbers between 1 and 5 million) and category D airports (less than 1 million). Recognising that larger airports benefit from economies of scale which can attract connections while smaller airports have greater difficulty generating profits and attracting airlines, the EU permits aid for the establishment of new routes from small regional airports to support route development, for a maximum of three years (or five years for outermost regions).[18]

The WDC believes that this and any other policy supports should be examined to determine how they might support direct international air access from Western Region airports. This mechanism is examined in a forthcoming WDC study.

Why is direct international air access so important?

Accessibility is considered a prerequisite for economic development and accessibility by air is particularly important for an island economy such as Ireland. A recent EU report measuring potential accessibility by air (using an index where EU 27 = 100), found that Dublin was the only region within Ireland above the EU average, measuring 135.[19] The Border region[20] (60.2), West region[21] (66.5) and Mid-West region[22] (80.6) all recorded accessibility scores considerably below the EU average. The report underlines the role of airports in improving accessibility for remoter regions, noting the role of regional airports in the Nordic countries, which despite their remote location, record better than expected accessibility scores.[23]

Enterprise

Forfás cites the importance of air access to the Border region and notes "the need to maximise the impact of regional airports".[24] The recently announced IDA Strategy *Horizon 2020*, states that "the IDA will ensure that by 2014, 50% of FDI projects will be located outside of Dublin and Cork, in line with the Government's National Spatial Strategy (NSS)".[25] Improved international accessibility into the West and North West will be critical in helping to realise this target.

The American Chamber of Commerce, the representative body of American multinationals, cites the importance of 'regional' airports. For the North West (Donegal, Sligo and Leitrim), the importance of Sligo, Donegal, Derry and Ireland West Airport Knock are noted. For the West (Galway and Mayo), Galway airport is noted as providing the region with vital access to hub airports such as London Luton and Dublin while Knock airport provides access to international hubs such as Birmingham and Dublin.[26]

17 Financial Statement of the Minister for Finance, Mr. Brian Lenihan, T.D. Budget 2011, 7th December 2011.
18 See footnote 7
19 www.espon.eu/export/sites/default/Documents/Publications/TerritorialObservations/TrendsInAccessibility/accessibility_data.xls
20 Donegal, Sligo, Leitrim, Cavan, Monaghan and Louth
21 Galway, Mayo and Roscommon
22 Clare, Limerick and North Tipperary
23 ESPON, 2009, Territorial Dynamics in Europe: Trends in Accessibility, Territorial Observation No. 2, November 2009, p9
24 Forfás, 2009, Regional Competitiveness Agenda: Realising Potential, Border, p.7
25 IDA, 2010, Horizon 2020, IDA Ireland Strategy, p.13
26 http://www.amcham.ie/article.aspx?id=138

An analysis of the impact of international deregulation on airports and airlines, found that in Ireland by 2007, the regional airports had developed 61 routes. It goes on to say that

> *Each direct route offers a lower cost quicker journey than the previous routing of passengers through a hub such as Heathrow… Passengers using new local airports in Ireland save time and other journey costs to Dublin, Cork and Shannon which were the only international airports prior to de-regulation.*[27]

The Irish Exporters Association (IEA) has noted the importance of air travel to that sector. In its recent submission to the Department of Transport Strategy for 2011-2013, it argues that regional development will continue to need the PSO subsidy due for renewal in 2011, if inward investment to the regions is to be encouraged.[28]

Tourism

The importance of international air access in supporting tourism has been acknowledged by the Department of Transport which notes that "access through international and regional airports are vital for our tourism industry."[29]

The NSS and the Forfás Regional Competitiveness Agendas (2009), specify the tourism sector as particularly important to the economies of the West and North West. However recent data show that they have performed poorly in attracting tourists. The North West experienced a decline of nearly one fifth (19.7%) in overseas tourist visits between 2008 and 2009 and the West suffered a decline of 18.3% in the same period. The Shannon region (Clare, Limerick, North Tipperary, Offaly West) also experienced a very significant decline of 27.3%.

Examining the regional share of total national tourism revenue, the North West, with weaker international access, has experienced a decline in share from 5.7% in 2003 to 4.5% in 2009.[30]

The West has experienced a decline in its share from 13.5% in 2003 to 12.0% in 2009.[31] Though the West's share of total tourism revenue is much lower than Dublin's (12.0% and 39.7% respectively in 2009), the impact of the tourism sector on the economy of the West is greater. For example, total tourist expenditure is 7.6% of gross value added (GVA) in the West region compared to just 2.8% of Dublin's GVA.[32]

Relatively poor direct international air access (Map 1) is a factor in the weakness of the tourism sector in the North West and parts of the West. The growth in popularity of 'short-break' tourism, coupled with the inaccessibility of the region compared to other regions has made it difficult to compete in this market.

In contrast, improved international air access via Dublin airport has supported tourism growth there. For example, between 2003 and 2008 there was a significant increase in passenger numbers through Dublin airport (+48.2%) and an increase in overseas visits to the Dublin region (+25%).[33] Conversely, in the Shannon region, between 2008 and 2009 the number of inward passengers into Shannon airport declined by 10.9% and there was a 27.3% reduction in overseas tourist visits to the region.

Passengers save time and other journey costs to Dublin, Cork and Shannon which were the only international airports prior to de-regulation

Relatively poor direct international air access is a factor in the relative weakness of the tourism sector in the North West and parts of the West

27 ESRI, 2007, Quarterly Economic Commentary, Winter 2007, Hub Airport Slots, Market Exit and Irish Regional Economic Development, Airline Deregulation good for Ireland and the Atlantic Region, Sean D. Barrett, p69
28 Irish Exporters Association, 2010, New Transport Strategy 2011-2013, Irish Exporters Association Submission to the Department of Transport. p7
29 see footnote 11, p.50
30 Fáilte Ireland 2010 Region Factsheets
31 see footnote 30
32 NUI Cork, 2005, Prof. Deegan, J., and Dr. Moloney, R. Understanding the Economic Contribution of Tourism to Economic Development, The Case of Ireland West.
33 see footnote 30

Policy on air access should be linked to and consistent with tourism and enterprise policy as well as the NSS

There is a need to maximise international air access from the Western Region's airports to drive regional industry and tourism

Until there are improved service levels from the region's airports and a reduction in journey times to State airports, where EU guidelines allow, PSO air links to Dublin airport should be continued

Conclusions

There is a need to examine the designation of State and 'regional' airports as international access points in the context of regional need, spatial balance and the international services each airport provides. The WDC believes that Government policy does not fully recognise the international access role of regional airports and their consequent importance to their respective catchments. Policy on air access should be linked to and consistent with tourism and enterprise policy as well as the NSS.

Improved direct international air services into the Western Region are required to support enterprise and tourism development. Instead of policies which concentrate international air access through State airports there is a need to maximise international air access from the Western Region's airports to drive regional industry and tourism. The WDC believes that policies which could improve direct international air access to the Western Region should be explored, for example "Start-up aid for the operation of new routes from small regional airports".

Further investment in road and rail routes serving Western Region airports will strengthen the capacity of 'regional' airports, extending their respective catchments and improving their viability. In turn, this will increase demand for better service levels, attracting more passengers. Over the longer term, improved international service levels are likely to reduce the need for government supports.

More immediately, large parts of the Western Region including NSS gateways and hubs, have a journey time in excess of three hours from a State designated international airport. As such, many parts of the region are seen as remote and 'inaccessible' to foreign investors and tourists. Therefore, where EU guidelines allow, PSO air links to Dublin, allowing access to international connections through Dublin airport, should be continued, until there are improved service levels from the region's airports and a reduction in journey times to State airports. Continued support for air access into the Western Region is needed to enable the region compete and to 'level' the playing field with other regions.

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