



**Consultation on
Review of Future Capacity Needs at Ireland's
State Airports**

To the Department of Transport, Sport and Tourism

**Submission from the
Western Development Commission**

December 2018

Contact:

Deirdre Frost

Policy Analyst
Western Development Commission
Dillon House
Ballaghaderreen
Co. Roscommon

Tel: 094 986 1441

Fax: 094 986 1443

Web: www.wdc.ie

1.1 Introduction

The Western Development Commission (WDC) welcomes this opportunity to make a submission to the Department of Transport, Tourism & Sport on the Final report *Review of Future Capacity Needs at Ireland's State Airports, August 2018*.

The WDC is a statutory body established by government to promote, foster and encourage economic and social development in the Western Region¹. It operates under the aegis of the DRCD². The WDC works in co-operation with national, regional and local bodies involved in western development to ensure that the Western Region maximises its full development potential. The WDC seeks to ensure that government policy reflects the needs and maximises the potential of the Western Region.

The WDC will first provide some context to air access in the Western Region. Following this, the WDC will set out its views on the *Review of Future Capacity Needs at Ireland's State Airports* in the context of the future development of Ireland's (State) Airports and in the context of the remit of the WDC. It is hoped that WDC views will inform consideration of the planned policy statement on airport development to be decided by Government in early 2019.

1.2 Context

International air access is particularly important for an island economy and for connecting geographically remote regions such as the Western Region. There are two airports, Shannon and Ireland West Airport Knock, which are located in the Western Region and offer a range of international air services³.

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.

1.3 Airport Catchments

Accessibility is considered a prerequisite for economic development and accessibility by air is particularly important for an island economy such as Ireland. An 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 135.⁵ The Border region⁶ (60.2), West region⁷ (66.5) and Mid-West region⁸ (80.6) all recorded accessibility scores considerably below the EU average. Since this analysis there has been a reduction in air services to the regional airports through the reduction of PSO services which would suggest a lower accessibility score for the Northern and Western regions than that measured in 2009. The report also 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 scores⁹.

¹ Counties Donegal, Sligo, Leitrim, Roscommon, Mayo, Galway and Clare.

² Department of Rural and Community Development.

³ Donegal airport provides services to and from Dublin and Glasgow.

⁴ WDC, 2010, *Why care about regions? A new approach to regional policy*

⁵ www.espon.eu/export/sites/default/Documents/Publications/TerritorialObservations/TrendsInAccessibility/accessibility_data.xls

⁶ Donegal, Sligo, Leitrim, Cavan, Monaghan and Louth

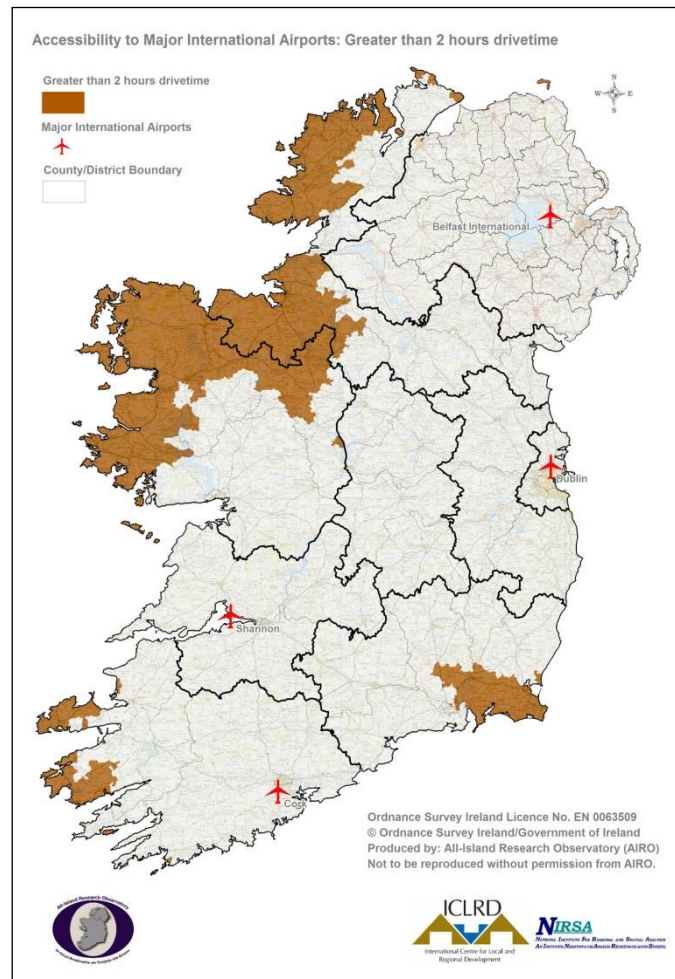
⁷ Galway, Mayo and Roscommon

⁸ Clare, Limerick and North Tipperary

⁹ ESPON, 2009, *Territorial Dynamics in Europe: Trends in Accessibility*, Territorial Observation No. 2, November 2009, p9

Nationally, the airports of Dublin, Cork and Shannon are the most important international access points. Map 1 shows the accessibility within a two hour drive time to the international airports of Belfast international, Dublin, Cork and Shannon airports. This takes into account the considerable investment in the motorway network much of which occurred before 2010. Most of counties Mayo, Sligo, Leitrim, Donegal and part of Roscommon and Galway have a greater than two hour drive-time to these airports including the regional centres of Sligo and Castlebar and Ballina. These centres are not adequately served by the three larger airports and Ireland West Airport as the only international airport in the Northern and Western (NWRA) region, serves this catchment.

Map 1 Accessibility to State airports and Belfast International



Source: All Island Research Observatory, 2010

1.4 Policy Context National Planning Framework, Ireland 2040 NPF and RSES

The National Planning Framework (NPF) is a planning framework to guide development and investment to 2040. Regional Spatial and Economic Strategies (RSES) are currently being prepared and are to give more detail at a regional level as to where growth should occur. The NPF was published in February 2018 and there was an extensive consultation process which commenced in 2014. A key element in the vision is set out on page 11.

We need to manage more balanced growth ... because at the moment Dublin, and to a lesser extent the wider Eastern and Midland area, has witnessed an overconcentration of population, homes and jobs. We cannot let this continue unchecked and so our aim is to see a roughly 50:50 distribution of

growth between the Eastern and Midland region, and the Southern and Northern and Western regions, with 75% of the growth to be outside of Dublin and its suburbs.

One of the key objectives is to move away from ‘business as usual’ and to redirect growth to other areas. A key part of the NPF is that it is a guide to public and private investment. One of the National Strategic Outcomes is *Enhanced regional accessibility* focused on the Atlantic Economic Corridor, extending from County Donegal through to County Kerry.

Departmental and State and Semi-State Agency expenditure decisions and allocations, including the National Investment **Plan need to be fully aligned with the spatial priorities outlined in the NPF and RSES**. If the goals and priorities of sectoral agencies and service providers, (such as airports) are not aligned with the NPF and RSES then implementation will be difficult, if not impossible. It is sectoral planning and policy that is the real driver of spatial development.

The Irish Exporters Association (IEA), in its policy paper titled, ‘Building a transport infrastructure that fosters Irish exports to the world’ (2018), noted that Ireland’s regions form an important counterbalance to Dublin’s economic strength. *Further growth, however, is stalled by limited accessibility to high-class transportation infrastructure. Addressing connectivity in Ireland’s West, in particular, should be a strategic priority to support economic growth and regional competitiveness.* Of IEA members who use airports, 81% use Dublin airport as their primary export gateway. However, 36% of IEA members surveyed would use a regional airport [Cork, Shannon or other], if it offered more frequent flights and better connections.

The IEA considers that with Dublin Airport, operating at or near capacity, cost-efficient and accessible alternatives to Dublin are required. Cork and Shannon airports, in particular, are important transport centres enabling the international success of businesses in Ireland’s South and West. Cork airport is strategically placed to serve the South of Ireland with short-haul destinations in Europe. However, Irish exporters frequently cite the lack of available routes and restricted frequency of flights to important business destinations as a significant obstacle to growing their business abroad.

1.5 Policy context – National Aviation Policy

The National Aviation Policy predated the publication and consideration of Ireland 2040, both the National Planning Framework and the Regional Spatial and Economic Strategies. The national aviation policy can be seen to unduly reinforce the dominance of the larger airports (Dublin in particular). **Now that the NPF is Government Policy, the National Aviation Policy should be reviewed and reassessed in light of the overarching objectives of the NPF** and the need to ensure sectoral alignment. In the absence of such reviews it is difficult to see how development can move away from a ‘business as usual’ approach and how the NPF and RSES can achieve their targets.

Even aside from the NPF and RSES, Irish Aviation policy should ensure that **policy on air access should be linked to and consistent with tourism and enterprise policy objectives**. For example, the promotion of international tourism growth markets should be supported by policies to improve direct international air access from these markets into the Western Region. Similarly international air access needs to be consistent with and support enterprise policy objectives including the IDA objective to attract foreign direct investment to centres outside of Dublin.

National aviation policy also needs to fully recognise the international transport function Ireland West Airport Knock provides, ensuring direct international air services to a region much of which is not in the catchment of the other international airports, Dublin, Cork and Shannon.

1.6 Policy context – Department of Transport

The mission of the Department of Transport is *to shape the safe and sustainable development of transport, tourism, and sport, to support economic growth and social progress.*

Given the Department’s mission, the Department should provide as supportive environment as possible for transport operators and providers. This support should be provided to all airports regardless of ownership. The WDC believes that aviation policy should consider the role of State and regional airports in a more holistic fashion. Aviation policy currently distinguishes airports on the basis of ownership (State Airports) and function (regional airports). However, Ireland West Airport Knock serves a different geographic catchment to the State airports and serves over 25 international destinations, not dissimilar to Cork and Shannon. Policy should consider the impact, role and potential of all airports, especially those that provide international services.

1.7 Policy Context: The Costs of Congestion

The Department of Transport, Tourism and Sport has undertaken research estimating the costs of congestion in the Greater Dublin Area (July 2017). Estimating the value of time lost due to aggravated congestion compared to a scenario where the road network is working well, the research values the cost at €358 million in 2012 – the base year), rising to €2.08 billion per year in 2033. These costs are considerable and need to be assessed in the wider context of spatial balance and regional development and the capacity which is available in the regions, such as at Shannon and Cork airports, which can help reduce some of these congestion costs associated with travel to/from Dublin Airport.

Review of Future Capacity Needs at Ireland’s State Airports

Though this Review was published in August 2018, there is no reference to the overarching National Policy Framework Ireland 2040 which aims to guide development, growth, investment across Ireland to 2040. As described by the Minister for Housing, Planning and Local Government, Eoghan Murphy T.D. *Project Ireland 2040 is the overarching policy and planning framework for the social, economic and cultural development of our country. It includes a detailed capital investment plan for the period 2018 to 2027, the National Development Plan 2018-2027, and the 20-year National Planning Framework 2040*¹⁰. This is a serious omission and the analysis contained in the Review seems to contradict rather than support Government policy.

The focus of investment and ever greater expansion in this Review is at Dublin Airport despite the spare capacity at the other three main airports and the ability of these airports to serve their catchments and help drive further development in their regions. The current focus on Dublin Airport only serves the ‘business as usual’ scenario and militates against each of the other airports fulfilling the role envisaged of them. Improved services at Shannon airport and Ireland West Knock are needed. This will reduce the need for residents in regional locations to avail of services at Dublin Airport which in turn will reduce journey numbers through an already congested Greater Dublin Area.

Use of Existing Infrastructure

The report addresses ‘Options for making best use of existing infrastructure’ but focuses on Dublin Airport (section 5.1.1, pages 105). The WDC believes the best use of existing infrastructure would be by promoting further traffic at Shannon and Cork and the regional airports such as Ireland West Airport Knock. This was the explicit policy position of Government as set out in the National Aviation Policy:

¹⁰ <http://npl.ie/ministers-message/>

Existing capacity at State airports should be optimised in conjunction with timely planning to enable expansion of air service connections in all relevant markets delivering wider economic benefits for Ireland.

Government policy is set out to consider State Airports together in the context of delivering economic benefit for the entire country and not at the three individual airports separately. The WDC agrees that capacity across all airports should be considered first, rather than being airport specific. The assets of regional airports should also be considered in the context of improved access and services for all.

When considering infrastructure needs, an efficient starting point is to identify and use existing available capacity. For example **there is capacity available for international air access at Cork, Shannon and Ireland West Airport Knock all of which have received significant state investment over many decades.** Improved services at these airports will reduce the need for local populations to avail of services at Dublin Airport which in turn will reduce journey numbers through an already congested Greater Dublin Area.

Excess Capacity

The Review notes that *If T3 provides too much additional capacity to Dublin Airport, there could be problems with stranded assets and labour costs—at Dublin Airport or at Ireland’s other airports. If there is too much capacity at Dublin Airport, and demand concentrates in two of the three terminals, then the lesser-used terminal has an asset that is still depreciating but without sufficient income. This works on an airport scale too—if there is “too much” capacity at Dublin Airport, it may reduce charges to encourage flights from Shannon/Cork to move to Dublin Airport, leaving potential stranded asset issues at these other airports.*(p 140)

The increasing dominance of Dublin Airport in terms of national market share is likely to result in stranded asset issues at the other international airports, Shannon, Cork and Ireland West Airport Knock.

In considering the Report’s findings the Department should be mindful that true costs are being applied and that charging below economic values does not occur. There needs to be a level playing field to ensure that Cork, Shannon and Ireland West Airport Knock, can compete, win and retain business.

Future Capacity Needs at Ireland West Airport Knock

Ireland West Airport serves much of the north west and provides access to over 25 different destinations. The WDC considers that its future capacity requirements should also be taken into account. Ireland West Airport Knock has identified projects in order to further sustain and develop the airport. These projects will enhance airport facilities, allowing it to better handle the passenger growth it has experienced over the past decade and provide greater capacity for growth and economic return to the region. Projects addressing ongoing safety and security issues in addition to addressing capacity constraints are priorities. Capacity expansion at the airport will allow for continued growth in the core markets but also for better access to larger markets across continental Europe as well as the United States.

Ireland West Airport Knock requires ongoing investment in targeted capital projects and a level of operational expenditure to ensure it maintains its essential position serving the region, providing access and facilitating economic development. Ireland West Airport Knock aims to double passenger numbers, its route network and its overall contribution in economic return and jobs to the region over the next ten years.

Previous value for money reports by the Department of Transport have identified Ireland West Airport Knock costs as being amongst the lowest and are a strong endorsement of Exchequer funds committed to supporting Ireland West Airport.

Wider economic impacts: Tourism

Air is the preferred form of travel for most tourists, particularly tourism to island and long haul destinations. Air access is particularly relevant in the case of the short break market where travel time needs to be minimised. A study, examining the performance of tourism in the West has noted that *'Each of the four tourism regions along the western seaboard have experienced an average annual rate of decline in overseas holiday visitors of between - 4% and -6% over the past decade.....The share of bednights spent along the western seaboard is currently estimated at just over half of all nights spent by holiday visitors to Ireland. This compares with a situation 10 years earlier when two out of three bednights were west of the Shannon*¹¹.

The decline in holiday bednights west of the Shannon has occurred across all source markets and the report notes that *The decline in share of North American bednights spent in the western seaboard area has also been steep, in large part a result of the switch from Shannon to Dublin as the principal port of arrival for Americans coming to Ireland*¹².

Direct international air access is not the sole reason for the declining share of tourism in the West. Other factors such as the growth of the short break market and the increasing appeal of city breaks are important and the value of direct international air access in supporting regional tourism is noted.

*The data suggests that those arriving into a western gateway are more valuable as they spend more time in the area. The share of overseas holiday visitors to the western seaboard area is disproportionately higher than the share of capacity on offer at these airports. For example, Shannon handles 6% share of summer capacity to/from Irish airports but is the gateway for 19% of holiday visitors to the west, while Knock with a 2% share of capacity caters to 4% share of holiday visitor*¹³.

In contrast, improved international air access via Dublin airport has supported tourism growth there. The ITIC report notes that *The loss of share to the west is the direct corollary of the increasing share of holiday visits to Ireland concentrating on Dublin and the city's immediate environs* and cites the role of convenient access from markets as a factor¹⁴.

In promoting development of the industry support for direct access into region will be important to ensure growth in tourist numbers and bednights in the Western Region. If the region is to capitalise on key international markets then effective international access into the region at Ireland West Airport and Shannon Airport is critical.

¹¹ New Directions for Tourism in the West, Irish Tourist Industry Confederation, 2011, p. 17,18

¹² Ibid. p.20.

¹³ New Directions for Tourism in the West, Irish Tourist Industry Confederation, 2011, p. 30

¹⁴ New Directions for Tourism in the West, Irish Tourist Industry Confederation, 2011, p. 19

Policy Supports

Due to the ease with which airlines can change routes and bases, in so far as possible, a more level playing field should be provided. If an airport is placed at a competitive disadvantage compared to other airports (even to those operating in different catchments), then it can make it difficult for an airport to retain existing routes let alone attempting to grow new business. This is particularly true for smaller airports. This may give rise to a displacement of routes with market development shifting to different regions, rather than increasing total national capacity and inbound and outbound passengers.

All policy supports which can support a greater share of passengers using Cork, Shannon and Ireland West Airport Knock should be examined to ensure the NPF Government policy objectives of rebalancing growth can occur.

Route Support

As passenger numbers at Shannon Airport fall below 3 million threshold, Shannon Airport is compliant under State Aid rules for State support to promote route development. The WDC believes that Shannon and Ireland West Airport Knock should provide exchequer support to promote route development as much as possible. As the IEA noted there are many exporters who would prefer to travel via Cork or Shannon but currently do not have the option.

Route development/ marketing

The WDC believes it is critical that support to develop and market routes is provided. Increasing capacity will support an increase the total tourism sector, especially if access is improved so as to effectively serve all regions.

Part of the reason for the success of the Western Region Tourism Marketing Programme can be attributed to the previously unrealised tourism potential of the West and North West region served by new routes to a region and serving a catchment not served by the other international airports. Providing more international marketing support for Shannon and Ireland West Airport Knock is needed.

Airport Enterprise promotion

Shannon airport has been working to develop a cluster of business aviation companies with a focus on developing a Centre of Excellence for Business Aviation. This is a significant business opportunity for Ireland to grow the business aviation base by using Shannon as the location for new FDI investments in the Mid-west which will be enhanced by the existing cluster of business aviation companies. The Department of Transport and Government policy should support these efforts by promoting Shannon airport as a Centre of Excellence for Business Aviation and this should be actively marketed to the international business aviation community by the relevant state agencies.

With regard to exports, the Irish Exporters Association believes that Shannon airport is both strategically placed and offers further growth opportunities to establish the airport as a global cargo hub between the Eastern and Western hemispheres. To enable the airport's expansion of cargo handling facilities, we call on the Irish Government to facilitate this growth by matching it with the appropriate border control, customs and other sanitary checking facilities.

For further information contact

Ms. Deirdre Frost, Policy Analyst, WDC, deirdrefrost@wdc.ie

Western Development Commission

Tel: 094 986 1441

Web: www.wdc.ie