

Waterford Airport

Waterford Airport Economic Impact Assessment

February 2010

TRANSPORT
TRAFFIC
DEVELOPMENT
PLANNING
URBAN DESIGN
ECONOMICS
MARKET RESEARCH



Waterford Airport Economic Impact Assessment

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Executive Summary

Colin Buchanan is a leading transport planning, planning, urban design and economics consultancy providing professional services to national governments, regulatory agencies, developers, local authorities, private individuals and transport operators in the UK, Ireland, Spain and China. The firm has been commissioned to independently assess the economic impact and wider importance of Waterford Airport to the South East region. This study has considered a wide range of evidence relating to how the airport is used, by who and the benefits it provides to business, tourism and people living in the South East.

We have collated evidence based on passenger and business surveys, interviews with key individuals, existing research and aviation statistics to determine the contribution of the airport to the region's economy and its value to the South East as a whole. The impacts cover employment (both direct and indirect) visitor spending, the attractiveness to inward investment and accessibility vis-à-vis alternative airports. In addition we also scope out the future potential of Waterford given its recent growth and planned expansion.

Supporting Overseas Connectivity for Business

Businesses are very positive about the role of Waterford Airport in the South East. Within the first week of issuing our survey we received an unprecedented response of approximately 200 businesses, out of an eventual total of 450. Approximately 85% of these firms view direct air access to the South East as important to their operations and around 9 out of 10 for the region as a whole. Around one-third of airport users are business travellers, which is considerably above that of other regional airports and is underlined by the high frequency of trips made by around 50% of all airport users.

The South East hosts a considerable number of overseas-based pharmaceutical and life sciences companies, accounting for around 7,000 jobs and a significant amount of export income to the Irish economy. Many of these have London, South East and onward overseas connections for which Waterford offers a convenient and hassle free alternative to Dublin.

A number of improvements such as the N25 City by-pass and new bridge will dramatically improve accessibility to/from the Airport and extend its reach within the South East and beyond. Passenger activity through the airport has seen consistent growth both for scheduled and non-scheduled services, despite constraints on the range of aircraft types that are able to land there. Plans are in place to extend the runway to serve a wider range of aircraft which will be crucial to enhancing the benefits to existing businesses and broadening the scope for 'catalytic' impacts (attracting businesses for which the presence of overseas connectivity is a critical factor). The majority of South East businesses view air connectivity with Continental Europe as important, with approximately three quarters wishing to see direct connections with Amsterdam and Paris.

Dan Hoey, General Manager, Merck Sharp & Dohme / President of American Chamber of Commerce, South East Region

"The South East region is an attractive base for companies in the life sciences and similar sectors but for whom air connectivity is crucial. Loss of air services would be a severe blow, particularly to UK-based investors and clients".

Tom McCabe, CEO, TEVA Pharmaceuticals / Vice President Irish Business and Employers Confederation (IBEC) South East

"A thriving fully equipped regional airport is critical to moving people and goods efficiently in and out of the South East. This service is crucial from a cost and connectivity perspective for the substantial industrial investments that have located here and that may potentially locate here".

Patrick Bruen, Vice President and Managing Director, Sun Life Information Services

The connection to London and Britain's midlands is very convenient for business, and the

possibility of increasing tourist traffic into the region is very welcome. I think businesses in the South East, particularly the multinationals and internationally-trading companies benefit from easy access to London and the UK. The opportunity for Waterford is to promote itself as a 'trouble free - hassle free' airport"

Siobhan McEvoy, Manager, IDA South East Region

The majority of foreign direct investment comes to Ireland from the US and it would be great to give these clients a completely different impression of the region by bringing them in to Waterford Airport instead of Dublin, Cork or Shannon. Their visit would be hassle free and congestion free. The fact that Waterford Airport only offers UK flights is taken into account by potential investors when considering the region as a location for investment – the re-introduction of services to Amsterdam could make all the difference"

John Farrell, Chief Executive, IBEC South East

"It is well established that convenient air access is a factor in investment location decisions. This region has to battle against other obstacles, e.g. in the delay in upgrading the Institute of Technology (WIT) to university status, without being hampered by any negative decisions on other infrastructure provision"

Michael Garland, Chief Executive, Waterford Chamber of Commerce

"At the moment the region does not have a university but we do have the skilled workforce, we do have the road infrastructure (opening this year) and we do have the regional airport with excellent links. If we lost the airport, it would be a huge "negative" to any international company wishing to consider the Waterford region as a business start-up destination."

Supporting Regional Development

Maintaining and enhancing the role of Waterford Airport is consistent with the aims for the South East region under the National Spatial Strategy and particularly the development of Waterford City as a regional gateway. The planned capital development is consistent with the strategic aims for the region in enhancing connectivity and making the region a more attractive place to do business. Combined with the recent road improvements, the new runway will be able to deliver the transformation in infrastructure quality required for gateway status.

Michael Walsh, City Manager, Waterford City Council

"There are concise messages coming from businesses that the airport has materially impacted their capacity to trade. Indeed, direct services from the UK were pivotal to getting the re-development of Waterford Crystal up and running – in getting private sector partners on board. It is not feasible to talk about creating gateways – as is designated for Waterford City – if there is no air access."

Joe Crockett, County Manager, Kilkenny County Council / Chair of SE City & County Managers

"There are number of steps to achieving gateway status for Waterford as required by the National Spatial Strategy. To achieve that critical mass there needs to be transformational infrastructure of which the airport is a key element."

Dan Hoey, General Manager, Merck Sharp & Dohme / President of American Chamber of Commerce, South East Region

"Re-introducing flights to Amsterdam would be a big advantage as it connects with a wide range of destinations – this would allow us to do business there with other regional offices based in Europe"

Gary Breen, General Manager, Fáilte Ireland South East

"The upgrading of the N7 to motorway status and the N25 link and bridge will be crucial to the future development of Waterford Airport - similar to both Dublin and Cork Airports which benefitted hugely from the development of supporting road [and tunnel] infrastructure. In

Waterford these infrastructure developments will significantly extend the reach of the airport to serve a larger hinterland”.

Supporting Tourism

The airport plays a vital role in supporting the region’s tourist industry and specific assets such as Kilkenny which is Ireland’s third most popular overseas tourist destination. Visitor numbers from Great Britain, prior to the recession, were on a strong upward trend with the majority of these arriving by air. Inbound passengers, primarily from the UK, account for 40% of the airport’s passengers and this is a key source of overseas income to the region.

Indeed, the summer connection to Lorient France and the original service to Amsterdam proved successful in unlocking latent demand for visitor trips from these locations to Ireland. In addition the airport will support major planned investments in Waterford City such as the Waterford Crystal Visitor Centre and Heritage Quarter.

Tom McCabe, CEO, TEVA Pharmaceuticals and Vice President IBEC South East

The tourist impact of a South East regional airport should not be underestimated as it can be a gateway for many thousands of tourists annually. We need to build on what we have now and invest in it to support job creation and wealth generation for our region.”

Gary Breen, General Manager, Fáilte Ireland South East

“Visitors from Great Britain want point-to-point trips- that has been crucial in the development of the short-break tourism market. If they had to fly into Cork it is much less likely that they would visit the South East region.”

Joe Crockett, County Manager, Kilkenny County Council / Chair of SE City & County Managers

“Waterford Airport is a central piece of infrastructure and there is much greater awareness of it in Kilkenny with the improvements to the road network. There are a number of hotel developments in Kilkenny and this can be in part attributed to the increased visitor numbers coming into Waterford Airport”.

Access to Alternative Airports

South East residents have fewer alternatives to airports with UK connections if they were unable to use Waterford, in terms of both distance and journey times.

Dan Hoey, General Manager, Merck Sharp & Dohme / President of American Chamber of Commerce, South East Region

“The by-pass and bridge link has dramatically improved connections to and from the airport - prior to this the airport and city was almost unreachable.”

Hilary Doyle, Assistant Vice-President, State Street Financial Services, Kilkenny

“Waterford has become far more convenient for people in Kilkenny and Carlow since the upgrading of the N9 and our UK clients are increasingly choosing to fly there in preference to Dublin. The airport has become highly accessible with hardly any waiting time, making it considerably more hassle free.”

The map in Section 3 shows that the nearest alternative airport options for residents living in other regions are much better, with them having to travel on average an extra 21 minutes by car. This is compared to an average 1 hour 15 minutes extra journey time over and above the existing average journey time for South East residents, if they had to use an alternative airport. The additional journey time is considerably higher in the case of people living and working in Waterford City.

Future Potential

There is a clear feeling among stakeholders that Waterford Airport is on the verge of becoming a major selling point for the South East that will allow it to greatly amplify the benefits to business and tourism highlighted in this report. The capital development programme, which includes a longer runway and investment/re-investment in related facilities, is designed to deliver this by opening connections to larger hub airports and developing the visitor market, as well as enabling it to grow further an already substantial general aviation market. This vision, based on public and private sector investment, sits neatly with the aims of balanced regional development and the achievement of Waterford City as a regional gateway. In addition it will strengthen the airport's position to eventually become a more self-financing operation in the future.

The current uncertainty over annual subvention funding creates a difficult operating environment for the airport and its investment plans; and in turn, the ability to fulfil its role in regional development.

Summary and Conclusions

In summary the evidence shows:

- 85% of South East businesses view direct air access to the South East as important to their individual operations. Approximately one-third of airport users are business travellers – high for a regional airport;
- In providing direct access to the region, Waterford offers significant time savings to passengers flying to/from Dublin or Cork – this issue is consistently highlighted by export-led companies already in the region and as a deciding factor in influencing their willingness to locate in the South East;
- Passenger services activity is on a strong upward trend in line with UK tourist visits to the South East – further route development is a critical factor in continued growth of tourism to the South East from abroad. The airport accounts for approximately 560 jobs, both directly, indirectly and through spending impacts;
- Growth of the airport is consistent with the goals of the National Spatial Strategy which is designed to achieve balanced regional development and gateway status for Waterford City. Recent road improvements have dramatically improved accessibility to the airport, extending its reach north and beyond the South East region;
- The capital investment programme is designed to meet business and tourism needs by extending the runway and other facilities to allow the airport to handle a range of passenger aircraft and will enable the South East to offer improved connectivity to inbound tourists and international investors in the future.

Colin Buchanan is of the view that Waterford Airport is key to the economy of the South East region and is set to play a more vital role in promoting business, tourism and the region's economic development in the future.

2 Introduction

2.1 Background to the Study

- 2.1.1 Colin Buchanan has been commissioned by Waterford Airport to examine the current and potential future economic impact of the airport. The report is intended to set out the case for Waterford Airport and its contribution to the South East region in the context of the recent government review of public sector funding to regional airports (the 'Bord Snip' Report) and the proposed slower roll-out of capital investment under the T2021 programme.
- 2.1.2 In recent years Waterford Airport has seen consistent growth in passenger throughput, and has steadily increased the number of daily scheduled flights and the range of destinations served. This is despite constraints on the type of aircraft that are able to use the airport runway and thereby limiting the destinations which can be served. Moreover, even during the economic downturn, passenger numbers have remained fairly resilient relative to other regional airports.
- 2.1.3 Waterford, like other regional airports receives government support under the Department of Transport's Operating Subvention scheme. In 2008 and 2009 this amounted to approximately €1.5m. However, each year the level of funding is uncertain and the outcome only becomes clear at the end of the funding year. The airport faces the possibility of a withdrawal of part or all of this funding in future years but, unlike other regional airports, Waterford does not receive any support under the Public Service Obligation (PSO) which subsidises air services to Dublin.
- 2.1.4 Based on the allocations of these two funding sources Table 2.1 summarises the average subsidy per passenger for each regional airport. While it shows that Waterford receives a higher amount of subvention in funding per passenger in 2009, this pales in comparison with the amount allocated to the other regional airports under the PSO.
- 2.1.5 In addition Waterford's €1.5m subvention funding represents just 8% of the total annual funding provided to regional airports in Ireland.

Table 2.1: Subsidy Levels per passenger received by Regional Airports

	Operating Subvention*	PSO funding**
Donegal	€13.00	€69
Galway	€8.75	€45
Kerry	n/a	€33
Knock	€0.95	€99
Sligo	n/a	€69
Waterford	€16.55	-

*estimated based on outbound passengers in the year to October 2009; **based on 2006 data

2.2 Report structure

- 2.2.1 This study sets out the economic contribution of Waterford Airport to the South East region in terms of jobs, spending and its importance to business travellers and the wider population. The evidence is based on a combination of CSO statistics, stakeholder consultation and surveys. The study is set out in five sections structured as follows:

-
- Baseline Assessment
 - Passenger Survey findings
 - Business Survey Findings
 - Assessment of Current and Future Economic Impacts
 - Conclusions

3 Baseline assessment

3.1 Introduction

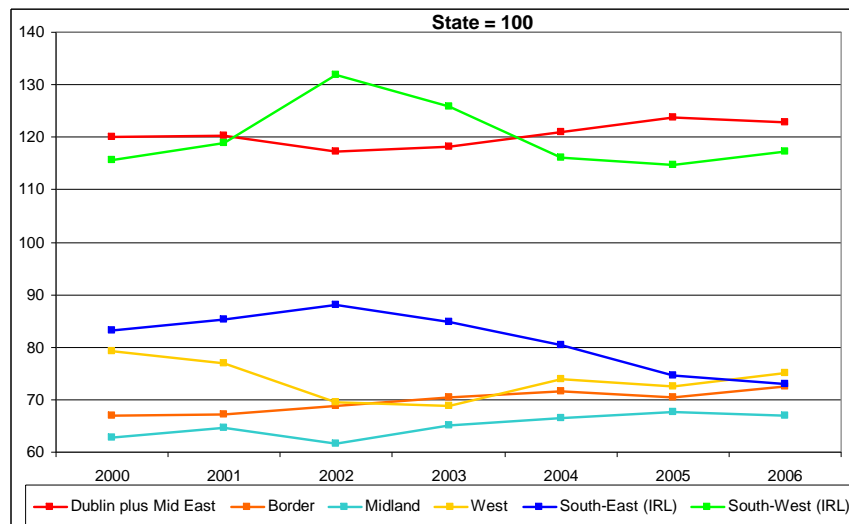
3.1.1 This chapter briefly reviews headline economic indicators to establish the recent performance of the South East region relative to other regions in Ireland. It also reviews passenger statistics to place the status of Waterford Airport in context to other regional airports in Ireland.

3.2 Economic performance

3.2.1 Figure 3.1 summarises the change in economic output per head of population for each region from 2000 to 2006 (the latest data). It shows that, relative to the national average, (State =100) output per head in the South East has fallen steadily since 2002 and now accounts for around 73% of the national average compared to 89% in 2002.

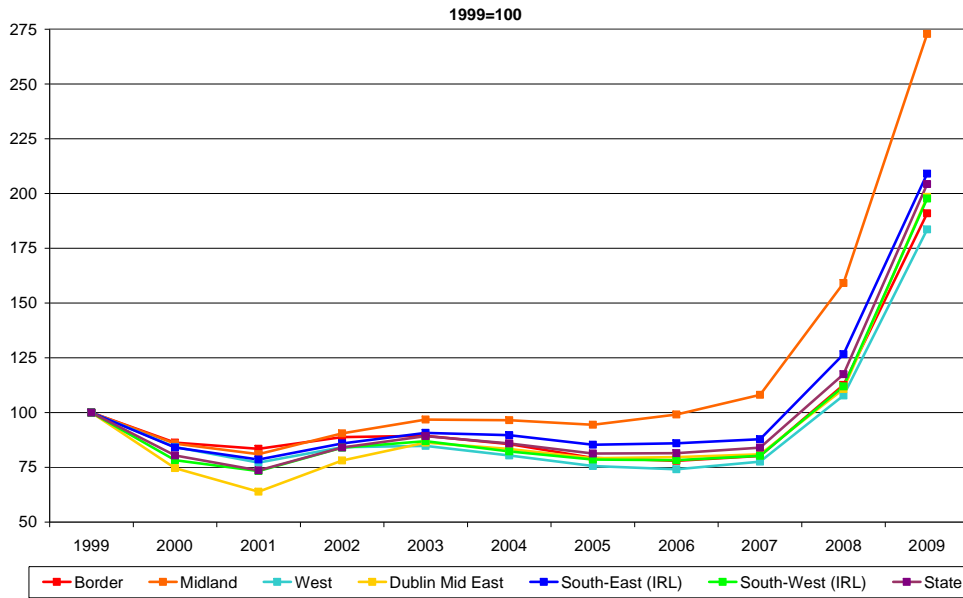
3.2.2 The recent performance means that average incomes in the South East are joint-second lowest out of all regions relative to the State level.

Figure 3.1: Gross Value Added per head of population by region 2000-2006



3.2.3 Figure 3.2 shows unemployment by region (as measured by the Live Register). Although the South East showed a downward trend along with other regions during the economic boom period, its decline was less notable and indeed unemployment remained relatively flat after 2003, before climbing steeply as the economic downturn took hold. When compared with the 1999 level, the region has shown the second steepest increase in unemployment after the Midlands.

Figure 3.2: Live Register Unemployment Index 1999 – 2006 by Region

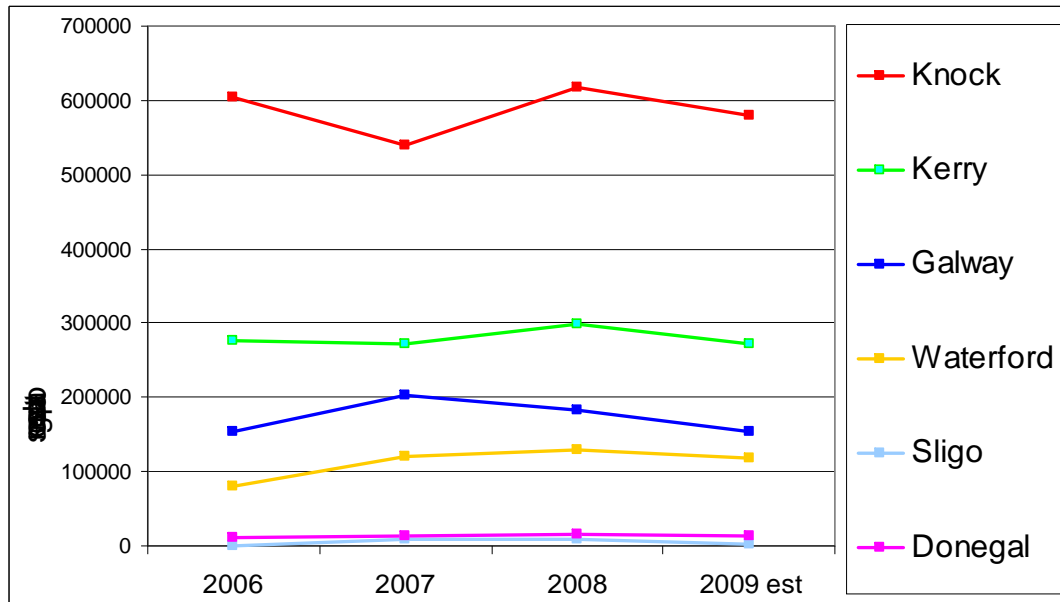


3.3 Trends in Airport Activity

3.3.1 Figure 3.3 shows total annual international passenger throughput at Waterford increasing at a much faster rate than other regional airports over the last 4 years, with passengers expected to be approximately 45% higher by the end of 2009 than in 2006, even taking into account the economic downturn and recent airline capacity reduction .

3.3.2 Passenger numbers have declined at all airports since 2008 as the economic downturn intensified. The overall decline in UK passengers at Waterford is was approximately 9% in 2009, which is less than most other regional airports.

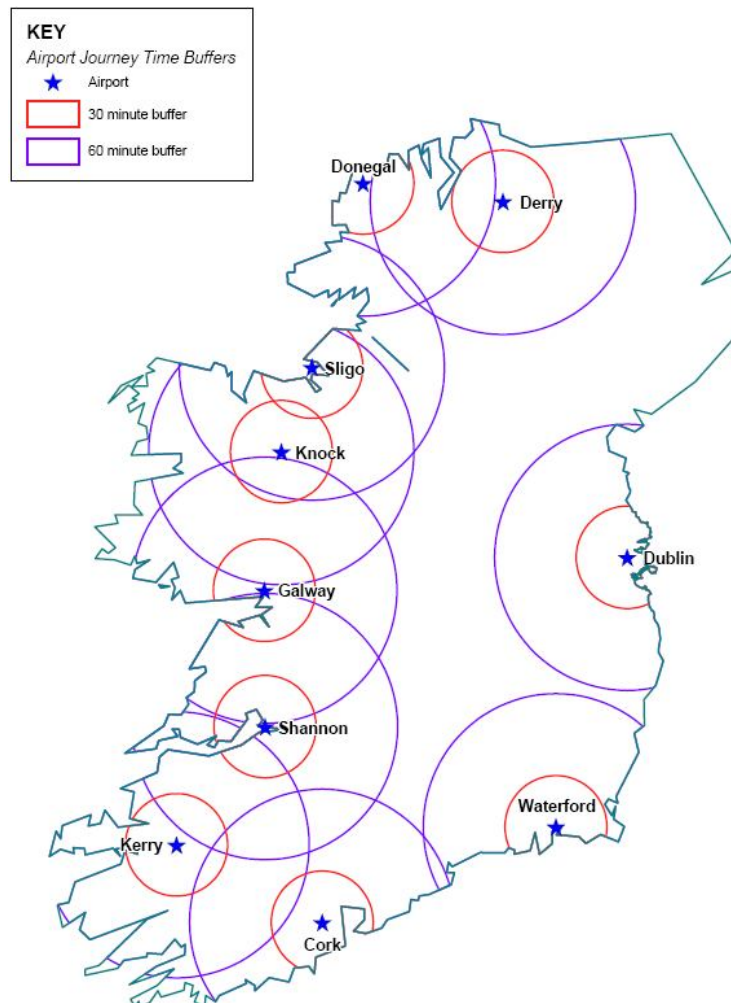
Figure 3.3: International Passenger Throughput: Regional Airports



Alternative airports

3.3.3

South East residents have the furthest to travel to reach an alternative airport to Waterford if they wish to fly overseas, and considerably further than for other regions in Ireland. Figure 3.4 shows that all the regional airports, with the exception of Waterford, are close to an alternative airport with overseas services in approximately 1 hour's travel time. Some residents in the South East, such as in Carlow are roughly equi-distant between Waterford and Dublin airports although the additional congestion and inconvenience associated with travelling to Dublin should be taken into account.

Figure 3.4: Summary of Distance to nearest alternative Airports

- 3.3.4 This is further underlined by the fact that South East residents would, on average, face a considerably longer journey to an alternative airport than residents in other regions. It would typically take an extra 1 hour 15 minutes to get to Cork Airport in the absence of being able to fly from Waterford. This is compared to an average of 21 minutes additional journey time to the nearest alternative airport in other regions.
- 3.3.5 The loss of passenger services at Waterford would therefore be more likely to inconvenience residents within its catchment area than if passenger services were lost at other regional airports elsewhere in Ireland. For example residents in the West of the country have the option of at least one alternative airport within 1 hour's drive.

Table 3.1: Comparison of Journey Times by Road to Nearest and Alternative Airports by Region*

Region	Nearest Airport	Journey Time (mins)	Nearest Alternative Airport	Journey Time To Alternative Airport (mins)	difference (mins)
South-East	Waterford	50	Cork	125	+75
Border	Sligo	39	Knock	72	+33
West	Knock	24	Galway	47	+23
South-West	Kerry	45	Cork	60	+15
Mid-West	Shannon	64	Cork	73	+9
Midland	Knock	90	Dublin	92	+2

Journey times correct as of December 2009

General Aviation at Waterford

- 3.3.6 General aviation activity at Waterford is much greater than at other regional airports and current accounts for approximately 26,000 movements per annum from approximately 22,000 in 2006 (or a peak of 30,000 in 2008). This mainly consists of private business aircraft, leisure and training flights. Non-scheduled services such as executive and private operator flights have grown strongly with business aircraft movements reaching well over 9,000 in 2007. Although this has fallen back during the recession, it remains significantly higher than in earlier years.
- 3.3.7 There is potential to grow Waterford's non-scheduled services in the future with the planned capital development programme which will allow it to exploit growing market demand for aircraft hangarage, parking and auxiliary facilities. With the expansion in revenues that is possible for such services, this will enable the airport to become more self-financing in the future.
- 3.3.8 The Airport has been run on a tight cost base for many years and with growth in scheduled and non-scheduled services it is now benefitting from considerable economies of scale.
- ### 3.4 Conclusions
- 3.4.1 Key economic indicators show that the South East region has performed at the bottom end of the scale in recent years, with output per head failing to keep pace with the national average.
- 3.4.2 Unemployment in the South East declined less than most other regions during the economic boom but has risen more sharply during the downturn. Altogether this suggests that the South East is still relatively less resilient economically than its regional counterparts.
- 3.4.3 Flights to and from Waterford Airport have increased steadily in recent years and although the changing economic situation has hit passenger numbers, the decline has been less pronounced compared to other regional airports.
- 3.4.4 Waterford Airport's catchment area does not overlap with any other airports, directly serving the South East region. South East residents would have to travel much further to reach an alternative international airport than in the rest of the country, meaning that the loss of the Airport would imply a significant additional time and cost to users.

4 Passenger Survey

4.1 Introduction

4.1.1 This chapter sets out the results of the Waterford Airport passenger survey, which involved questioning approximately 700 users of airport in the month of October 2009 which represents approximately 1.5% of all annual outbound throughput. The objective of the survey was principally to establish the following:

- Origin and destinations of passengers
- Purpose of Trip
- Background of Business Travellers
- Reasons for selecting Waterford

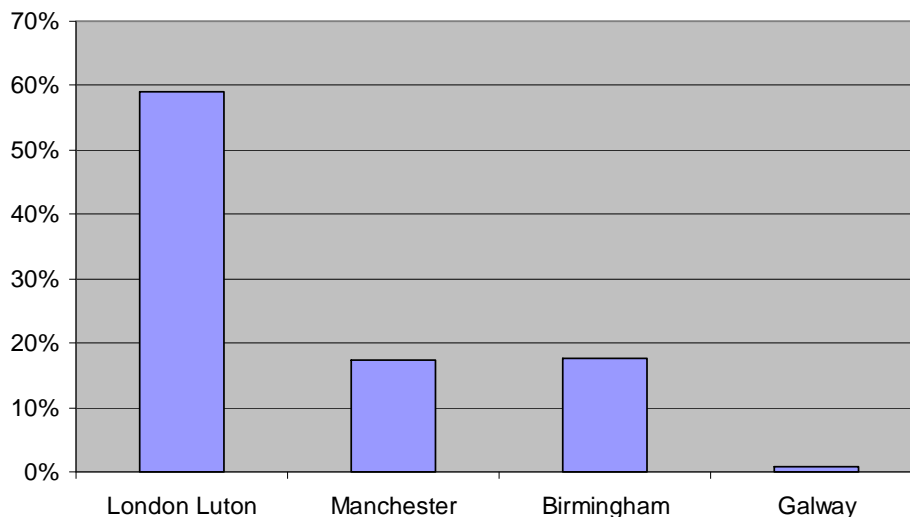
4.2 Survey Results and Analysis

4.2.1 The remainder of this chapter sets out the key findings of the survey with summary conclusions.

Flight destination

4.2.2 Approximately 60% of users fly to London Luton airport with just under 20% each going to Manchester or Birmingham. Only a fraction of passengers – just 2% fly to Galway which is principally utilising planes moving for operational purposes. This pattern is roughly reflected by the official passenger statistics published by CSO.

Figure 4.1: Destination Airport of Waterford Airport Passengers

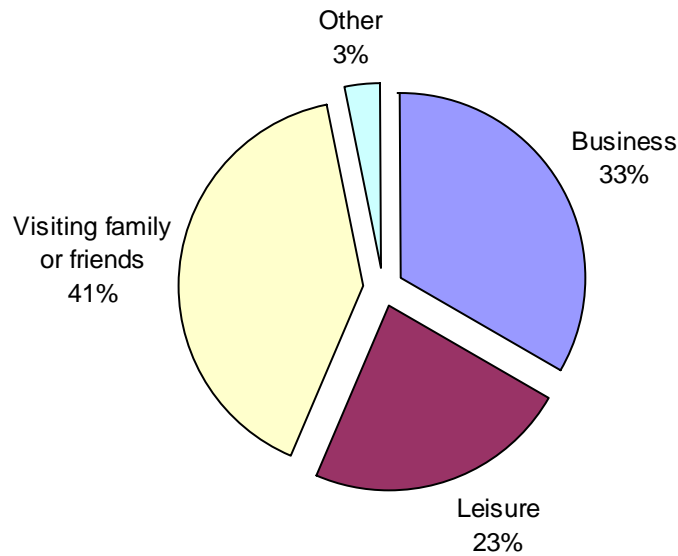


Journey purpose

4.2.3 Figure 4.2 shows that the main reason for travelling to Waterford is for visiting family or friends, which accounts for just over 40% of trips. Business trips are the next main source of journeys, accounting for one third of passengers; while leisure trips account for just under one quarter.

4.2.4 Business trips to and from Ireland's regional airports generally account for 10-15% of all trips, meaning Waterford's share is well above average for a public airport of this size.

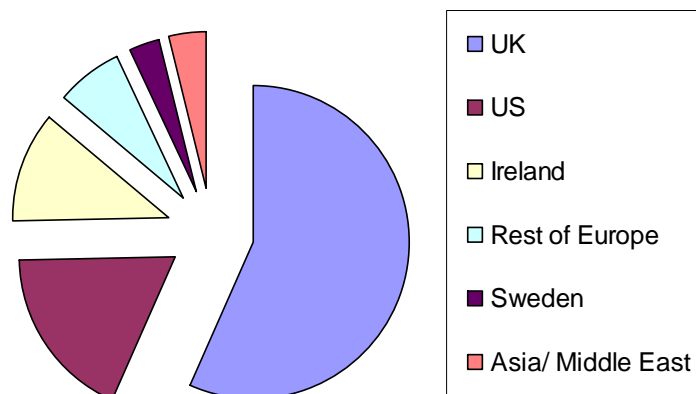
Figure 4.2: What is the Reason for this Journey?



Employer Location of Business Passengers

4.2.5 Figure 4.3 shows that just under 60% of business travellers' employers are British based. One fifth of passengers are US based firms and just over one-tenth are employed by domestic firms. Swedish businesses account for around one half of the 8% of businesses based in Continental Europe.

Figure 4.3: Head Office Location of Business Passenger's Employers

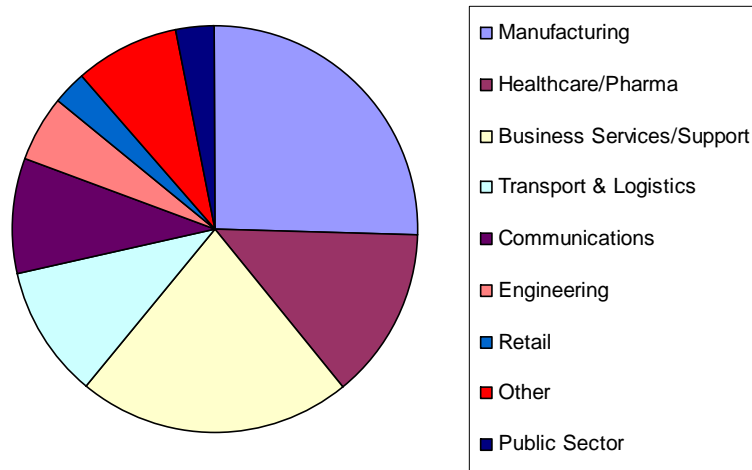


4.2.6 The above highlights the importance of the airport in supporting foreign investment in the region.

Sector Background of Business Travellers

4.2.7 An analysis of the sectors in which business travellers work shows that healthcare/ pharmaceutical activities and transport/logistics and engineering activities stand out, and together account for around 1/3 of passengers. The healthcare sector in the region is dominated by overseas companies with manufacturing facilities in the South East and therefore account for a significant level of overseas export earnings for the economy.

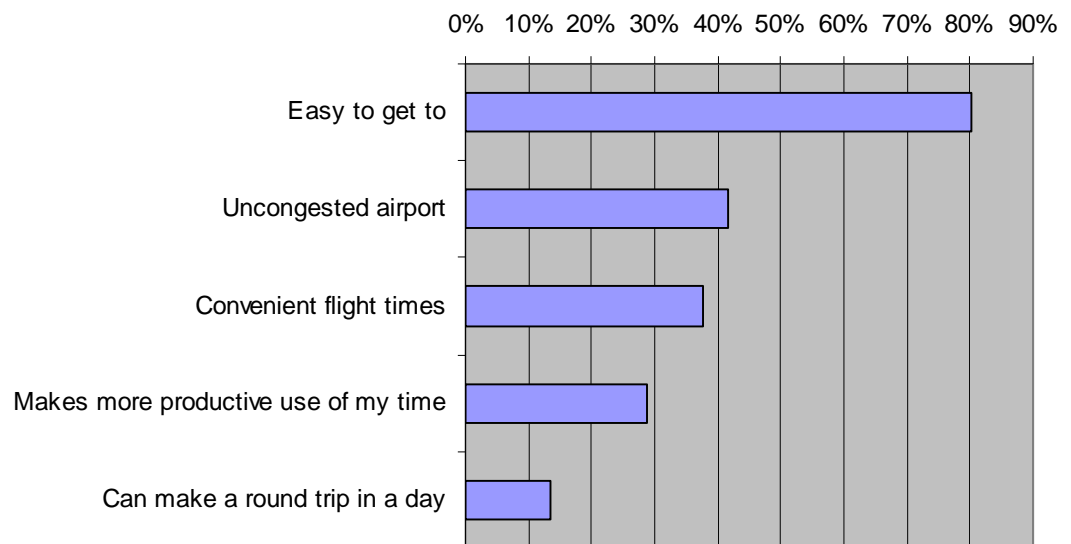
Figure 4.4: Business Travellers’ Broad Sector Background



Reasons for Choosing Waterford Airport

4.2.8 Passengers overwhelmingly choose Waterford Airport for the ease by which the airport can be accessed as their primary reason for using it. This has recently been strengthened by the improved road access and river crossing. Other favourable features for passengers are the convenient flight times and uncongested nature of the Airport.

Figure 4.5: Reasons for Flying to/from Waterford Airport

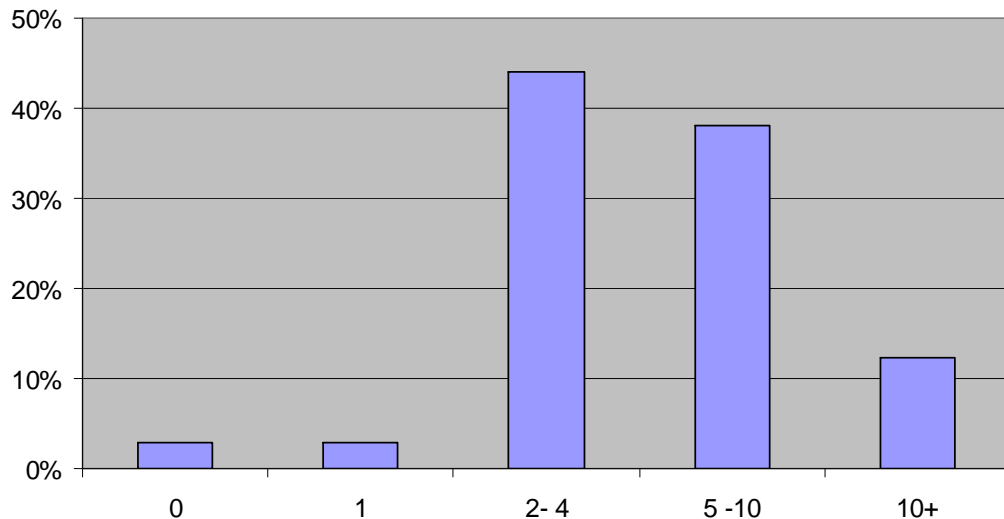


note: respondents able to give two answers

Frequency of flights

- 4.2.9 Just over 40% of passengers made 2-4 trips from Waterford in the last 12 months with a slightly smaller proportion making 5 to 10 trips. A further 12% have made more than 10 trips in the last year. This means that approximately 50% of airport users travel through the airport more than 5 times a year, and supports the view that business users have a considerable presence at the airport because they are more likely to fly frequently than other types of users.

Figure 4.6: How many times have you flown previously from Waterford in the last 12 months?



4.3 Conclusions

- 4.3.1 Waterford Airport is used by passengers travelling for a variety of reasons, with up to one-third of these travelling on business - well above average for a regional airport. Many of these travellers are frequent users of the airport, travelling up to and in excess of 10 times a year.
- 4.3.2 The airport survey suggests that the South East region has developed strong connections with British businesses, with 60% of business travellers coming from British-based firms mostly in London and South East England but also from many other parts of the country. In addition around one-fifth of business travellers work for US owned firms, suggesting that overseas business connections go well beyond Britain.
- 4.3.3 Passengers overwhelmingly favour the easy accessibility of Waterford airport, which will be strengthened by the addition of the new N25 City Bypass and bridge.

5 Business Survey

5.1 Introduction

5.1.1 CB conducted a web-based survey of 450 businesses in the South East to gauge their views on the importance of Waterford Airport to their operations and the South East region in general.

5.1.2 Businesses from around the region and a variety of sectors were contacted via the regional Chambers of Commerce and the regional tourist authority. Approximately 200 businesses responded within the first week of the survey going live – an unprecedented response in our experience of undertaking these surveys. This highlights the significance of the airport as an issue to business in general.

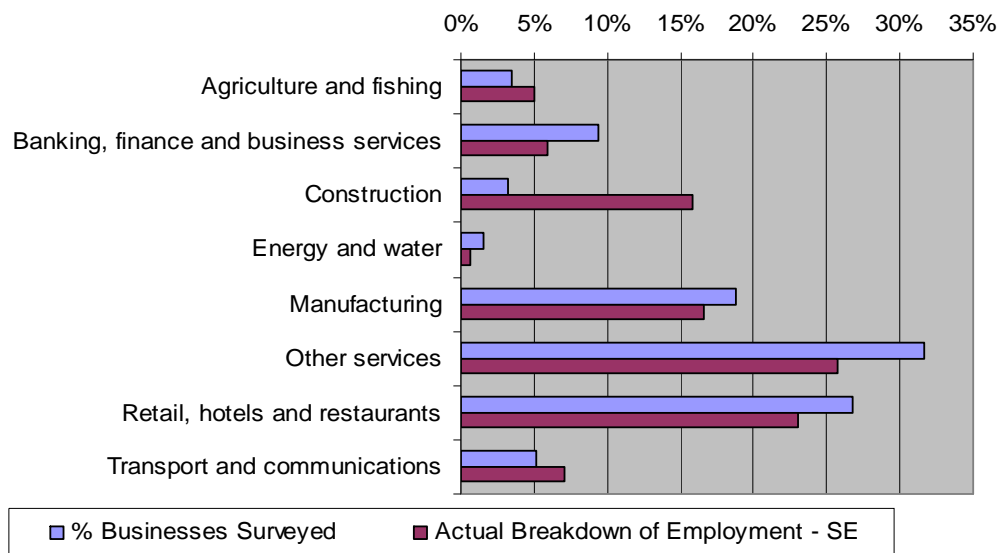
5.2 Results and Analysis

5.2.1 The remainder of this chapter sets out the key findings of the survey with summary conclusions.

Sector background

5.2.2 The sector background of businesses broadly reflects the composition of employment in the South East, with the exception of the construction industry which is slightly underrepresented in our survey.

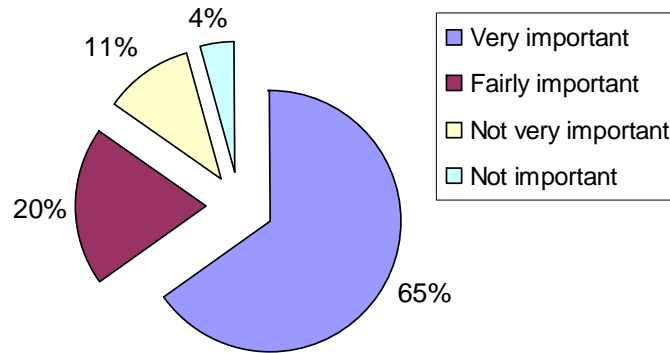
Figure 5.1: Sector Breakdown of Businesses and Comparison with South East Region Employment Breakdown



Importance of Air Access to Business Operations

5.2.3 Of the businesses surveyed, 85% view the airport as important to their particular operations. Two-thirds of businesses view direct air access to and from overseas as very important to their business, with a further one-fifth describing it as fairly important.

Figure 5.2: How important for your business is good air access to and from overseas destinations?



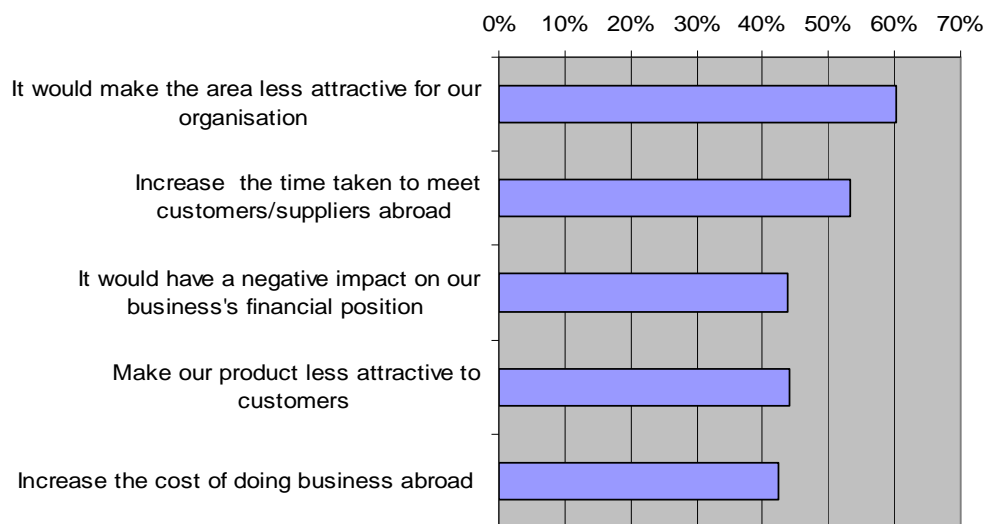
5.2.4 In addition 86% of businesses surveyed view good air access as very important for the South East region as a whole.

Impact of the Loss of Passenger Flights at Waterford

5.2.5 Three quarters of businesses stated that they would be directly or indirectly affected by the loss of passenger flights. Businesses were asked to select two reasons in which they viewed this as having the greatest effect.

5.2.6 The greatest impact would be in terms of the reduced attractiveness of the region as a place to do business, which accounted for 60% of responses. Furthermore around 50% of firms highlighted the increased time taken to meet customers and suppliers overseas.

Figure 5.3: How would the loss of flights impact on your business?



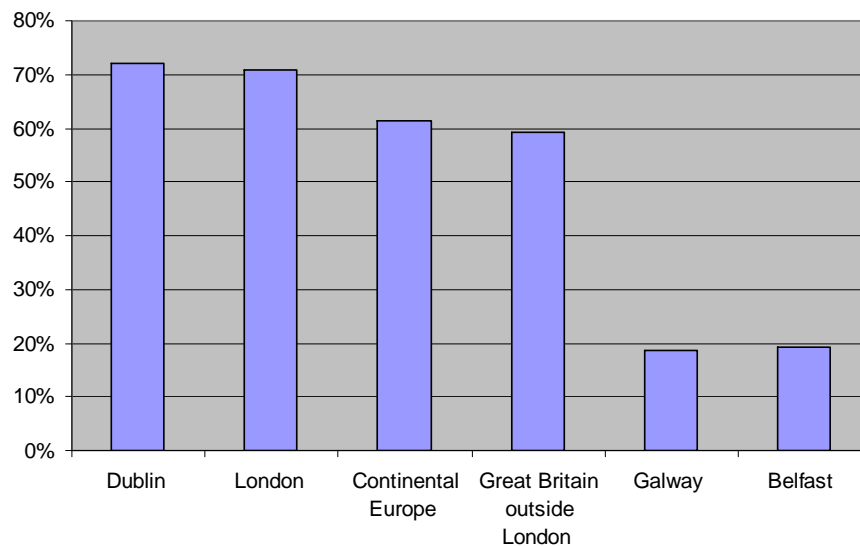
note: respondents able to give more than one answer

Destinations of Clients/Suppliers

5.2.7 Nearly 9 out of 10 businesses surveyed believe that air access is very important to businesses looking to invest or expand in the South East region.

5.2.8 Overseas destinations feature prominently as a base for clients and suppliers amongst South East businesses. London features just as strongly as Dublin with 72% of businesses highlighting it as a regular market location. Approximately 6 out of 10 businesses have dealings in parts of Britain outside London, with a similar proportion regularly doing business in Continental Europe.

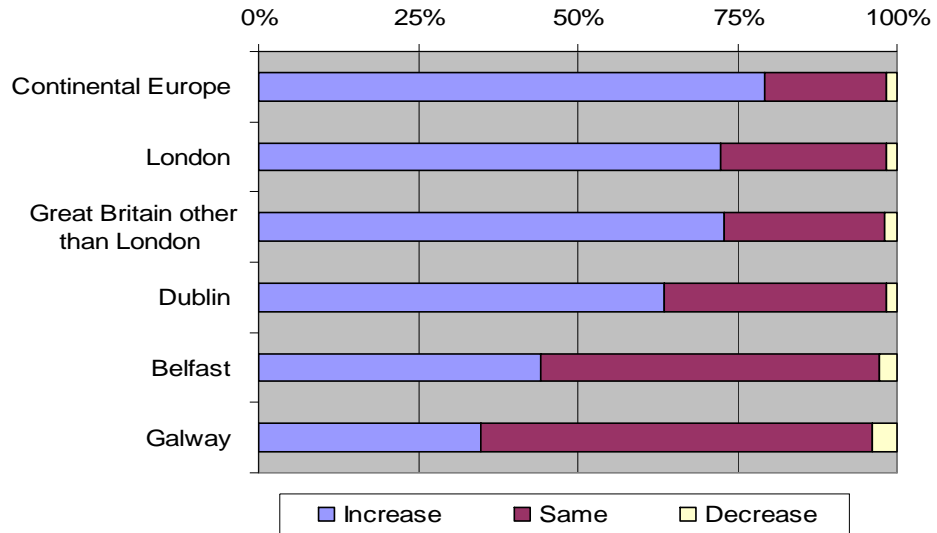
Figure 5.4: Do you and/or your customers regularly travel for business reasons to/from



Future Growth of Destinations

5.2.9 Figure 5.5 shows that approximately three quarters of businesses view their linkages with Great Britain and Europe as expanding over the next 5 to 10 years, higher than Dublin where just over one half of businesses see growth. Around 1 in 5 businesses viewed the need to access to domestic centres such as Galway and Belfast as increasing.

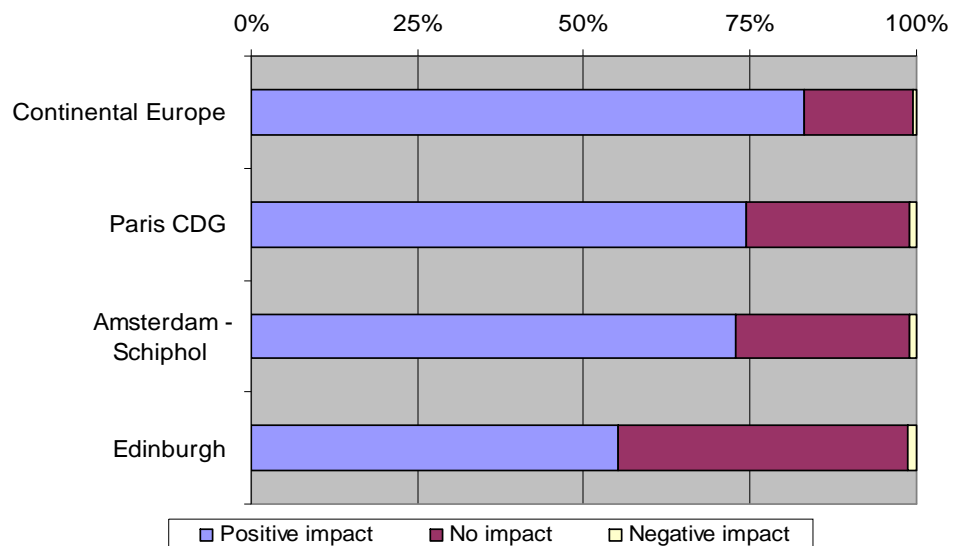
Figure 5.5: How do you/your customers think the need to access these destinations will change in the next 5 to 10 years?



Impact of Expanded Passenger Flights

5.2.10 Businesses in the South East view increasing access from Waterford Airport to key European hubs very positively, with three quarters of businesses seeing flights to Amsterdam and Paris Charles De Gaulle as being good for their business. In addition, more than half of those surveyed view the introduction of flights to Edinburgh as having a positive impact.

Figure 5.6: How would you describe the impact of your business of new or increased flights at Waterford Airport to/from:



5.3 Conclusions

- 5.3.1 More than 8 out of 10 South East businesses surveyed believe that good air access to the region is important for their business operations and a similar proportion believe that this is very important to firms looking to locate or expand operations in the region. This is not least reflected in the strong presence of multi-national owned manufacturing facilities in the region in activities such as healthcare, life sciences and other pharmaceuticals.
- 5.3.2 In addition, three quarters of businesses stated that they would either be directly or indirectly affected by a loss of passenger services at Waterford.
- 5.3.3 Approximately 7 out of 10 firms have clients or suppliers in London. Around 6 out of 10 have linkages with the rest of Britain and Continental Europe. This, to some degree, underscores the findings of the passenger survey which pointed to a high proportion of overseas business travellers using the airport.
- 5.3.4 The majority of businesses expect the need for access to London and Continental Europe to increase over the next 5 to 10 years and believe that the addition of flights to key European hubs would have a positive impact on their operations.

6 Economic Impacts

6.1 Introduction

6.1.1 This chapter considers the existing and future economic impact of Waterford Airport to the South East region. It draws on relevant documents, official statistics, evidence from the passenger survey, existing economic research on airports and the viewpoints of key individuals in the South East region to develop a picture of the following:

- Employment generated by the airport, whether directly and indirectly
- Spending by tourists using the airport and employment linked to this
- The importance of Waterford to regional business and the future potential given the proposals for its expansion

6.2 Employment Impacts

6.2.1 This assessment measures the employment associated with Waterford Airport in terms of:

1. Direct impacts - the jobs provided directly on site employed by the Airport and by other businesses/ activities
2. Indirect impacts- those employed by businesses supplying services to the airport and related activities based on site
3. Induced impacts - employment connected to the spending arising from persons employed in (1) and (2)

6.2.2 Approximately 52 persons are employed directly by Waterford Airport with a further 12 employed in services required on site such as Garda, Customs, cleaning, sanitation etc. There are a further 113 persons employed by companies based at the airport ranging from Aer Arann passenger services to the air-sea rescue team and the pilot training college, as well as those working in shops, cafes, car hire etc.

6.2.3 In total there are an estimated 177 jobs directly employed at the airport on-site. To derive the level of employment indirectly related to the airport ie those supplying services and products to the airport but employed off-site, we have referred to employment multipliers used in previous airport economic research¹.

6.2.4 The employment multiplier estimates the number of indirect jobs related to every job employed directly on-site at the Airport. Earlier research for Cork airport used an employment multiplier of 1.22, meaning that for every 100 jobs at the airport this supported another 22 jobs in products and services supplied to the airport.

6.2.5 The induced impacts refer to the jobs supported by the spending of those employed directly and indirectly by the airport. For this a multiplier of 1.27 was used.

6.2.6 We have applied these multipliers to the case of Waterford. This gives an estimated total employment impact of 274 jobs as summarised in table 6.1.

¹ See 'The Role of Cork Airport in Regional Development and the Implications of Airport Privatisation' by Ella Kavanagh, Eoin O'Leary and Edward Shinnick, University College Cork, 2002

Table 6.1: Direct, Indirect and Induced Impacts associated with Waterford Airport

	Multiplier	Jobs
Direct Employment	n/a	177
<i>Indirect Employment</i>	1.22	39
Sub-total	n/a	216
<i>Induced Employment</i>	1.27	58
TOTAL	n/a	274

6.2.7 As Waterford Airport almost entirely serves the South East region it is reasonable to conclude that all of the jobs associated with the airport are based in the South East.

6.3 Visitor Impacts

6.3.1 Waterford Airport facilitates visitor trips for leisure/holidays, visiting family and friends and business trips to the South East. As the passenger survey showed these account for 97% of passengers with a reasonably balanced split between them.

6.3.2 Overseas visitor trips to the South East have been on a steady upward trend in recent years growing by approximately 12% between 2004 and 2008. The share of GB-based visitors travelling by air over the same period has also increased from 42% in 2004 to 55% in 2008.

6.3.3 Using the findings of the airport survey and data on the number of in-bound flights to Waterford airport from Britain we have estimated the spending and jobs impact of passengers travelling to the airport.

6.3.4 According to Failte Ireland, the average spend of GB visitors to the South East was €365 in 2008. Assuming this is unchanged in 2009 and applying this to all types of passengers travelling through the airport including business users², this gives a total estimated spending impact of approximately €20m per annum. Table 6.2 summarises the results.

Table 6.2: Tourism Spending Impact associated with users of Waterford Airport

Annual In-Bound Visitor Trips per annum	55,386
average spend per person per trip	€365
Total €m per annum	€20.02m

6.3.5 We have not assumed that all of this spending would be lost if the airport was to end overseas flights. However as approximately 10% of passengers in the survey stated that they would not make their trip if flights were not available at Waterford we can be reasonably confident that a minimum of €2m per annum is directly linked to the existence of the airport.

6.3.6 Using Failte Ireland data on domestic and overseas visitors to the South East and the total revenue earned for 2008 we can estimate the impact of this spending on jobs by using the average turnover. On this basis a loss of €2m in visitor spending would directly account for approximately 196 regional jobs in the tourism and hospitality industries.

² In the absence of actual estimates we have assumed business travellers spend the same amount per trip as leisure/VFR travellers

6.3.7 Accounting for indirect and induced impacts of this job loss, based on the findings of the Cork Airport study, it is estimated that a further 87 jobs would be lost through the direct loss of visitor related spending on tourist and hospitality activities. Table 6.3 summarises the analysis and the multipliers used.

Table 6.3: Employment Impacts of Visitor spend associated with Waterford Airport

Visitor Spending Directly Linked To Airport		€1.4m
Employment supported by this spending	[A]	196
Indirect Employment (<i>based on multiplier of 1.13</i>)	[B]	25
<i>Sub Total</i>	[C]	221
Induced employment impact (<i>based on multiplier of 1.28</i>)	[D]	62
Spending Impact – Jobs (C + D)		283

6.3.8 Taking the visitor spend and operational impact of the airport on employment together we can conclude that Waterford Airport supports approximately **557 jobs** through direct, indirect and induced effects in the regional economy.

6.4 Location and Productivity Impacts

6.4.1 For certain businesses the presence of an airport can be the difference between deciding whether to invest/expand in a particular location or not at all. Moreover, the benefit of having greater connectivity with overseas markets through direct air access to and from the region can also bring productivity benefits.

6.4.2 Valuing such 'catalytic' impacts in terms of the additional investment and output they bring is difficult, but they can be significant. Indeed, it is clear from the business survey that companies based in the region view the airport's role as significant to their operations and the regional economy in general.

6.4.3 The expansion planned under the capital investment programme increases the potential to enhance the benefits to business in terms of attractiveness of the South East. Indeed, the view that the airport is on the verge of offering something much greater to business and the regional economy, emerges clearly in the stakeholder discussions.

6.5 Stakeholder views on Waterford Airport

6.5.1 This section summarises the views of a number of key individuals representing employers, county councils, educational institutions regarding the current and future importance of the airport to business, competitiveness and tourism. The organisations consulted are as follows:

- IBEC South East
- Failte South East
- IDA
- Aer Arran
- Representative of Regional and County Planning bodies
- American Chamber of Commerce for the South East
- Pharmaceutical and Life-Sciences companies
- Other manufacturing companies
- Financial Services business

Air Access to the South East

- 6.5.2 It was felt that the South East was currently difficult to access by air with one representative of a multi-national company highlighting that it was faster for senior managers and clients to access offices in the US from their Middle Eastern HQ than to get to Waterford. This situation would be made much worse if overseas air services were completely lost.
- 6.5.3 More specifically it was felt that the airport was of particular benefit to the life sciences/pharmaceutical sector, which had a strong presence in the region (employing an estimated 7,000 workers) and with the majority of the firms being foreign owned.
- 6.5.4 Loss of overseas services would in all likelihood make the region a less attractive prospect for investment by this sector. To quote:
“many of the above (Life Sciences/Pharma) would be impacted in that the attractiveness of the region is diminished and future investment would be more difficult”
- 6.5.5 In addition more than 60% of IDA assisted companies in the South East are in the medical/technical and life sciences sector.
- 6.5.6 It was also thought that the recent improvements to road infrastructure would help to open up the influence of Waterford within and beyond the region and potentially relieve pressure on Dublin and Cork airports.
- 6.5.7 *“I would expect the improved access to the airport would also increase numbers using the airport. Transfer time from Dublin airport to our site has caused difficulty for us in getting executive level visits”.*

Tourism

- 6.5.8 The role of Waterford Airport in expanding the short break market and number of tourist visits to the region from GB was highlighted in that it offers a point-to-point journey which prospective visitors value highly. If Cork was the only feasible airport option outside Dublin then the South East would receive considerably fewer of these visits.
- 6.5.9 Although the bulk of tourists coming to the South East through the airport are GB based, more in-bound visitors were attracted from France once services to Lorient and Amsterdam were established, suggesting that the airport is able to unlock latent demand for tourist trips.
- 6.5.10 Visiting friends and relations or *‘the VFR market’* also has a knock impact on the tourist industry and, as shown in the passenger survey, accounts for more than two-fifths of passengers going through Waterford Airport.
- 6.5.11 Tourism is a major driver of the regional economy especially in the short break market which the airport has helped to expand. As one interviewee put it:
“The loss of overseas services would cut off a potentially vital income stream which is only set to grow”.
- 6.5.12 The tourist agencies are looking to further strengthen the tourist offer with major investments in the City of Waterford (eg. redevelopment of the Waterford Crystal Factory and heritage quarter).
“Waterford airport has been the medium by which the project to redevelop the Waterford Crystal site has been allowed to happen... Waterford Crystal has an international appeal,

particularly to US visitors and the having passenger services direct to the region will be crucial to its success”.

Future Potential

- 6.5.13 There is a clear feeling among stakeholders that Waterford Airport is already an important asset to the region which should be built upon rather than scaled back. The South East is particularly attractive to foreign companies in terms of the natural environment, uncongested surroundings and cost of living. A number of major companies working in pharmaceutical and life sciences sectors have based their activities there and frequently require air access to the UK mainland Europe and the US.
- 6.5.14 In this respect, there is a feeling that the airport, in specifically serving the South East region, is on the verge of becoming a major selling point - once it has an expanded runway that will allow it to take larger aircraft. This will dramatically open up the destinations which can be served, including European hubs and enable the airport to utilise spare capacity and become more self-sufficient over time.
- “Infrastructure brings business, diminished infrastructure has a negative impact on business. We need to improve the air infrastructure and if we lose the little we have it will be very bad for us”.*
- 6.5.15 This would undoubtedly unlock the airport's potential and enable it to fulfil a greater role as a catalyst for economic development and building on the region's export base that has already been established in the pharmaceutical sector. In addition it would assist the over-arching aim of balanced regional development and Waterford City's future as a gateway to the South East as recommended by the National Spatial Strategy.
- 6.5.16 The proposed capital programme is designed to facilitate this and, if committed Government funding can be released, the airport will be in a position to realise this potential. However, the ongoing uncertainty over subvention funding creates a difficult operating environment for the airport and places future expansion plans, and the potential benefits linked to them, at risk.
- 6.5.17 The following is a list of the individuals who were consulted as being representative of stakeholders in the region:
- Tom McCabe - CEO TEVA Pharmaceuticals and Vice President Irish Business and Employers Confederation (IBEC) South East
 - Dan Hoey, President of American Chamber of Commerce, South East Region and General Manager, Merck
 - John Farrell Chairman IBEC South East
 - Patrick Bruen Vice President and Managing Director Sun Life Information Services
 - Gary Breen, General Manager, Failte Ireland South East
 - Joe Crockett, County Manager of Kilkenny County Council and Regional Chair of County Managers
 - Terry O'Shea, Director of Wexford Operations, Waters Technologies
 - Hilary Doyle, Assistant Vice President, State Street
 - Paul Shutz, CEO Aer Arann
 - Paul Nolan, Business Development Manager, Dawn Meats
 - Ray Cooke, Integrated Supply Chain Director, Honeywell
 - Michael Walsh, City Manager, Waterford City Council
 - Siobhan MacEvoy, Manager South East Region, IDA
 - Michael Garland, Chief Executive, Waterford Chamber of Commerce

