

ECONOMIC AND SOCIAL IMPACT OF INVERNESS AIRPORT

Executive Summary
September 2018

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ekosgen, in partnership with Reference Economic Consultants, was commissioned by Highlands and Islands Enterprise (HIE) and Highlands and Islands Airports Limited (HIAL) to undertake an economic and social impact study of Inverness Airport.

Inverness Airport is the principal airport in the Highlands and Islands and the fourth busiest in Scotland, with daily flights to destinations such as London, Manchester, Bristol and Amsterdam. The airport provides business links and accessibility for inward visitors and tourists, with the catchment area covering the entirety of Highland and Moray Council areas.

The purpose of the study is to illustrate and quantify the economic, social and wider catalytic impacts that Inverness Airport has in relation to the regional economy. Specifically, the report provides a high level overview of how Inverness Airport currently supports economic and community development in the region; presents an overview of the air service currently provided; gives an assessment of economic impacts on-site and from inbound visitors; and assesses the wider catalytic impacts of the airport for the region.

Overview of Inverness Airport and air service activity

Inverness Airport has enjoyed rapid growth in passenger numbers over the last decade, to a record 875,000 in 2017. At 30% over the last 10 years, this passenger growth was the second highest of Scotland's four busiest airports (being slower than at Edinburgh Airport (49%), but faster than at Glasgow (22%) and Aberdeen (6% decrease) Airports).

The airport has operated inter-regional services to the Outer Hebrides and the Northern Isles throughout the last decade. There have also been changes to the route profile over this time, most notably the introduction of an Amsterdam service in 2011, the reintroduction of Dublin flights in 2015 and the restoration of the London Heathrow service in 2016.

Between 2008 and 2017 there were increases in the number of terminal passengers on every Inverness scheduled route apart from Kirkwall/Sumburgh and Stornoway. Routes that have seen particular growth include Amsterdam, Dublin, the London routes (Gatwick, Heathrow and Luton), Birmingham and Manchester. The growth in passenger numbers has been concentrated in those from, or going to, the Inner Moray Firth and Caithness and Sutherland.

Over half of all Inverness Airport passengers were travelling to/from the London routes in 2017, with London Gatwick having the highest carryings at over 260,000 passenger movements. Two thirds of all passengers were travelling for leisure purposes with one third on a business trip. Inverness Airport is distinctive in that more passengers are making inbound trips to Inverness rather than outbound, whereas at other UK airports this tends to be mostly outbound travel. This shows the importance of the airport as an alternative to road and rail travel for inbound passengers. The majority of leisure passengers were making inbound trips while most business passengers were making outbound trips. The largest market segments for the airport in 2017 were inbound UK leisure passengers, outbound business passengers and outbound leisure passengers.

An assessment of global connectivity shows that direct services from Inverness Airport make it comparable with Exeter Airport and better connected than Newquay Cornwall Airport, two comparators similar to Inverness in that they are smaller, regional airports which are relatively distant from major economic centres. When useful onward connections are included to the assessment, Inverness Airport is better connected than both of these comparator airports, although remains less so than the other three major Scottish airports.

In 2013, just under 500,000 passengers travelled from the Inverness Airport catchment area to use either Glasgow, Edinburgh or Aberdeen Airports. Most of these passengers were making a leisure trip, although Aberdeen Airport was predominantly used for business purposes while Glasgow and Edinburgh Airports were mainly used for leisure trips.

Quantified economic impact assessment

Headline figures from the economic impact assessment include:

- A total on-site employment impact of **748 FTEs** in the catchment area
- A total on-site income impact of **£23.3m** in the catchment area
- A total on-site GVA impact of **£33.3m** in the catchment area
- A total spend by inbound visitors of **£89m** in the catchment area
- Inbound visitor spend creating **1,774 FTEs** and **£60m** GVA in the catchment area
- A passenger time savings value of **£43m**, split fairly evenly between business and leisure travellers

On-site impacts

A survey of businesses located at the airport site or immediately adjacent to it was completed to assess the on-site economic impacts of Inverness Airport.

In terms of employment, the airport generates 578 direct posts, which equates to 554 FTEs, with most posts being full time and a small amount of part time, seasonal and contractor work. When including indirect and induced posts, the total employment impact increases to 748 FTEs in the catchment area (see table). This means that for every three direct FTE jobs at Inverness Airport, around one further job is generated in the wider catchment area.

The total employment impact increases to 766 FTEs for the Highlands and Islands and 916 FTEs for Scotland as a whole, reflecting some on-site business purchases being made to suppliers in Scotland outside of the Highlands and Islands.

Table E.1: Total (direct, indirect and induced) on-site impacts

	Airport Catchment Area	Highlands and Islands	Scotland
Employment (FTE)	748	766	916
Income (£million)	23.3	23.7	27.1
GVA (£million)	33.3	34.5	42.0

Jobs at the Inverness Airport site are generally well-paid. Total direct on-site income is £18.9m, equating to an average of £34,200 per FTE, which is higher than the average gross annual pay for full-time employees in Scotland and the Highlands and Islands.

When including indirect and induced impacts, the total income impact of Inverness Airport increases to £23.3m in the catchment area. The figure for the Highlands and Islands is only slightly higher at £23.7m and the total income impact of Inverness Airport for Scotland is £27.1m

Total GVA impacts (direct, indirect and induced) within the airport catchment area are £33.3m. This excludes direct GVA for HIAL and Inverness Airport due to them receiving government grants. Again, the total GVA impact for the Highlands and Islands is similar at £34.5m while the figure for Scotland is higher at £42m.

Inbound visitor impacts

A quantified assessment of the inbound visitor impacts was undertaken to demonstrate the economic benefits Inverness Airport provides to its catchment area. In 2017, the estimated total spend of passengers in the catchment area was £89m, or around £350 per inbound passenger. Reflecting their larger share of passengers, the three routes from London had the highest levels of visitor spend, accounting for over half of total expenditure. Also, those visitors on holidays or short breaks account for the majority of total visitor spend.

The majority of the visitor spend is within the Inner Moray Firth area, at 62% of total spend, with the remainder spread fairly evenly across the rest of the catchment area. The total gross off-site visitor impacts arising in the catchment area are 1,774 FTE jobs, £29m in income and £60m in GVA.

Valuation of passenger time savings

The value of time savings for Inverness Airport passengers is estimated to be around £43m in 2017, based on the monetary value of the time saved by flying to or from the airport compared to using other means of transport. This is split between a £22.5m economic benefit of increased productivity for those travelling for business purposes and a £20.7m welfare benefit for leisure passengers.

The vast majority of the business economic benefits accrue to Scottish residents and businesses. Almost all of these residents and businesses live and operate in the Inverness Airport catchment area, adding to the importance of the airport's service to the local economy.

Wider catalytic and social impacts

Contribution to economic growth

Based on the views of key stakeholders and businesses in the region, Inverness Airport has been critical for regional economic development and growth. The airport has contributed to growing confidence in the local economy, supporting the attraction of inward investment, improving communication channels between business units, supporting business day-to-day operations, and attracting and retaining staff.

Tourism is an important sector in the Highlands and Islands, and the airport continues to play a key role in attracting tourists and their spend into the region. The growth in private aviation through the airport has also helped to bring a growing number of wealthier tourists into the region.

There is a consensus that Inverness Airport helps retain population in the area and supports a viable community with access to education. A fundamental problem for the Highlands and Islands is the ageing population and out-migration of young people, and the development of Inverness Airport will play an important role in some part to reversing this trend.

The airport services

Businesses view London Gatwick, London Heathrow and Amsterdam as the most important routes for both outbound and inbound travel. Around one third of businesses use the airports routes to connect with onward flights or other travel, and this is particularly common for the London routes to other parts of the South West of England and the Amsterdam service for mainland Europe and Asia.

Business impacts

The airport has a positive impact on businesses' abilities to sell to the rest of the UK and globally. It also increases business access to external expertise. The main business benefit of the current air service is concentrated around human resources, including improved productivity as a result of reduced travel time and cost savings through an increased ability to attract and retain staff to the business.

Businesses in the region are facing a number of challenges, particularly in relation to infrastructure, which can cause disadvantage. As a business challenge air connectivity is not as prevalent as road and digital connectivity, although it is still reported as a challenge for many businesses. The inability for business travellers to do day trips on some routes, including London, was cited as a gap in service provision.

Social impacts

There are a number of social benefits as a result of Inverness Airport. Businesses report that the airport allows enhanced travel options for staff, customers and visitors, which reduces their travel time and enhances the quality of working life and visitor experience. The airport has increased visitor numbers to Inverness and the wider region, which creates jobs and wealth in local communities. A reduced sense of isolation for communities and a greater profile for the Highlands and Islands was also cited by stakeholder survey respondents.

Future priorities

In terms of future priorities, businesses prioritise enhancements to existing air routes rather than establishing new ones. Specifically, a top priority for businesses was increasing the frequency of flights to London Heathrow. Businesses value the double daily flights to London Gatwick, and feel that they would also benefit from an increase from single daily to double daily to London Heathrow all year-round.

Where future priorities for new routes were identified by stakeholders and businesses, these were direct links to main European hubs, for example in Germany, France, Italy or Spain, or direct routes to Scandinavia.

In relation to on-site services, consultees felt that improvements could be made to car parking at Inverness Airport and the arrivals terminal. The forthcoming rail halt at Dalcross in 2019 could be beneficial to the airport by enhancing access for passengers.

Other transport improvements are currently underway in the Highlands and Islands, including the dualling of the A9 and A96, planned rail improvements and the planned roll out of Road Equivalent Tariff (RET). Businesses anticipate positive impacts from these improvements, particularly the dualling of the A9 and A96, but felt that these improvements, which are longer term projects, were unlikely to significantly affect their use of the airport. The improvements to other transport links, and hence accessibility of Inverness Airport, could create synergies with the airport and benefits, and may offset the leakage of passengers to other airports or transport modes that might arise.

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