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ECONOMIC AND SOCIAL BENEFITS OF PROPOSED AIR SERVICES AT

SKYE AIRPORT

March 2016

ekosgen

reference economic consultants

HIE
Highlands and Islands Enterprise
Iomairt na Gàidhealtachd 's nan Eilean

Contents

1 Introduction to the Study

Overview

1.1 This report presents the findings of the study into the economic and social benefits of proposed air services at Skye Airport. This follows a 2013 study which assessed the demand and economic benefits of re-introducing an air service.

Study Purpose

1.2 Highlands and Islands Enterprise (HIE) is looking to explore the economic, social, and community benefits of re-establishing the air service between the Isle of Skye (Ashaig, Broadford) and the Central Belt. For the purposes of the study, the potential Skye air service catchment area covers the Isle of Skye, Lochalsh, and the adjoining areas of Wester Ross including Torridon, Kishorn and Lochcarron (see Figure 2.1).

Background and Context

1.3 The research brief indicates that air services from and to small rural airports *"can play a vital role in the communities they serve, creating a sense of connectedness, providing life-line services and supporting economic growth"*.

1.4 Skye was served with a scheduled air service between 1972 and 1988, operated by Loganair. This used the existing air strip located in Ashaig, Broadford.

1.5 In 2013, HITRANS commissioned the 'Skye Air Services Feasibility Study'[1]. The study explored the demand for an air service from Skye to the Central Belt and the operational and financial viability of such a service. The study concluded that commencing scheduled air services from Skye would provide significant benefits to the island and adjacent region, but also identified additional steps that were required in order to further explore its feasibility, advancing the evidence to a stage that would enable decisions on investments to be made. This included a need to review and assess technical aspects and infrastructure and facility requirements. Technical feasibility studies are being undertaken in a parallel review.

1.6 The 2013 study also concluded that the potential wider economic and social growth and benefits that could be realised on re-establishment of an air service in Skye should be reviewed and assessed. This study therefore explores the economic, social and community benefits (beyond the standard transport, economic and tourism indicators looked at in the 2013 study) that an air service from Skye to the Central belt could bring, with a view to helping inform the wider business case for re-introducing an air service to the area.

Study aims and objectives

1.7 The specific evaluation study's aims and objectives are as follows:

- Review existing research on the proposed air service for Skye and Lochalsh and provide a brief overview of the regional economy and geographic typology of the catchment area.

[1] http://www.hitrans.org.uk/Documents/Skye_Air_Service_Feasibility_Study.pdf

- To provide examples or case studies of other small regional airports in Scotland (and from elsewhere in UK / Europe if relevant) where business activity has strong linkages with the airport, and where the presence of an air service has clearly enabled local economic development.

- To explore and evaluate the potential economic, social and community benefits for local businesses, social enterprises and services that would result from the proposed air service from Skye to the Central Belt. This is designed to focus on long-term economic and social outcomes and be presented, as far as possible, in line with Scotland's Economic Strategy and HIE's Operating Plan.

- In meeting the objectives above, the research is to consider how local businesses/social enterprises perceive the proposed air service would be of benefit and how it might translate into overall business productivity and growth prospects for the local economy; the impacts for fragile areas; the contribution to regional cohesion; and the role that air services would play in achieving these.

- Review, and if appropriate update the economic benefits quantified in the 2013 Skye Air Services Feasibility Study in light of the economic and social outcomes identified in this study to ensure that they are fully reflected in any future business case for a proposed air service. As part of this, it will be necessary to explain clearly how the immediate transport and tourism impacts quantified in the 2013 study translate into longer term economic and social outcomes, avoiding 'double-counting' of benefits. Any changes to the quantified economic benefits should be evidence-based with a supporting rationale.

Study approach

1.8 The consultant team therefore adopted a multi-method approach, with a strong emphasis on primary research.

1.9 Specifically, this included:

- A desk review of the key sectors of employment, population characteristics and current transport accessibility between the Skye catchment area and the Central Belt;

- Three case studies reviewing the economic impacts of other airports, and analysis of other Highlands & Islands air services to Glasgow;

- An online survey of businesses and social enterprises across the catchment area;

- In-depth consultations with 20 businesses in the catchment area;

- Consultations with 15 stakeholders, including selected community organisations;

- A review of the 2013 study and the underpinning assumptions in light of the new primary research collected.

1.10 A list of the consulted businesses and organisations is included at Appendix A.

Structure of the report

1.11 The report is structured in the following way:

- Chapter 2 presents the socio-economic review;
- Chapter 3 reviews the feedback from the business community and identifies the short and longer-term impacts an introduced air service may have;
- Chapter 4 identifies the key points from the case study analysis;
- Chapter 5 discusses wider social and economic benefits that may arise from the air service;
- Chapter 6 reviews the 2013 study economic analysis and assumptions and provides commentary on the extent to which these assumptions remain valid or should change in light of the research findings;
- Chapter 7 presents the report conclusions.

2 Overview and Profile of the Regional Economy

Introduction

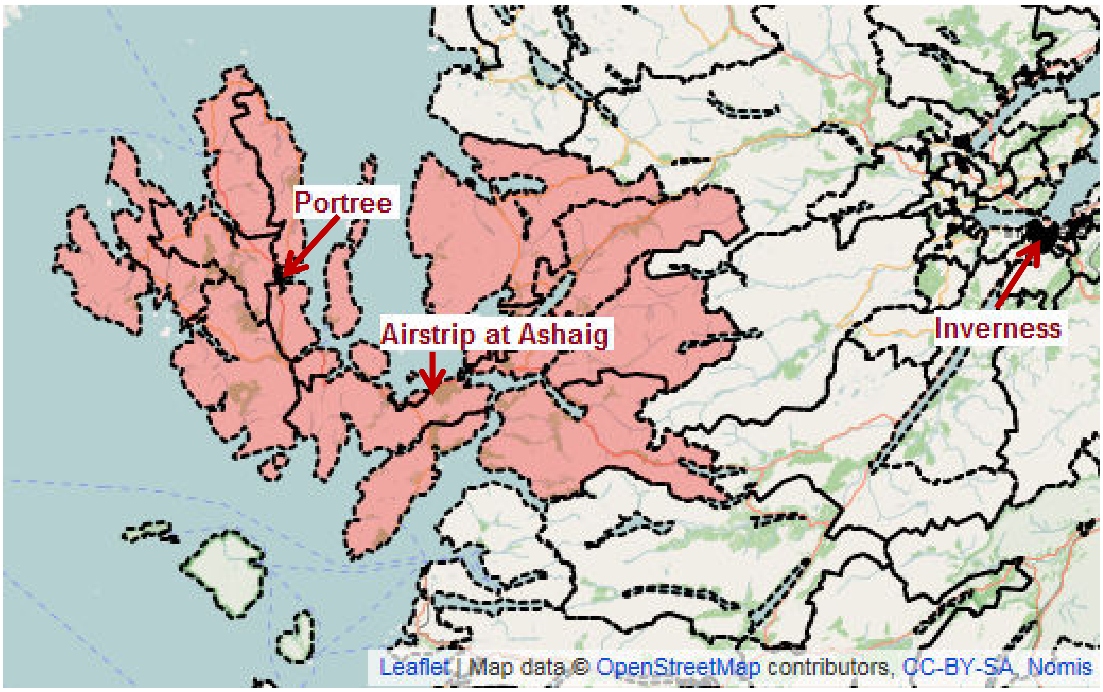
2.1 This chapter provides a brief overview of the regional economy and geographic typology of the catchment area including details on demographic, business and employment trends and information on the access to services. The purpose is to understand the way in which Skye and the surrounding study area has changed over the last number of years, including the dynamics of the resident and business base and movements in and out of the area.

2.2 Where data is available by Scottish Datazones (for example data on population, employment and deprivation), this is complete for the 19 datazones that make up the catchment area. However, where data is only available at Scottish Intermediate Zones (for example data on business counts), this comprises five intermediate zones, including Ross and Cromarty South West, which includes a larger area of Wester Ross (e.g. Poolewe and Gairloch). This distinction is made clear throughout the chapter.

Geography

2.3 The map below shows the agreed potential Skye air service catchment area covering the Isle of Skye, Lochalsh, and the adjoining areas of Wester Ross including Torridon, Kishorn and Lochcarron. The catchment area described for this review is slightly smaller than the one used in the 2013 study[2] to allow greater compatibility with key data sources. The area is situated within the Highland Council local authority area to the west/south west of the administrative centre of Inverness, and with its largest population centre of Portree 217 miles from Glasgow in the Central Belt.

Figure 2.1: The Skye Catchment Area



[2] Skye Air Services Feasibility Study, Arup and RDC Aviation, 2013, p34.

Issues of Connectivity

2.4 The opening of the Skye Bridge in 1995 meant that this, along with the Armadale ferry, was the key access route to Skye from mainland Scotland. The bridge forms parts of the A87 road which connects to the A82 at Invergarry and is the key road connecting Skye to the Central Belt of Scotland. This section details connectivity within Skye and between Skye and the Central Belt.

By Car

2.5 Journey times and distances between four settlements in different parts of Skye – Portree, Broadford, Dunvegan and Carbost – as calculated on Google Maps, are displayed in Table 2.1 below. The average time between the settlements is between 30 and 35 minutes.

Table 2.1: Connectivity Within Skye

	Broadford	Dunvegan	Carbost
Portree	31mins/ 26miles	32mins/ 21miles	25mins/ 17miles
Broadford		48mins/ 39miles	32mins/ 24miles
Dunvegan			30mins/ 20miles

Source: Google Maps
Please note: all times are based on journey time without traffic

2.6 Table 2.2 sets out the journey times and distances between the above settlements, Edinburgh and Inverness airports. Times to Glasgow Airport are close to or above four hours from each of the Skye settlements, and longer still to Edinburgh Airport which is closer to five hours from Dunvegan assuming free-flowing traffic.. Inverness Airport, despite being under 100 miles from Broadford, is still a two hour drive away, and almost three hours from Dunvegan.

2.7 It should be noted that these journey times assume freely-flowing traffic, and so are typically under-estimated. Journey times with traffic are more usually five hours (and often longer) from Portree to Glasgow or Edinburgh, as is highlighted by respondents at paragraph 3.21. This can rise to six hours plus from more remote north/western parts of the catchment area. Journey times to Glasgow/ Edinburgh city centres are slightly longer still. These long journey times are extended by a number of factors such as road surface issues, (particularly on parts of the A82 near Loch Lomond), inclement weather, and seasonal uplifts in traffic.

Table 2.2: Connectivity Outwith Skye

	Glasgow Airport	Edinburgh Airport	Inverness Airport
Portree	4 hrs 15 mins 207 miles	4 hrs 25 mins 232 miles	2 hrs 30 mins 120 miles
Broadford	3 hrs 44 mins 181 miles	3 hrs 54 mins 206 miles	1 hr 59 mins 94 miles
Dunvegan	4 hrs 34 mins 220 miles	4 hrs 45 mins 245 miles	2 hrs 50 mins 134 miles
Carbost	4 hrs 12 mins 205 miles	4 hrs 23 mins 230 miles	2 hrs 31 mins 119 miles

Source: Google Maps
Please note: all times are based on optimal journey time without traffic, and do not account for comfort/rest breaks

2.8 There are approximately six different car hire sites throughout Skye and Lochalsh, three in Portree, two in Lochalsh and one with collection points throughout the catchment area. This was stressed by business and stakeholder consultees to be an important end service to any potential air service.

By Ferry

2.9 Aside from by the Skye Bridge, the Isle of Skye is connected to the mainland from a ferry service between Armadale, on the south of Skye, and Mallaig. The crossing takes 30 minutes. During the summer months (April to October), there are nine return crossings per day Monday to Saturday, and six return crossings on Sundays. Whilst this is a greater frequency than in previous years, smaller vessels will be used at certain times of day. During the Winter Months (October to March), the crossings fall to just two return trips per day Monday to Saturday and one crossing on Sundays.

2.10 The Glenelg to Skye short ferry crossing also connects the south east of Skye to the mainland. The service runs from Easter to October each year, seven days a week, with a crossing every 20 minutes between 10am and 6pm (extended to 7pm in the summer months). The Glenachulish ferry has a much smaller vehicle capacity, of six cars, than the CalMac Armadale to Mallaig service.

By Train

2.11 There is no railway line directly connecting Skye to the mainland of Scotland, other than via ferry or bus connections to mainland rail interchanges at Mallaig and Kyle of Lochalsh. From Mallaig, there are three ScotRail trains per day running to and from Glasgow. In addition, the Jacobite steam train service runs between Mallaig and Fort William twice daily during the week between May and October. The journey from Mallaig to Glasgow takes around 5 hours and 20 minutes. From Kyle of Lochalsh there are four potential daytime services to Glasgow per day, but only three in the northbound direction, and each one requires changing trains at Inverness, the journey taking around 6 hours in total. Connections with the overnight Caledonian Sleeper services to/from London are possible at both Fort William (from Mallaig) and Inverness (from Kyle of Lochalsh).

By Bus

2.12 CityLink run daily bus services between the Central Belt and Inverness and Skye (Broadford and Portree). There are usually three services per day from Glasgow to Skye, with an additional two services running to Fort William only. The Glasgow to Skye service takes between six and seven hours. From Inverness, there are three services per day running to Skye, and two services making the return trip. The Inverness to Skye service takes approximately three hours.

2.13 Table 2.3 shows the fastest journey times by public transport (all via bus) between Portree and Broadford and Glasgow, Edinburgh and Inverness airports, as well as the earliest arrival time and latest departure time from each location. This shows that it is not possible to make a day return trip between Skye and Edinburgh using public transport, as the earliest arrival into Edinburgh (15.49) is later than the latest departure time from Edinburgh (13.05). Similarly, making appointments (e.g. business meetings, hospital appointments etc) in Glasgow are not realistic, as the individual would have a window of under one hour in the city. Day trips to Inverness, however, are possible through public transport, and would allow a maximum of five hours in the city.

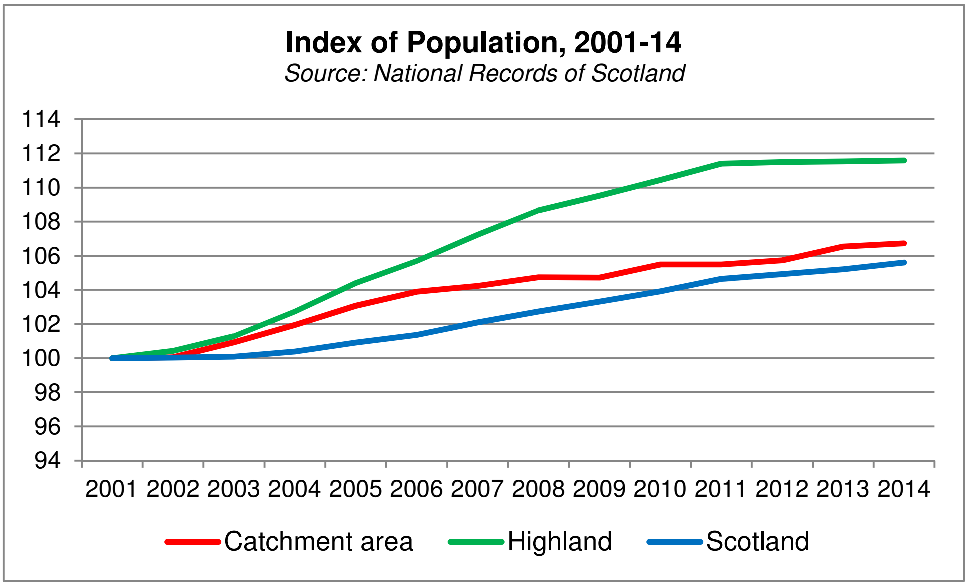
Table 2.3: Public Transport Connectivity Outwith Skye			
From/ to	**Glasgow Bus Stn**	**Edinburgh Bus Stn**	**Inverness Bus Stn**
Portree	6 hrs 15 mins *Earliest arrival time: 14.04; Latest departure time: 15.00*	7 hrs 48 mins *Earliest arrival time: 15.49; Latest departure time: 13.05*	3 hrs 5 mins *Earliest arrival time: 12.16; Latest departure time: 17.15*
Broadford	5 hrs 35 mins *Earliest arrival time: 14.04; Latest departure time: 15.00*	7 hrs 9 mins *Earliest arrival time: 15.49; Latest departure time: 13.05*	2 hrs 25 mins *Earliest arrival time: 12.16; Latest departure time: 17.15*
Source: http://www.citylink.co.uk/index.php			

Socio-Economic Trends[3]

2.14 The population of the catchment area in 2014 was just over 14,500. At a growth rate of 7% since 2001, the catchment area's population has increased at a faster rate than Scotland (6%), although it is below the Highland[4] growth (12%) over the same period (Figure 2.2).

2.15 In recent years the catchment area population increased faster than both the Highland area as a whole and Scotland. The rate of increase was 1.2% in the Skye study area between 2011 and 2014, compared to 0.2% for Highland and less than 1% for Scotland.

Figure 2.2



2.16 Within the catchment area, the main population centres are Portree (the principal centre of Skye), Broadford and Kyle of Lochalsh. In 2014, the population of Portree was 2,432 - an increase of 4% since 2011 – and a faster rate than the 1.2% increase for the catchment area as a whole. This partly reflects movement within the catchment area as younger people in particular move from more rural parts of the area to Portree for employment, and also housing and services. The population of Broadford in 2014 was 930, a decrease of 1.9% from 2011, while the population of Kyle and Lochalsh was 649, similar to 2011.

2.17 With the rise in population within the catchment area, there have been changes in its composition. Figure 2.3 shows an ageing of the population between 2001 and 2014, with

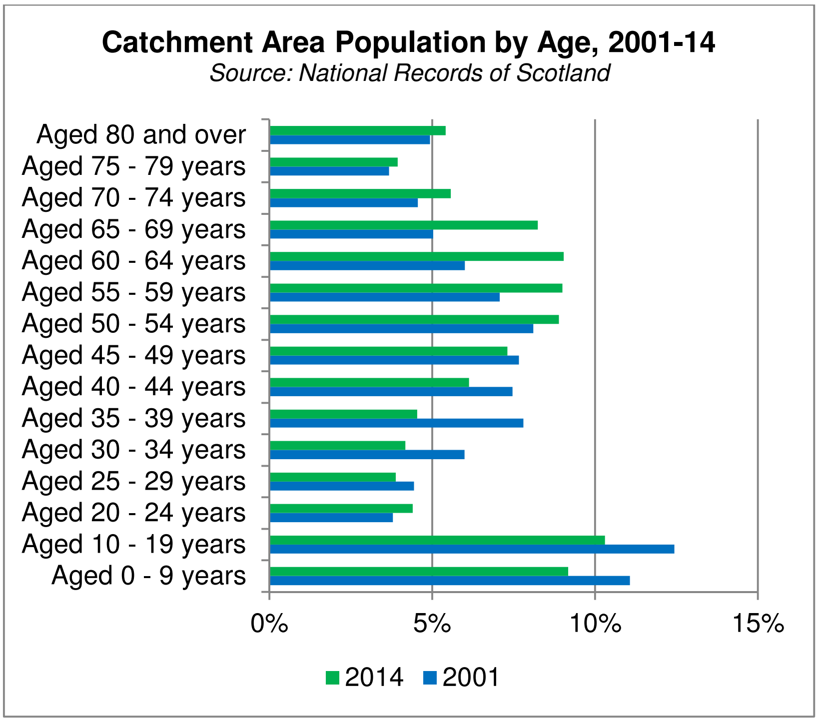
[3] All population data in this section is sourced from National Records of Scotland (NRS) mid-year estimates

[4] 'Highland' refers to the Highland Council area

growths in the proportions of those aged 50-79 years, with particularly strong increases in the 65-79 age group between 2011 and 2014.

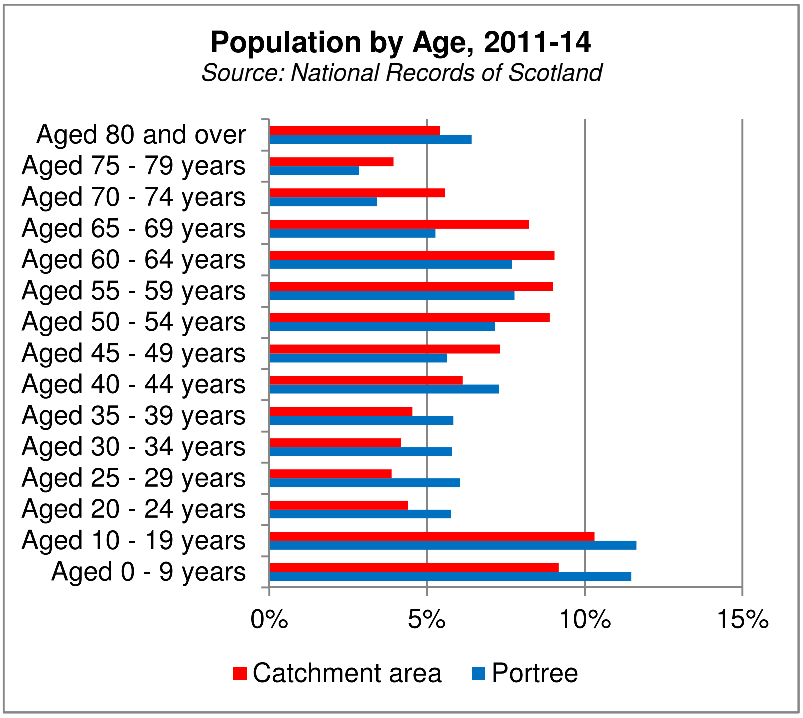
2.18 Alongside this, there have been declines in the proportions of those aged 25-44 since 2001, with marked declines in the 35-44 age band in recent years (between 2011 and 2014). As the proportion of elderly residents has increased, the proportion aged 19 and below has fallen from 22% in 2001 to 19% in 2014, although this has levelled out more recently.

Figure 2.3



2.19 Figure 2.4 illustrates the age profile difference between Portree and the catchment area as a whole in 2014, showing the younger age profile of Portree. The main town has a larger proportion in all younger age bands from 0-9 years to 40-44 years, while it has a smaller proportion of all older age bands from 45-49 years to 75-79 years. This reflects the function of Portree as the principal employment centre and the one where there is the greatest concentration of services.

Figure 2.4



2.20 In Highland between 2014 and 2024, the population is projected to rise by 6,597, or 2.8%. If this rise is apportioned to the catchment area then it would mean the population is set to rise to 14,944 by 2024, although this is a conservative estimate given that the rate of growth in the study area was six times the Highland rate of growth between 2011 and 2014. For Scotland as a whole, the projected rise over the period to 2024 is 4.1%.

Access to Services

2.21 The Scottish Index of Multiple Deprivation (SIMD) Geographic Access to Services domain measures the financial cost, time and inconvenience of having to travel to access basic services, such as Post Offices, schools, GPs and retail centres. This domain is made up of the time it takes to reach services by driving, and also via public transport.

2.22 Parts of the catchment area are considered extremely geographically deprived. Looking at the 6,505 datazones in Scotland in 2012, 12 of the 19 datazones which make up the catchment area are in the most deprived 200 (3%) Geographic Access to Services datazones. Further, two datazones are in the most deprived ten in Scotland (one including Raasay and south of Portree and one including Applecross and Torridon).

2.23 In terms of population, the 12 datazones included in the most deprived 200 (3%) Geographic Access to Services datazones represent over 8,900 residents, or 62% of the catchment area population. Further, the datazones in the catchment area within the 10% most deprived in Scotland represent 10,440 residents – nearly three quarters of the area's population (73%), showing those resident in the catchment area to be particularly deprived of access to important services.

2.24 As part of its remit to sustain and develop communities, HIE supports projects in fragile areas. Fragile areas are characterised by declining population, under-representation of young people within the population, lack of economic opportunities, below average income levels, problems with transport and other issues reflecting their geographic location. In all, nine of the

19 datazones in the Skye catchment area are designated as fragile areas. This accounts for around 43% of the catchment area's population, compared to just over 12% of the Highlands and Islands as a whole that live in fragile areas.[5]

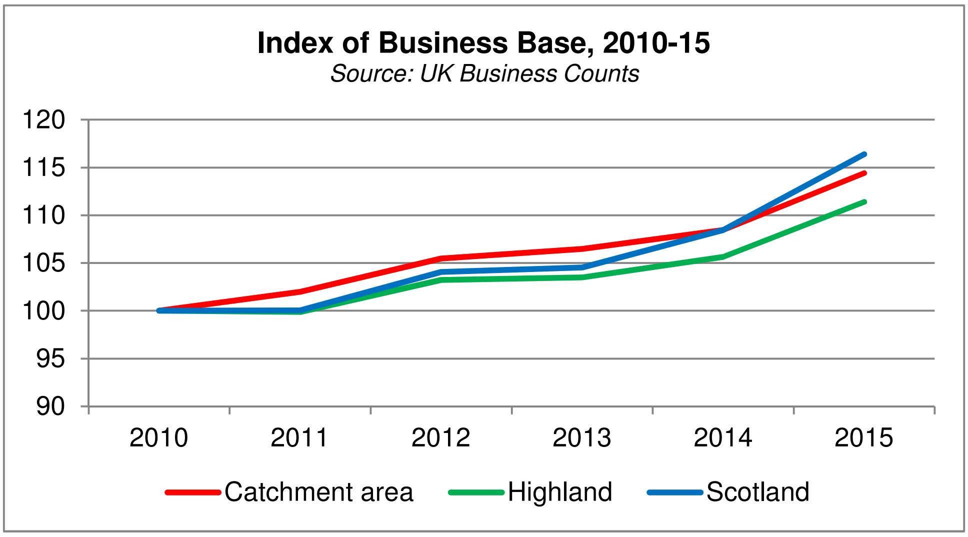
Business and Employment Trends

Business

2.25 Data within the business section is derived from the UK Business Count[6] data for the five Scottish Intermediate Zones comprising the catchment area[7]. Since data at the datazone level is not available from this source, this is the best method to assess the catchment area, although the north of Ross and Cromarty South West would lie outside the catchment boundaries.

2.26 In 2015, there were circa 1,150 businesses in the Skye catchment area, an increase of 6% from the previous year. As shown in Figure 2.5, since 2010, the business base has grown at a faster rate than that across Highland (14% versus 11%), although between 2014 and 2015 this dropped below the longer term growth rate of 16% across Scotland as a whole from 2010.

Figure 2.5



2.27 The business base is spread relatively evenly throughout the intermediate zones in the catchment area, with the main concentration of businesses being located on Skye (Table 2.4). Skye has had the fastest growth in its business base over the last five years, growing by 18% overall since 2010, strongest in the North East of the island (24%), likely to be driven by Portree, and much higher than the Highland (11%) and Scotland (16%) business base growth over this period. Growth has been slower in Ross and Cromarty South West (8%) and Lochalsh (6%).

[5] HIE (2014) *Review of Fragile Areas and Action Areas in the Highlands and Islands, November 2014*

[6] UK Business Count data refers to the number of businesses, rather than number of business sites, and includes VAT traders and PAYE employers (but excludes those below the VAT threshold).

[7] These are: Skye South, Skye North East, Skye North West, Lochalsh and Ross and Cromarty South West.

Table 2.4: Business Base within the Catchment Area, change over time		
Intermediate Zone	**Businesses in 2015 (n)**	**Change from 2010 (%)**
Skye North East	260	+24%
Skye North West	260	+13%
Skye South	250	+19%
Ross and Cromarty South West	215	+8%
Lochalsh	165	+6%
Total	**1,150**	**+14%**
Source: UK Business Counts		

2.28 In 2015, the key sectors comprising the Skye catchment area business base were:

- **Agriculture, forestry and fishing** (340 businesses, 30% of the business base);
- **Accommodation and food services** (150 businesses, 13% of the business base);
- **Construction** (135 businesses, 12% of the business base).

2.29 As per Table 2.5, the catchment area business base differs from the rest of Scotland with a higher proportion in agriculture, forestry and fishing (30% of the business base compared to 20% in Highland and 10% in Scotland). This reflects the rural nature of the area and the importance of food production and fishing to the local economy. Accommodation and food services are also more concentrated, reflecting the importance of the tourism sector, while the construction sector is broadly in line with the average. In contrast, the professional, scientific and technical sector is under-represented, though this is starting to change (see Table 2.6 later), yet at 8% of the business base this is still well below the proportion across Scotland (19%).

Table 2.5: Business Base by Sector, current figures				
Industry	**Catchment Area**		**Highland**	**Scotland**
	2015 (n)	**2015 (%)**	**2015 (%)**	**2015 (%)**
Agriculture, forestry & fishing	340	30%	20%	10%
Accommodation & food services	150	13%	10%	8%
Construction	135	12%	13%	11%
Retail	95	8%	7%	8%
Professional, scientific & technical	90	8%	13%	19%
Arts, entertainment, recreation	55	5%	6%	7%
Business admin & support	50	4%	6%	7%
Manufacturing	45	4%	5%	5%
Transport & storage (inc postal)	40	3%	3%	3%
Health	35	3%	3%	4%
Information & communication	25	2%	2%	5%
Motor trades	20	2%	3%	3%
Wholesale	20	2%	2%	3%
Property	20	2%	3%	3%
Education	10	1%	1%	1%
Mining, quarrying & utilities	5	<1%	1%	1%
Financial & insurance	5	<1%	1%	2%
Public administration & defence	0*	0%	<1%	<1%
Total	**1,150**	**100%**	**100%**	**100%**

Source: UK Business Counts.
** Figure has been rounded down. Please note Agriculture, forestry & fishing includes aquaculture.*

2.30 It is important to note that the business count data relates to VAT and PAYE registered businesses only, so will underestimate the total number of businesses. This is particularly the case for each of these top three sectors, for example there is likely to be a high volume of self-employed individuals in agriculture (farming) as well as the forestry sector, and in accommodation (including self-catering apartments and B&Bs) who won't be VAT and PAYE registered.

2.31 As shown in Table 2.6, over the last five years the sectors experiencing the highest growth have been the professional, scientific and technical (+64%), health (+40%) and transport and storage and property (both +33%) sectors, and more so than the respective growths at the Highland and Scotland levels. However, it should be noted that with a number of these sectors, such as property, this is expansion from a very low base.

Table 2.6: Business Base by Sector, changes over time				
Industry	**Catchment Area**		**Highland**	**Scotland**
	2015 (n)	**2010-2015 change (%)**	**2010-2015 change (%)**	**2010-2015 change (%)**
Professional, scientific, technical	90	64% (+35)	50%	48%
Health	35	40% (+10)	16%	20%
Transport & storage	40	33% (+10)	5%	6%
Property	20	33% (+5)	17%	18%
Accommodation & food services	150	25% (+30)	10%	11%
Business admin & support	50	25% (+10)	31%	33%
Retail	95	12% (+10)	-6%	-1%
Arts, entertainment, recreation	55	10% (+5)	9%	17%
Agriculture, forestry & fishing	340	8% (+25)	4%	2%
Construction	135	0%	4%	2%
Manufacturing	45	0%	14%	10%
Information & communication	25	0%	2%	38%
Motor trades	20	0%	12%	8%
Education	10	0%	12%	10%
Public administration & defence	0	0%	0%	0%
Wholesale	20	-20% (-5)	-9%	-1%
Mining, quarrying & utilities	5	n/a (+5)	70%	66%
Financial & insurance	5	n/a (+5)	8%	29%
Total	**1,150**	**+14%**	**+11%**	**+16%**
Source: UK Business Counts.				

2.32 The catchment area economy continues to be dominated by micro-sized businesses (between 0 and 9 employees), more so than the business base in Highland and Scotland – 92% compared to 89% and 88% respectively. Conversely, the area is under-represented by small, medium and large businesses when compared to the local authority area and nationally. There were no large businesses in the catchment area and only five medium-sized employers, which includes Highland Council and Sabhal Mòr Ostaig (SMO), the Gaelic college in Sleat, which is part of the University of the Highlands and Islands (UHI) college network.

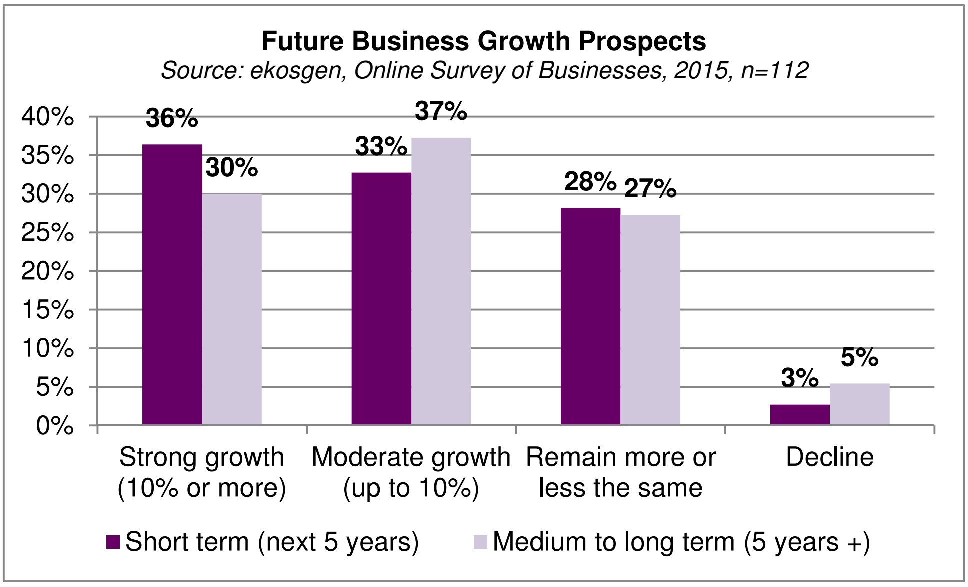
2.33 In 2015 there were 1,055 micro businesses, a 13% increase from 2010. However, the biggest increase in terms of business size within the catchment area has related to the number of small businesses employing 10 to 49 employees, which has grown by 29% since 2010, compared to a 19% increase in Highland and 13% in Scotland. This is a positive trend, suggesting an increase in size from micro to small businesses, although also potentially some downsizing of medium-sized businesses too (Table 2.7).

Table 2.7: Business Sizeband, changes over time				
Sizeband	Catchment Area		Highland	Scotland
	2015 (n)	2010-2015 change (%)	2010-2015 change (%)	2010-2015 change (%)
Micro (0-9 employees)	1,055	13% (+125)	11%	14%
Small (10-49 employees)	90	29% (+20)	19%	13%
Medium (50-249 employees)	5	<1%	8%	5%
Large (250+ employees)	0	0%	<1%	4%
Total	**1,150**	**+14%**	**+11%**	**+16%**
Source: UK Business Counts, 2015.				

2.34 In the twelve months to June 2015, 15% of those in employment (aged 16 and over) in the Highland area overall were self-employed, showing the local authority to have a higher self-employment rate than Scotland as a whole (12%). Therefore, it is likely that the key business base sectors outlined in 2.12 are underestimated by at least this extent. Over the past decade, the self-employment rate in Highland has fluctuated little between 14% and 16%, while that of Scotland has remained broadly between 10% and 12%. If the Highland self-employment rate is apportioned to the catchment area workforce (around 6,000) then this would equate to approximately 870 being self-employed in the area; many of these will be additional to the 1,150 businesses identified at 2.24.

2.35 Businesses within the catchment area are optimistic about their future growth, and over one third (36%) expect to achieve strong growth in the next five years, as shown in Figure 2.6. A similar proportion (33%) forecast moderate growth, and 28% expect to remain the same, with just 3% expecting decline. This also applies to their medium to long term growth plans, although fewer expect strong growth and a slightly larger proportion forecast moderate growth.

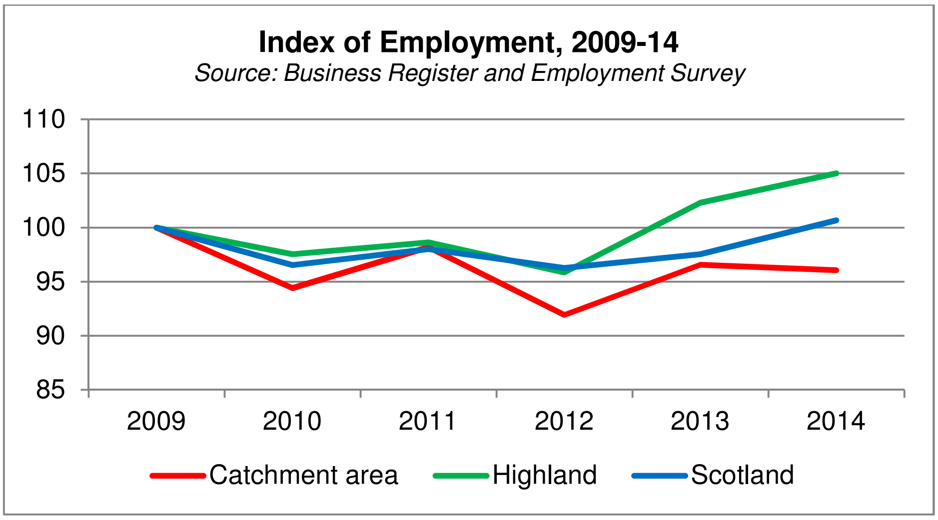
Figure 2.6



Employment

2.36 There were around 6,000 people in employment in the catchment area in 2014, and as Figure 2.7 shows, this is lower than the 6,200 in 2009, in the early part of the recession. In employment terms, the catchment area suffered more severely as a result of the global downturn than elsewhere, and the recovery has been patchier, despite a strong increase in the number of businesses. Further, although employment overall has not risen since 2009, there has been strong population growth, driven by those of retirement age.

Figure 2.7



2.37 The tourism sector is the largest employer, with the accommodation and food services sector employing 21% of the total (1,200 people), as set out in Table 2.8. This is almost double the proportion for Highland (11%) and three times the proportion for the rest of Scotland (7%). Public sector employment remains prominent in the area, with the health sector the second largest employer, at 16% (or 1,000), in line with the Scotland proportion (16%) but lower than that for the Highland area overall (19%). This is followed by education (10%) which is more concentrated than elsewhere in the region and Scotland (both 7%). There is also a relative employment concentration in the arts/entertainment/recreation sector (6%) and transport and storage sector (also 6%), when compared to Highland (5%) and Scotland (4%).

Table 2.8: Employment by Sector, current figures				
Industry	**Skye Catchment Area**		**Highland**	**Scotland**
	2014 (n)	**2014 (%)**	**2014 (%)**	**2014 (%)**
Accommodation & food services	1,200	21%	11%	7%
Health	1,000	16%	19%	16%
Education	600	10%	7%	7%
Retail	500	8%	11%	10%
Transport & storage	400	6%	5%	4%
Arts, entertainment, recreation	400	6%	5%	4%
Construction	400	6%	6%	6%
Professional, scientific, technical	300	6%	6%	7%
Agriculture, forestry & fishing	200	4%	2%	3%
Public administration & defence	200	3%	6%	6%
Manufacturing	200	3%	6%	7%
Wholesale	200	3%	3%	3%
Property	100	2%	1%	1%
Motor trades	100	1%	2%	2%
Information & communication	100	1%	2%	2%
Business admin & support	100	1%	5%	8%
Financial & insurance	0*	1%	1%	3%
Mining, quarrying & utilities	0*	<1%	3%	3%
Total	**6,000**	**100%**	**100%**	**100%**

Source: Business Register and Employment Survey.
** Indicates where data has been suppressed in line with data disclosure.*

2.38 As shown in Table 2.9, the largest increase in employment in the catchment area in recent years, at 30% between 2009 and 2014, has been in the arts, entertainment, recreation and other services sector. This is a significant increase, twice the rate of regional growth over this period (16% in Highland), while there has been a 2% fall at the Scotland level. There has also been marked employment growth in the wholesale (22%) and transport and storage (14%) sectors when compared to Highland and Scotland, albeit both from a low base.

2.39 There has been a substantial decline in the rate of employment in the business administration and support services industry (-70%) over the five year period in comparison to the 2% increase in Highland and the 8% increase in Scotland as a whole. There has also been a decline in public sector employment related to public administration/defence and education, more pronounced than the decline at the Scotland level. Additionally, there has been a 52% decrease in employment in the mining, quarrying and utilities sector in Skye, against a 15% increase in Scotland, although this is from a very small base of below 100, and is likely to only include the activities of one or two companies.

Table 2.9: Employment by Sector, changes over time			
Industry	Skye Catchment	Highland	Scotland
	2009-2014 change (%)	2009-2014 change (%)	2009-2014 change (%)
Arts, entertainment, recreation	30%	16%	-2%
Wholesale	22%	7%	-3%
Transport & storage	14%	7%	-2%
Health	11%	15%	5%
Retail	10%	1%	1%
Agriculture, forestry & fishing	10%	27%	-2%
Construction	5%	-1%	-2%
Accommodation & food services	4%	2%	0%
Professional, scientific, technical	4%	17%	3%
Financial & insurance	0%	-18%	-8%
Property	-10%	4%	-3%
Manufacturing	-15%	7%	-1%
Education	-21%	-15%	-3%
Information & communication	-37%	0%	-5%
Public administration & defence	-42%	1%	-4%
Mining, quarrying & utilities	-52%	24%	15%
Motor trades	-52%	-3%	6%
Business admin & support	-70%	2%	8%
Total	**-4%**	**+5%**	**+1%**

Source: Business Register and Employment Survey.
** Indicates where data has been suppressed in line with data disclosure.*

2.40 Between 2012 and 2014, the biggest increase in jobs at the four-digit Standard Industrial Classification (SIC) code level in the Skye catchment area were in other human health activities (200 jobs). Health is an employment sector which is expanding not just in Highland but throughout Scotland, and is forecast to continue to do so over the next decade, particularly to cope with the ageing population.

2.41 Increases were also notable for restaurants, the construction of buildings and the operation of visitor attractions (all 100 jobs). This shows an increase in employment within tourism sub-sectors, particularly in hospitality and visitor attractions – all positive indicators that tourism is growing in the area.

Tourism Businesses

2.42 As previously shown at Table 2.5, the catchment area has a concentration of accommodation and food services businesses when compared to Highland and Scotland, and Table 2.6 shows this base to have grown by about a quarter since 2010. Overall, there is an increasing number of overseas visitors to the Highlands and Islands[8] and Skye is benefiting from this interest, with many consulted stating that 2016 was the best season for visitors for many years. The Mallaig-Armadale ferry is seen as an indicator of the total visitor numbers to Skye given they comprise the majority of passengers. It has seen passenger numbers increase year on year since 2008, and, at 239,500 in 2014, they were 28% higher than the 2008 level of

[8] The number increased from 440,000 to 490,000 between 2012 and 2014 (VisitScotland)

187,500. This suggests underlying growth in visitor numbers to Skye over the period, including a 72% increase in coach parties..

2.43 As part of the online survey, businesses in the tourism sector were asked approximately how many visitors they received in 2015. Some 61 tourism businesses were able to give an estimate, totalling 886,000 visitors, or 14,500 on average. However, this is influenced by a small number of large attractions, notably Eilean Donan Castle (415,000 visitors) and Dunvegan Castle (124,000).

2.44 In 2014, Eilean Donan Castle and visitor centre overtook Rochiemurchus Estate in Aviemore as the most visited attraction in the Highlands and Islands, with over 377,000 visitors[9] (and as the 415,000 identified in the survey response in 2.43 indicates, this has risen further). This number grew by 6% from 354,000 in 2013, and by 11% the previous year from 320,000.

2.45 Film tourism has experienced strong growth in recent years in the Highlands and Islands, thanks to high-profile shoots for films like Macbeth (Skye), The World is Not Enough (Eilean Donan), Skyfall, Rob Roy and Highlander (all Glencoe), Braveheart (Glen Nevis), Harry Potter (Glenfinnan Viaduct) and TV programmes such as Outlander (Culloden). The National Trust for Scotland recently reported a large increase in day visits to film locations between September 2014 and September 2015[10]. It is hoped that film tourism could be further boosted through the Gaelic drama series ‘Bannan’ having been shot on Skye. In addition, the shooting of such series and films generate economic benefits, particularly from the use of accommodation and food services by visiting crew and talent.

Key Point Summary

2.46 The population of the catchment area has experienced strong growth since the turn of the century, more so than Scotland as a whole, and in recent years the growth rate has also outpaced Highland. However, the population is an ageing one, with a decrease in the proportion of under 20 year olds, and a rise in those in their 50s and 60s, largely due to an influx of people of retirement age. There are also movements of population within the catchment area, notably from rural areas in the north and west to Portree, where the trend has been an increase of working age people and those with families, linked to employment opportunities, housing and a greater range of services available.

2.47 However, the small population dispersed over a large area makes transport communication difficult (including business networking). There is also generally a lack of a main centre which could support a critical mass of services, including business services, despite the recent growth of Portree’s business base.

2.48 Although there has been a strong rise in the catchment area business base in recent years, particularly in and around Portree, there remains a small business base and a very small number of larger companies, although air intensive sectors have reasonable representation. Tourism businesses have grown by a quarter in the last five years, a sector already strongly represented. There has also been strong growth in higher value added sectors including professional, scientific and technical businesses, stronger than national growth, albeit from a low base. The Creative industry business base is also growing, partly linked to the film industry.

[9] Tourism in Scotland’s Regions 2014, VisitScotland, September 2015.

[10] http://mediacentre.visitscotland.org/pressreleases/scotland-feels-outlander-effect-1244066

2.49 Despite an increase in the business base, overall employment remains below pre-recession levels, partly a result of the loss of public sector jobs. More than one in five in employment is directly employed in Tourism (accommodation and food services). There has been strong growth of 30% in Creative industries employment, twice the regional rate and at a time of low growth across Scotland. However, there is low representation of certain high-value sectors, including information and communication and financial and insurance sectors.

2.50 Despite the rising population, Skye and the surrounding catchment area continues to suffer from access to services deprivation, with some of the more remote parts ranking among the most deprived in Scotland. Inter-Skye connectivity remains poor with long journey times between main settlements.

2.51 There are also very long distances/ times to the Central Belt of Scotland and to Scotland's international airports, whether by car or by public transport. Day trips to the Central Belt are not feasible by public transport due to travel times. The growth in the population and economy of the Skye catchment area has been despite these poor transport links, with businesses and residents findings ways to overcome these challenges. The small size of local population/ business base means that there is a strong reliance on external markets and other business links (collaboration, networking, staff training, suppliers).

3 Views of Local Businesses

Introduction

3.1 This chapter identifies the importance travel between the Skye catchment area and the Scottish Central Belt to the business community, and the impact an introduced air service may have on the economy as a result. It draws on the responses of the online survey and the 20 in-depth business interviews. There were a total of 179 online responses to the survey, including 16 from social enterprises/not-for-profit/community organisations, the feedback from whom are covered in chapter 5.

3.2 Total responses represent around 14% of the registered catchment area business base. However, it is worth noting that the online survey responses are heavily influenced by the proportion of responses from businesses in the tourism sector, which should be borne in mind when interpreting the findings of this chapter.

Profile of the Surveyed Business Base

3.3 The profile of online survey respondents is presented in Table 3.1. The online business survey was designed to maximise the opportunity for businesses, social enterprises and community organisations in the Skye catchment area to participate in the research, and provide their views on the potential benefits to their organisation should the air service be introduced. In all more than nine in 10 organisations responding online[11] were from the study catchment area - 80% from Skye, with the remaining 12% from Lochalsh and Wester Ross. This geographic spread is broadly representative of the catchment area base, though Wester Ross is slightly under-represented. Eight per cent of respondents are from outside of the catchment area.

Table 3.1: Location of Surveyed Organisations

Location	Total		Businesses	
	Number	%	Number	%
Skye	112	80%	102	80%
Lochalsh	16	11%	14	11%
Wester Ross	2	1%	2	2%
Rest of H&I	3	2%	3	2%
Central Belt	2	1%	2	2%
Rest of Scotland	1	1%	1	1%
Other	4	3%	3	2%
Total[12]	140	100%	127	100%

3.4 The sector breakdown of respondents to the online survey is presented in Table 3.2. Just over half of businesses/social enterprises are accommodation and food service businesses (reflecting the large number of tourism businesses that responded). There is also a good level of representation from Creative industries businesses, a growing sector in Skye and the surrounding area, and also from manufacturing – important for value-added employment.

[11] Being an online survey promoted through local media channels a small number of businesses outwith Skye but with an interest in providing views on an air service completed the survey

[12] Total is 140 here as some businesses did not provide a response

3.5 There is an under-representation of agriculture businesses, which is normal for an online survey of this type, given the level of self-employment in the sector; neither is agriculture an air intensive sector. Otherwise there is a broad coverage of sectors across the sample, providing broad representation of the overall business base.

Table 3.2: Sector of Online Surveyed Businesses		
Sector	**Survey Sample (n=130)[13]**	**Catchment Area (n=1,150)**
Accommodation and food services	56%	13%
Arts, entertainment, recreation & other services	22%	5%
Manufacturing	11%	4%
Agriculture, forestry & fishing	8%	30%
Education	8%	1%
Wholesale, retail and motor repairs	7%	10%
Professional, scientific & technical	7%	8%
Property	6%	2%
Information & communication	5%	2%
Business administration & support services	5%	4%
Construction	4%	12%
Transport & storage (including postal)	3%	3%
Mining, quarrying and utilities	2%	<1%
Health	2%	3%
Motor trades	2%	2%
Financial & insurance	2%	<1%
Public administration & defence	2%	<1%
Other	5%	-

3.6 In contrast to the online survey, the purpose of the in-depth consultations was to gain greater insight into the way local businesses currently operate and the difference an air service could make, as well as the potential benefits that may arise as a result of the service. In particular, the consultations were designed to gain a more detailed understanding of likely changes in business operation and performance that may occur.

3.7 The profile of those businesses that were consulted in-depth by telephone closely matches that of the local business base, in terms of employment levels by SIC industry, based on data from the Business Register and Employment Survey (BRES).[14] The majority of businesses consulted in-depth (17) are from Skye, with one from Lochalsh, one from Wester Ross, and one from outwith the catchment area.[15] The sector most represented is accommodation and food services, which accounts for 33% of employment in the catchment area.

[13] Total is 130 here as some businesses did not provide a response to this question

[14] Based on BRES 2014 employment data. The business base is dominated by one-person agriculture and tourism businesses, so employment data is considered to be a better basis for sampling.

[15] This was a special case, due to the nature of the business and the insights that the business could provide.

Table 3.3: Sector of in-depth consulted businesses	
Sector	**Number**
Accommodation & food services	7
Manufacturing	2
Retail	2
Transport & storage (including postal)	2
Arts, entertainment, recreation & other services	2
Agriculture, forestry & fishing	1
Wholesale	1
Construction	1
Business administration & support services	1
Professional, scientific and technical activities	1
Total	**20**

Employee profile

3.8 The profile of business size is presented in Table 3.4. Though the majority of businesses/social enterprises were micro or small in size – 75% had less than 10 employees – there is good representation of larger companies in the catchment area. Further, those companies who were consulted with in-depth were typically larger. Therefore a considerable proportion of the more significant businesses in Skye participated in the research, representing up to 30% of the catchment area's workforce.

Table 3.4: Employment in Surveyed/Consulted Businesses		
No of Employees (total)	**Number**	**%**
1	23	15%
2 to 9	94	60%
10 to 24	22	14%
25 to 49	7	4%
50+	10	6%
Total	**156**	**100%**

Business Customers, Competitors and Sector Trends

3.9 A considerable proportion of businesses rely on the rest of the UK and overseas customers for trade. In all, more than half (54%) of surveyed and consulted businesses state that 60% or more of their customers are from outside Scotland. Twenty-eight non-tourism businesses (more than half those surveyed, and 80% of non-tourism businesses) have customers outwith Scotland. Only 21% of businesses operate in a largely or exclusively local market (where 70% or more of customers are locally based). Whilst this is at least in part influenced by the views of businesses in the tourism sector, it still demonstrates some significant business links beyond the local area, including food and drink export markets, as well as the strong draw of the Skye catchment area for visitors beyond Scotland.

3.10 Suppliers to businesses are predominantly from within Scotland, including the local area, with just a few having suppliers from outwith Scotland. Based on feedback from business consultations, competitors are largely locally based, particularly for tourism/ hospitality businesses, however beyond the tourism sector competitors are typically less locally based. For some key businesses and sectors, including some manufacturing and the Creative industries, there are very few competitors locally or even nationally. For example, one textile production business only has one competitor in the UK.

Importance of Current Location for Business

Benefits of Current Location

3.11 In terms of the current business location, overwhelmingly the most important factor for businesses in Skye is the location itself i.e. their business is location-dependent. More specifically, the impact of the landscape and buildings, many of them listed, are held in high regard, particularly for Tourism businesses, but also for the Creative industries, where the Skye location itself is the draw (e.g. shooting locations for the film/TV industry).

3.12 Further, a number of Food and drink companies are dependent on the Skye location for their raw materials, but also increasingly for the area in terms of local provenance and as a 'foodie' destination. Similarly, the role of Skye as a tourist destination is considered important for a range of related businesses, whilst the image of and prestige associated with Skye (the 'Brand') is deemed an important factor. A number of businesses also point to the good-work life balance opportunities and high quality of life that Skye and the surrounding area affords.

> *"[The] physical location, the perception of Skye, the scenery is a big plus."*

> *"Superb landscape, wildlife and recreation opportunities make this very attractive to visitors."*

Constraints of Current Location

3.13 Whilst the geography and landscape is the biggest locational benefit for businesses in Skye, it also acts as their biggest constraint. For some, it is the general remoteness and inaccessibility of their location, making it difficult to get deliveries in from suppliers; for others, it is the impact that this has on their ability to attract customers, and/or to reach their target market. The seasonality and weather are also highlighted as particular constraints of the geographic location for businesses.

> *"Remoteness from suppliers, rest of UK, customers are local…but wider markets are remote."*

> *"Long travel times. This means that there is a lot of 'dead' unchargeable time."*

Current Role of Transport for Businesses

Movement of goods

3.14 To help clarify the nature of business operations, the importance of movement of goods, and the frequency and types of such movements between Skye and the Central Belt was explored in the in-depth consultations, as was the incidence and impact of travel delays on businesses. Responses highlighted that transportation, and the transport links with mainland Scotland and the Central Belt, are clearly important issues for Skye businesses, with the movement of goods of particular importance. Around two thirds of those consulted in-depth transport goods to other parts of Scotland and to the rest of the UK, or rely on deliveries to maintain their business operation. This is especially true of accommodation and food service, retail, and food and drink businesses.

“We send our products to Alloa to be bottled, and the weather can cause delays. We have to contract carriers.”

“Movement of goods inward is hugely critical. When we don't receive them, the impact is huge, in terms of [our] supply levels of food and drink.”

“[It’s] fairly critical; most material for the business has at a minimum a one-week delivery, so the impact is huge.”

“Transport for goods inward is extremely important, but then delays aren't too bad generally, really only during the winter months. But we are used to having to deal with such things due to the remoteness, so we compensate [through increased stock levels].

3.15 Whilst many businesses rely on frequent transport movements off-island for their business, others have less of a dependence on off-island transport movements. The movement of goods and business travel needs for some businesses is predominantly within Skye and the surrounding area, with only occasional travel and transport movements further afield.

“I make short on-island trips for fresh produce, every day; [go] to Inverness every two months, and maybe to Glasgow 2/3 times a year.”

Movement of staff

3.16 Movement of people is also important to businesses, and in some cases critical to business operations. For example, one of the key Creative industries sector businesses travels via the Central Belt to London at least once a week, making the journey by car, train and plane. One of the key Food and drink companies’ sales and management staff make an estimated 12 business trips per month minimum to the rest of Scotland. Others, including another Food and drink company and a textile manufacturer, often travel to other parts of the UK to visit suppliers.

Supplier travel

3.17 Some businesses receive professional services/suppliers on a regular basis. One business, for their current job, has their architect travelling up from Edinburgh fortnightly, and their client is up from London at least once per quarter.

Tourist travel

3.18 Given the importance of the tourism industry to the Skye economy, it is essential for Skye businesses that tourists are able to access the area. Across all businesses consulted and surveyed, the average number of visitors is estimated to be in the region of 14,500 per tourism business per annum. Excluding a number of key visitor attractions with very high visitor numbers, businesses estimate they still attract around 5,900 visitors per annum. A number of businesses consulted in-depth indicated visitor numbers in the hundreds of thousands including Eilean Donan Castle which attracted 415,000 visitors in 2015, with a significant growth of visitor numbers reported over the previous five years. Another textile trading business attracted 17,000 visitors in 2014. Many of the tourism businesses consulted and surveyed also reported considerable seasonality in visitor numbers, which although a longer season than in some other parts of Scotland in view of its overall popularity, still has its peak in the summer months. One of the larger hotels indicated that during the summer months they are able to serve up to 200 covers per day, although this falls to around 20 during the winter months.

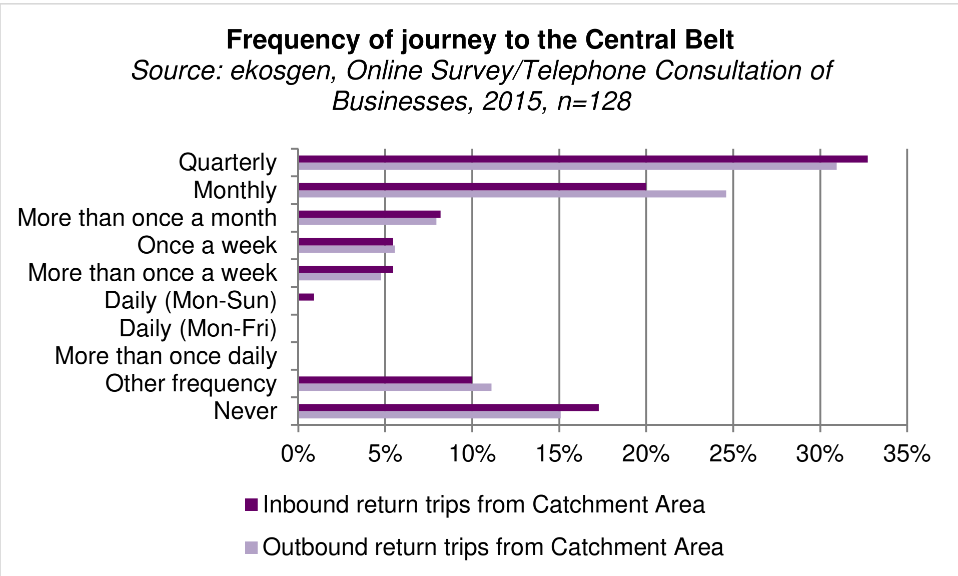
3.19 Tourist businesses cater for different visitor markets. Some report visitors largely from the rest of the UK, whilst for others, including the larger attractions and higher end accommodation providers, visitors are from mainland Europe, North America (and particularly Canada), Australia/ New Zealand, and Asia. Businesses report that tourists come to Skye by various means, with many international visitors flying into Glasgow, Edinburgh or to a lesser extent Inverness, and completing the journey by hire car, taxi or by coach. Scottish and UK based visitors typically travel by car. A smaller proportion are lower budget and eco/ environmental tourists, making the journey by public transport either to Kyle of Lochalsh by train, or to ferry terminals, and then being collected in some instances by hotels.

Journeys to the Central Belt

3.20 The vast majority of survey and consultation respondents (85%) travel to the Central Belt for business purposes. A relatively high proportion of businesses and their staff make weekly outbound and inbound trips[16,17] to/from the Central Belt, with around 11% travelling at least once a week (6% more than once a week, 5% on a weekly basis).

3.21 The majority also travel relatively frequently, with 33% travelling outbound and 28% inbound on a monthly basis or more than once a month, and almost one third travelling quarterly (32% inbound and 31% outbound). This means that almost 75% of businesses are travelling at least quarterly and more than 40% monthly or more frequently. In particular, many of those businesses consulted in-depth travel to/from the Central Belt relatively frequently, either quarterly or monthly, with one business making weekly trips on average, either to the Central Belt, or a through journey onwards to London.

Figure 3.1



Note, percentages represent proportion of all businesses stating on the stated frequencies; 'other frequency' is unspecified frequency, assumed to be infrequent

3.22 Around a quarter of all journeys to the Central Belt involve air connections at either Glasgow or Edinburgh, which is a relatively high proportion. This pattern of travel is supported

[16] 'Outbound' referring to return trips from Skye to Central Belt, 'Inbound' referring to return trips from Central Belt to Skye

[17] Note that the scope did not include specific research with inbound businesses, although some businesses outwith the catchment area did complete an online questionnaire

by data from the telephone consultations with businesses and community organisations, with a number of businesses indicating that this is to visit clients or suppliers, notably in England, with key destinations including London and Birmingham/the Midlands.

3.23 The majority of the businesses that travel to the Central Belt make the journey by car (84%) most of the time, with a further 4% making the journey by car some of the time. Some businesses make the journey by train on an infrequent basis - 34% do so either occasionally or some of the time. A further 29% travel by bus either occasionally or some of the time (with the majority of this occasional use). Journey mode doesn't tend to vary by purpose.

Rating modes of transport

3.24 Road links (by car) to the Central Belt are generally considered to have good reliability; 53% of surveyed businesses/social enterprises say so, with a further 30% rating them average. Most consider road transport to have average affordability. However, one third think that road links are poor in terms of convenience, and six out of ten (59%) think that road journey times are poor.

3.25 Other modes of transport besides car are considered inconvenient, with poor journey times. Further, trains are considered to have poor affordability in addition to poor convenience – the latter reflecting the limited train service in Lochaber and Lochalsh, which relies on a limited service from Inverness to Kyle of Lochalsh, or the infrequent service to Mallaig (which also requires a ferry service).

3.26 Transport modes are generally rated more negatively by those businesses consulted in-depth, particularly road travel.

Identified challenges

3.27 The journey **time** to the Central Belt and other parts of Scotland is highlighted by many companies as a particular challenge for business transportation with average drive times to Fort William or Inverness identified by consultees as around 1 hour 45 minutes, and around 5 hours to the Central Belt (see 'Issues with connectivity' section in Chapter 2). Some businesses are resigned to this as a fact of living in Skye/the Highlands and Islands, and are generally accepting of it, given the lack of alternatives to date.

> *"Road travel causes stress! There is no real alternative; buses take too long, and the train is incredibly expensive – I was once quoted £600 for a return to London."*

> *"The length of time [is the biggest challenge for any journey], but this is just a fact."*

3.28 Driving/road **conditions** are also a significant challenge. The nature of the roads is the single most contributory factor in this. For companies who are heavy users of the road network, the A82 is regarded as particularly hazardous, with the volume of traffic (often tourist) and weather conditions – particularly during winter – contributing to making it a stressful journey.

> *"The A82 is a very poor road – there is often flood water, debris from fallen stones/rocks, which with the journey time causes significant stress."*

> *"It is too slow – road improvements bring more cars so there is more congestion/competition, despite intentions to make things faster."*

"To Edinburgh [on the A9], the journey is fine, but to Glasgow on the A82, it is an absolute nightmare – not a good journey. A hazardous, stressful road."

3.29 Another company pointed to the lack of good modal linkages, making multi-modal journeys problematic, e.g. the alignment of ferry sailings with bus or rail timetables. This can be compounded by the lack of capacity on public transport during the summer with respect to tourist visitors.

"I have frustration at modal linkages…there doesn't seem to be any joined up timetabling."

"On public transport, and buses in particular, there are severe capacity issues, especially during summer."

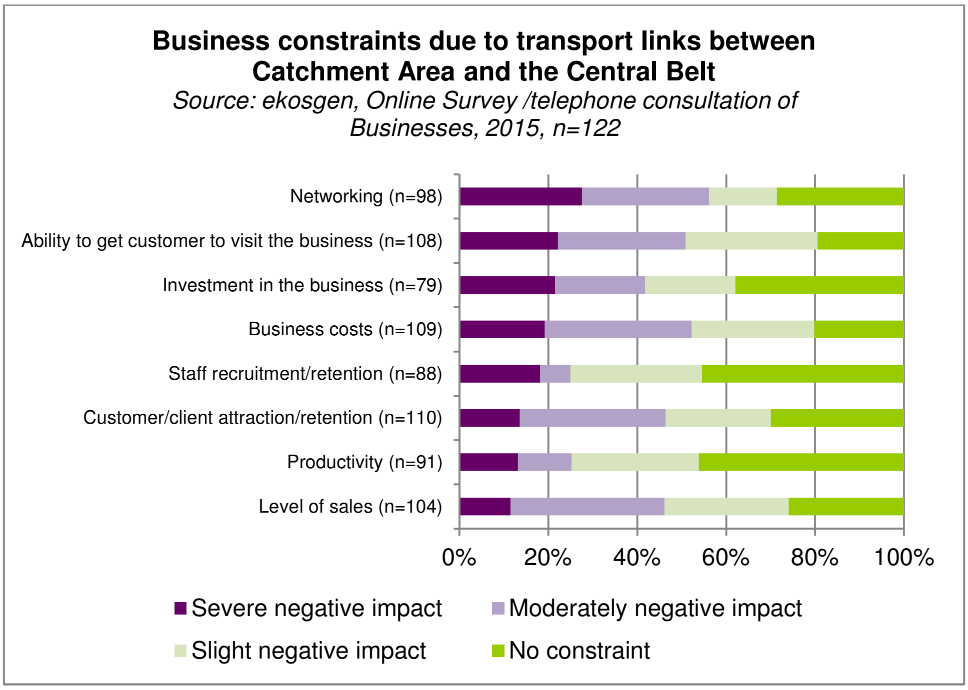
Impact of transport links

Reporting of negative impacts

3.30 The weak transport links constrain business performance in a variety of ways, as illustrated in Figure 3.2. Some 81% of businesses report that the current transport links negatively impact on their ability to get the customer to visit the business, whilst 80% think that the transport links adversely affect their business costs.

3.31 Further, almost three in four (74%) state that transport links negatively impact on their levels of sales, which will be affected by the challenges of getting customers to visit, and the ability to attract and retain customers (where 70% report this a negative consequence of current transport links). Negative impacts are also reported in relation to the ability to network (71%) and to invest in the business (62%). There are also considerable negative effects on staff recruitment/retention (for 55% of businesses) and on productivity (54%).

Figure 3.2



Severity of impacts

3.32 Although all aspects were identified as constraining businesses to some extent, the strongest negative impact identified through the online survey and consultations is on business networking; 28% say severely so, with a further 29% reporting a moderate negative impact. As the most significant issue, this lack of contact with other businesses (and the reduced business opportunities as result) has a direct bearing on business investment, a key factor for profitability and growth amongst Skye's businesses.

3.33 Businesses also experience strong challenges in getting customers to visit their business (51% reporting at least moderate negative impacts, 20% severely so), a point closely linked to networking/business contact which can reduce market opportunities. Over half (52%) report moderate or severe impacts on business costs. A number of surveyed and consulted businesses also report at least moderate difficulties attracting business customers/visitors (47%), which can restrict opportunities for new business (e.g. overseas executives who do not have sufficient time within a wider Scotland/UK visit to come to Skye).

3.34 There is a similar story in terms of the issues that the current transport infrastructure causes for sales generation and for customer attraction (and retention). For both factors, almost half (47%) report that transport has at least a moderately negative impact. Getting access to customers is therefore a big issue for Skye businesses, which in turn limits sales/ turnover (and in turn profitability), strongly linked to lower levels of networking and challenges in sourcing new customers and markets.

3.35 In comparative terms, the transport infrastructure is reported to have a less severe impact on staff recruitment and retention (although 25% still thinks there is a moderate to severe negative effect). Fewer also report a link between transport issues and productivity, although again 25% do cite at least a moderate negative impact. In the case of the latter, this might relate in part to a weak understanding of the factors affecting productivity.

Use of the Proposed Air Service

3.36 Respondents were given information on the indicative timings and price of the proposed air service, including that the first flight of the day would be from Glasgow to Skye. If the proposed air service – a twice-daily service operating between Glasgow and Skye Monday to Friday and once daily on weekends, with a fare in the region of £100 single – were to be introduced, there would be a reasonable level of air service use, based on the results of the online survey.

3.37 Forty-six per cent of all businesses taking part in the research say they would use the air service once a month or more for outbound travel (44% inbound). This is a higher percentage than currently makes the journey to/from the Central Belt (around 40% each way) representing a good uplift on the current number of journeys. This suggests there would be both demand stimulated for air travel as well as a modal shift. Both factors were identified in the 2013 study[18], though this does not identify the type of trips that would be stimulated – stimulation is generally higher for leisure, given that these trips are more discretionary than business trips.

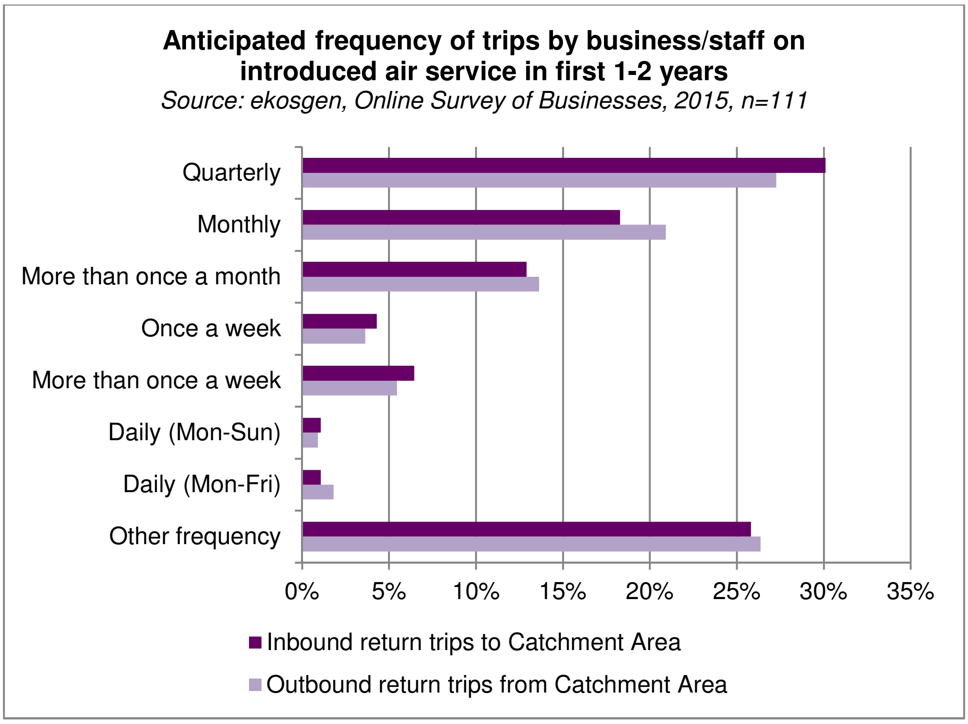
3.38 There are differences in expected use of the air service for outbound (from the catchment area) return and inbound (to the catchment) return travel. Twenty-seven per cent of

[18] The 2013 study indicates that there is an assumption that the majority of traffic would be down to modal shift, but that - based on survey results at the time regarding travel habits - there is likely to be demand stimulation of around 28%.

businesses/social enterprises would use the service for outbound flights on a quarterly basis. Around 35% would use the service for outbound flights monthly or more than once a month, whilst 12% would use it once per week or more outbound. Within this there would be daily commuting outbound, of a little over 3% of businesses.

3.39 A slightly higher proportion (30%) anticipates that they or their staff would use the service at least quarterly for inbound return flights. Around 31% would use the service for inbound flights monthly or more than once a month. Thirteen per cent would use it once per week or more for inbound flights – slightly higher than the 11% outbound return – although fewer businesses expect daily inbound return usage (2%).

Figure 3.3



Note: 'other frequency' is unspecified frequency, assumed to be infrequent

3.40 This means that 74% would use the service outbound or inbound at least quarterly. Whilst there is expected to be an increase in frequent fliers (from 43% to 46% travelling once a month or more), the proportion expecting to use the air service quarterly is no higher than the proportion currently travelling to the Central Belt this frequently. It does suggest that there is potential for a modal shift to air travel if it were available amongst the less frequent travellers, as well as new demand from more frequent users.

3.41 One key Food and drink business anticipates doubling their frequency of travel per month to the Central Belt; with sales staff currently making approximately 12 trips a month to customers and clients, this could potentially result in daily travel, which may also be true for similar businesses in the catchment area. One business surveyed states that they "*would not have to be bound by [travel/drive time] to Glasgow or Edinburgh*". Whilst others anticipate a more modest increase in frequency of travel to the Central Belt, the increase could still be significant, including a modal shift to air travel for at least some of the journeys. For example, one key Creative industries firm would expect to travel to the Central Belt and to London once a week or more frequently exclusively by air, rather than by road to Glasgow airport, as this would open up the possibility of multiple trips per week to London through greatly reduced travel time.

"I could be more flexible on meetings and travel arrangements, so I would be more productive; and I could commit to more meetings in London too, and be more responsive to production meeting invites."

Business benefits and opportunities

New ways of working and new opportunities

3.42 Businesses report that an air service would allow them to do a number of things differently, changing their ways of working to be more effective. For manufacturing firms, this includes more frequent contact with suppliers, including fewer overnight stays improving efficiency and productivity, and for one, more contact between the main Skye-based location and off-island sales teams.

> *"[The air service] would allow new ways of working… better communication between staff who mainly based in central belt …. and customers; more sales trips could be made to target sales and marketing".*

"It would prevent me [having to travel] to Glasgow to bring foreign buyers up to Skye…, [more direct visits from foreign buyers] would mean greater productivity, not to mention fewer overnight stays."

3.43 Some businesses see an air service providing them with the opportunity to employ staff who live off the island, and attract new directors and senior managers, which would bring added credibility, talent and drive to their business. Another smaller business anticipates that it would change the way they operate, allowing them to access a range of contracting opportunities:

"Currently it would increase the attractiveness of Skye by reducing the travel time. Future plans to be a contractor would allow me to work from home on Skye but commute to other parts of the UK with more ease."

3.44 For major tourism businesses, an air service would lead to considerable changes in their marketing and visitor targeting approaches so that they could maximise the benefits of the new service. The quotes below from accommodation providers and attractions illustrate this. In this way, they hope that the air service would help open up the possibility of accessing new or larger customer bases in Glasgow and elsewhere. Businesses anticipate being able to attract customers to visit their businesses more easily.

"We would significantly change our marketing. We would enhance our website, social media etc. as a result"

"We would change marketing to improve customer attraction, to open up more opportunities".

"We would be able to attract more international visitors. We get visitors from 120 countries worldwide…[getting here] proves difficult [for them] when they are flying into main UK airports."

Anticipated benefits and impacts from a new air service

3.45 There are a range of expected positive impacts from the re-introduction of the air service (see Figure 3.4). The vast majority of businesses (94%) anticipate greater access to markets and their customer base, with 59% describing this as majorly positive. Further, 88% stated that more business opportunities would arise as a result of air services being introduced (47% identifying this as a major positive impact).

3.46 Eighty-two per cent report an anticipated positive impact on their business turnover (34% majorly so) resulting from the proposed new air service. This is a significant proportion, although it was clear from the in-depth consultations that businesses find it difficult to quantify this. However, some felt that the effects would be considerable.

> *"It would lead to a fairly significant increase in turnover, perhaps 10% plus"*

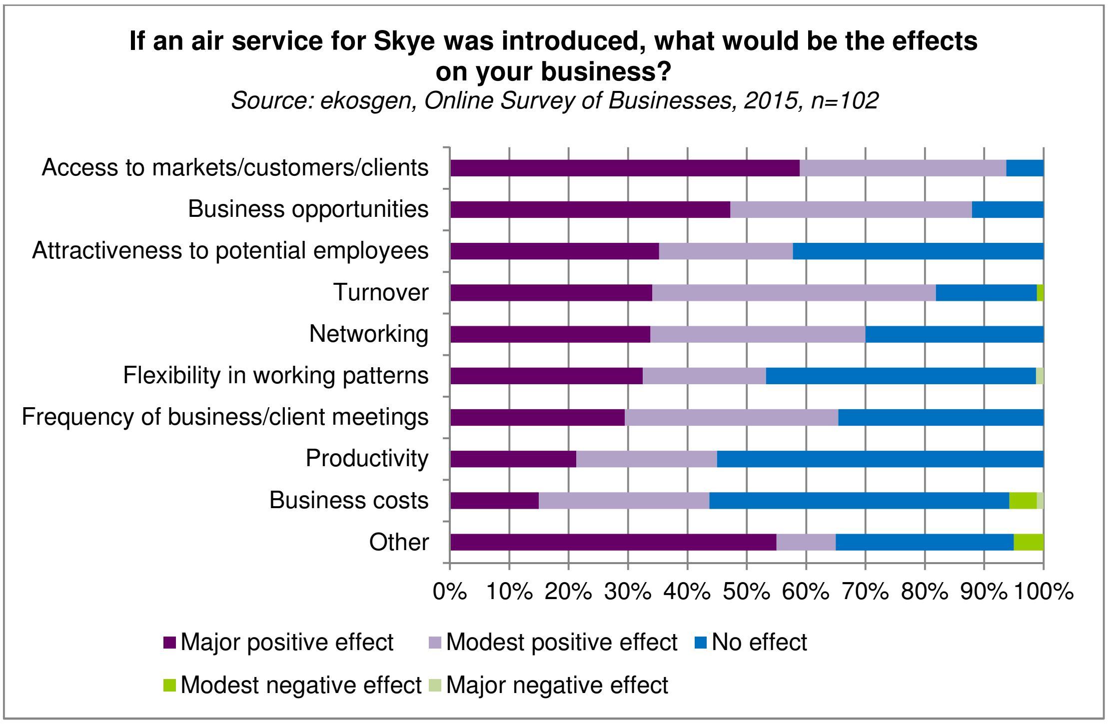
> *"It would be transformative, would open up so many options and opportunities".*

3.47 Businesses anticipate positive changes to working patterns, reflecting the fact that the air service may allow them to do things differently. In all, 70% anticipate greater networking opportunities, with 65% stating that business meetings could be held more frequently, addressing one of the earlier identified business constraints. Also, 53% identify potential positive impacts on flexibility of working, in terms of changes in approaches to working practices, as well as more flexible arrangements.

3.48 Forty five percent of businesses anticipate a positive impact on productivity; of those that do not think this would be the case (55%), the majority are tourism/hospitality businesses. Whilst 44% anticipated a positive effect on business costs, just over half thought that these would not change; and some 5% of businesses think that there would be a negative impact on costs (mainly accommodation providers), although they could not specify why this would be case.

3.49 Where respondents indicate other effects, these are largely an increase in visitor numbers for tourist businesses, and the benefits this would bring in terms of new business. This was also true of those indirectly benefiting from increased visitor numbers, such as food suppliers. Others identified the increased ability to attract and retain key staff.

Figure 3.4



3.50 Businesses stated that accessing wider markets and a greater customer base, and the potential business opportunities that result from this, would be the single most significant benefits that would arise following any reintroduction of air services. More than 68% of online survey respondents reported this to be the case.

Anticipated growth

3.51 As a result of introducing an air service to Skye, 82% of businesses anticipate a good level of short-term growth.[19] Around 44% report that they would see a modest level of growth in the next three to five years and a further 38% think that this growth would be significant. These levels are somewhat higher than the 69% who expect growth in the short term without an air service (as outlined in Chapter 2).

3.52 In particular, there is a greater proportion of businesses anticipating modest growth (11 percentage points higher) following the introduction of an air service, with the proportion of businesses expecting significant growth also two percentage points higher. Conversely, a smaller proportion of businesses expect to remain the same (12 percentage points lower).

3.53 Businesses expecting strong growth are largely in the Tourism or Creative industry growth sectors (accounting for 87% of those who expect strong growth). A similar proportion of Tourism and Creative Industry businesses account for those expecting modest growth. A number of manufacturing and professional, scientific and technical businesses also expect moderate or significant growth (18% of the total expecting growth).

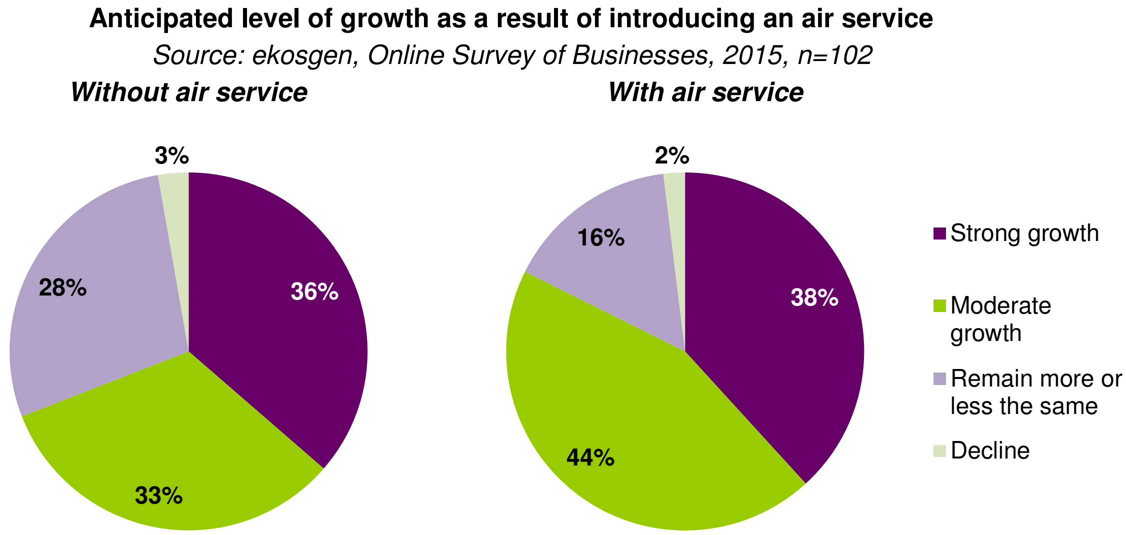
3.54 For business in the Tourism sector in particular, this growth is expected to come as a result of increased turnover generated by more customers/ visitors. Some anticipate driving this through increased advertising, either through wider regional or national channels, or specifically via the airline/ airport. Others anticipate more visitors as a result of a longer season being

[19] 'Growth' here left undefined (e.g. not specified as turnover growth) and left to respondent's own interpretation

facilitated by easier access, or the increased attractiveness of short breaks in Skye for tourists outside of peak season. Non-tourism businesses anticipate efficiency savings, and reducing the need to employ subcontractors as the key factors contributing to growth. One business in particular anticipates a speed-up of R&D activity through greater/ more frequent contact with customers and suppliers.

3.55 Whilst 16% see no growth resulting from a new air service, a small proportion expect some level of decline in their business as a result. Some tourism businesses, albeit a small minority, think that an air service could lead to shorter visitor stays given the easier access.

Figure 3.5



Key point summary

3.56 There are some key findings arising from the survey of businesses and in-depth consultations. Access to the Central Belt and beyond is required by the vast majority of businesses in the sample. This includes for connecting flights at both Glasgow and Edinburgh.

3.57 The geography and landscape of Skye is both the greatest benefit and biggest constraint to businesses in the catchment area. Whilst tourism businesses value Skye's physical characteristics because of the direct relationship it has with their business, the same is also true for non-tourism businesses such as those in Creative industries and Food and drink sectors, who, see the landscape and natural environment/location as intrinsic to their business.

3.58 At the same time, the remoteness and relative isolation of Skye acts as a business constraint. Transport connectivity plays a strong part in this. Current travel reliability is adequate, but convenience (including intermodal connectivity) and conditions are less so. Journey times are a significant issue. As such, current transport links do not meet the needs of businesses.

3.59 Transport is critical for goods and business travel as well as bringing customers/visitors to Skye. Around 40% of businesses currently travel on a monthly basis or more frequently to the Central Belt, mostly by car.

3.60 The impact of the poor transport connectivity on businesses is considerable. Among the most significant negative effects are those related to business networking/contact and accessing customers, as well as business costs. In turn, this undermines business investment and sales.

3.61 The introduction of an air service could see up to 46% of businesses use air travel for journeys to the Central Belt and beyond, for travel on a monthly basis or more frequently. This is a higher proportion of businesses than currently travel to the Central Belt at this frequency. Whilst there would be a degree of modal shift, there would also be additional journeys made as a result of demand stimulation. A quarter of businesses also consider that such a service would be used for onward to connections to London and other UK and worldwide destinations.

3.62 If the proposed air service were introduced, in taking advantage of more flexible travel options, businesses anticipate greater access to markets, customers and wider business opportunities. A number of businesses also point to the good work-life balance opportunities and high quality of life that Skye and the surrounding area affords, which could bolster the area's attractiveness for new staff recruited to businesses in conjunction with the potential air service.

3.63 An air service between Skye and the Central Belt has the potential to drive strong business growth. Over 80% of businesses expect an increase in turnover, split broadly evenly between significant and modest growth, higher than expected without the introduction of an air service. This would be driven by improved access to markets, customers and clients, as well as new business opportunities, ways of working and increased networking opportunities.

4 Case Studies and Examples from Elsewhere

Introduction

4.1 This chapter reviews a range of case study comparator airports from elsewhere in Scotland and further afield. These case studies explore the geographic and socio-economic characteristics of the airports' locations, and the social, economic and community outcomes that these airports have given rise to. The key airports/services considered are:

- **Donegal**. Located in the west of Ireland with a number of similarities to the Skye catchment area, particularly economic structure and distances to main centres.

- **Wick**. A Highlands & Islands airport which, like the Skye catchment area, has road and rail surface links to the central belt.

- **Newquay**. While much bigger than the proposed Skye Airport would be, it has similarities in terms of distance from main centres and the economic importance of tourism

4.2 These case studies draw on a range of evidence. This includes consultations with key stakeholders/ bodies for each airport and a range of secondary sources, such as web material, research provided/ conducted by or on behalf of consultees, and available travel or passenger surveys.

4.3 The case studies are supplemented by a profile of passengers using air services between the west coast of the Highlands & Islands and Glasgow. These are useful additional comparators, given the similarities between other west coast areas, such as the Outer Hebrides, to the Skye catchment areas in terms of issues such as rurality, dispersed populations and long distances from the Central Belt.

Donegal Airport

4.4 Donegal Airport is located at Carrickfinn in west Donegal. It opened in 1986 and was developed with funds from a range of public sector bodies. The airport has a 1,500m runway. It is majority-owned and operated by a private limited company. However, one of the initial funders, Údarás na Gaeltachta, retain a significant ownership stake. They were one of the key initiators of the airport due to its close proximity to a major business park at Gweedore, some eight miles from the airport. There had previously been a helicopter landing pad at the Business Park in order to provide an air connection. The airport is a significant local employer in its own right. It has a total of 30 staff, most (22) of whom are in full-time positions.

Airport Location, Catchment and Surface Links

4.5 County Donegal is remote within Ireland. Carrickfinn, in the Glenties area, is remote within Donegal itself. It is around a 4½ hour drive from Dublin (190 miles), and there are no railway services available in County Donegal. While a bus trip between Donegal and Dublin can take up to 5 hours, it is seen as an important mode for certain markets on cost grounds, e.g. students. Less than 3% of Donegal's roads are of national primary standard. Its road network is generally regarded as relatively poor, contributing to long journey times to Dublin and other main centres. The distance to Dublin and the poor quality surface links are the key reasons for public funding for Donegal Airport and its Public Service Obligation (PSO) air service to Dublin.

4.6 The 2011 Census shows that County Donegal has a population of around 161,000. The population is, however, quite sparsely distributed with a large number of small settlements. The largest town is Letterkenny with a population of around 20,000 residents. Donegal Airport estimate that its catchment area covers more than half of the total County population i.e. around 95,000 people. However, the main area of local passenger demand is Glenties which has a population of c.25,000 residents.

4.7 The airport's catchment is limited by the proximity of parts of Donegal to other airports. For example, parts of the east and north, including Letterkenny, are closer to City of Derry Airport, which offers a wider range of flights and destinations. Nevertheless, some consultees see it as valuable that Donegal Airport provides a further travel option. In addition, some saw City of Derry as less attractive than Donegal Airport. That is because its destinations and timetables are not oriented towards business travel and, unlike Donegal, Derry has no flights to Dublin.

Economic Overview and Role of Donegal Airport

4.8 Donegal's economy in terms of employment is dominated by the service industry (72%, which includes retail and hospitality) and manufacturing (15%), as well as agriculture, forestry and fishing (7%). Traditional sectors (construction and industry) and local service sectors (retail, hospitality, transport) play a more important role than knowledge intensive services[20] [21].

4.9 **Tourism** is seen as a major part of the area's economy. Fáilte Ireland statistics show a total of 468,000 visitors to Donegal in 2013. Most (269,000) were domestic visitors. Of the remaining 199,000 from overseas, around 40% were from the UK. The main current tourism development initiative in Donegal is the *Wild Atlantic Way*. This is a marketing initiative covering the west coast of Ireland from Cork to Donegal. The initiative is seen as having great potential to increase tourism activity in Donegal. Donegal Airport is seen as having an important role in generating economic benefits from the Wild Atlantic Way. For example, it allows international visitors to fly in via Dublin.

4.10 More widely, air offers rapid access to the visitor. Some consultees felt that the flights to Donegal Airport made a visit more attractive to those on a short break of 3-5 days, or staying longer in Ireland but wishing to spend only a few days in each area. This is through avoiding time being eaten into by a relatively long surface journey to Donegal. Further, air fits with the trend of people looking to book much closer to the day of travel.

4.11 **Gweedore Business Park** is a major factor in Údarás na Gaeltachta's support for Donegal Airport. It houses a number of significant manufacturing and service employers. The Business Park also houses an Innovation Centre. It offers support to knowledge-based enterprises and provides fully serviced workspace for start-up and early stage businesses. The Business Park and the wider area had previously been home to a number of high volume manufacturers. However, they were reported as having dwindled over the years due to high transport costs. There now appears to be an emphasis on attracting higher valued-added manufacturing for whom transport costs are less of an issue.

4.12 There are also two **Higher Education Institution** sites in Donegal, in Letterkenny and at Killybegs in south Donegal. As well as teaching a range of subjects their main research interests include biotechnology, renewable/ alternative energy, digital creative and electronics.

[20] Source: WDC *Business Demography* report 2014. See Appendix 2 for more detail.

[21] 2011 Census. See Appendix 2 for more detail.

There are also efforts to attract more conference business to Donegal. At present the main ones are either local or regional, although there have been some national conferences (e.g. Irish National Language Festival).

4.13 An initiative is currently underway to create an additional 300 jobs on the business park over the next three years, in the food and drink, marine resource, engineering, tourism and globally traded service sectors, e.g. IT. This includes greater collaboration between Donegal Airport and local enterprises to enhance the existing air services. This relates to both business and leisure travel - again recognising the role of air services in helping to attract/retain employees. The initiative also recognises the enterprise potential of Irish language based enterprises and the Creative industries. However, Donegal's TV and film production sub-sector is seen as being very limited, and when companies from elsewhere film in Donegal they tend not to fly.

4.14 Consultees see the airport as an important or even crucial selling point for marketing Gweedore Business Park to potential tenants. A number of businesses are internationally-owned and/or have international clients. A proportion are long established indigenous companies that were taken over by international groups. It was thought that these and other large companies in the area make some use of the airport for staff travel. It was also reported that these companies do not appear to have problems in getting customers to visit their premises.

4.15 One consultee also saw the presence of Donegal Airport as making it easier for companies to attract staff. While quality of life is an important attractor, staff moving to the area are also looking for easy access to other places during their time off.

4.16 However, it is not always a key influence on location or investment decisions. Rather, it can be an added bonus to the other facets that the area offers (e.g. labour, natural resources), thus forming part of an overall package. Some companies may be attracted by the presence of Donegal Airport but in fact do not make that much use of it once they are established.

Passenger Services at Donegal Airport

4.17 The airport has two scheduled services. First, a PSO (Public Service Obligation) route to Dublin. This service is given revenue support by the Irish Government, without which it would not be commercially viable. The aircraft is based overnight at Donegal. There are two outbound return flights and one inbound per day, and the flight time is 50 minutes (see Appendix 2 Table 3 for the winter 2015-2016 timetable). These offer potential for a day trip or commuting flights to Dublin, depending on which of the two return flights from Dublin is used to return. The first flight from Dublin is in the early afternoon. As a result no meaningful day trip is possible from Dublin to Donegal.

4.18 The second scheduled service is to Glasgow. A single afternoon rotation is operated on three days per week in winter and four per week in summer (Monday, Thursday, Friday and Sunday). As the aircraft returns immediately from Glasgow no day trip is possible in either direction. Both air services are operated by Stobart Air on behalf of Aer Lingus, with through-ticketing available for wider destinations. The same ATR42-300 aircraft is used for both flights, with a capacity of 50 seats.

4.19 There are also **charter flights** from Scotland and Norway. These bring workers into Donegal Airport where they transfer on to helicopters and fly to offshore rigs. There was also a **previous seasonal tourist charter flight** from Rotterdam. In 2008 it brought a total of 620

Dutch tourists to Donegal, but required significant marketing support from local agencies when it operated.

Passenger Numbers

4.20 Around 35,000 passengers used Donegal Airport in 2014. This was above the numbers seen in 2013 (c. 34,000) and in 2012 (c. 29,000) for the Dublin service (see Appendix 2 Table A2.4). Some 40,000 passengers were recorded in 2011, with the all-time peak for the airport being over 65,000 in 2008. Dublin is the busier of the two routes. It carried around 24,000 passengers in 2014. That is above the levels seen in the two previous years, but below those in 2011. We understand that more than 40,000 passengers were carried each year between 2006 and 2008.[22] It was reported through consultations that passenger numbers had increased in 2015. This was attributed to increased visitor traffic, due to the promotional activity of the Wild Atlantic Way, and also to greater visibility of the route and through ticketing availability since it was taken over by Aer Lingus in February 2015.

4.21 Around 9,500 passengers used the Glasgow service in 2014. Numbers have increased in each of the previous years, from a level of c.7,600 passengers in 2011 (see Table A2.4). There is a clear seasonal uplift, with a spike in demand in July and August (see Table A2.5). These two months see around 27% of total annual carryings.[23]

Profile and Views of Donegal Airport Passengers

All Passengers

4.22 The 2013 Donegal Airport survey asked passengers about their **trip purpose**. Around one third (32%) were flying on business. The non-business passengers were very largely flying for either pleasure (36% of all passengers) or a holiday/short break (23%). The remaining trips were for: health (6%); family reasons: (2%); education (1%). There is higher demand at holiday times and at weekends. This fits with the survey finding that most passengers are travelling for non-business purposes.

4.23 Around two thirds (65%) live in the airport catchment area. As might be expected most reside in Glenties. However, a significant proportion (c.30% of those living in the catchment area) live further away from the airport, e.g. in Letterkenny. Most passengers living outside of Donegal were residents of Dublin or Glasgow (i.e. the destinations). However, a total of 13% of passengers were from further afield, mostly outside Europe.

4.24 The surveys shows that **connecting passengers** are an important component of the Airport's traffic. Around one in three (32%) were making an onward connection that day at either Dublin or Glasgow. Of those connecting onwards, 45% were to final destinations in the Rest of World, with 38% to Mainland Europe, and 17% to the UK.[24] However, one consultee felt that onward connections to London are not particularly joined up.

4.25 Some passengers are quite frequent flyers. More than one quarter (29%) fly out of Donegal Airport more than six times per year. One in six (17%) do so more than ten times per year. However, the Airport can still be important to less frequent users. One consultee stated that it provides rapid short notice access to other areas, which is valued.

[22] *Ireland's Regional Airports Programme 2015-2019* (Government of Ireland, 2015) and UK CAA. See Appendix 2 for more detail

[23] UK CAA. See Appendix 2 for more detail

[24] 2013 Donegal Airport Passenger Survey. See Appendix 2 for more detail

Glasgow Passengers

4.26 Data from the 2013 CAA Passenger Survey which is undertaken throughout the year at Glasgow Airport indicates that 80% of passengers travelling on the Donegal-Glasgow route are travelling for non-business purposes. Most (57%) trips originate at the Glasgow end of the route. However, almost all *business* trips are made by those who live in Donegal. This fits with the Airport's view that the Glasgow passenger profile reflects the historic emigration from Donegal to Scotland, with a consequently high proportion of Visiting Friends and Relatives (VFR) trips. The importance of the Donegal diaspora in generating traffic on the Glasgow route was confirmed by other consultees.[25]

Dublin Passengers

4.27 The report *Value for Money Review of Exchequer Expenditure on the Regional Airports Programme* (Department of Transport, 2010) reviewed the Donegal-Dublin service and identified a mix of business, non-business (VFR, health) and tourist traffic. Consultees noted that this includes high-end short breaks from Dublin, and potential inward investors brought in by the Irish Development Agency. One consultee noted that there were a number of people who live in Donegal but work elsewhere during the week. The example was given of a professor who works at UCD in Dublin Monday-Thursday and is then at home in Donegal for the rest of the week. There was also mention of weekly commuting to London from Donegal, using the Dublin service. Such commuting was seen as feasible.

Passengers' Views

4.28 The vast majority of passengers see the Airport as essential to the region, including for both business and personal travel. This is particularly so from a business, health and tourism/leisure point of view with passengers rating the Airport highly for these aspects, but less so in terms of supporting social inclusion and education.[26]

Donegal Case Study Conclusions

4.29 Donegal Airport is seen by consultees and its passengers as at least important and, in many cases, essential. To date there has not been a need to generate harder evidence of economic impacts beyond the anecdotal. That is because both local and national organisations have not contemplated any real threat to the future of the airport. This reflects the general view that it is a necessity given Donegal's distance from Dublin and poor quality surface links. Nevertheless, regional organisations have stated very strong public support for the role played by Donegal Airport. For example, Údarás na Gaeltachta consider that it is crucial to the economic development of the North-West Donegal Gaeltacht.

4.30 In their submission to the Irish Government's Consultation on An Integrated Irish Aviation Policy WDC stated that *"The quality, frequency and flight times of the (Dublin) service are essential to enable Donegal to maximise its full potential for economic and social development. Donegal Airport is important in ensuring the remote parts of west Donegal are more accessible",* and that the Airport is *"extremely important as an air access point to…sustain existing business as well as supporting inbound tourism."*

[25] UK CAA Passenger Survey 2013. See Appendix 2 for more detail

[26] 2013 Donegal Airport Passenger Survey. See Appendix 2 for more detail

4.31 Donegal Airport's catchment area has a number of similarities with that of Skye Airport:

- It serves a sparsely distributed population;
- The very important role of tourism, with strong seasonality of demand;
- An effort to attract more value added sectors to increase average wage levels and diversify the economy; and
- Gaelic and Creative industries viewed as important economic assets.

4.32 There are some differences of scale. Donegal has a larger population, and also has an economy with a broader base and more companies of scale that are likely to be more dependent on air transport. However, many of the challenges and opportunities are similar, especially in the more remote western area of Donegal in which the airport is located. Our research indicates the following impacts of Donegal Airport:

- It encourages companies to locate and invest in the area even if their subsequent use of flights is quite limited.
- An additional means of attracting key staff who wish rapid access to other areas in their time off.
- Generating additional visitors, particularly those on short breaks. The Glasgow route appears to have a greater number of inbound leisure passengers than outbound leisure ones, underpinned by the Donegal diaspora. The airport also helps avoid west Donegal becoming a "dead end" for those touring Ireland, e.g. following the Wild Atlantic Way.
- Allowing higher skilled individuals to live in Donegal and work elsewhere.
- Providing access to specialist healthcare and rapid access in times of emergency, making the area a more attractive place to live.
- Offering onward connections to the rest of the world, with connecting passengers forming a significant proportion of overall traffic. This is aided by the operator of the PSO service being able to offer through ticketing to worldwide destinations via Dublin.

4.33 The case study also highlights the following issues:

- The benefits to a small airport and the wider economy of having more than one scheduled route and a mix of aviation types.
- The need to work with the carrier and others to promote routes on an ongoing basis.

Wick John O'Groats Airport

4.34 Wick John O'Groats Airport is located just outside the town of Wick in Caithness. It is owned and operated by Highlands & Islands Airports Limited (HIAL). The Airport is open six days per week (closed on Saturday). It currently has two scheduled passenger services - to Aberdeen and Edinburgh. In recent years there have also been charter flights from Aberdeen, to transfer workers to helicopters that fly to offshore rigs.

4.35 Wick John O'Groats Airport is distant from main centres: it is 103 miles from Inverness, 206 miles from Aberdeen, 258 miles from Edinburgh and 272 miles from Glasgow. These distances are broadly comparable with the distances to these centres from Broadford. Rail services are also available from Wick. However, they have significantly longer journey times than those for road.

Socio-economic Impact of Wick John O'Groats Airport

4.36 Compared to the Highlands & Islands and Scotland, the Caithness and Sutherland area has a higher share of employment in agriculture, forestry and fishing; mining, quarrying and utilities, and construction. It also has a lower share of employment in manufacturing, wholesale and retail, education; and health and social work. The area's share of employment in Accommodation & Food Services is below that of the Highlands & Islands, but above that of Scotland. The Dounreay nuclear site continues to be a major local employer, accounting for around 1,580 FTE direct and indirect jobs in the local economy, 7% of all jobs in Caithness and Sutherland.

4.37 In light of the decommissioning of Dounreay, Caithness and North Sutherland Regeneration Partnership is working to increase employment in existing businesses and through inward investment. There is a focus on the energy (renewables and oil & gas), business services, food and drink and tourism sectors. The Partnership also works to support the delivery of key enabling infrastructure, covering transport (including air), skills and digital connectivity.

4.38 The Airport is seen as particularly important to the Energy sector. It is used by the biggest companies in the area - notably Dounreay (who also make use of Inverness Airport) and Rolls Royce. It is also used by parts of the Dounreay supply chain including engineering companies. Air access will, over time, allow local businesses to sell their nuclear-related expertise world-wide while retaining a base in Caithness. The Airport has also allowed Aberdeen-based companies to establish sites/offices in Caithness drawing on its proximity to offshore sites in the North Sea and west of Shetland. The Airport is used for crew changes for offshore vessels that call at Scrabster Harbour. It is seen as having helped to attract a record level of oil and gas shipping to the Harbour in the last year.

4.39 The Airport, plus a Hospital and two Harbours, is seen as a strong package to attract onshore activity, for example, operation and maintenance bases for offshore renewables, to support for the major offshore windfarm (Beatrice) being developed in the north Moray Firth. It is also seen as countering perceptions of remoteness, with Edinburgh only one hour away by plane. This is a key selling point to potential inward investors.

4.40 The Airport is seen as helping to attract and retain people in the local area. The air services allow individuals to commute to work offshore, and commute on a weekly basis to professional jobs, including some in England.

Scheduled Passenger Services

4.41 Wick John O'Groats Airport has two scheduled services, with over 24,000 passengers using the two services in 2014. [27] One is to Aberdeen, with a flight time of 35-40 minutes. There are three return flights per day, Monday-Thursday, and two returns on Friday, but no flights at the weekend. The aircraft overnights at Wick. Around 12,600 passengers were carried in 2014, down from almost 15,000 in 2011.[28] Business travel accounts for around 75% of total passenger numbers. The ability to connect with other flights at Aberdeen is a key attraction of the route. Approaching half (46%) of all passengers connect at Aberdeen, with most business passengers connecting either to offshore helicopter flights, or to other UK airports such as Heathrow.

[27] 2014 CAA carryings data and 2013 CAA passenger survey

[28] CAA, 2014 Carryings data

4.42 The other service is to Edinburgh. It is a single rotation that originates in Edinburgh, and flight time is around one hour. There is one flight per day, Sunday-Friday. Around 11,700 trips were made in 2014, an increase of over 25% on 2011 figures[29]. In contrast to the Aberdeen route, there is a clear seasonal variation with over 1,000 passengers per month between June and October. Traffic is split evenly between business and leisure, though the route is perceived to be constrained by the timetabling preventing a day return for business users. Despite this, and the relatively high fares (in spite of the Air Discount Scheme), there has been traffic growth in recent years.

Market Share and Leakage to Other Scottish Airports

4.43 In total, more than one third (35%) of air passengers to/from the core catchment area use Wick John O'Groats Airport rather than another Scottish one. The Airport's largest role is in facilitating inbound business trips. Almost two in three (65%) inbound business passengers use Wick rather than another Scottish airport. It makes less of a contribution to leisure travel. In particular its share of inbound leisure is low (12%), while one in four local residents fly from Wick rather than another Scottish airport.

4.44 Wick is competing against other Scottish airports to attract passengers whose trip origin or destination is in its core catchment area. In particular, there is competition with Inverness, which offers many more flights than Wick. It is estimated that in 2014, c.46,000 passengers with an origin or destination in Wick's core catchment area flew from another Scottish airport. Over two thirds of them (69%, 31,600) used Inverness.

Wick John O'Groats Case Study Conclusions

4.45 Despite the limitations of its air services, Wick John O'Groats Airport captures over one third of all, and more than half of business air passengers in its core catchment area. Leakage of trips is to be expected. It reflects the competition from Inverness and the option of road travel to Aberdeen and the Central Belt. Indeed, Inverness itself has a significant leakage of traffic to other Scottish airports that offer a much greater range of flights.

4.46 Wick's air services are used by and support the main sectors of the local economy. In particular, the availability of rapid access has allowed the area to exploit the assets that are attractive to the energy sector. These are the skills base, supporting infrastructure (e.g. harbours) and proximity to offshore sites. In some cases energy companies would not, or are unlikely to have set up offices in Caithness in the absence of the Airport. The air services also support the work and diversification of the nuclear supply chain (e.g. engineering) as well as local companies of scale across a range of sectors.

4.47 The air services allow easy inbound access for those providing services and skills not readily available in the local economy. This is evident in the number of inbound business passengers on the Edinburgh service working in both professional and financial services. The flights from Wick allow individuals to live in the area but work elsewhere, whether offshore or on the UK mainland. An air service to Skye may bring similar benefits, particularly linked to professional services in Glasgow.

4.48 Wick's services also play a key role in connecting the area to the rest of the UK. Many of the connecting flights that Wick passengers take at Aberdeen and Edinburgh are to destinations which are not served from Inverness (e.g. East Midlands). In this respect, Wick's

[29] CAA, 2014 Carryings data

flights are complementary to those out of Inverness. An air service to Skye could perform a similar role in connecting passengers to onward flights.

4.49 The development of the air leisure market is constrained by the available timetables and fares. The potential is illustrated by the uplift in demand following the introduction of the Sunday Edinburgh flights in 2010. The limited inbound leisure market may also reflect that, arguably, the area's tourism sector is less well developed than in some other parts of the Highlands & Islands, and this includes Skye and its catchment area.

Newquay Airport

4.50 Newquay Airport is in the north east of Cornwall. It is owned by Cornwall County Council which has a 100% shareholding of the company that operates the airport. Newquay has one of longest airport runways in the UK (around 2,700m). In 2014 the airport had more than 220,000 passengers, though this is well below the numbers seen in the years before the 2008 financial crash.

4.51 The airport is home to a range of activities in addition to scheduled passenger services. These include rotary training, executive/general aviation, commercial airline training, military training, humanitarian flying operations and the Cornwall Air Ambulance.

4.52 The airport site and an adjacent business park are within an Enterprise Zone (branded as *Aerohub*). The aim is to attract and grow aerospace and other activities. As well providing economic benefits, this should over time generate rental income for the Airport that will reduce the deficit funding provided by the Council.

Airport Catchment, Location, and Surface Links

4.53 The Airport's catchment is considered as being the whole of Cornwall. As such, it is distant from major centres in south west England and beyond. If business travellers are not flying they will tend to use rail rather than road. This is due to greater comfort and the availability of Wi-Fi to enable them to work on the train. Road journey times can be unreliable, particularly in summer when there is a significant increase in visitor traffic. However, rail was also seen as vulnerable to line closures in adverse weather.

Economic Overview and Role of Newquay Airport

4.54 Cornwall's GVA per head is among the lowest in Great Britain. It is 65% of the UK average and 73% of the figure for south west England. Its economy is under-represented in the sectors of Property, Business Admin & support services, Information & communication, and Financial & insurance. However, Tourism is of great importance to Cornwall. It has the highest number of jobs of any of the 18 sectors of the Cornish economy. Accommodation & food services account for 14% of the County's jobs, twice the share (7%) for Great Britain.[30] Cornwall has around 4.5 million staying visitors per year, with an average length of stay of six nights. Some 7% (300,000) of visitors are from overseas. Germany is a key market, and has developed to the point where a twice weekly service from Frankfurt to Newquay will operate in summer 2016, in addition to the weekly service from Dusseldorf.[31]

4.55 Despite population growth and increasing employment levels, Cornwall continues to face some long-standing challenges. These include low productivity, seasonal dependence on

[30] Cornwall Council (2013) *Cornwall's Economy at a Glance*

[31] Cornwall Council (2013) *Visitor Economy & Tourism*

low-skilled jobs, a lack of high value businesses, and peripheral location and poor connectivity.[32] It was reported that despite the presence of Newquay Airport it is still difficult to persuade skilled staff to move to Cornwall, as they still perceive it as remote.

4.56 One consultee stated that the Airport generates additional visitors, by getting Cornwall onto some visitors' initial long list of possible destinations, and also catering for those who do not want to undertake long surface journeys. It has also opened up Cornwall as a short break destination. In addition, the availability of air services was seen as having encouraged external investment in the tourism sector.

4.57 It was reported that there are only c.40 employers in Cornwall with more than 250 staff. Consultees stated that the Airport is vital to these **largest businesses** for bringing in key clients and accessing employees with specialist skills, and a number of them are unlikely to be present in Cornwall without it. These include marine sector industries, such as the major dockyard at Falmouth. The presence of the Airport enables the marine sector to fully exploit the available local assets of labour, harbour facilities, etc.

4.58 The availability of air services, notably to London, is seen as important to **Digital and Creative industries**. The air services complement the development of high speed broadband which has been rolled out throughout almost all of Cornwall, allowing commuters to travel between London and Cornwall more easily and have similar broadband capability in each location. This has helped to allow more **long distance commuting by air** from Cornwall, by allowing more remote access to London business locations and flexibility in working arrangements, including an element of working at home and physically travelling to the workplace.

4.59 The air services were seen as important to **Falmouth University, particularly in enabling** easy access for visiting lecturers. It is also seen as beneficial to the **film** studio at the University, with funding currently being sought to develop a full post-production unit. In addition, air access makes it easier for filming to be undertaken in Cornwall by companies based elsewhere.

Economic Role of the Airport: Further Evidence

4.60 The Airport Masterplan[33] identifies the Airport as having increased the productivity of local businesses and GVA, as well as improving the access to import/export opportunities for both new and existing businesses, and creating collaborative R&D/investment opportunities. Further, it has broadened the appeal to more skilled professionals into the area, as well as accessing wider tourist markets that might otherwise have been out of reach.

4.61 720 FTE jobs, including 136 employed by the Airport itself, are directly dependent upon the Airport. These include the Aerohub having created or safeguarded over 214 jobs since its creation in 2012, at a wage level almost double the Cornwall average. When indirect and induced employment is included the total impact in the local economy is 988 FTEs. In addition, are the impacts of the estimated 44,000 inbound visitors who fly into Newquay. They are estimated to spend a total of £13.2 million, supporting 440 FTE jobs (direct, indirect, induced) in the local economy. These inbound flyers account for 1% of all overnight visitors to Cornwall.

[32] Cornwall Council (2013) *Economy and Culture Strategy 2013-2020*

[33] Cornwall Council (2015) *Cornwall Airport Newquay: Masterplan 2015-2030*

Scheduled Passenger Services

4.62 Ten scheduled passenger air services operated from Newquay in 2014. Only three did so all year round. There has also been recent churn in the routes on offer to/from Newquay. The Gatwick service is the mainstay of Newquay traffic. With over 100,000 passengers the route accounted for nearly half (48%) of all scheduled passengers. It was reported that most business travel on the route is outbound, with the public sector and energy businesses being major users; and that a significant number of passengers use connecting flights at Gatwick.

4.63 Manchester is the second most popular route, accounting for one fifth of scheduled passengers. It is seen as of increasing importance to the business community given its growth in recent years. In particular it is an important source of specialist suppliers not available in Cornwall. The seasonal routes carried around 40,000 passengers. There was a large variation between them, from c18,000 on passengers on the Birmingham service to less than 2,000 for Belfast.[34]

4.64 There is a significant uplift in the main summer months. July and August collectively account for nearly one quarter (24%) of annual passengers. Seasonality is even more pronounced when the Gatwick service is excluded.

4.65 Only limited information is available on the profile of Newquay passengers. It is estimated that the majority of passengers (55%) are inbound to Newquay. This tends not to be the case at UK airports (Inverness is also an exception in this regard).[35] [36] It is estimated that, across the year as a whole, around one fifth (21%) are travelling on business. Some 43% of all passengers are on a holiday/short break, with 35% on a VFR trip. One consultee stated that inbound tourists may account for more than 50% of all passengers in the peak summer months, including those with second homes in the County. In contrast, in the winter a relatively high percentage of passengers are travelling on business.

Newquay Case Study Conclusions

4.66 There is a big difference between the scale of Newquay Airport's passenger services and other airport activity, and what might be envisaged for Skye. However, there are similarities in the composition of the two area's economies. In particular the economic significance of tourism, recent high end investments in the sector, a high end food and drink offering, and the challenge of seasonality. In both areas local agencies are looking to attract and develop more higher value-added activities, including the Creative industries, while addressing issues of affordable housing and skills shortages.

4.67 Newquay Airport helps the tourism sector realise the potential of its tourism assets. Air services are particularly seen as attracting visitors who will only travel by air, those who do not wish to make long surface journeys and in particular the short break market. Clearly, the air services cater for a number of niche markets and account for a small proportion of all visitors to Cornwall. Nevertheless, it seems that many of the visitors using Newquay Airport would not come to the County in the absence of the air services, and unlike many UK airports there are more inbound visitor trips than outbound trips made by local residents.

[34] CAA, 2015

[35] Cornwall Council (2015) *Cornwall Airport Newquay: Masterplan 2015-2030*

[36] Cornwall Council (2011) *Newquay Cornwall Airport Economic Impact Assessment*

4.68 Newquay Airport has also benefited Cornwall's largest companies and key sectors (e.g. marine, digital and creative), allowing them to exploit the other assets that Cornwall offers. Additionally, it has contributed to population retention, by enabling long distance commuting.

4.69 The secondary evidence highlights the Airport's contribution to: improving access to import/export opportunities; creating opportunities for partnering and wider networking; and facilitating staff training. Many of the benefits are from the onward flight connections at the airports served from Newquay.

4.70 Newquay has also been successful in attracting a range of other activities, generating well paid jobs. Some of these reflect the large size of the site. However, they do point to the potential to generate additional impacts beyond those from scheduled passenger services alone.

Other West Coast Air Services

4.71 This section profiles the passengers using existing west Highlands & Islands air services out of Glasgow. These are useful comparators, given that the air services are serving towns and catchment areas very similar to the Skye catchment area. Each of the six comparator airports are in rural locations, with dispersed populations in their hinterlands, and long distances from the Central Belt. Many have socio-economic issues similar to the Skye catchment area, including out-migration of young people, a need for more and more diverse employment opportunities, and challenges associated with access to services and service delivery.

4.72 Table 4.1 shows 2014 carryings on the six routes, which include the five islands of Stornoway; Benbecula; Barra; Islay and Tiree; and also Campbeltown. Although it is a mainland airport with air services to Glasgow, Campbeltown is not as strong a comparator as the other case study examples above, given that the road journey time to Glasgow is a lot shorter than that for Skye and a significant proportion of total trips are by patients and escorts going to Glasgow hospitals. Whilst this purpose will comprise some trips to/from the Skye catchment, the proportion is likely to be much lower. Further, the economic base around Campbeltown is quite different to that of the Skye catchment area. It is less well developed (including the tourism sector), has little in the way of Creative industries or an institute like SMO, and is typically more reliant on energy and fishing. Whilst Wick's economic base is also quite different from Skye, it is nonetheless a useful comparator in terms of the drive time between the area and the Central Belt, as well as competing against Inverness airport for traffic.

4.73 The Table includes a breakdown of passengers on the other West Coast services by broad trip purpose. These are based on passenger surveys with quite small sample sizes so the data should be treated with some caution. It should also be noted that "Leisure" is a catch-all classification used by the CAA for all non-business travel. In particular it includes people travelling for health-related purposes. These are generally understood to be a significant proportion of all passengers on most, if not all, of the routes shown.

4.74 On the three Outer Hebrides routes and Campbeltown, most passenger trips are outbound i.e. made by those living in the airport's catchment area. In contrast, most trips on the Islay and Tiree services are inbound to the island. On all of the routes bar Barra more than 20% of passengers are travelling on business. Its share ranges from 21% on Benbecula to 35% for the Campbeltown service.

Table 4.1: Glasgow Services: 2014 Passenger Carryings By Trip Purpose									
	Outbound				Inbound				
	Business		Leisure		Business		Leisure		
Route	No.	Share	No.	Share	No.	Share	No.	Share	Total Passengers
Stornoway	10,534	17%	33,897	55%	9,096	15%	8,432	14%	**61,959**
Islay	2,038	7%	10,361	38%	4,071	15%	10,726	39%	**27,196**
Benbecula	2,374	10%	14,641	64%	2,498	11%	3,536	15%	**23,049**
Barra	0	0%	7,016	67%	587	6%	2,918	28%	**10,521**
Campbeltown	800	9%	5,536	59%	2,420	26%	575	6%	**9,331**
Tiree	117	1%	1,878	23%	2,394	30%	3,607	45%	**7,996**

Source: CAA 2014 carryings and CAA 2013 Passenger Survey

4.75 Almost all the routes see more inbound than outbound business trips, and particularly so for Campbeltown and Tiree. The exception is Stornoway. That may reflect that it has the largest local business base of the six routes, including the local authority's headquarters. On most routes there are more outbound than inbound leisure passengers. On the three Outer Hebrides services and Campbeltown, more than half of *all* passengers are making an outbound leisure trip.

4.76 In contrast, the Tiree and Islay flights have more inbound than outbound leisure passengers. Respectively, 45% and 39% of *all* passengers are making an inbound leisure trip.

4.77 Table 4.2 shows the extent to which passengers connect with other flights at Glasgow. Connecting passengers account for more than 20% of all passengers on each route apart from Campbeltown. On three routes (Islay, Tiree and Stornoway) around one third of all passengers are connecting at Glasgow.

4.78 Most connecting passengers are flying on to another UK airport. The exception is the Campbeltown service. Although it has relatively few connecting passengers more than two thirds (70%) of them are flying on to an overseas airport.

Table 4.2: Glasgow Services: 2014 Connecting Traffic						
	Barra	Tiree	Campbeltown	Stornoway	Benbecula	Islay
Number of Connecting Passengers	2,389	2,616	798	20,631	4,979	9,638
Connecting Share of All Passengers	23%	33%	9%	33%	22%	35%
Percentage of Connecting Passengers Flying on to Another UK Airport	62%	100%	30%	87%	66%	87%

Source: CAA 2014 carryings and CAA 2013 Passenger Survey

4.79 Table 4.3 breaks down the trip purposes of passengers who connect with another flight at Glasgow. On three routes (Tiree, Barra and Islay) connecting passengers are very largely those making *inbound leisure* trips. On the other routes most connecting traffic is *outbound leisure*.

Table 4.3: Glasgow Services: 2014 Connecting Traffic By Trip Purpose						
Purpose/Route	**Barra**	**Tiree**	**Campbeltown**	**Stornoway**	**Benbecula**	**Islay**
Outbound Business	0%	0%	35%	18%	18%	14%
Outbound Leisure	18%	3%	35%	35%	30%	19%
Inbound Business	0%	0%	31%	27%	31%	0%
Inbound Leisure	82%	97%	0%	20%	22%	67%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: CAA 2014 carryings and CAA 2013 Passenger Survey

4.80 Table 4.4 provides further information on the business passengers. It shows the most common sectors in which they are employed, illustrating a range of employment sectors across the six routes. Travel by those working in public services is important on the Campbeltown, Stornoway and Benbecula routes. The latter two are also well used by Outer Hebrides residents who travel to work elsewhere in the oil and gas sector. They also bring construction workers into the islands. The routes are used to bring in suppliers with skills that may be lacking in the local economy, for example in the business management, legal, financial fields for Barra and Islay, and medical services for Barra and Campbeltown.

Table 4.4: Glasgow Services: Business Passengers Most Common Sectors Of Employment		
Route	**Inbound Business Passengers**	**Outbound Business Passengers**
Barra	Amusement & recreational services; Business management, legal, financial; Hospital, dental services; Social work	None
Tiree	Security; Education	No survey data available
Campbeltown	Public services; Hospital, dental services	Public services; Primary metal industries
Stornoway	Construction; Public services	Public services; Oil & gas extraction
Benbecula	Construction; Engineering	Public services; Oil & gas extraction
Islay	Business management, legal, financial; Collection & distribution of water	Social work; News agency activities

Source: CAA 2014 carryings and CAA 2013 Passenger Survey

Current Business Air Traffic to/from Skye

4.81 The 2013 CAA Passenger Survey identifies those with a surface origin on Skye who currently fly from either Aberdeen, Edinburgh, Glasgow or Inverness. The most common sectors of employment for business passengers *outbound* from Skye were:

- Oil and gas extraction;
- Hospital, dental services;
- Motor dealers & service stations;
- Scientific.

4.82 The most common sectors of employment for business passengers travelling *inbound* to Skye were:

- Hospital, dental services;
- Public services;
- Education;
- Industrial machinery and equipment.

4.83 Some of these sectors are also important to business travel on the other west coast services, as shown earlier. In particular the use of air by Skye residents working elsewhere in the oil and gas sector, inbound trips by those working in public services, and trips in both directions by medical staff.

4.84 This gives an indication of the sectors that would benefit from direct air services to/from Skye. However, the use of air will broaden beyond these sectors if direct flights were introduced.

Other West Coast Services Conclusions

4.85 Inbound leisure traffic is significant on some of the comparator Glasgow routes, where it accounts for more than one third of all passengers. Business trips are also important on most of the routes. In some cases they account for more than 30% of all passengers.

4.86 As in the three main case studies, connecting traffic is significant, and includes both trips to/from elsewhere in the UK and overseas. Most connecting passengers are leisure ones, and connections are important to inbound leisure traffic, some of which is from overseas. However, connecting passengers still account for more than half of business traffic in some cases (e.g. outbound business trips from Islay).

4.87 On most routes there are more inbound than outbound business trips. This will reflect that all the routes bar Stornoway has a smaller business base than the catchment area for a Skye airport. In addition, in all cases air plays an important role in bringing in suppliers with skills that are lacking in the local economy.

4.88 The types of sectors supported by air will reflect the structure of each catchment's economy. However there is a degree of consistency across the routes. That is in the use of flights by those in public services, oil & gas and the medical professions. These sectors are also evident in the air trips to/from Skye that are currently made from other Scottish airports.

4.89 Overall the analysis shows the potential benefits of a direct air service from Skye. Many of the comparator Glasgow routes:

- Have a reasonable proportion of business and/or inbound leisure traffic;
- Cater for connecting traffic, some of which is to/from outside the UK;
- Allow residents to live in the local area while working elsewhere;
- Facilitate public sector travel and the import of skills that are not well represented locally.

5 Economic and Social Benefits of Air Services at Skye Airport

Introduction

5.1 The analysis contained in the preceding chapters, notably chapters 2 and 3, illustrate the travel constraints imposed by the long journey times between the Skye catchment area and the Central Belt. The travel constraints arising from the long journey times are multiple, and extend to the increased need for overnight stays away from the business and the additional time required for onward connections from Glasgow or Edinburgh airports as two examples. As the analysis also identifies, removing these constraints with the introduction of an air service would bring a range of business efficiencies and benefits, including wider access to markets/customers, greater business opportunities, improved business networking and client contact, and flexibility of working, leading to new sales and investment. Businesses would use the air service should it be available, and state that this would accelerate their future business growth.

5.2 This chapter examines the longer-term economic and social outcomes that may arise from removing travel constraints. The economic outcomes are discussed in relation to priority growth sectors and the four 'I's of the Economic Strategy: Innovation; Internationalisation; Investment and Inclusive Growth. The impact of the air service is considered in terms of its effects on the overall business productivity and growth prospects for the local economy; the impacts for fragile areas; and the contribution to regional cohesion. This chapter draws on the findings from chapters 2-4, as well as evidence gleaned from consultations with stakeholders and community organisations.

Long-term economic growth – Developing Key Growth Sectors

5.3 There are a series of longer-term economic benefits anticipated in relation to the key growth sectors.

Tourism

5.4 As chapter 2 indicates, tourism (accommodation and food services) is the largest single employment sector, and one that has continued to grow over the last five years in jobs terms, twice the rate of the Highland area and at a time of nil growth across Scotland. The number of businesses has increased by a quarter over this period, far faster than the comparator areas. Taken with the extent to which other sectors are also dependent on tourism, including Creative industries and some manufacturing, the sector is highly important to Skye and surrounding areas.

5.5 The tourism offer of Skye is a very strong one within a small geographic area, offering both slow and higher adrenaline adventure tourism related to the great outdoors, with walking, kayaking, the Skye Trail, the Cuillin Hills, several outstanding beauty spots such as the 'Fairy Pools', historical monuments, the food offer, culture heritage and distilleries, and so on. At the time of reporting, Skye has around 90 eating establishments, including a Michelin star restaurant (more than comparator destinations in Scotland and the rest of the UK for outdoor adventure).[37]

[37] Adventure Tourism in Scotland, 2015 (available at www.hie.co.uk)

5.6 There is strong potential to continue to develop the Tourism sector through the introduction of an air service. This would allow the opportunity to offer short or weekend breaks on a larger scale than is currently the case, and to a wider market; arguably the type of holiday that is not maximised in the area given the 8 hour+ round trip from the Central Belt. An air service would also allow visitors to spend longer in the Skye catchment area as their destination, given reduced travelling time, potentially increasing levels of visitor expenditure.

5.7 Another key benefit of an air service is likely to be the ability of visitors to access Skye and the catchment area in the off-season and for winter breaks, further extending visitors into the “shoulder months”, and encouraging year-round tourism. This is likely to appeal to visitors who are ‘cash rich and time poor’, although at what some will consider to be relatively modest proposed fares, users may also be drawn from a broader base. Whilst for many visitors the journey to and from Skye by road (and lesser extent rail) is part of the appeal, an air service caters for a certain part of the market that continues to grow. This market is likely to consist of higher-spending visitors, including a considerable proportion of overseas visitors, who will spend more on average than their UK counterparts.[38]

5.8 The sector is currently buoyant, with the publicity attached to big budget films shot in the area part of the reason for this. Consultees assert self-catering accommodation can attract £1,700 per week for 4 or 5 people in the peak summer months, and up to £1,300 in the winter. However, there can be issues of winter access with reduced ferry crossings/reliability, and the air service would provide an alternative to road transport in poor winter weather conditions. An air service offers more year round access to the area and would improve the overall resilience of transport to/from the area.

5.9 It is important to put any potential increase in the number of visitors as a result of the air service into context. The number of visitors using the air service would still represent a very small proportion of the total Skye visitor market. Whilst the net increase of visitors overall may be modest, the total spend per air visitor is likely to be higher than average, particularly so for overseas visitors. The Mallaig-Armadale ferry has 240,000 passengers per year, the vast majority of which are visitors, and this dwarfs the potential number of inbound tourists that can be accommodated by the air service. The numbers using the Skye Bridge will be even higher. Tourists using Newquay airport account for about 1% of all visitors to Cornwall.

Creative industries

5.10 Creative industries is a sector that has experienced particularly strong growth in the catchment area with a 10% increase in VAT-registered businesses and a 30% increase in employment over the last five years. At 6% of all employment, this is a larger than average proportion of the total, with 400 employed in the 55 registered sector businesses, and there will be many more self-employed in the sector operating below the VAT threshold (see chapter 2).

5.11 Some of the growth in the last five years can be attributed to the film sector, from large budget film-making to TV. This has been despite the lack of an air service. This part of the Creative industries sector is air intensive, and it is anticipated that it is one that would benefit from an air service, particularly in terms of London and overseas film-makers being able to visit Skye locations, and from Skye businesses making connections with buyers, again notably in the London area. Although a small sub-sector, an air service, by improving accessibility to the area, has the potential to increase the volume of activity in the catchment area, including in-bound business.

[38] http://www.scottish-enterprise.com/knowledge-hub/articles/insight/scotland-tourism-101

5.12 There are other important parts of the sector that have the potential to grow in the catchment area, including music (e.g. Niteworks) and web design companies (which are closely linked to the rise in professional services). Evidence from the survey suggests that an air service would enable greater access to market opportunities in these sub-sectors. For example:

> *"[It the air service] would transform ability of local businesses in creative industries to compete in markets in England and internationally."*

5.13 In terms of facilitating growth, there are clearly other needs for the Creative industries sector beyond transport. These include grow-on space and digital connectivity, yet the ability to showcase the location is an important one. The air service is likely to be useful to the management of ongoing collaborative projects and for access to funders and commissioners (especially in London). There are also spin-off benefits that can be anticipated from "setjetters", linked back to tourism i.e. visitors attracted to a location where films are being made, which requires quick access to film locations.

5.14 Whilst some parts of the Creative industries sector would welcome and make use of the air service, many smaller businesses are likely to benefit only indirectly. Craft-based and artisan businesses are likely to be lower volume businesses selling to visitors. The air service may result in a modest rise in visitors, but this is unlikely to engender a change in smaller Creative industries sector businesses.

Food and Drink

5.15 The Food and drink sector is a growing one in the Skye air service catchment area. It is not easy to identify the full employment in the sector given the sector includes a range of subsectors and activities covering primary production, manufacturing, packaging and retailing. However as shown in chapter 2, it is clearly an important one, with food services (and accommodation) the largest employment sector, and further employment in primary produce (agriculture and fishing), in parts of the wholesale and retail sectors, and in manufacturing (such as distilleries and breweries).

5.16 One of the growth sub-sectors is seafood, including live shellfish, which serves export as well as local markets. There has always been a traditional primary produce sector which is likely to continue, but it is the increasing demand for branded and niche products – linked to food provenance – that is a key growth area that Skye can further benefit from.

5.17 For seafood and other Food and drink sub-sectors, given that the current proposition does not include freight transport, it is principally the greater access to customers and international sales as a result of more business contacts that is the key advantage of an air service. Further, it is unlikely, even in the longer-term, that businesses exporting live shellfish can make it viable to use the air service for transportation, given that other locations with larger shellfish producers have struggled to make it work (e.g. Uist, Lewis/Harris).

5.18 Another key sub-sector is whisky and there is an opportunity to embed investment, notably around the distilleries. This is around the associated warehousing, training and visitor facilities that can accompany the distillery itself. An air service would make it easier for senior managers to make more regular visits to the key investment (the distillery) to identify additional opportunities. Although distilleries are not typically large employers directly, Talisker already attracts large numbers of visitors and the two new distilleries proposed for Skye (Torabhaig and Raasay) can add to this appeal. The new Torabhaig distillery opens to visitors in 2017 and the first production is due later in 2016, although this will be a small 'boutique' distillery. Plans for the Raasay distillery were approved in February 2016, with production expected to begin in early 2017. There is also craft brewing, which is a growing sector, and the Isle of Skye brewery is one of these with growth ambitions and a sales force that promotes the product across Scotland and beyond.

5.19 There is likely to be continuing demand for Skye as a gastronomic destination. There is a growing brand identity linked to Skye as a place for good food, strongly linked to the tourism sector. An air service can increase inbound access to these markets, where many hotels and restaurants seek to use local produce, helping sustain food and drink company growth.

Financial and Business Services

5.20 Professional (and scientific and technical) sector employment has experienced the greatest employment growth in the catchment area in recent years, albeit from a low base, outpacing national growth in the sector (See chapter 2). There are a range of locally based solicitors, accountants and architects, including the award-winning Dualchas and Rural Design. This is a sector that has the potential to grow significantly, as professionals seek quality of life benefits associated with the location, while retaining professional links and accessibility to clients from the Central Belt and beyond.

5.21 As demonstrated in chapter 3, a number of professional sector firms are serving markets beyond the catchment area. An air service would allow greater access to such clients/customers. The sector is clearly growing, despite the lack of an air service, as those working in the professional services are attracted by quality of life benefits, and by the success of other sectors/growth in population which increase their markets. However, where frequent contact with other professionals and clients is a requirement, and where there are large markets in the Central Belt, there is clear scope for the sector to benefit significantly from an air service.

Life Sciences

5.22 Life sciences continues to be a high value added sector in some locations in Scotland and specifically in the Highlands and Islands, where it is often centred around key businesses and research institutes. Within the catchment area, overall employment and the number of businesses in the sector is low. However, Gaeltec and Sitekit are two innovative and well-established companies located in the area with the potential to act as anchors for inward investment. As demonstrated in the case studies, an air service has the potential to add to the marketability of such a proposition, which if secured could bring more higher value added jobs to the area.

5.23 There are several examples of Life sciences clustering around certain locations, often in areas with a good level of accessibility, including Inverness and more high profile locations such as the London/Stansted/Cambridge corridor. The Donegal case study is an example of this where the air links to Dublin allow higher value added companies (although not life sciences in this case) to be based there, despite remoteness from the capital.

5.24 The continued prioritisation of Life sciences in Scotland means that Gaeltec and other companies locating in the vicinity could benefit from the growth of the sector in other locations. An air service link to Glasgow airport, for example, puts Skye in close time proximity to the largest hospital in Europe, which is located in south Glasgow, with all the anticipated research and spin-out activity associated with the hospital campus.

5.25 Overall, the Life sciences sector is very air intensive, including international travel, partnering, seeking and accessing funding and attending conferences. Should an air service be introduced, there is considerable potential for companies like Gaeltec to have greater access to conferences, trade fairs, the national and international academic/research community, hospitals and wider markets (and vice versa). Nonetheless, given the small size of the Life sciences sector at the moment, the growth of the sector and its potential increased contribution to GVA, is a longer-term aim.

The Education Sector

5.26 Sabhal Mòr Ostaig (SMO) UHI, Scotland's national Centre of Gaelic Language and Culture, has grown significantly in recent years, and has the potential to grow further. The College, which directly employs around 100 Full Time Equivalent jobs, is a strong advocate of an introduced air service. International conferences in May and June currently tend to attract around 600 delegates in total, and SMO UHI has aspirations to grow its conference offering. An air service would be of value in facilitating this, given the international profile of many of the delegates typically attending such events (many of whom find it harder to travel the last leg of the journey within Scotland than they do the international travel component). The extra customer service required in providing transport from Inverness (or other Scottish airports) for those that have already travelled on long haul flights is a constraint to delivering greater conference activity. Additional efforts are often required to attract delegates in the first instance, given the long journey times to Skye.

5.27 There may be some additional usage of the air service by SMO UHI students, particularly amongst the increasing number of international students taking short residency courses related to Gaelic culture. Easter/Summer residency courses are a growing market for the College, and an air service would be an alternative travel option for those with higher levels of disposable income and/or those looking to take short breaks. The College currently has 850 students per annum doing short courses (with typically 100 on site at any one point) and so the effect of the air service (at 18 seats per flight) may be a modest but important influence on overall student numbers. Over the last decade and more, the College has helped underpin the growth of Sleat, and a strong SMO equates with a more sustainable community.

Energy

5.28 The energy sector is small in the Skye catchment area both in terms of business numbers and current employment, although there are possible opportunities afforded by Kishorn Port which has in the past supported oil platform construction. The port is located across from Skye on the Wester Ross coast, approximately 15 miles from the airport.

5.29 Kishorn has the potential to attract investment through its dry dock and is actively being promoted as an investment proposition. The existence of an air service could help improve its marketability, given greater prospects for potential investors/partners to visit it although this in itself will not be an investment decision factor. An air service, however, may help increase the viability of Kishorn, given the enhanced ability to move professional staff in and out of the area during specific projects. That said, there are a number of other factors that a potential investor would need to consider, including its location on the west coast, when most energy sector activity is clustered in the north and east of Scotland, including decommissioning work.

5.30 In the past, it was arguably the oil platform construction at Kishorn that helped underpin air services to Skye in the 1980s, with viability of the service diminishing once the construction work fell away (although this was not the only factor behind the withdrawal of the service). Whilst an air service would be advantageous, it is still probable that the large numbers required for major projects will travel by road, perhaps after having been flown into Inverness. Strong local labour markets and hotel accommodation for visiting management are two other investor considerations, with the Skye catchment area stronger in the latter.

Long-term economic growth – Scotland's Economic Strategy

5.31 The Scottish Economic Strategy, published in 2015, sets out a strategy to create a more cohesive and resilient economy with opportunities for all through sustainable economic growth. This an approach based on two key pillars: increasing competitiveness (investment, innovation) and tackling inequality (inclusive growth and internationalisation), often referred to as the four 'I's. The potential benefits of a Skye air service with regards to the four 'I's are set out in this section.

Innovation

5.32 Many of the advantages of an air service in benefiting the key sectors above is that it allows businesses to enhance their competitiveness, of which innovation is a critical component. Innovation takes many forms, yet collaboration is a central component of it. The air service proposed would help remove a key constraint for business, which is lack of networking opportunities, itself vital to collaboration (as shown in chapter 3).

5.33 For sectors such as Life sciences and the Creative industries, greater opportunities to collaborate and network results in new leads, relationships and sales, and in turn to new investment in the development of new products and processes as firms learn from and work with others. Open innovation requires the right conditions for collaboration, including contact and interaction, and this is enhanced with better access to a critical mass of companies.

5.34 Innovation and collaboration in this way is already happening to some extent in the Skye catchment area. Examples include the use of facilities at SMO by the film industry. Links can be made that develop the supply chain, which (as in the example above) can be cross-sectoral. Overall, the air service could aid innovation by allowing access to skills, professional services and collaborators which are not available in the local economy, or even in the Inverness area. It is the ease of access inbound to the Skye catchment area through an air service that may bring the greatest benefits here.

Internationalisation

5.35 The potential benefits of an air service in helping to access new markets outside Scotland is demonstrated by the number of businesses who would use the service for onward connections beyond the Central Belt (a quarter) and the proportion who would increase their contact with customers and potential customers (94%). The development of a new customer relationship that leads to a deal being struck can take four or five meetings over a 6-12 month period, and to do this currently - given it is more than a half day travel each way to the Central Belt alone - requires time away from the business that most cannot afford. As chapter 3 indicates, four in five businesses say the current transport situation impacts on their costs and ability to form relationships with new customers. Ease of contact with new customers via an air service would help to address these constraints leading to increased sales, which in turn would sustain employment.

5.36 There is little doubt there would be an uplift in sales overseas with the introduction of an air service given it would make international contact easier to achieve. This is demonstrated in each of the three key case studies (Donegal, Wick and Newquay) covered in chapter 4. There are a number of important Skye businesses that cite they would increase their customer contact activity if an air service was available. An air service will also make it easier for businesses to attend trade shows and events, both in the UK and overseas. Our survey shows more than half of non-tourism businesses trade outside Scotland currently, and the volumes of international trade would increase with an air service.

Investment

5.37 More companies invest in their businesses if they feel more secure as a result of a stronger sales base, and chapter 3 indicates that Skye businesses invest less, and achieve fewer sales, as a result of transport constraints. The evidence suggests an air service would help to lever in additional sales that can underpin investment decisions (as reported in chapter 3, 82% say an air service would positively impact on their turnover, a third substantially so, which even allowing for a degree of optimism in the responses, suggests a positive effect on sales volumes). It is important that businesses invest to allow them to grow and develop and to remain competitive. Many Skye businesses face the challenge of scaling up production, and more secure sales can reduce investment risks.

5.38 As well as indigenous firms' investment, there are likely to be more businesses attracted to the catchment area as a result of the air service, with more inbound business trips. There is evidence from the Donegal case study that the airport there is important in terms of attracting inward investment. Even if the subsequent use of the air service by the business transpires to be more limited, the presence of an air service is still considered essential in the decision to locate in the area.

5.39 For businesses in all sectors, the presence of an airport is important to many investment location decisions. High end hotel chains demand to be within 90 minutes of an airport, although it is unclear whether the air service alone would be sufficient to land that sort of investment. The presence of an airport is perceived to be important to large-scale investors, including those who have expressed an interest in Kishorn Port. A number of stakeholders and businesses are of the view that many potential investors perceive or actually consider Skye to be too far away from major markets – and that businesses in the Central Belt and further afield often consider Skye to be too distant to do business with. As the business survey indicates, by improving accessibility, an air service could help to reduce this negative perception.

5.40 Stakeholders also say that investment in transport infrastructure can send a positive message to potential investors. Airport investment may lever in further private sector investment, as businesses invest to take advantage of the opportunities afforded by additional inbound traffic arising from a year round service.

5.41 There would be investment generated by the existence of the airport and air service itself. There are a range of businesses and jobs required to service the airport, detailed in chapter 6. However, further spin-off investment may well also occur, including related service industries (such as car hire, catering, customer services). Newquay (see chapter 4) has attracted a number of aviation-related business activities to the airport site, although any such developments on Skye would be much smaller given the lower number of flights and passengers, at least in the short-term.

Inclusive Growth

5.42 Inclusive growth is about ensuring all people, wherever they live in Scotland, benefit from improved economic opportunities, life chances and wellbeing. The increased economic activity that may arise as a result of the airport (new business innovation and investment, new sales and exports) will help to contribute to inclusive growth. Not all the new jobs created will be higher value ones. For each higher value job there will be others that demand lower skills levels. Some of the employment, whether linked to the extended tourism season or airport employment itself, will be customer service employment. More businesses and jobs in the Skye catchment area will support more stable and permanent populations which in turn help to sustain services.

5.43 The air service could help reduce the fragility of the Skye catchment area by sustaining more employment as businesses are better able to trade as a result of greater accessibility and better connections. Many of the benefits of inclusive growth extend to social benefits and stronger communities, discussed in more detail below. The air service can help achieve greater staff retention/ attraction, helping to attract higher skilled workers to live in the area whilst working elsewhere, which has been the case at Donegal, Caithness and Cornwall.

Social Benefits and Impacts

5.44 There are a range of potential social and community benefits which could arise as a result of the air service being introduced. These have been identified by community organisations and stakeholders consulted through the review.

Views of Community Organisations

5.45 The community organisations consulted see an air service playing a major role in reducing the remoteness of the area, alongside digital connectivity (including the rollout of superfast broadband and improvement of other digital services). Community organisations in turn consider that reduced remoteness will help retain or attract young people back (by making travel back and forth to the Central Belt easier and through new employment opportunities created), contributing in some part to the reversal of out-migration of young people (see paragraph 5.60).

5.46 Further, consultees consider that an air service has the ability to contribute socially, allowing individuals increased ease of access to/for visiting family and friends. Outbound access to social/leisure events and onward connections could also be improved through an air service, but also far greater access to events for community organisations themselves. Conversely, it would also allow greater inbound access for visitors to local arts/community groups, as well as for national organisations, e.g. the charities regulator OSCAR. Further, it is considered that more inbound visitors can bring wider benefits for all in the catchment area, including areas beyond Skye itself, such as increased prosperity/income levels resulting from greater economic activity and more visitors. These points are elaborated upon with regard to fragile communities below.

Delivery of health care

5.47 Primary health care provides the first point of contact in the health system, and in the NHS the main source is general practice (GP). There are a number of GP practices in the catchment area, along with community hospitals in Portree and Broadford. Plans are in place for a new hospital to be located in Broadford.

5.48 Secondary care is provided by medical specialists who typically do not have first contact with patients. Currently, a large proportion of the secondary care provision is available within the NHS Highland area, notably at Raigmore Hospital, Inverness, with links from Skye to Inverness important, although some secondary care required by patients is provided in the Central Belt. There is little tertiary care available locally. Tertiary care is typically referral of a patient from primary or secondary care professionals to a facility that has professionals for facilities for advanced medical investigation and treatment.

5.49 Raigmore Hospital in Inverness is up to 150 miles and three hours from parts of the Skye catchment area. The new Hospital to be built in Skye will allow for acute care and some further secondary care as part of service redesign arising from the proposed new facility. However, there will still be the requirement for secondary and tertiary provision outside the area. For some patients, it will also increase the distances to be travelled within Skye for access to health care.

5.50 Evidence from stakeholder consultations indicates that health service delivery in the Skye catchment area could benefit from the introduction of an air service, through improved access to wider healthcare services, including tertiary care. Should an air service be available, patients requiring more specialised care may be able to use the air service to access Glasgow, notably the Queen Elizabeth University Hospital, for treatment in non-emergency cases (NHS Scotland operate a retrieval team for acute care emergencies), although the first preference of NHS Highland may be to use Raigmore Hospital in Inverness wherever possible, given that it is in the same Health Board area.

5.51 There may also be benefits for patient transfers by air. Currently patient transfers to/from Skye have to be delivered by helicopter as the fixed wing service (which uses a King Air B200 aircraft) cannot operate from an unlicensed runway. Operating Broadford as a licensed airport should allow fixed wing operations instead (subject to sufficient runway length), allowing for greater comfort and speed for patients, and lower operating costs for the Air Ambulance Service.

5.52 The air service may also offer greater potential for specialists to visit patients on Skye. It is anticipated that there may be modest use of the service inbound by the NHS and other health care specialists. As chapter 4 indicates, this is already the case as the health sector (hospital and dental services) is the second most common sector for business passengers with a surface origin on Skye travelling outbound from Aberdeen, Edinburgh, Glasgow or Inverness airports and the most common sector for inbound passengers (see 4.81 and 4.82).

5.53 There is also likely to be some outbound use of the air service by NHS staff in Skye for wider training opportunities, although this may be quite modest. Current travel arrangements for training events/courses generally involve car sharing, pool cars or the use of lease vehicles, and ultimately require a lot of staff time away, including overnight stays. Having said that, much of the healthcare provision is orientated around NHS Highland, with connections to Inverness currently more important than those to the Central Belt.

5.54 The NHS faces considerable challenges associated with staff retention and recruitment in the Skye catchment area, including GPs, and in the delivery of NHS healthcare more generally. The presence of an air service may increase the ability to recruit and retain staff, particularly those with links to the Central Belt. A service between Skye and the Central Belt may also help address perceptions of remoteness for patients.

Benefits for Public Transport Users

5.55 As chapter 2 indicates, there are considerable journey times associated with car and public transport travel to the Central Belt. For example, the travel time by bus is between six and seven hours. For all travellers the air service would provide a significantly shorter alternative, especially for those without car access or for non-car drivers. The air service would also enable return day trips, which are not currently feasible. This may be of particular benefit to those with health care requirements that involve specialist services in the Central Belt (as discussed above), and for those with mobility issues.

5.56 The population profile of the Skye catchment area is an ageing one. Not all of this cohort will be car drivers; and the existence of an air service provides an alternative means of travel. However, bus travel continues to be free for those of pensionable age, and as long as this remains the case there may be a relatively small shift in mode, unless the time saving proves important. This extends to all age groups and to reasons for accessing the Central Belt, including leisure, entertainment, cultural or family events. Its use for such purposes was reported by many of those consulted resident in the Skye catchment area.

Impacts on Fragile Areas

5.57 Fragile areas are defined as *"those characterised by weakening communities through population loss, low incomes, limited employment opportunities, poor infrastructure and remoteness"*[39]. As chapter 2 details, nine of the 19 datazones in the catchment area are designated as fragile areas, accounting for 43% of the catchment's population. Both stakeholders and survey respondents consider that the introduction of an air service would help reduce the fragility of the area in one or more ways.

5.58 One of these reasons for the fragility of an area is remoteness. There is a real and perceived sense of isolation and remoteness amongst communities in the catchment area. As chapter 2 indicates, there are some considerable distances to travel within Skye, as well as the long distances thereafter to the Central Belt. One consultee stated:

> *"It would allow for more freedom, greater connectivity – this would potentially help retain population and slow out-migration; travel options would increase – it is a fantastic opportunity."*

5.59 Isolation and remoteness can be felt in a number of ways. Many consultees and respondents pointed to the number of existing family links between Skye and the Central belt. It may be expected that an air service would prove a considerable advantage in maintaining family links, facilitating easier family visits with much reduced travel times, including rapid access in the case of family illness or funerals for example.

> *"I have a mother with dementia in the central belt whom I visit far less regularly than I would like due to travel constraints".*

> *"I would welcome any improvement on the time it currently takes for me to visit my family, or them to visit us. Driving time to the Midlands is in excess of 9 hours, train anything from 10 to 13 hours, and bus/plane anything from 10 to 13 hours as the connections are so badly timed."*

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[39] http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/review-of-fragile-areas-and-employment-action-areas-in-the-highlands-and-islands---executive-summary.html

5.60 Access to services can be limited in rural areas, and this is often exacerbated in more fragile communities. The shorter travel times afforded by an air service enhance the potential for residents of all ages to access the Central Belt for leisure, entertainment, cultural or family events. It also has positive implications for onward travel, especially overseas travel, enabling outbound holidaymakers to fly from Skye using a connecting air service, rather than having to travel overland to another airport, adding considerably to overall journey times.

> *"Social benefits may be bigger… social, family, leisure, shopping travel. People don't think twice about going to Inverness for the day, it may well be with flights they could go to Glasgow for the day."*

5.61 Another feature of fragile areas is population loss and limited employment opportunities. As chapter 2 detailed, although the overall population of the catchment area is increasing, there is a decline in those of working age, between 25 and 44. Part of the reason for this is linked to limited employment opportunities and the out-migration of young people.

5.62 As recent HIE research (2015) into the attitudes and aspirations of young people showed, many of the 15-30 age group in the area still consider local employment opportunities to be poor (less than three in 10 think local opportunities are good, lower than the regional average)[40], with career progression prospects also limited. Further, young people consider there to be considerable challenges in travelling to other parts of Scotland, less than half thinking it easy to do so, again lower than the regional average. An air service in itself will not overcome these transport constraints, but it would provide an alternative means of travel, not just for younger people wishing to stay, but for visiting friends and relatives too.

5.63 There are considerable challenges attracting and retaining those of working age in rural areas such as Skye. More employment opportunities help to attract and retain those of working age, which helps to sustain services including schools and health services (which in turn create further employment opportunities). An air service can help by bringing economic benefits (e.g. new jobs in key sectors) which can attract more people of working age. The service can also help by allowing in-migrants to feel more connected to the Central Belt where they may have strong existing ties.

5.64 There are further social advantages to helping more people live in the catchment area, including the greater numbers who may be able to work from home and/ or commute occasionally should an air service be available. These include participation in social activities and clubs, use of cafes and restaurants and more on-island shopping. By helping more people to live in the area, this helps retain expenditure in the local area. As the case study of Donegal Airport shows, an air service can help attract higher skilled workers to live in area whilst working elsewhere, deriving the quality of life benefits the location offers.

Impact on Regional Cohesion

5.65 Regional cohesion is one of the elements of inclusive growth described in Scotland's Economic Strategy, and refers to the encouragement of economic success and opportunities across all of Scotland. Improving access to ferries and airports is considered as particularly important for rural parts of Scotland.[41] Currently, Skye is the only major population centre (over

40 http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/young-people-and-the-highlands-and-islands--attitudes-and-aspirations-research.html
41 Scotland's Economic Strategy, p68.

10,000 residents) in the Highlands and Islands over two hours from an airport with scheduled air services and over four hours by any mode of transport to the Scottish Central Belt.

5.66 With an air service, the Skye catchment area would receive a similar level of accessibility to/from the Central Belt as other major population centres in the region, supporting the wider aims of regional cohesion in respect of encouraging economic success across all of Scotland. This point was raised by a number of consultees:

> *"[The lack of an air service] makes Skye even remoter than the Western Isles where individuals can get to the Central belt within an hour (flying) with travel from Skye to the Central belt taking at least 5 hours. An air service will offer another alternative to driving and will increase the amenities that Skye can offer."*
>
> *"It makes us far less accessible and so we lose out on many levels to other areas with access to [better] transport connections."*

Key Point Summary

5.67 There are a range of wider economic benefits that may arise in the Skye catchment area should an air service become available. These include longer-term business growth from increased trade outside the area, and supporting development of a more year-round sustainable tourism industry. New investment by (and in) existing businesses can be expected as firms develop more relationships with customers beyond the Skye catchment area. The air service could also allow more links to be made between Skye businesses and those outwith Scotland.

5.68 Improved access to the area via an air service also has the potential to attract new investment *into* the Skye catchment area. This has been the case elsewhere, including Donegal highlighted in chapter 4. Some of this new investment could be of considerable scale linked to growth sectors, such as the Creative industries and Food and drink. The air service could also help attract more professional and higher skilled workers, who can derive quality of life benefits through more opportunities for remote working and easier client contact.

5.69 The social benefits could also be significant. More jobs and business investment would help to strengthen communities by offering greater prospects for local employment and progression, helping to attract and retain more people of working age, including families. The air service also has the potential to reduce actual and perceived sense of isolation and remoteness felt by communities, one of the features of fragile areas, through connecting catchment area residents to family and friends, and to health, cultural and leisure services and facilities. An air service would help to achieve greater regional cohesion, by bringing Skye into line with other major population centres in the Highlands and Islands in terms of accessibility to air services and the Scottish Central Belt.

6 Implications for the Business Case

6.1 This section reviews the 2013 study findings in light of the current research and feedback from businesses and stakeholders. The analysis stops short of a full update of the business plan and associated Benefit-Cost Ratio (BCR) which is beyond the scope of the work. However, the chapter reviews the assumptions made in the 2013 work on the demand and economic benefits side of the equation. Parallel work is being undertaking with respect to costs.

Approach Adopted in the 2013 Study

6.2 The 2013 study reviewed demand for the service both initially and over a 30-year period. The study assessed impacts which were based on:

- The time saving benefits of passenger flying and not driving;
- Grossing up inbound passenger spend for those using an air service;
- Gross GVA impacts and spend and employment based on this spend; and
- Assessing the direct, indirect and induced employment.

Business and Leisure Use

6.3 One of the key assumptions for the 2013 work, in terms of expenditure and hence impact assessment, was that 30% of trips (by the 14,630 forecast passengers) would be for business and 70% for leisure purposes. This was based on CAA data which indicated a benchmark of 32% of trips being used for business purposes for comparator services. This 32% business trip usage was revised down to 30% for the Skye catchment area to reflect both the relatively under-developed Skye business base, and the appeal of Skye as a tourist/ leisure destination.

6.4 Given the appeal of Skye as a leisure destination, the 2013 study also assumed a greater level of inbound return trips than outbound. Compared to a benchmark of 48% inbound trips, the 2013 study assumed 58% of all trips would be inbound, again using CAA comparators. Feedback from those surveyed for this review strongly suggest that an air service would lead to increases in short-break visitors, particularly in the winter season. As such, this may be a reasonable estimate.

6.5 Whilst there is insufficient evidence to revise these assumptions as a result of the current study, the strength of business use identified through the current study suggests that the 2013 assumed level of business use is conservative. There is good short-term demand from businesses surveyed for this study which may be expected to rise over time as the economy strengthens. Over time the proportion of outbound trips may rise as businesses consolidate air service usage and new businesses start-up and locate in the area.

6.6 That said, the positive views from businesses cited in this review require a certain amount of qualification. It is generally accepted that responses to transport studies/ surveys overstate (often considerably) the actual demand for a new service. Partly this is because some respondents will deliberately overstate usage to increase the chances of the new service being introduced (which they may only want to use very occasionally or even to have just as an option). Further, respondents can underestimate the constraints on their travel imposed by the timetable and fares (notably the frequency and times of flights). This may affect their actual use of a new service. For example, the convenience of having a vehicle with you to visit more than one or two clients on a trip to the Central Belt can be more attractive than a flight, especially when clients are located outside of the Glasgow area itself (if this is the service destination).

Stimulated and Diverted Demand

6.7 The 2013 study estimates the annual number of passengers to be 14,630. Of these, based on the previous online business survey, it is estimated that 28% is stimulated demand and 72% diverted demand. This was based on the (then) current travel habits (defined as the trips taken in a typical year) versus stated flight intentions (how many flights in a year).

6.8 As the previous work stated:

> *"On the whole, it is assumed that the majority of traffic using the proposed air service would be diverted from using other modes of transport. However, based on peoples' current travel habits (as stated through the online survey), there is likely to be an increase in the frequency of use of the Skye air service versus current modes of transport, as well as the service making Skye more accessible for potential inbound visitors. Based on the increase in trip demand from the online survey, approximately 28% of demand is expected to be stimulated (i.e.new trips)".* [42]

6.9 At the time of the 2013 study the evidence suggested a 39% uplift in trips, equating to a 28% increase in passengers (i.e. stimulated demand).

6.10 The survey work for this study suggests that three quarters of businesses currently travel to the Central Belt quarterly, and that 40% travel monthly or more frequently. Use of the air service alone is estimated at 45% of businesses using it once a month or more. Our review here does not allow direct comparison with the previous review, however there is little to suggest that the previous findings were in any way misleading.

Monetised Journey Time Savings

6.11 The estimated journey time savings from the introduced air service in the 2013 study were 2 hours 20 minutes[43]. This was monetised using the values of time provided by the Department for Transport (DfT) webTAG guidance (Unit 3.5.6). This converted to £305,000 in year 1 for business time savings and £118,000 for year 1 leisure time savings, and over 30 years (discounted to 2012) a total time saving worth £11.5m.

6.12 Monetising journey time savings in this way is also in accordance with current Scottish Transport Appraisal Guidance (STAG). This assumes journey time savings for businesses translate into a monetary value. Similarly, that leisure time saving can be similarly converted to a monetary value. Multipliers applied to total monetised journey time savings and visitor spend (see below), provide a full assessment of GVA impacts considered.

6.13 However, the findings show that there are likely to be further benefits that should be considered, even if these are non-monetised. As evidenced in chapter 3, and reprised in chapter 5, businesses face considerable travel constraints from the current travel options, not

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[42] http://www.hitrans.org.uk/Documents/Skye_Air_Service_Feasibility_Study.pdf - page 66

[43] Given the considerable travel constraints arising from the journey times by road when they reach a certain duration (e.g. need for further stops) arising from further reliability/seasonality issues, this may be a conservative estimate of the journey time savings.

purely confined to journey time, resulting in additional costs to businesses as well as organisational inefficiency. These include the costs and reduced productivity attached to overnight stays and extended duration of trips given that the often 5-6 hour journey makes day trips unfeasible. Attending morning appointments or meetings, or flight connections at Glasgow Airport may also necessitate travel the previous day with an overnight stop. It is evident that an air service would go some way to reduce the requirement for overnight stays and extended trip duration in addition to providing a simple journey time reduction. These are real benefits to society that an air service would provide in addition to the basic journey time benefits stated above, but unfortunately there is no established methodology for quantifying them. Overall though, the research suggests that these benefits could be just as important as the pure journey time saving provided by an air service.

Inbound Expenditure

6.14 The GVA associated with inbound spend (business and leisure) is considered by the 2013 study. The visitor expenditure estimate assumes that all the inbound visitors to Skye were from Great Britain; and was £293 for business and £235 for leisure spend per trip (in Scotland, rather than the Skye catchment area specifically)[44]. Applied to the 2.2m business trips and 8.9m leisure trips this equalled £6.3m spend over the 30 years, of which a greater amount (£4m) was derived from leisure trips. The 2013 study assumed that just a third (34%) of inbound visitors were from outside Scotland (based on the postcode of respondents) and so £2.1m was additional expenditure to Scotland, rather than to the local area.

6.15 It can be argued that visitors will spend only a proportion of their overall time in Scotland in the study area, and this will reduce spend levels in the Skye catchment area. Many overseas visitors to the Highlands are touring around, especially long haul ones who want to see a lot of the country (having travelled from the other side of the world). Whilst they may be high spenders, that expenditure is spread across the whole of Scotland.

6.16 At the same time, in terms of visitor expenditure, the assumption that all inbound trips are from Great Britain appears conservative (as is mentioned in the 2013 study), and is likely to under-estimate visitor spend per trip which is higher for overseas visitors (which may more than off-set any reduction in expenditure at 6.15 above). This is particularly the case given the current review feedback from businesses regarding the potential for increases in *overseas* tourists/leisure visits, and the non-tourism business international trade links. Overall, there is insufficient data from the current review to revise the inbound expenditure estimates made in the 2013 study. However, the evidence suggests that estimated visitor expenditure at that time was relatively conservative given the potential for more overseas and higher spending visitors to be making use of the air service.

Employment and Multipliers

6.17 Employment effects are assessed in the 2013 study, estimated as 13 Full Time Equivalent (FTE) jobs, although these relate only to those directly at the airport itself, plus 7 indirect and 5 induced FTE (associated with the airport jobs). Given the experience of other airports, and the long-term potential economic benefits to businesses, again this may be a conservative estimate. There will be a positive employment effect associated with any uplift in business turnover as a result of the air service, with £50-£100,000 increase in turnover equivalent for 1 FTE depending on the sector.

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[44] Source: VisitScotland, cited in http://www.hitrans.org.uk/Documents/Skye_Air_Service_Feasibility_Study.pdf

Economic Growth Benefits

6.18 This study has identified significant potential for economic growth in the Skye catchment relating to air services. In transport appraisals, including the 2013 study, economic growth measures (such as increased turnover or GVA) are not usually shown separately to the monetised journey time impacts, because there is a direct relationship between the two. In most cases it easier to calculate robust journey time/cost impacts than to produce a robust estimate of business turnover or GVA impacts.

6.19 For Skye air services, it is evident that reduced travel constraints would allow businesses to operate more efficiently and would facilitate increased business activity for the various reasons outlined in the previous chapter. More than 80% of businesses consider they would increase their levels of sales as a result of the air service, a third significantly so. Notwithstanding the caveat at 6.6 about businesses over-stating air service use, this could lead to new investment by both existing businesses, and new businesses coming into the area. Given the unavoidable uncertainty in a relatively small economy around future business growth and investment decisions and the difficulty of attributing such things to the presence of an air service, even after it has been implemented, it is not possible to produce a robust estimate of economic benefits as might be measured by turnover or GVA, beyond that which has already been estimated in relation to forecast visitor expenditure.

6.20 This therefore places the onus on a) the journey time/cost impact analysis to fully capture the travel benefits that an air service would provide, and b) the economic and social impact analysis to explain clearly the economic and social outcomes (i.e. in terms of potential business growth, investment, contribution to social goals) that would result. As noted above, this study has determined that the journey time benefits calculated in 2013 do not include the impacts associated with reduced need for overnight stays and extended trips, and that these are potentially as important as the pure journey time reduction from a traveller and business perspective. This, along with the resulting business growth impacts anticipated in Tourism, Creative industries, Food and drink, etc. suggests that air services would have a more significant economic impact than the 2013 study indicated.

Key Point Summary

6.21 It is beyond the scope of this study to fully re-run the last economic impact assessment and BCR. However, the evidence from this review does not undermine the assumptions made in the 2013 study. Rather, the assumptions used in the 2013 review can be seen as conservative in light of the current study evidence. This is particularly around levels of passenger-related inbound spend, which may be higher than the 2013 study estimates, and business use of the service, where demand for the service may be higher than previously indicated.

6.22 The 2013 study estimated journey time savings from the proposed air service as 2 hours and 20 minutes, and this was converted to a total time saving worth £11.5m. The evidence from this review is that there are further business constraints from the current travel options that are additional to the pure journey time savings (such as the need or overnight stays or extended trip durations to make appointments or connecting travel). Removing these travel constraints through the introduction of an air service will bring considerable economic benefits as a result of business efficiencies and increased sales/turnover (in new and existing businesses). This will lead to what may be substantial new business investment as businesses are able to invest as a result of new markets and increased demand for their goods and services, bringing considerable positive benefits to the area. The current review provides a greater understanding of the economic and social benefits from addressing current travel constraints, and shows that these would exceed the basic journey time benefits stated in the 2013 study. Although there is no established methodology for quantifying these impacts, it may be expected that they would result in significant GVA benefits.

6.23 More widely, there will be further non-monetised impacts associated with labour market efficiencies arising from the travel improvements. These are likely to be more marginal, yet still important. Businesses will find it easier to recruit, and the air service may enable more to live in the Skye catchment area and work elsewhere. The air service will also increase access by visitors, particularly certain markets, such as short-break visitors.

7 Conclusions

7.1 The report presents the findings from the socio-economic impact review of re-introducing an air service to Skye. The research has drawn on the views of close to 200 businesses, 10% of which have been consulted in-depth, as well as the views of key stakeholders and community organisations.

The Skye Catchment Area

7.2 The Skye air service catchment area population is growing, as is the business base, although employment growth post-recession has not matched that of the Highlands and Islands or Scotland. The population is dispersed and sparse, and population growth has been amongst the elderly. The working age population has fallen year on year since 2007.

7.3 Business base growth has been strong in the last five years, and so has employment growth in some sectors, a number of which are air intensive (for example Creative industries). This is despite the geographical challenges of the area. Over a fifth of employment is in accommodation and food services, underlying the importance of tourism to the local economy. This sector has grown strongly over recent years and an air service may be expected to facilitate further growth by providing an additional way of accessing the area.

7.4 The professional, scientific and technical sector is under-represented, and despite strong (and positive) recent growth, this is still from a low base. In general the area lacks Financial and business services, as well as Information and communication businesses, and Business services employment has actually fallen in recent years. These are typically air intensive services, and sectors that could benefit the area significantly in terms of new businesses and activity. Professionals in these sectors can be attracted by the quality of life benefits of living in Skye and working remotely and/or long distance commuting, which an air service would make more feasible. This has happened elsewhere, for example Donegal.

7.5 Overall, the business base has few large companies who are usually more air intensive users, although there are signs some small businesses are growing in size. The area is typified by small, geographically dispersed businesses and population, remote from the Central Belt and with long distances to travel even within the Skye catchment area.

Current Travel Constraints

7.6 The present travel connectivity provides considerable challenges for businesses and organisations. Journey times by car to the Central Belt are typically 5 to 5½ hours (with relatively free-flowing traffic), which can easily rise to more than 6 hours allowing for journey breaks en route, especially from the north/north west of the catchment area. This does not make day trips to the Central Belt really feasible by car, and neither are day trips possible by public transport. The result is overnight stays, extended trip duration and more time away from the businesses. Yet 85% of Skye businesses are currently making this journey, 40% are doing so once a month of more.

7.7 These travel constraints negatively impact on business access to customers/markets, networking and business development activity and getting customers to visit the business, including those inbound from the London area and other parts of the UK, as well as those from the Central Belt. This has a knock-on effect on sales and a negative impact on levels of business investment, as well as increasing business costs. Travel to the Central Belt is viewed by businesses and organisations as very inconvenient, including driver stress and poor driving conditions, and these travel constraints in turn affect the ability of businesses and individuals to travel onwards beyond the Central Belt, for example London or the Midlands. These constraints typically affect 70%-80% of businesses – and for up to a quarter these are severe constraints.

Potential Use of the Air Service

7.8 The evidence from the review is that there is strong demand for an air service from survey respondents, and the distance of the catchment area from the Central Belt makes an air service attractive to both residents and businesses. In all, three in four would make use of the service at least quarterly, and a third at least monthly. Although not directly comparable, this suggests a higher level of use amongst businesses than identified in the 2013 study (which included non-business users). A large proportion of businesses, including more than half of all non-tourism businesses, trade outside Scotland and six in 10 consider journey times to the Central Belt to be poor, with driving conditions (seasonal volumes, winter weather) also cited to be a challenge. There is a similar level of interest amongst businesses for inbound use of an air service.

7.9 A quarter of businesses would use the air service to the Central Belt for onward connections, extending the reach of businesses to more customers. Day trips may be possible onward to London and other UK destinations for meetings with business customers and clients (depending on connection times) should an air service be available from Skye to the Central Belt rather than an initial road trip to Glasgow or Inverness. Businesses in the Skye catchment area are very reliant on the location for their business and an air service would help address a range of current constraints they face, in particular the ability to meet customers, develop relationships and access new markets.

7.10 Some parts of the tourist market will use the air service, and businesses anticipate a boost in demand for short/winter breaks in particular, although there is likely to be all year round demand. Whilst this is most likely to benefit high-end tourist establishments, the price – at £200 return identified in the 2013 study – is considered to be a level that will attract a wide range of visitor markets.

Short-Term Economic Impacts

7.11 Immediate impacts would include a growth in business confidence and ability to network and develop new trade, although businesses will start by increasing their service to existing customers. There should start to be an increase in sales generated by businesses, particularly in sectors which are more air intensive, as new opportunities to meet customers and potential customers generate new market opportunities.

7.12 There are a number of sectors that may be expected to derive immediate benefits. These include the Creative industries and professional services, where the air service allows new customers to be met and sales leads generated. In the short to medium term (over the next five years) SMO would be able to start to develop its conference business further. This is currently constrained by the challenging logistics of getting delegates to Skye, although the air service would be just one of the travel options for delegates.

7.13 There would be early benefits in terms of an altered/improved perception of the Skye catchment area as an accessible location. This is likely to bring benefits to businesses in the tourism and non-tourism sectors alike. Tourism has been a strong driver of recent economic growth and an air service would further boost visitor numbers, benefiting a range of related and dependent sectors. This is likely to include the short break market, allowing visitors more time to spend in the catchment area, and attracting those 'cash rich and time poor'. The impact in terms of total visitor numbers to Skye will be very small, though given the limited capacity of the air services compared to traffic via existing road, rail and ferry routes into the area.

Longer-Term Economic Outcomes

7.14 Over the longer-term, there could be further economic consequences, such as the development of the Life sciences sector, linked to the hospital development, Gaeltec and Sitekit as an anchor business, and others where there are longer investment horizons, such as renewables. Although a number of other factors would need to be considered, Kishorn Port could become a more attractive location for potential investors. These sectors are air intensive, but there are also longer-term investment decisions required. There is potential for an air service to provide more certainty (and reduced risk) for investors.

7.15 A number of the sectors that may benefit in the short-term have the potential to grow and develop over the longer-term. These include the professional services and the Creative industries, both of which have a tendency to benefit from an increased critical mass. For the Creative industries, there will be greater opportunities for collaboration (such as the film/media sector) and a greater ability to attract and secure investment. For the professional services, there will be increased opportunities from more local as well as beyond catchment-area markets.

7.16 Over the longer-term there may be further opportunities to develop air links, potentially into freight and for more charter services. This may benefit the Food and drink sector depending on the nature of the product, as well as some manufacturing businesses. This may not extend to a dedicated freight service. However, freight can be moved (in small quantities) where its requirements are met by the scheduled service's timetable and when there is enough space in the hold. There may also be a demand for charter services, but would probably be limited to additional (non-scheduled) operations using the proposed 18-seat Twin Otter aircraft.

Social and Community Benefits

7.17 There are a range of social benefits that may arise from an air service. These include a reduction in real and perceived remoteness and isolation, attraction and retention of young people and others via stronger connections to friends and relatives, increased access to leisure and other Central Belt offers and more inbound access to community and other groups. In turn, these benefits may help increase the sustainability of the Skye catchment area, especially in the longer-term. In terms of the impacts on fragile areas, this relates to the increased numbers in employment in the area, and the associated income generated and retained in Skye, given that limited job opportunities is a key cause of fragility. A greater number of younger, economically active people allows more services to be sustained, including schools and health facilities.

7.18 There will be a certain usage of the air service for personal use, for example related to health, visiting family and friends (especially where rapid access is required). It can also allow for holiday connections where the increased costs of air travel can be justified as part of the overall cost of the holiday, and where it is convenient to land at Glasgow airport for ongoing connections. This will help reduce the perceptions of isolation, and help further sustain the air service.

7.19 There are also potentially considerable additional benefits to the Skye catchment area population in terms of access to health care provision, notably additional secondary and tertiary care, including greater ease of inbound access to Skye by health care professionals. Those employed in the health sector are amongst the most common inbound and outbound business users of other major Scottish airports amongst those with a surface origin in Skye.

7.20 An air service would also contribute to regional cohesion, which is the encouragement of economic success and opportunities across all of Scotland. Skye is the only major population centre (of more than 10,000 residents) in the Highlands and Islands more than two hours from an airport with scheduled air services, and over four hours drive time from the Central Belt. An air service would provide an alternative means of travelling to the Central Belt, particularly for those unable to drive or without car access, and would make Skye more equitable with other similarly populated parts of the region.

Implications for the Business Case

7.21 The current review has reinforced the assumptions made in the 2013 study in terms of demand for the service and levels of inbound visitor expenditure, noting that they may be considered conservative. It also identified additional benefits that are likely to arise (over and above the 2 hours 20 minutes journey time savings quantified in the 2013 study), notably from the reduction in the need for overnight stays and extended trip duration. The removal of such travel constraints would result in further economic benefits associated with new business activity and investment. Some eight in 10 businesses estimate they would increase their sales as a result of the air service, and notwithstanding that some usage and benefits may be over-stated, these additional sales will allow substantial new business investment, particularly over the medium to long-term. This will help underpin the economy of the Skye catchment area. Although there is no established methodology for quantifying the economic and social benefits, this review provides a much better understanding of the full range of impacts (over and above the pure journey time savings) that may arise by addressing the (considerable) current travel issues through an air service. If quantification of the benefits were possible, these are likely to be significant GVA impacts.

Concluding Remark

7.22 The introduction of an air service would bring significant economic and social benefits to the Skye catchment area. The evidence from this review supports the 2013 study findings, in confirming demand for a twice daily air service to Glasgow. The air service would allow more business to be undertaken by firms in the catchment area, and allow greater levels of inbound travel, including by tourists and investors. Some inbound business visitors will be providing specialist services/ skills that are in short supply within the study area's economy. There would be ancillary social and community benefits and a more sustainable population. The review provides greater understanding of the economic and social impacts, and these are likely to generate significant levels of GVA.

7.23 The air service would not be the only requirement for maximising economic growth and increasing the sustainability of the area. The lack of affordable housing is a barrier to retaining working people, and digital connectivity remains an important issue. However, an air service would reduce the long journey times to the Central Belt experienced by businesses and residents, and help to addresses what are considerable travel constraints. As well as, helping to develop the economy of Skye and its environs, this could further support underpinning some of the encouraging signs of growth evident in recent years.

Appendix A: List of Consultees

Stakeholders and Community Organisations

Stakeholders and Community Organisation	Businesses
HIE	Eilean Donan Castle
Highland Council (transport and economic development)	SkyeSkyns
	Isle of Skye Brewing Ltd.
Sabhal Mòr Ostaig and Fly Skye	Rural Design Architects
NHS	Loch Lomond Seaplanes
HITRANS	Cuillin Hills Hotel
Creative Scotland	Sconser Scallops
Scottish Natural Heritage	MacKenzie Building
Skye Marketing Group	Ardvasar Hotel
Sleat Transport Forum/ Visit Sleat	Torridon Hotel
BT	Ragamuffin
Business Gateway	Isle of Skye Chocolate Company
Skye and Lochalsh Council for Voluntary Organisations	Young Films
	Dunvegan Hotel
Uig Community Trust	Ferguson Transport/ Kishorn Port
Staffin Trust	Campbell Stewart MacLennan & Co
Glendale Trust	Stein Inn
	Gus's Taxis
	Three Chimneys
	Just Hooked

Appendix B: Case Study Supporting Information

Donegal

This review of Donegal Airport was based on, first, information collected through a websearch or provided by consultees. Second, the results of a survey of 144 departing passengers at Donegal Airport during June 2013, which were supplied to us by the Airport.

Third, six telephone consultations, with:

- Donegal County Council (Tourism).
- Government of Ireland-Department of Transport, Tourism and Sport (Airports Division).
- Fáilte Ireland (Client Services Manager, Donegal). They are the national tourism development authority.
- Údarás na Gaeltachta (Tourism, Planning & Policy)-the regional authority responsible for the economic, social and cultural development of the Gaeltacht (Irish speaking areas).
- Western Development Commission (Policy Analyst). WDC is a statutory body which promotes social and economic development in the Western Region of Ireland.

Donegal Airport – Additional Information

The Airport has the following air operations:

- Two scheduled passenger services (Dublin, Glasgow).
- Charter services from Scotland and Norway. These connect with helicopters that fly to offshore rigs.
- Business and other private aircraft, and general aviation.

Donegal Economic Structure – Additional Information

In 2011 *Services* accounted for most (72%) of employment in Donegal. This was followed by 15% in *Industry & Construction*, and around 7% in *Agriculture, Forestry & Fishing*.

The most significant industrial sub-sectors, together accounting for around 50% of *Industrial* employment, were:

- Manufacture of Food Products.
- Other Manufacturing.
- Manufacture of Electrical Equipment.

WDC's 2014 *Business Demography* report notes the following features of the Donegal economy:

- A low per capita number of private enterprises.
- A high rate of self-employment, partly attributable to the importance of farming.
- Traditional sectors (construction and industry) and local service sectors (retail, hospitality, transport) play a more important role than knowledge intensive services.
- A less diverse mix of enterprises, by sector, than in the more urban counties.

- A relatively high share of *Accommodation and Food Service* enterprises, which could be taken as a proxy for tourism businesses. Demand for these services is noted as being strongly seasonal.

The sector of enterprises described is shown at **Table B2.1**.

Table B2.1: County Donegal: Enterprises By Sector		
Sector	**Number of Enterprises**	**Share of Total**
Wholesale & Retail	1,394	25%
Construction	1,308	23%
Accommodation & Food	730	13%
Industry	462	8%
Professional, Scientific & Technical	446	8%
Transport & Storage	322	6%
Administrative & Support	247	4%
Real Estate	247	4%
Education	244	4%
Information & Communications	113	2%
Financial & Insurance	68	1%
Total	**5,581**	**100%**

Source: WDC *Business Demography* report 2014. Data do not include farming

The main points to note are the:

- Dominance of the three largest sectors which collectively account for over 60% of all Donegal enterprises. Construction alone accounts for almost one quarter of the total number.
- The low share (8%) of enterprises that are in the *Industry* sector.

Key Sectors and Businesses

Tourism - despite the sector's importance, some consultees view it as being less well developed than in more established destinations like Kerry and Clare. This was in part attributed to a limited dispersal of international visitors arriving in Dublin. There was a feeling that visitors have tended to be signposted to more accessible parts of Ireland rather than Donegal. It was also felt that Donegal suffers because it is distant from the two main airports for international visitors (Dublin and Shannon).

While still in its infancy, the initiative is seen as having great potential to increase tourism activity in Donegal. First, through raising awareness of what Donegal offers which has been less well known compared to established tourism destinations elsewhere in Ireland. Second, by growing the visitor market outside the peak months of July and August when accommodation tends to be fully booked.

Donegal Airport is seen as having an important role in generating economic benefits from the Wild Atlantic Way. For example, it allows international visitors to fly into Dublin, connect on to

Donegal Airport and then hire a car to drive south, finally flying out of Ireland from Shannon Airport. Without the airport Donegal might otherwise be viewed as a “dead end”.

Various agencies are keen to ensure that local tourism businesses refer to Donegal Airport in their marketing. It was estimated that only around half do so, but it was felt that the other half do recognise that there would be value in referring to it. One consultee felt that 4* and 5* accommodation providers are particularly likely to advertise the airport in their marketing.

More widely, air offers rapid access to the visitor. Some consultees felt that the flights to Donegal Airport made a visit more attractive to those:

- On a short break of 3-5 days; or
- Staying longer in Ireland but wishing to spend only a few days in each area.

This is through avoiding time being eaten into by a relatively long surface journey to Donegal. Further, air fits with the trend of people looking to book much closer to the day of travel. This can include watching the weather forecast to decide if a trip to an area will be undertaken.

There are efforts to attract more conference business to Donegal. At present the main ones are either local or regional, although there have been some national conferences (e.g. Irish National Language Festival). The potential for larger conferences is seen as limited by the number of available bedspaces and, to a lesser extent, the size of venues.

There are two **HEI** sites in Donegal. They are in Letterkenny and at Killybegs in south Donegal. As well a teaching a range of subjects their main research interests include:

- Biotechnology.
- Renewable/Alternative Energy.
- Computer Games/Digital Animation.
- Electronics, Production and Innovation Technology.

Consultees were unsure as to the importance of the airport to the HEIs-although it was thought it will be useful for international travel (both inbound and outbound). This is likely given Letterkenny Institute’s website states that it has students from 31 different countries, and the types of research interests shown earlier (notably biotech).

As noted earlier **Gweedore Business Park** is a major factor in Údarás na Gaeltachta’s support for Donegal Airport. It houses a number of significant employers including:

- Contact centre.
- Metal components manufacturing.
- Packaging manufacturing.
- Protective clothing manufacturing.
- Road vehicle testing.
- Seafood processing.

The Business Park and the wider area had previously been home to a number of high volume manufacturers. However, they were reported as having dwindled over the years due to high transport costs. There now appears to be an emphasis on attracting higher valued-added manufacturing for whom transport costs are less of an issue.

The Business Park also houses an Innovation Centre. It offers support to knowledge-based enterprises and provides fully serviced workspace for start-up and early stage businesses.

An initiative is currently underway to create an additional 300 jobs on the business park over the next three years. The target sectors for this-and creation of employment elsewhere in the Gaeltacht area of Donegal-are:

- Food & Beverage.
- Marine Resource-e.g. aquaculture, seaweed.
- Engineering.
- Tourism.
- Internationally Traded Services-e.g. IT, marketing.

The initiative also recognises the enterprise potential of Irish language based enterprises and the Creative industries. However, as an example, Donegal's TV and film production sub-sector is seen as being very limited, comprising just a handful of very small companies. It was reported that when companies from elsewhere film in Donegal they tend not to fly. Rather, they drive up from Dublin as they are bringing equipment with them.

Consultees see the airport as an important or even crucial selling point for marketing Gweedore Business Park to potential tenants. A number of businesses are internationally-owned and/or have international clients. A proportion are long established indigenous companies that were taken over by international groups.

It was thought that these and other large companies in the area (e.g. high end medical devices, value added seaweed products) will make some use of the airport for staff travel. It was also reported that these companies do not appear to have problems in getting customers to visit their premises.

One consultee also saw the presence of Donegal Airport as making it easier for companies to attract staff. While quality of life is an important attractor staff moving to the area are also looking for easy access to other places during their time off.

Where a view was expressed it was that the airport is important to larger companies in the area. It is not always a key influence on location or investment decisions. Rather, it can be an added bonus to the other facets that the area offers (e.g. labour, natural resources), thus forming part of an overall package. Some companies may be attracted by the presence of Donegal Airport but in fact do not make that much use of it once they are established.

The employment initiative referred to above includes greater collaboration between Donegal Airport and local enterprises to enhance the existing air services. This relates to both business and leisure travel-again recognising the role of air services in helping to attract/retain employees.

Structure of the Local Economy

As noted earlier Donegal Airport's main catchment area is the Glenties area. There is less detailed information available on its economic structure. However, available data on employment from the 2011 Census is shown at **Table B2.2**.

Table B2.2: Glenties Area: Employment Structure

Sector	Number of Jobs	Share of Total
Professional Services	2,042	27%
Commerce and Trade	1,423	19%
Other	1,306	17%
Manufacturing	839	11%
Construction	550	7%
Public Administration	478	6%
Agriculture, Forestry and Fishing	456	6%
Transport and Communications	443	6%
Total	**7,537**	**100%**

Source: 2011 Census

It shows that most employment is in various service sectors. Nevertheless, more than one in ten jobs are in Manufacturing, a further 7% in Construction and 6% in primary activities.

Passenger Services at Donegal Airport – Additional Information

The aircraft is based overnight at Donegal. There are two outbound return flights per day and one inbound per day and the flight time is 50 minutes. The current timetable is shown at **Table B2.3**.

Table B2.3: Donegal-Dublin Timetable: Winter 2015-16

Donegal to Dublin								
Depart	**Arrive**	**Days of Service**						
1030	1125	-	-	-	-	-	-	Sun
0755	0845	M	Tu	W	Th	F	Sat	-
1440	1530	M	Tu	-	Th	-	Sat	-
1725	1815	-	-	W	-	F		Sun
Dublin to Donegal								
Depart	**Arrive**	**Days of Service**						
1315	1420	M	Tu	W	Th	F	Sat	Sun
1900	1950	M	Tu	W	Th	F	Sat	Sun

On six days of the week the first flight departs at 0755 arriving in Dublin at 0845. That offers between around 4½ and 10 hours for a day trip to Dublin, depending on which of the two return flights from Dublin is used to return.

The first flight from Dublin is in the early afternoon. As a result no meaningful day trips is possible from Dublin to Donegal.

The second scheduled service is to Glasgow. A single afternoon rotation is operated on three days per week in winter and four per week in summer (Monday, Thursday, Friday and Sunday). As the aircraft returns immediately from Glasgow no day trip is possible in either direction.

Passenger Numbers – Additional Information

Passenger numbers on the two scheduled services are shown at **Table B2.4**.

Table B2.4: Carryings On Scheduled Services

	2011	2012	2013	2014
Dublin	25,187	19,796	21,404	23,755
Glasgow	7,631	8,269	9,114	9,491

Sources: *Ireland's Regional Airports Programme 2015-2019* (Government of Ireland, 2015) and UK CAA

Table B2.5 describes Glasgow passenger carryings by month.

Table B2.5: Donegal-Glasgow Carryings: 2014

Month	Passengers	Share of Annual Traffic
January	606	6%
February	561	6%
March	579	6%
April	805	8%
May	755	8%
June	830	9%
July	1,272	13%
August	1,308	14%
September	717	8%
October	755	8%
November	587	6%
December	716	8%
Total	**9,491**	**100%**

Source: UK CAA

There is a clear seasonal uplift, with a spike in demand in July and August. These two months see more than one quarter of total annual carryings. There is not a large difference in carryings in the other months, although demand is clearly higher in June and April.

Profile and Views of Donegal Airport Passengers – Additional Information

All Passengers

The 2013 Donegal Airport survey also collected information on passengers' **place of residence**. The results are shown at **Table B2.6**.

Table B2.6: Donegal Airport Passengers Place Of Residence: (% Of All Passengers)	
Within Airport Catchment	
Glenties	45%
Donegal	9%
Letterkenny	8%
Stranorlar	3%
Elsewhere	
Dublin	13%
Scotland	10%
Other UK	1%
Other Europe	4%
Rest of The World	8%

Source: 2013 Donegal Airport Passenger Survey

Glasgow Passengers

Further information is available from the 2013 CAA Passenger Survey which is undertaken throughout the year at Glasgow Airport. The results are summarised at **Table B2.7**.

Table B2.7: Donegal-Glasgow Passenger Profile			
Purpose	**Inbound To Donegal**	**Outbound From Donegal**	**Total**
Business	3%	18%	**21%**
Non-Business	54%	26%	**80%**
Total	**57%**	**44%**	**100%**

Source: UK CAA Passenger Survey 2013

Passengers' Views

The 2013 Donegal Airport survey asked all passengers about the wider role of the Airport. Some of the results are shown at **Table B2.8**.

Table B2.8: How Important Do You Rate Donegal Airport & Its Services?			
	Essential	**Important**	**Not Important**
To the Region	89%	11%	0%
For Business Use	85%	9%	6%
For Personal Use	88%	9%	3%

Source: 2013 Donegal Airport Passenger Survey

Survey respondents were then asked to rate the importance of Donegal Airport to the local region in relation to a number of aspects. This was on a scale of 1 to 5, where the higher the score the greater the importance of the Airport. The results are shown at **Table B2.9**.

Table B2.9: Importance Of The Role Of Donegal Airport To The Local Region (% Of All Respondents)			
Aspect/Rating	**Between 4 and 5**	**Between 3 and 4**	**Between 1 and 3**
Leisure visits to Dublin	88	12	0
Health visits to Dublin	83	10	7
Business access	81	12	7
Tourism access	68	20	12
National integration/public administration	62	16	22
Education access	33	28	39
Social inclusion	29	24	47

Source: 2013 Donegal Airport Passenger Survey. Figures exclude non-respondents to specific questions

The Airport is seen as having an important role for the aspects covered. It scored most highly for *Leisure visits to Dublin*, followed by *Business Access* and then *Health visits to Dublin*. In each case more than 80% of respondents rated the airport's importance between "4" and "5".

The findings are slightly less positive for *Tourism access* and *National integration/public administration*, although over 75% rated the airport's contribution as more than a "3".

The Airport is seen as having the least important role in supporting *Social inclusion* and *Education access*. Most respondents rated these as no more than "3". Yet in both cases more than half the respondents rated its importance between "3" and "5".

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