Economic and social benefits of proposed air services at Skye Airport

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29th January 2016

About the study

Introduction

- In September 2015, Highlands and Islands Enterprise (HIE) commissioned ekosgen, with Reference Economic Consultants, to assess the potential economic, social and community benefits of re-introducing the air service between Glasgow and Ashaig (Broadford) in Skye
- This study follows a 2013 study[1] into the feasibility of re-establishing the air link, which identified that further work was required to inform investment decisions
- This presentation summarises what is one of a number of reports informing the case for investment in the air service.

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

Our brief

- Assess the potential economic, social and community benefits of proposed air service
- Consider how local businesses/social enterprises perceive an air service – and how this can translate to economic growth
- Review the impact for fragile areas and contribution to regional cohesion
- Review 2013 findings in light of outcomes identified through this study

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The context

- 2013 study recommended more work on:
  - The technical aspects and infrastructure and facility requirements (a separate study); and
  - The potential wider economic and social growth and benefits that could be realised (this review)
- Catchment area = Skye, Lochalsh, and the adjoining areas of Wester Ross including Torridon, Kishorn and Lochcarron

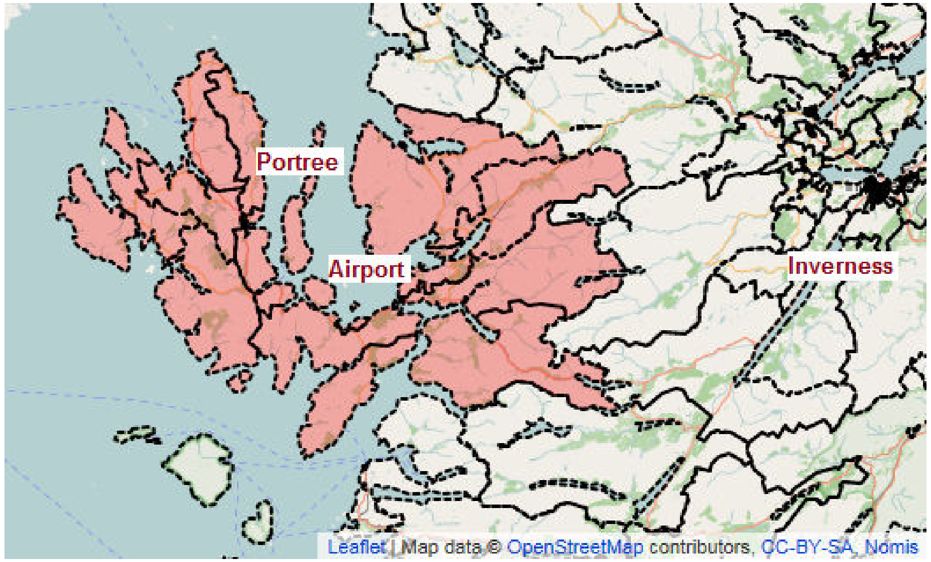
What we have done

- Interviewed 20 key businesses in the catchment area
- Analysed 179 responses from businesses and social enterprises via an online survey
- Consulted 15 stakeholders, including community organisations
- Developed a socio-economic profile of the catchment area
- Examined 3 key case study airports, and comparator west of Scotland air services
- Reviewed the 2013 study

Socio-economic Profile

Catchment area profile

- Portree = 217 miles from Glasgow (via bridge)
- Dispersed population
- 12 of 19 datazones = 3% most deprived for Geographic Access to Services; 9 = Fragile Areas



For example large distances within area by car:

- Portree-Broadford = 31 minutes; 26 miles
- Broadford-Dunvegan = 48 minutes; 39 miles
- Broadford-Carbost = 32 minutes; 24 miles

Connectivity by car

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

Source: Google Maps

Please note: all times are based on journey times with free-flowing traffic

Journey times routinely reported as more when traffic factored in – Portree to Glasgow Airport typically 5 hours to 5 ½ hours

Connectivity by train and bus

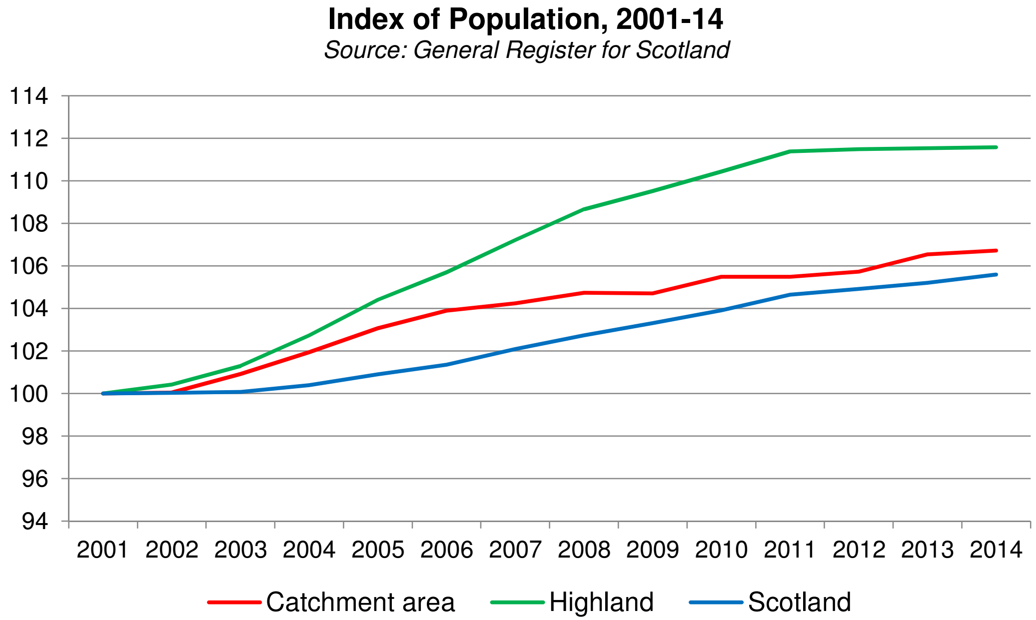
Public Transport Connectivity Outwith Skye			
From/ to	Glasgow Bus Stn	Edinburgh Bus Stn	Inverness Bus Stn
Portree	6 hrs 15 mins Earliest arrival time: 14.04; Latest departure time: 15.00	7 hrs 48 mins Earliest arrival time: 15.49; Latest departure time: 13.05	3 hrs 5 mins Earliest arrival time: 12.16; 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

Key point = cannot make a day trip to the Central Belt by public transport. Can require 2 overnight stays for 1 appointment.

Population Changes in Catchment

- Strong growth since 2001, to 14,500
- Projected to grow by 3% by 2024
- But, loss of those aged 25-44
- And fastest growth in those aged 65-79

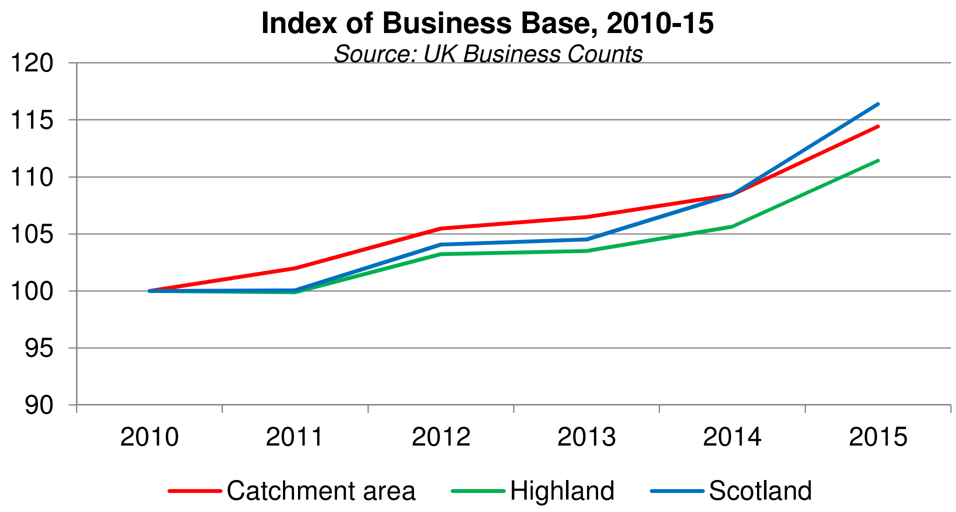


Business Base

- Business base of 1,150
- Strong growth in last 5 years
- 99% = micro/small (+ 15% are self-employed)

Key sectors =

- Agriculture, forestry and fishing (30% of the total)
- Accommodation and food services (13%)
- Construction (12%)



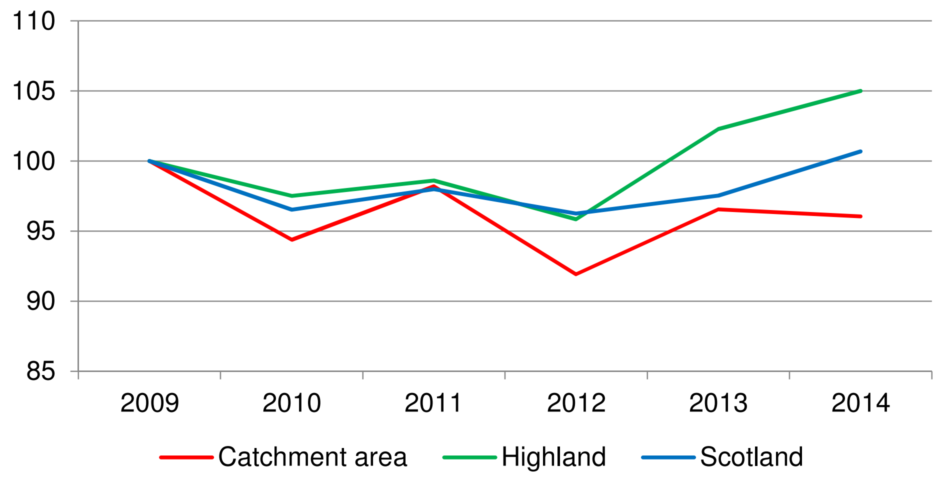
- Business optimism about their future growth (36% strong and 33% moderate)
- Fastest growing sector = professional, scientific and technical (up 64% last 5 years)

Employment

- 6,000 employees in employment
- Uneven since last recession
- Tourism = largest employer (21% of all employment)
- Then public sector – education (16%) and health (10%)
- Then Creative industries (6%) and Transport/ Storage (6%)

Index of Employment, 2009-14

Source: Business Register and Employment Survey



- Fastest growing sector = Creative industries (+30% last 5 years)
- Tourism (+4%) faster than H&I growth rate

Socio-economic issues summary

- Dispersed population, a long distance from the Central Belt, and considerable distance from Inverness
- Long journey times by car and by public transport
- Significant travel constraints, including need for overnight stays over and above long journey times
- More than half the datazones are designated as Fragile Areas; the population is ageing and population loss amongst key 25-44 age group (a feature of Fragility)
- Small business base, and employment decline, although some private sector growth evident, including Creative Industries, Tourism and Food and drink, Professional/Scientific/Technical

Views of Local Businesses

Profile of those surveyed

- Over half (56%) were tourism businesses
- And 22% were Creative industries
- Otherwise broad sector representation
- And from across the catchment area
- 8% of online responses from businesses outside the catchment area
- A quarter employ 10 or more – so views of larger businesses captured

Customers, Competitors, Sector Trends

- **54%** of businesses have significant proportion (60%+) of customers outwith Scotland
  - **80%** of non-tourism business have non-Scottish customers
- Only **21%** have predominantly local market
- Suppliers largely Scottish but not necessarily local
  - Many from Glasgow, Inverness
- Certain local competition amongst tourism businesses, non-tourism much less so
  - Some have **no** local/national competitors

Importance of location

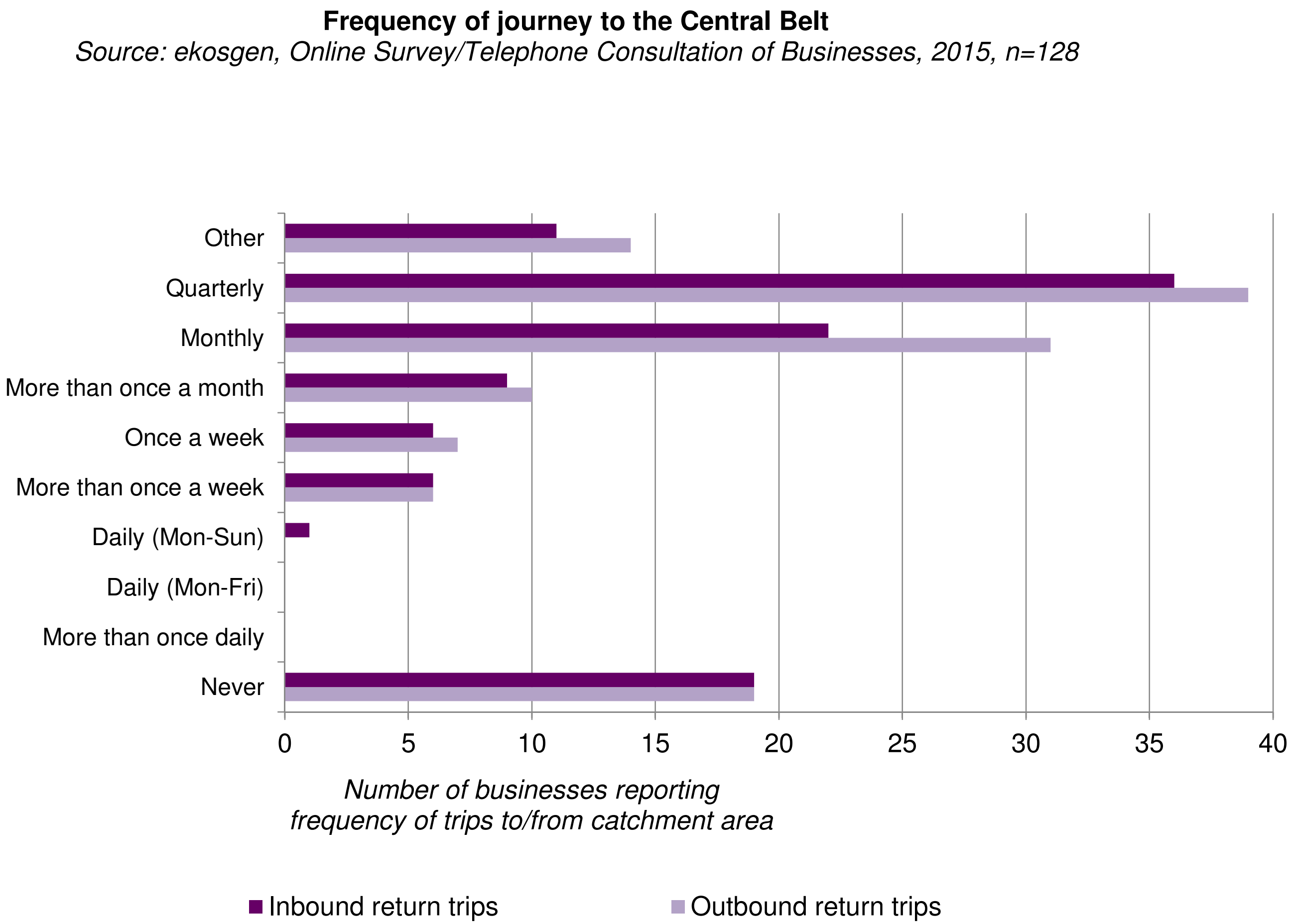
- Location is **strong positive factor** for businesses…
  - Many are location-dependent
  - Good work-life balance, quality of life
  - Prestige factor – the Skye ‘brand’

- …but is also the **most constraining factor**
  - Geographical remoteness, inaccessibility
  - Impact on attracting customers to visit the area
  - Barrier to markets, networking

Current movement/travel

- Frequent movement of goods to/from area important for businesses, and for suppliers
  - Notably Accommodation/food services (tourism), Retail and Food and drink sectors
- And for movement of staff (e.g. Creative industries)
- Movement of customers, particularly tourists, also critical
  - International tourists travel to Skye from Glasgow, Edinburgh, Inverness Airports
    - Many by (hire) car, also bus/train
- **89%** of businesses travel to Central Belt
  - **More than 40%** monthly or more frequently
  - **84%** by car most of the time

Current travel to Central Belt



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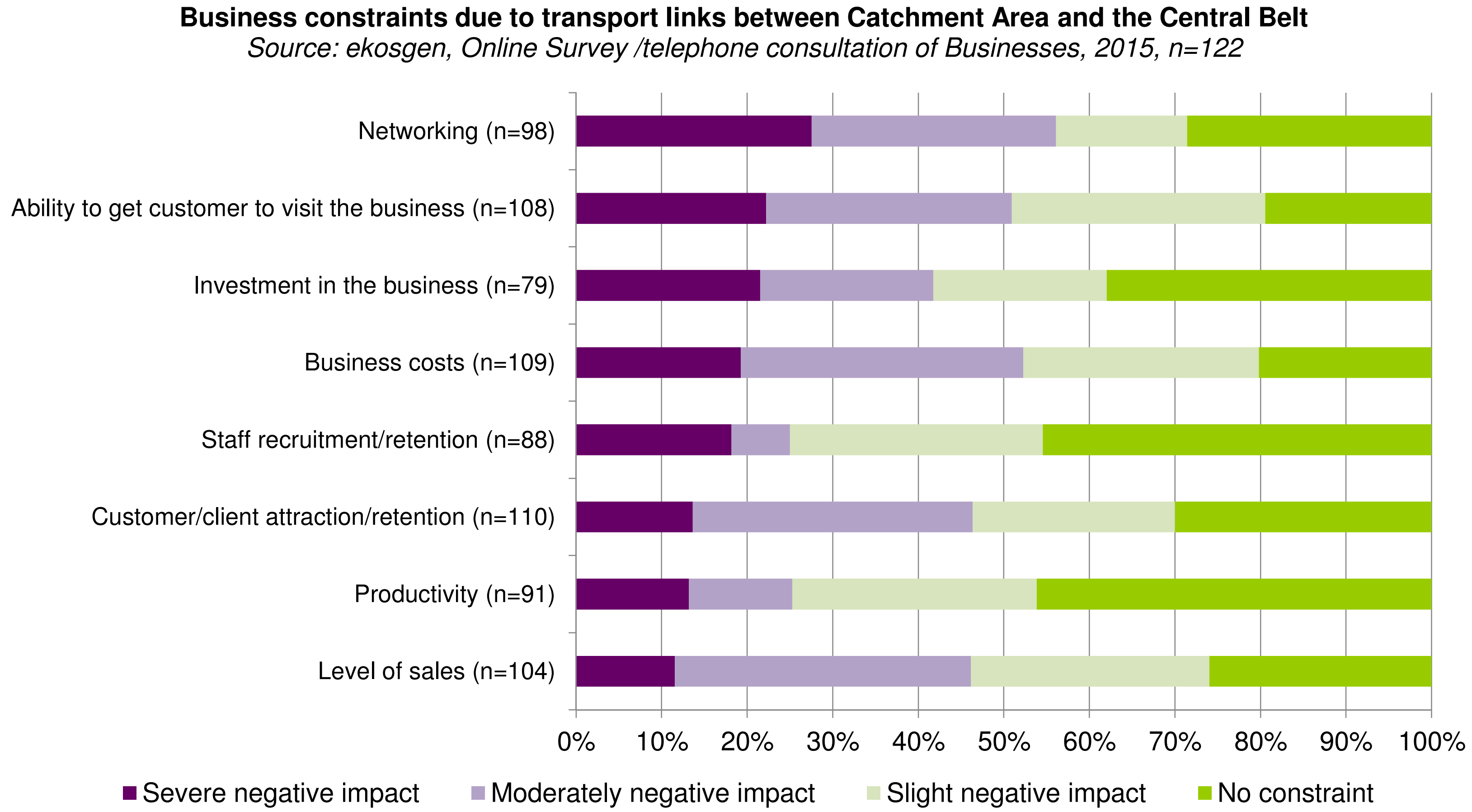
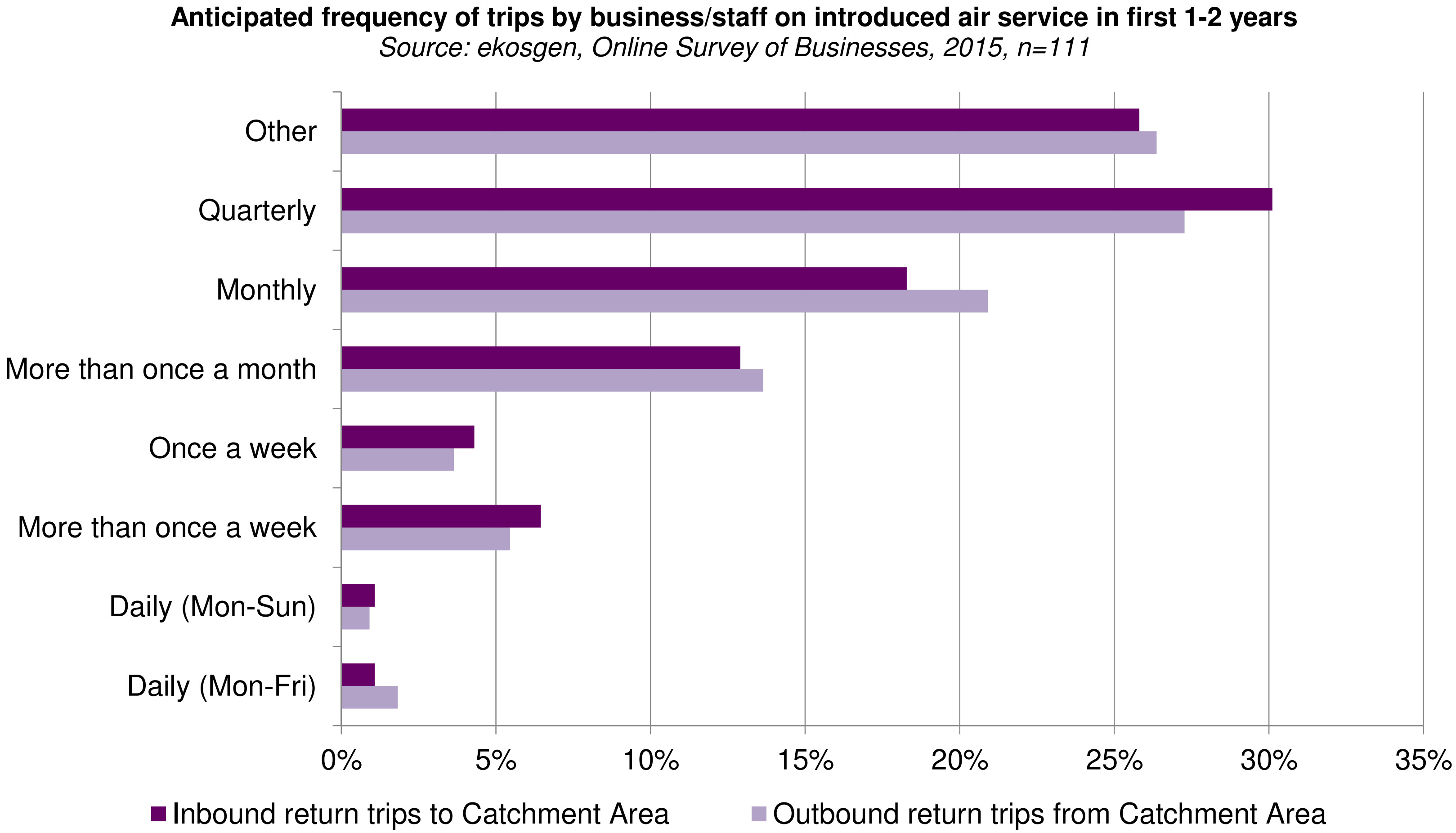
Views on travel to Central Belt

- Road links:
  - Generally *fairly good* reliability
  - *Average* affordability
  - But *poor* for convenience, travel times
- Other modes (ferry, train, bus) considered inconvenient
  - Also some lack of inter-modal connectivity
- Travel time and driving conditions biggest challenges

Impact of current transport links



Business use of proposed air service



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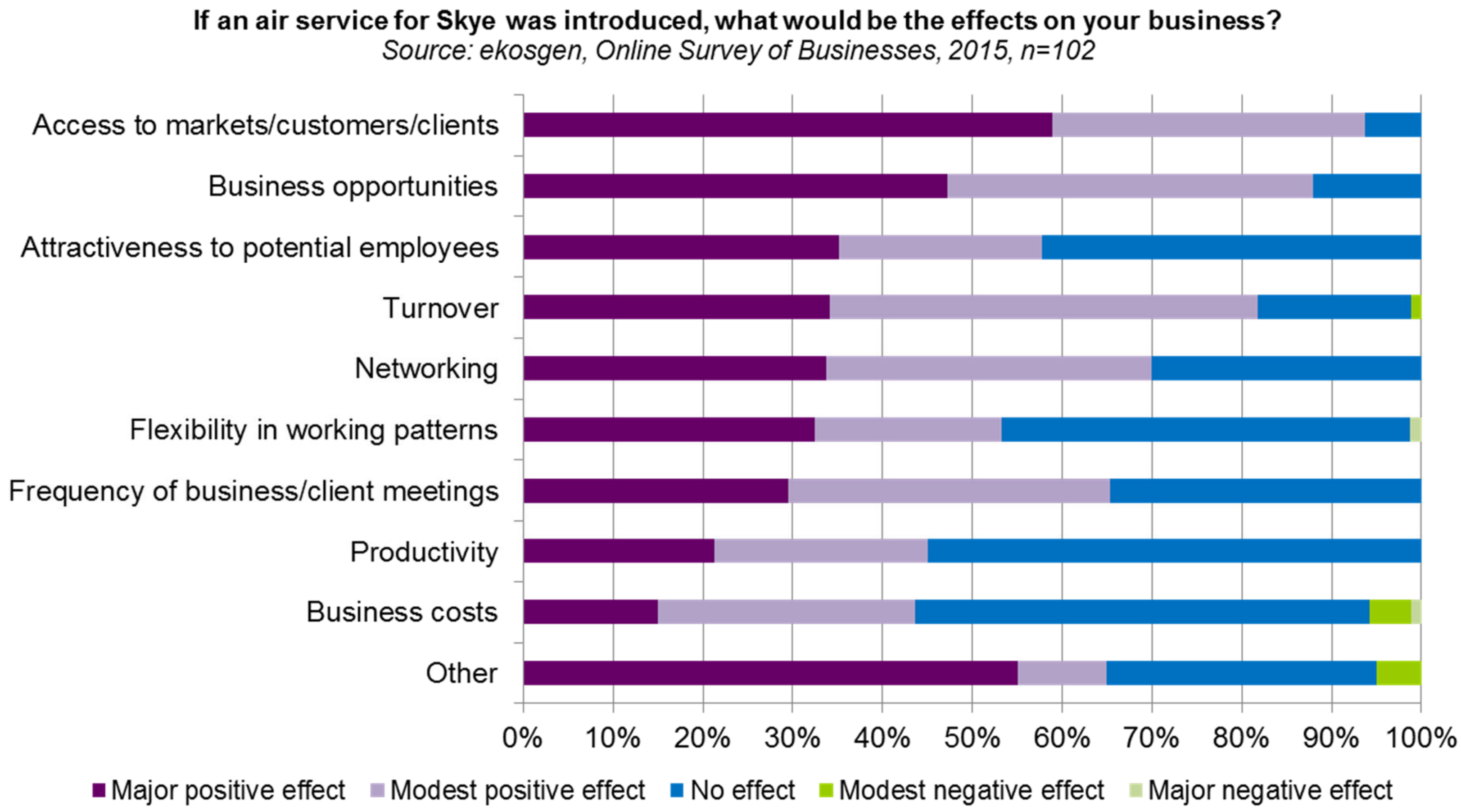
Anticipated benefits



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Benefits and opportunities

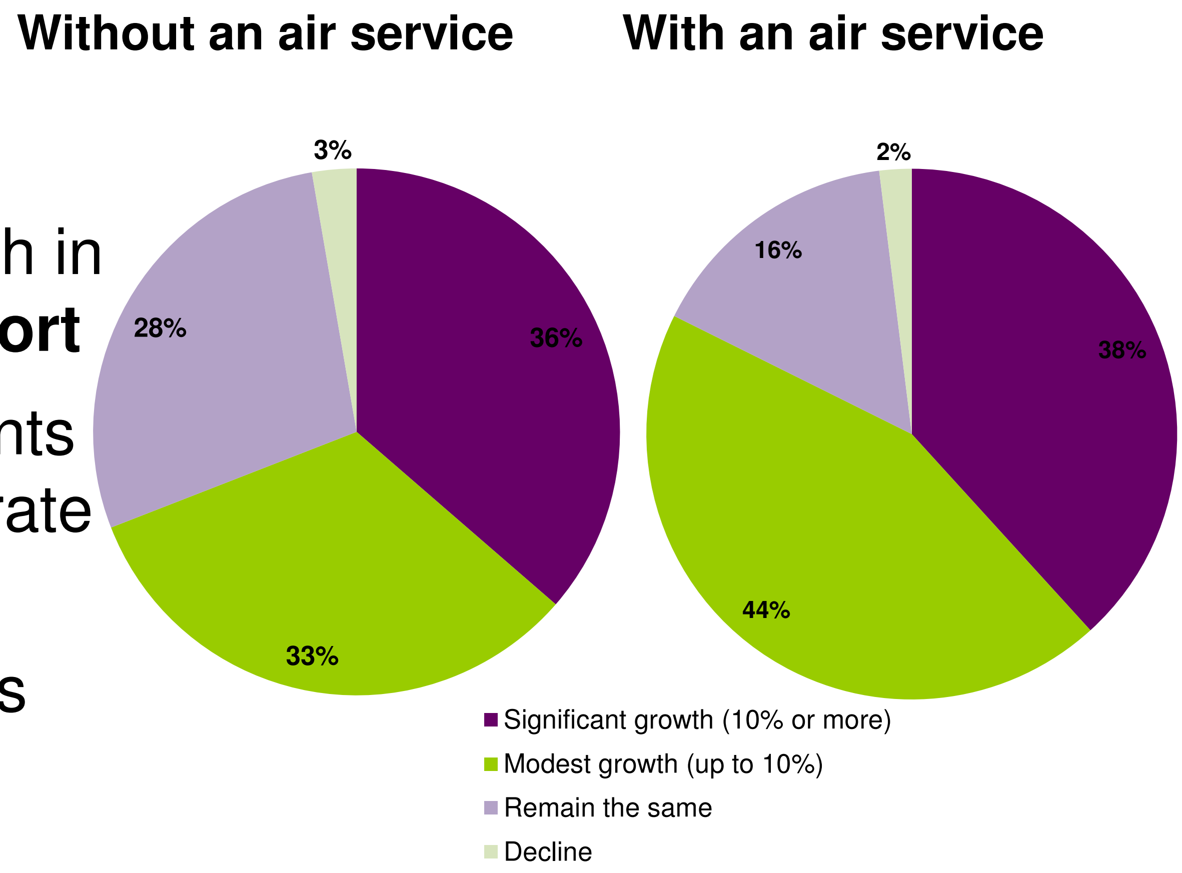
"[The air service] would allow new ways of working… better communication between staff who are mainly based in central belt …. and customers; more sales trips could be made to target sales and marketing".

"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 levels of growth

- Higher than general expectation of growth in short term **with airport**
- +11 percentage points (44%) expect moderate growth
- +2 percentage points (38%) expect strong growth



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Business view summary

- Many business operating in markets outside Skye and Scotland
- Location of significant importance, especially for key sectors of Creative industries, Tourism and Food and drink
- Frequent trips to the Central Belt required – nearly 9 in 10 make trips, and 40% once a month or more
- Considerable constraints imposed by current transport links – long journey times, overnight stays, driving conditions
- Has wide range of negative consequences for the business, including reduced customer/client contact and reduced sales and investment
- An air service would address a number of constraints – enabling access to new markets, opportunities, networking, new sales and ways of working
- Stronger anticipated growth levels with an air service

Case Study Lessons

Donegal Airport

- 4½ hour drive to Dublin;
- Airport has 2 scheduled services – twice daily outbound return to Dublin (24,000 passengers); single rotation 3-4 days a week to Glasgow (9,500 passengers)
- Generates inward investment and supports broad economic base with companies of scale
- Attracts those higher skilled working elsewhere
- Generates additional, short break visitors
- Catchment area has many similarities with Skye
  - Sparsely distributed population
  - 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
  - Gaelic and Creative industries viewed as important economic assets

Wick John o' Groats Airport

- Two scheduled services, Aberdeen and Edinburgh
  - Connects with onward flights, e.g. to London
- Despite competition with Inverness, captures over one third of passengers from core catchment area and 65% of inbound passengers are business users
- Supports local economy, especially energy sector
  - Business travel accounts for 60% of passengers
- Key role in connecting area to rest of UK

Newquay Cornwall Airport

- Larger scale of passenger services than envisaged for Skye
- Some 220,000 passengers in 2014 – 10 scheduled services (though only 3 year round, including London)
- Similar economic composition
  - Significance of tourism
  - High-end Food and drink sector
  - Challenge of seasonality
- Helps tourism sector realise potential
- Supports Cornwall's largest companies and key sectors to grow and exploit other local assets
- Contributed to population retention

Other west coast air services

- Inbound leisure traffic is significant for third+. Business trips are also important on most (sometimes 30%+)

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

Other west coast air services

Glasgow Services: 2014 Connecting Traffic						
	Barra	Tiree	Camp-beltown	Storn-oway	Ben-becula	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%

- Connecting traffic is significant, UK and overseas.
- Most connecting passengers = leisure – inbound connections important
- But connecting still more than half of business traffic in some cases
- Inbound = bringing in suppliers with skills lacking in the local economy.
- Sectors = public services, oil & gas and the medical professions

Skye users of other airports

- CAA Passenger Survey data (2013) of those business passengers with surface origin of Skye flying from either Aberdeen, Edinburgh, Glasgow or Inverness airports, were employed in:

Outbound

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

Inbound:

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

Case Study Summary

- Donegal good example of how an air service can help generate inward investment and support broad economic base
- Including those higher skilled working elsewhere and attraction of additional, short break visitors
- Role in air services in helping tourism maximise potential and population retention (e.g. Newquay)
- Wick and other west coast air services help strengthen key local sectors
- Other west coast comparators have reasonable proportion of business and/or inbound leisure traffic
- Role in enabling connecting traffic, including outside the UK
- Importance of allowing residents to live in the local area while working elsewhere
- Social benefits, including reduced isolation and connecting family and friends

Wider Economic and Social Benefits

Developing Growth Sectors

- **Creative industries**: growing sector, potential increase client contact, market opportunities, investor confidence, new collaborative activity. Some sub-sectors air intensive, plus links to inbound leisure/ tourism

- **Financial and business**: growing business base, potential to access new clients/ markets, in area living and working elsewhere growth potential (as per case studies)

- **Tourism**: large and significant sector, potential to grow markets including short-breaks, increased accessibility for overseas visitors, extended season. But, as with Newquay were 1% of visitors come by air, overall increase in visitors may be small

Developing Growth sectors

- **Food and drink**: important sector, increased customer contact, new investment, increased scale, development of brand linked to food provenance
- **Education**: growing conference and residency-based education offer – inbound connecting (e.g. delegates) and outbound (networking, meetings)
- **Life sciences**: small sector currently, but potential for anchor/cluster including links to new hospital
- **Energy**: small sector, but potential to help increase marketability of Kishorn Port proposition – although other factors

Contribution to Economic Strategy

- **Internationalisation**: greater access to markets and overseas customers, easier to build international contacts and relationships
- **Investment**: increased business confidence, new sales to underpin investment decisions, role in attracting investors
- **Innovation**: support competitiveness through increased access to skills, services, new investment (via new sales) and collaboration
- **Inclusive growth**: increased economic activity, more sustained employment, greater staff retention

Social and Community Benefits

- **Delivery of health care**: potential for improved access to secondary and tertiary care; and for agglomeration around the new Hospital; also wider staff training opportunities and contribution for improved staff retention and recruitment
- **Benefits for Public Transport Users:** is an alternative form of transport for non-car drivers
- **Impact on Fragile Areas**
  - Increased time at home/in community (less business travel away)
  - Reduced isolation, real and perceived
  - Population attraction/retention, particularly of working age
  - Access to wider range of leisure/culture facilities
  - Maintaining family links

Social and Community Benefits

View from community organisations:

- Typically groups have very local focus, but advantages of air service seen as:
  - Reducing remoteness – big issue (role of digital here too)
  - Helping retain and attract back young people
  - Access to social/leisure events and onward connections
  - Visiting family, friends and relatives (inbound and outbound)
  - Supporting local arts/community groups – increased inbound access (visitors and national organisations e.g. OSCAR)
  - Outbound access to Central Belt for organisations (e.g. events)
  - More inbound visitors can bring benefits for all catchment area, including areas beyond Skye itself

Social and Community Benefits

Regional Cohesion:

- Skye one of the most populous parts of Scotland more than 2 hours from an airport (closest airport = Inverness 2 hours 10 minutes)
- Comparator west coast locations can all access Central Belt more quickly than from Skye
- 9 of the 19 datazones are designated Fragile Areas – potential for air service to help address some of the features of Fragile Areas - *population loss, low incomes, limited employment opportunities, poor infrastructure and remoteness*

Conclusions and implications for business case

Conclusions - socioeconomic

- Population growth, but not of working age
- Long journey times to Central Belt
- Few large companies, who are generally more air intensive – but growing small business base
- Growing sectors e.g. Professional services and Creative industries that are air intensive and may benefit from an air service
- But small business base currently – and challenge to really grow this – air service or not

Conclusions – travel constraints

- Journey times by car to the Central Belt typically 5 to 5 ½ hours – and nine in 10 businesses are making this journey; 40% once a month or more
- Negatively impacting on networking, customer visits, business costs, investment, sales and staff recruitment and retention
- Travel to Central Belt viewed as very inconvenient
- Typically affects 70%-80% of businesses – and for up to a quarter there are severe business constraints

Conclusions – Potential Use

- Three in four businesses stated they would make use of the service at least quarterly, and a third monthly or more than once a month
- Suggests a level of use amongst businesses higher than the identified demand in the 2013 study (although this included non-business users)
- More than half of all non-tourism businesses, trade outside Scotland and six in 10 businesses consider journey times to the Central Belt to be poor
- A quarter of businesses would use the air service to the Central Belt for onward connections, extending the reach of businesses to more customers
- Increased inbound leisure use

Conclusions – Economic Impacts

- Short-term economic impacts
  - Improved business confidence and interaction
  - New markets/opportunities (sales)
  - Growth of Creative industries and Professional sectors
  - Improved perception of Skye as business location
  - New tourism markets
- Longer term economic outcomes
  - Growing key clusters, e.g. Life sciences, Professional services, Food and drink
  - More certainty for investors (but other factors important)
  - Airport-related investment (and also levered public and private investment)

Conclusions – Social Benefits

- Increased numbers in employment in the area, and the associated income generated and retained in Skye
- Greater number of younger, economically active people allows more services, including schools and health facilities
- Certain usage of the air service for personal use, for example related to health, visiting family and friends, leisure
- Contribution to regional cohesion - many other areas in the H&I have an air service that allows them to access the Central Belt more easily than from Skye
- Access to health care provision, notably additional secondary and tertiary care, including greater ease of access inbound to Skye by health care professionals

Conclusions - business case

- Reinforces 2013 demand assumptions – 14,500+
- If anything, business to leisure proportion increases – although we have not consulted visitors within this review
- Additional benefits expected above the monetised journey time savings in the 2013 study given considerable travel constraints
- Now have a better understanding of economic and social benefits
- Although not quantifiable, they are clearly important
- If the benefits could be quantified, there may be expected to be a significant GVA impact