

**IRISH TOURIST  
INDUSTRY  
CONFEDERATION**

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**SHANNON  
GATEWAY TO THE  
WEST OF IRELAND**

—

**A SHORT TERM  
MARKET PERSPECTIVE**

**FINAL REPORT**

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## **EXECUTIVE SUMMARY**

### ***2008 - The Perfect Storm for Shannon and the West of Ireland?***

2008 sees the confluence of events impacting tourism through Shannon Airport, including 'Open Skies' which has reduced transatlantic capacity through the airport by 40% at a time of economic downturn and credit crunch in main source markets. The falling value of the dollar and sterling coupled with record high food and oil prices combine to put pressure on disposable incomes, depress demand for travel and drive the airline industry into crisis.

### ***A View from the US Market***

This year is proving to be particularly challenging, as US consumer confidence is at a 16 year low due to falling home values, higher gas prices, less credit and an uncertain economic future. Travel to Europe is expected to be down by at least 10% this year.

Those involved in selling Ireland believe that the drop may not be as severe – with carriers generally more bullish than tour operators. Ireland has the benefit of a strong brand, highly competitive airfares on offer from a record number of gateways, and the fillip of a €2.4 million *Discover Ireland's Wonderful West* campaign, over and above Tourism Ireland's €10 million core marketing budget.

However, a number of changes are taking place with a shift in arrivals to Dublin from Shannon leading to new itineraries within Ireland. A very keen price and value consciousness amongst travellers is resulting in some down-trading, shorter stays and lower spend in the country. The consensus view in the market is that demand may hold up reasonably well in the early season but is likely to prove more sluggish in the latter half of the year and into 2009.

### ***Short Haul Market Outlook***

While Shannon is well served by Ryanair to London and provincial UK airports, the withdrawal of the Heathrow-Shannon service with the loss of connectivity continues to impact tourism to the west of Ireland. Despite increased capacity being offered by Ryanair, total passenger traffic on routes between Shannon and London for the first quarter of 2008 is down 8% over the same period in 2007.

Ryanair is also the predominant carrier operating 20 mainland European routes to/from Shannon this summer. While Irish passengers currently outnumber inbound tourists on these routes, there is good potential to grow tourism on a number of routes. Research would indicate that the Europeans arriving via Shannon are younger than average and tour the west coast from Cork/Kerry to Galway/Mayo. The new Air France twice daily Paris CDG service provides valuable connectivity between Shannon and one of Europe's major hub airports.

### ***Challenges & Opportunities***

The specific appeals of the west of Ireland - Donegal to Kerry – match the needs of various segments of the British, mainland European and North American markets. Current short haul access services offer a particular opportunity to grow the inbound market on a year round basis, especially for short breaks. The potential of this opportunity has yet to be fully exploited for the west of Ireland.

The US market while challenging, continues to offer great opportunities of gaining share of the 13 million Americans visiting Europe each year. In the past, thanks to its strong position in the market created by sustained marketing campaigns, Ireland has not suffered as badly as most other European destinations in any downturn, and has recovered more speedily. Distributors in the market surveyed last month are confidently optimistic that Ireland can continue to win market share even in difficult times and expect their business to recover through 2009 and 2010.

The immediate challenge facing Shannon Airport is securing the existing routes and services at a time of financial crisis facing the airline industry. Winter services on the transatlantic and short haul routes are particularly vulnerable for the coming winter due to typically low off season demand on routes to/from Shannon.

While several external factors are impacting the short term outlook for tourism, the Irish tourism industry is in a healthy state and better positioned to withstand any downturn than in the past as the fundamentals of the industry remain strong. While the short term prospects may not be as encouraging as this time last year, Ireland's potential in Britain, mainland Europe and North America continues to be very positive with expanding opportunities for growth.

### **Recommendations**

- ***The Shannon Airport Catchment Area – Economic and Tourism Development Plan***, published in January 2008, to be implemented in full without delay, specifically:
  - the establishment of an independent and financially viable Shannon Airport Authority;
  - continued funding of the *Discover Ireland's Wonderful West* marketing programme
  - implementation of Transport 21 improving all modes of transport links to Shannon Airport and facilitating ease of movement for tourists from Donegal to Kerry; and
  - investment in the development of broadband communication to improve competitiveness.
- Establish US Customs and Border Protection (CBP) full pre-clearance facilities at Shannon Airport
- Increase funding for the *Discover Ireland's Wonderful West* campaign for autumn 2008 and spring 2009.
- Invest in marketing support of European routes
- Work with airlines to secure all existing transatlantic services at Shannon, particularly winter services, while continuing to seek new route development opportunities.
- Develop a coordinated strategy between airports serving the west of Ireland to avoid dilution of existing services and enhance the prospects of the sustainable development of new routes.
- Focus on delivering better value for money in order to give the west of Ireland an edge.
- Improve the competitiveness of the west of Ireland by continued public and private sector investments to create new 'reasons to visits' and improve the range of visitor attractions.
- Continue to redress the connectivity to/from Shannon by exploiting the opportunity presented by the Air France service and exploring other possibilities in line with market demand.

## 1. 2008 – The Perfect Storm for Shannon and the West of Ireland

- **Impact of ‘open skies’ on Shannon Airport**
- **Economic downturn and credit crunch in major market**
- **Falling US dollar and £ sterling vs euro**
- **Record high fuel prices**
- **Airline industry in crisis**

### 1.1 Impact of ‘open skies’ on Shannon Airport

Shannon Airport historically has been the premier gateway for transatlantic travel to/from Ireland and the prime catalyst for tourism along the western seaboard.

The new EU-US Air Service Agreement (Phase 1) which came into effect at end March 2008 had an earlier impact on Shannon due to the transitional agreement negotiated between Ireland and the US. In the latter half of 2007, Aer Lingus launched new services from three additional US gateways and carriers serving Ireland re-aligned capacity between Dublin and Shannon airports as the obligation to serve the latter was reduced.

With the reduction of the Shannon stop requirement, the level of transatlantic service to/from Shannon was reduced for winter 2007/08 to a total of 26 non-stop services to the US per week plus 7 services routing via Dublin, compared to 45 plus 7 the previous year. Transatlantic traffic through the airport in 2007 fell by 4%.

While ‘open skies’ has produced benefits for Ireland with new gateways and more extensive code-share arrangements, the short-term impacts have been less than positive for Shannon Airport.

For summer 2008 Ireland will have a record number of routes from 10 US gateway airports, providing up to 32,000 seats per week in each direction. However, the level of service to/from Shannon Airport will be less than in previous years, with 40 non-stop services to the US per week compared to 63 last summer, plus a daily Chicago service via Dublin. In addition Air Canada has dropped its Shannon stop, leaving Air Transat the only Canadian operator this summer.

**Table 101: Non-stop scheduled services Dublin & Shannon Airports to US (departures per week)**

<b>Non-stop departures from:</b>	<b>Winter 2006/07</b>	<b>Summer 2007</b>	<b>Winter 2007/08</b>	<b>Summer 2008</b>
Shannon	45	63	26	40
Dublin	35	70	75	89

Source: TTC Analysis

### 1.2 Economic downturn and credit crunch in major source market

Consumer confidence in the US is at a 16 year low this month as food and fuel prices combine, together with the housing market slump, to dampen expectations. The Conference Board's consumer confidence index fell to 57.2 in May from 62.8 the previous month, the lowest reading since October 1992. The indications are that consumer sentiment could weaken further in the coming months despite the boost from more than \$110 billion in tax rebates dropping into mailboxes.

Most recent economic data, including employment statistics, point to a picture of an economy that is slowing while not officially in recession. GDP growth was 0.9% in the first quarter, revised up from 0.6%, with a healthier

mix of growth (inventories were lower). Foreign trade remains the key factor preventing a steeper slowdown. Last week's better than expected employment numbers helped quell fears that unemployment for May will expand markedly, and if the current data remains on trend, the case for a US slowdown rather than full blown recession will become stronger.

Latest US house prices show the fastest annual rate of decline since records began 20 years ago. National house price index fell 14.1% in first quarter 2008 compared to the same period last year, further threatening to delay any broader economic recovery.

Inflation indicators show the core personal consumption price index rose 2.1% at an annual rate in the first quarter. However, the risk is that rising commodity costs, especially for energy, will pass into the core rate in the future. The interest rate cuts that had been anticipated for later in the year, based on a weak growth outlook, are now looking unlikely, given the mounting inflation risks. But the Fed is not expected to raise rates this year.

Growth should improve in the third quarter, helped by stimulus tax rebates, but then weaken again in the fourth, as the housing downturn, the credit crunch, and high commodity prices continue to weigh down the consumer.

### 1.3 Falling value of US dollar and £ sterling

The US\$ fell to €0.62 in recent weeks, a drop of 14% in value from a year earlier. While in recent days the euro has pulled back somewhat on news of falling euro zone economic performance, the relative buying power of the dollar for visitors to the euro zone is at an all time low.

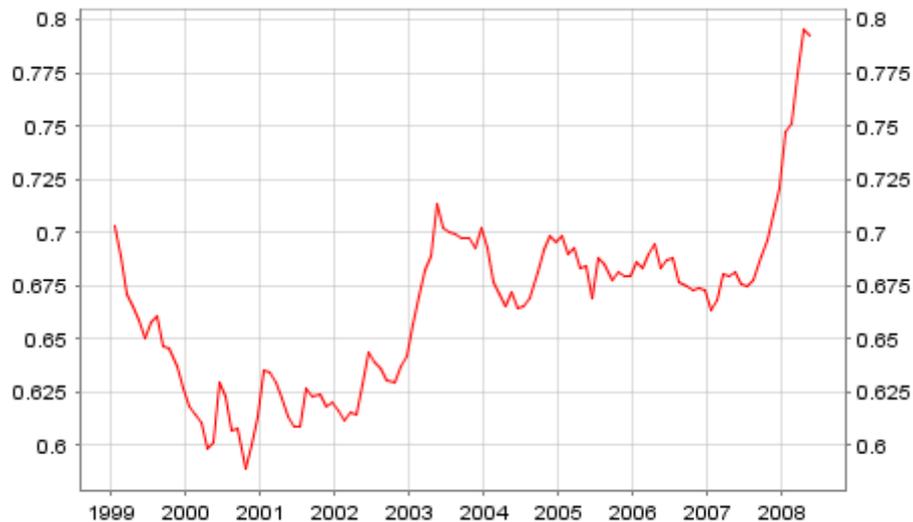
Over the 12 month period February 2007 to February this year, the value of sterling against the euro fell by 17%.

The impacts for tourism to Ireland is a likely depressed demand and a more cost conscious visitor from the US and the UK, influencing the length of stay and patterns of expenditure.

Fig. 1.1: Exchange Rates €v US\$ 1999-2008



Source: European Central Bank

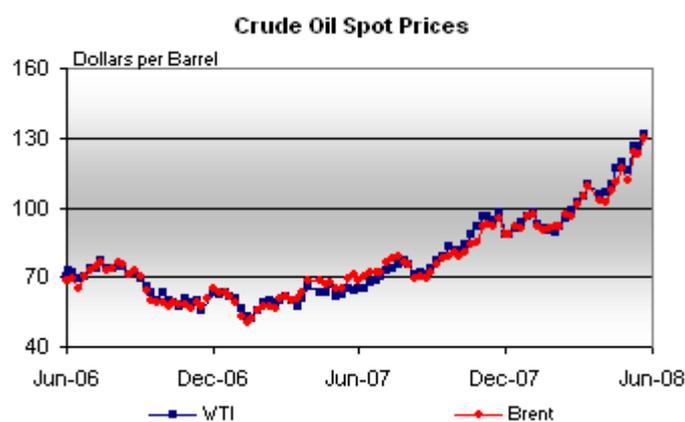
**Fig. 1.2: Exchange Rates € v £ Sterling 1999-2008**

Source: European Central Bank

#### 1.4 Record oil prices

Within the past month, crude oil prices rose to a record high of over \$130 per barrel, before falling back in recent days to around \$126, the biggest single drop since March. The rising cost of fuel has impacted cost of transportation and most consumables, denting consumer spending and fuelling inflation.

The recent record oil price levels was accompanied by even more dramatic price spike for long term futures contracts, reaching a new high of over \$145 per barrel, suggesting that it would be optimistic to assume any significant drop in oil prices in the near to medium term. While it is reported that there is no shortage of crude oil supplies, the distillate market for products such as diesel and jet fuel is experiencing an acute shortage forcing prices and limiting supplies.

**Fig. 1.3: Crude Oil Spot Prices**

Source: Energy Information Administration (US)

The impact of record oil prices is perhaps most apparent within the transportation sector – with higher prices at the pump, increased distribution costs of supplies, and fuel surcharges on airfares.

BA estimate that increased oil prices will add £1 billion to its costs in the current year, while fuel is now typically accounting for over 40% of an airline's costs.

Within the past two weeks Aer Lingus, BA, Air France-KLM and Lufthansa amongst other airlines raised fuel surcharges. For example the current fuel surcharge on a ticket from the US to Ireland on Aer Lingus ranges from \$200 to \$240 per round trip, depending on the route.

The record high fuel prices has already taken its toll with several airlines going bust and many announcing plans for cuts in service and the moth-balling of aircraft in the off-peak.

The impacts for Shannon include higher airfares and possible cutbacks in service, particularly over the winter period.

## **1.5 Airline industry in crisis**

The rocketing price of fuel is forcing airlines to consider swingeing cuts to operations, fleet and workforce. The severity of the financial storm gathering over the global aviation industry is the worst crisis to hit the industry since 9/11. The impact of the cuts are most likely to be felt in the US and Europe, including the transatlantic air market.

US airlines, after racking up \$35 billion in losses and finally emerging from a five-year slump in 2006, are plunging into a new crisis. Within the past six weeks seven US airlines, including transatlantic all business carriers EOS and MaxJet have ceased trading, while one other has sought Chapter 11 bankruptcy protection.

Last month Delta Air Lines and Northwest Airlines decided to merge to create the world's largest airline in the hope of cutting costs and achieving other economies to ensure survival. While consolidation was widely regarded as a way to cut capacity and increase fares to offset fuel costs, most recent merger talks between United Airlines and US Airways, the second and sixth largest carriers in the United States respectively, have been abandoned. The chances of further US airline consolidation this year is now unlikely until a new administration is in place. United, however, remains in the spotlight as speculation brews that it soon will announce a comprehensive alliance with Continental Airlines.

All major airlines have signalled that record fuel costs would erode profits. On each side of the Atlantic airlines, including American, BA and Ryanair, have announced cut back in services, particularly for the upcoming winter with aircraft being mothballed; staff cutbacks and new aircraft deliveries postponed.

Ireland routes, and especially Shannon services, are particularly vulnerable due to the seasonal pattern of much of the demand and the relative minor importance of the routes to non-Irish carriers.

## 2. A View from the US Market

- **Challenging year with carriers more bullish than tour operators**
- **Shift in arrivals to Dublin as carrier capacity at Shannon is reduced**
- **€2.4 million *Discover Ireland's Wonderful West* campaign most welcome fillip to marketing effort**
- **Airfares to Ireland, including Shannon, very competitive**
- **Demand expected to be more sluggish in latter half of year into 2009**

### 2.1 Outlook for 2008

The aggregated views of the principal operators in the market range from at the most positive, little or no change over last year's level of US visitors to Ireland, to a drop of at least 10%. At this point carriers tended to be the more positive in outlook while most of the large volume tour operators report advance bookings below last year.

The consensus between carriers and tour operators is that the prospects for the latter half of the year and into early 2009 are bleaker than for the first half of 2008. The perceived wisdom is that traffic for the early part of the year was committed before the most recent currency shifts and oil price hikes, while forward bookings for the latter part of the year are being impacted by the continuing economic uncertainties and pressure on disposable incomes in the US.

The first signs of a slowing of demand for transatlantic travel emerged in April, where despite increased capacity and greater competition as a result of 'open skies'; European airlines traffic between the US and Europe fell by 3.4% in April compared to a year ago, which when adjusted for Easter represented a decline of approximately 2%. Perhaps more tellingly, BA reported its transatlantic traffic fell nearly 8% in April and recorded its first decline in economy traffic since the immediate aftermath of 9/11.

Data on international air travel (IATA)<sup>1</sup> for the first four months of the year shows demand in the US and Europe slowing with passenger growth lagging behind the available capacity resulting in lower load factors and reduced profitability. April traffic performance was the third consecutive monthly year-on-year decline.

When polled<sup>2</sup> a majority (7 out of ten) of tour operators expected to sell fewer clients to Ireland in the current year, with the balance reporting no change or an increase. Almost two out of five expected their business to be down by at least 10%.

**Table 201: Tour Operator estimates on passengers to Ireland**

	Decrease			No change	Increase		
	+1-5%	+6-10%	>10%		-1-5%	-6-10%	>-10%
2008 v 2007	8%	23%	38%	12%	4%	15%	-

Source: Online survey (TTC) May 2008

**The majority of tour operators expect that Ireland will at least hold its share of US travel to Europe in the current year and in 2009, however a sizable minority (30%) anticipate that Ireland's market share will slip.**

<sup>1</sup> International Air Transport Association (IATA): Passenger Traffic Statistics (May 29, 2008).

<sup>2</sup> Online survey of tour operators May 15<sup>th</sup>-20<sup>th</sup>, with 28 respondents. Summary of top line results attached as Appendix A.

About half of the tour operators expected coach tour demand to be softer than the overall market for Ireland, with almost the same number anticipating that fly-drive offerings will also see a sharper fall-off in demand. Conferences and incentive travel prospects for the next 3 years were also seen as being particularly vulnerable.

A marked shift in the number of coach tour series originating at Shannon is occurring with an increasing number of departures now operating to/from Dublin. This reflects the decrease in airline capacity operating to/from Shannon and the wider range of US gateways with direct service into Dublin. The latter allows coach operators to consolidate from a greater number of gateways and carriers at Dublin. In addition, at least one major coach operator cited the loss of Heathrow-Shannon service which had allowed consolidation of traffic via London from the US and other long-haul markets.

Car rental operators, despite higher operating costs, also report a shift in capacity from Shannon to Dublin Airport.

Operators selling golfing vacations split into two distinct camps with almost one in three anticipating the sector to perform above average and an equal number reporting below market average performance. Consultation with specialist golf operators would suggest that up-scale specialist golfing visitors, many of whom are Wall Street/financial services executives, will not be travelling in great numbers in the current year, while the operators do anticipate a recovery of demand in 2009/10. Moreover, almost without exception, golf distributors pointed to the price hike in green fees in many of Ireland's top courses in recent years and the erosion of price competitiveness against our main competitor - Scotland.

A small minority reported confidence in niche up-scale products featuring luxury experiences.

While it is difficult to estimate the impacts of the changes in arrivals between airports and changing itineraries, particularly coach tours, the outcomes in the current year are likely to be:

- Shorter length of stay
- No increase in average spend per visit
- A gain in US bednights for the greater Dublin area with a corresponding decrease in the Shannon area
- A reduction in the number of regions visited.

## **2.2 Discover Ireland's Wonderful West Campaign**

A €2.4 million campaign has been launched in the US marketplace, specifically focusing on the appeals and attractions of the west of Ireland from Donegal to Kerry. The funding for the campaign comes from the €3 million additional budget provided by the Government and the campaign is incremental to the €10 million core marketing spend by Tourism Ireland in the US market.

The new *Discover Ireland's Wonderful West* campaign features a mix of promotions, advertising, media publicity, including over a million newspaper inserts in selected target market residential areas. In tune with Tourism Ireland's main campaigns, the *Discover Ireland's Wonderful West* campaign is a mix of promoting reasons to visit while also providing information of attractive fares, packages and product offerings. With €1 million of the budget being spent with industry partners in the market – airlines and tour operators – the effective spend on the special campaign is close to €3 million. The carefully researched and targeted media campaign includes online, radio and newspaper, each of which have proved effective in reaching the best prospects for travel to Europe.

The response of the industry partners in the market has been very positive in welcoming and supporting the initiative.

With the increasingly challenging market conditions in the US, the campaign is promoting travel in the peak season and in the fall, with a greater emphasis being placed on the peak and special value offers. The very attractive and highly competitive \$299 (one-way, excluding taxes etc.) Aer Lingus fare launched in the market at end April for peak season travel is a good example of the tactical focus of the campaign in tune with 'Ireland – can you afford not to go' message.

Initial feedback suggests that the incremental campaign focusing exclusively on the west of Ireland is generating increased interest, with several operators reporting good sales opportunities.



### **2.3 Air Services and Fares**

The cost of travel is critically important in the price sensitive market environment. This is all the more heightened in the current year by the extensive consumer media publicity generated by 'open skies' and the expectation of greater access to Europe and cheaper airfares.

In 2007, transatlantic traffic between the EU and the US – the two biggest aviation markets, accounted for 60% of world traffic or 55 million passengers on up to 385 flights per day in each direction provided by a total of 45 airlines.

US-Europe routes in summer 2008 will see an overall increase of 7.9% in capacity offered by US carriers and just under 4% increase by European carriers.

The most significant outcome of the first phase of EU-US 'open skies' has been access to Heathrow for US carriers. Heathrow Airport will see the most dramatic changes in the short term, with a 31% increase in transatlantic traffic, from 2,233 flights in March to 2,932 in July. Year on year, the peak summer frequency increase will be closer to +20%. This increase reflects both the transfer of service from Gatwick together with the launch of new services. The estimated increase in US-London capacity for summer 2008 is +8.5%.

The increased capacity on offer at Heathrow is the result of new entrants including Continental Airlines; Delta Air Lines; Northwest Airlines; US Airways; Air France; and Singapore Airlines operating to/from the US; transfer of some existing services from Gatwick; and new/additional services by incumbent carriers.

As a result, fares on offer to London this summer are amongst the lowest fares to Europe from the US, - particularly from the New York gateway a highly competitive route with a significant increase in capacity. London routes have historically been a key competitor for direct services into Ireland.

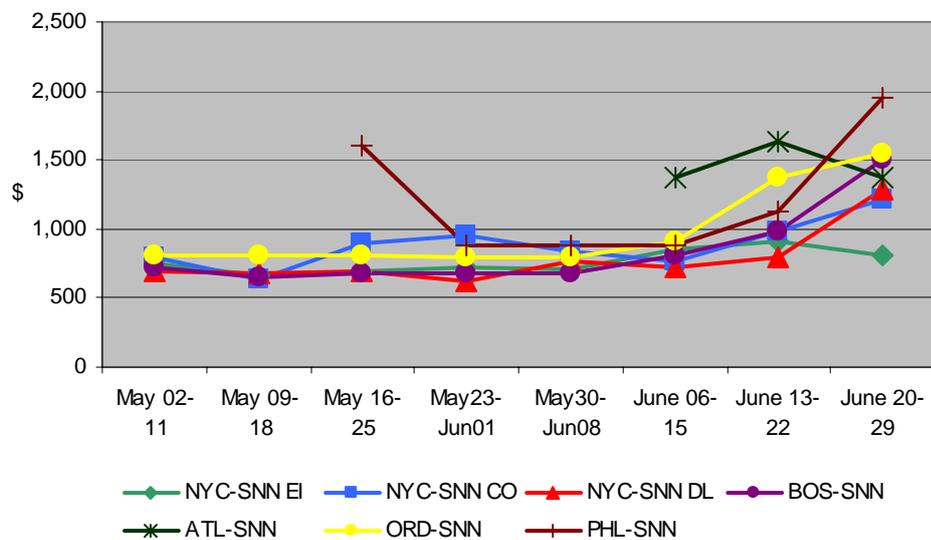
Ireland is very competitively priced with Aer Lingus currently offering lead fares of \$309 each way (excluding taxes etc.) from New York and Boston for mid-week travel (\$339 for weekend) in July and August, rising to \$499 from the west coast.

This compares very favourably with the lead base fare of \$369 (one-way excluding taxes etc.) from New York to Heathrow on offer from BA and Continental over the same period.

A recent tracking of fares<sup>3</sup> from the US to Shannon for weekend travel over an eight week period, booked either 4 or 8 weeks in advance shows:

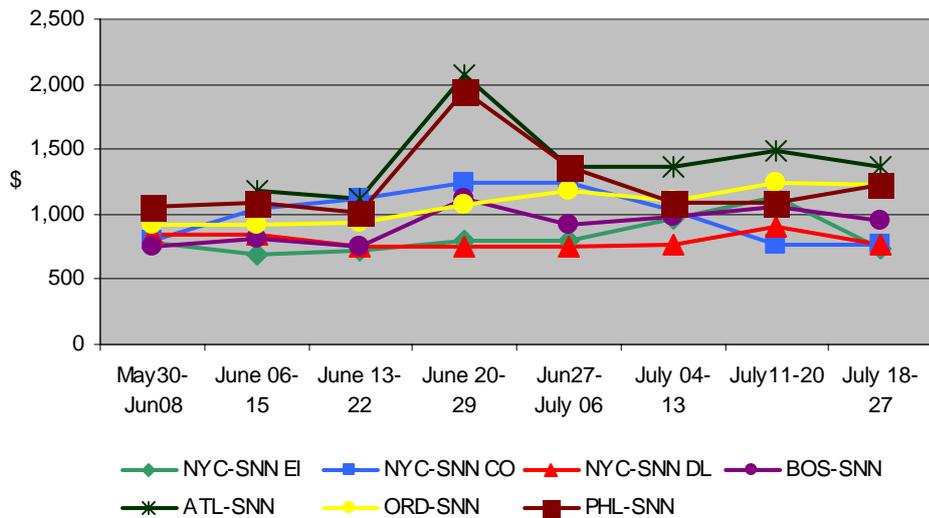
- Fares to Shannon are generally competitive with those on offer to Dublin and London.
- Low fare category capacity has already been sold out for a number of travel dates from May through July on several routes, with carriers commanding higher fares than on routes to Dublin.
- The recently launched Aer Lingus \$309 one-way fare from New York has been matched by Delta and Continental on selected dates.
- Delta's Atlanta service and US Airways' Philadelphia services appear to command the higher fares, particularly for travel in July.

**Fig. 2.1: US Fares to Shannon – 4 week advance purchase**



<sup>3</sup> eFares®. Based on web based systems of airlines, virtual travel agencies and 'best fare' search facility for travel, based on 28 day and 56 day advance purchase 9 day stay with eastbound departure on Friday and Sunday westbound return.

Fig. 2.2: US fares to Shannon – 8 week advance purchase



[Full report by route attached as Appendix B]

Access to Ireland is also boosted in the current year by the innovative through fares being offer by Aer Lingus from a range of JetBlue destinations across the US. The accessibility of Ireland will be further enhanced with the launch of new code-share arrangement between Aer Lingus and United which will come into effect at end October. The latter is expected to provide excellent feed from gateways currently off-line for Ireland.

## 2.4 Future Outlook

Despite the challenging current market environment, market-based operators tended to be positive in their outlook on future prospects. This confidence is based on the strength of the Ireland brand in the marketplace, together with the record of Ireland's consistent investment in the market and the availability of a record number of air routes and carriers.

**Experience showed that in the past Ireland has recovered faster than most competitor destinations in Europe following any downturn in travel from the US. Ireland gained market share in the late 1990s, based on consistent marketing campaigns and increased access capacity, while also experiencing a less severe downturn after 9/11 and recovering faster than many competitors, including Britain.**

Respondents were even more positive in expecting Ireland to perform better than the overall US-Europe market by winning share in the short term. Amongst tour operator respondents, more than half were optimistic about 2009 and beyond, expecting the market for Ireland to recover next year.

Looking to the short to medium term future, tour operators foresee a number of changes in the pattern of US visitors to Ireland. These include:

- Changes in itineraries, with more than half of tour operators anticipating such changes
- Almost one-third foresee shorter visits

- Greater focus on value (2 in 5 tour operators) including downscaling of accommodation and regions visited. The west, north west and Northern Ireland were cited by some as regions offering better value and gaining share.
- A demand for more depth in the cultural experience offered to US visitors (1 in 6 tour operators).

The pattern of itineraries is seen as being primarily determined by availability and cost of air services; customer demand and logistical convenience.

When asked about the outlook for US visits to the west of Ireland (Donegal to Kerry) over the coming 3 to 5 years, a majority of tour operators (almost 3 out of 5) expressed the view that traffic would increase.

The top three factors which tour operators cited as determining growth to the west of Ireland were:

- Delivering value;
- Convenient access; and
- Focused marketing.

**Increasing the awareness of the west of Ireland in the US – its appeals and experiences – clearly emerged as the top recommendation to grow visits to the western seaboard and minimise the impacts of changed gateway arrival patterns and itineraries within Ireland.**

### 3. Short Haul Market Outlook

#### 3.1 Cross Channel Air Services

The most significant change in cross channel air services has been the withdrawal of the Heathrow-Shannon service by Aer Lingus in early 2008. The loss of connectivity has had serious consequences for both the business community and inbound tourism trade.

Tourism operators, including hoteliers and car rental firms, report loss of business, especially amongst high end business and leisure travellers from long-haul markets formerly connecting via London Heathrow. In addition major coach operators have lost consolidation routings. Combined, the impacts mean a loss of business for Ireland or a diversion of traffic to Dublin.

Shannon-London routes will have 7 fewer departures per week this summer providing just under 8,900 seats per week in each direction. However, Knock, Kerry and Galway each have increased capacity, with Knock up 43% to 3,780 seats (including new XL Airways Gatwick service), Kerry up 21% to 3,213 seats (including new Ryanair-Luton route) and Galway up 18% to 1,320. Aggregate capacity on routes from the 'west' will be 6% ahead of last summer with almost 17,200 seats on 104 flights per week in each direction, compared to 16,215 seats on 99 flights last year. However, connectivity has been severely reduced as, while Ryanair and XL Airways operate on routes to/from Gatwick, Aer Lingus alone provided inter-line connecting services at a London airport.

**Table 301: Passenger Numbers London Airports to Shannon**

	Heathrow	Stansted	Gatwick	Luton	Total
Q1 2007	69,740	62,929	26,355	-	158,754
Q1 2008	8,099*	79,895	38,710	17,598**	146,302

Source: CAA Data

Note: \* Aer Lingus withdrew from Heathrow in early January 2008

\*\* New Ryanair route

Following the withdrawal of Aer Lingus' Heathrow service, traffic has shifted to Ryanair routes to Stansted, Gatwick and Luton, however aggregate traffic on London routes declined. Total passenger traffic on route between Shannon and London for the first quarter 2008 shows a drop of 12,452, an 8% decline over the same period in 2007.

Traffic on routes between Shannon and provincial UK airports – 8 routes operated by Ryanair – showed a 9% increase to over 114,000 passengers for the period January-March compared to the same period last year. Total cross channel passengers carried over the period shows only marginal change compared to 2007 at 260,000 passengers.

New routes serving the west for summer 2008 include:

Ryanair: Kerry-Luton; Shannon-Birmingham; Shannon-Leeds Bradford; and Knock-Bristol. The carrier terminated its Shannon-Bournemouth service.

XL Airways: Knock-Gatwick.

Aer Arann: While increasing its Galway-Luton service to 20 departures per week, the airline has terminated its services from Galway to Bristol, Cardiff and Leeds Bradford which operated in 2007.

Flybe: Has withdrawn its Galway services to Birmingham, Southampton and Belfast.

bmibaby: Launched new Knock-Glasgow service.

### **Conclusions**

The loss of the Heathrow service would appear to have lost traffic for Shannon, despite increased capacity on other London routes.

While the west of Ireland would appear to be well served by 'point to point' routes to London and provincial UK airports, dominated by Ryanair, it has no connecting services via major London airports.

### **3.2 European Routes to/from Shannon**

Ryanair is the predominant carrier operating 20 European routes to/from Shannon this summer. While the majority of routes are primarily aimed at meeting an outbound leisure demand, a number of routes, including the most recently launched Berlin service, offer good potential for inbound tourism. It is estimated that inbound traffic currently accounts for approximately 20% of Ryanair traffic.

Besides Ryanair, the only other carrier currently operating to/from mainland Europe is Air France with a twice daily Paris CDG service launched in March with a 50 seat jet service. The service is designed to provide connectivity between Shannon and one of Europe's major hub airports for intra-European and inter-continental air services.

Centralwings recently withdrew its services from Gdansk and Warsaw to Shannon.

The only other European scheduled service to the west of Ireland is Ryanair's Frankfurt Hahn-Kerry route.

Preliminary analysis<sup>4</sup> of Ryanair's European arrivals via Shannon in 2007 would suggest:

- Profile of visitors are younger than average Europeans to Ireland
- Tend to use B&B, guesthouse, hostel, rental and private home accommodations
- Travel primarily to Galway/Mayo and Kerry/Cork areas
- Almost half do not spend a night in the Shannon region.

### **Conclusion**

**The potential exists to develop inbound tourism traffic on a number of routes from Europe to Shannon, while the immediate area has also the opportunity of capturing a greater share of bednights from European arrivals via Shannon Airport.**

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<sup>4</sup> Preliminary results from Fáilte Ireland's Survey of Travellers 2007

## **4. Challenges & Opportunities**

### **4.1 Challenges**

The immediate challenge facing Shannon Airport is securing the existing routes and services at a time of financial crisis facing the airline industry. Winter services on the transatlantic and short haul routes are particularly vulnerable for the coming winter due to typically low off season demand on routes to/from Shannon. With high fuel costs all airlines will rigorously assess the viability of routes and take whatever action is necessary to reduce costs and optimise earning capacity.

Ensuring at least the same level of summer service for 2009 will largely depend on the performance of services in 2008 and decisions taken regarding the winter. The introduction of full US Customs and Border Protection (CBP) facility at Shannon Airport could reduce costs for some US carriers and assist in both securing existing services and enhance new route development opportunities.

The maximisation of the effectiveness of the current *Discover Ireland's Wonderful West* marketing campaigns would boost demand for the west of Ireland, secure business for stakeholders and provide a platform for further growth, as well as sustaining tour operator programmes and airline services over the coming challenging year.

Ensuring the inclusion of as many nights as possible in tour itineraries and attracting independent travellers to the west of Ireland arriving via Dublin and other gateways will require innovative marketing and specific product differentiation and value propositions.

### **4.2 Opportunities**

Build on the *Discover Ireland's Wonderful West* campaigns in the marketplace, by committing greater investment and increased cooperation with carriers and other distributors.

The specific appeals of the west of Ireland - Donegal to Kerry – match the needs of various segments of the British, mainland European and North American markets. Current short haul access services offer a particular opportunity to grow the inbound market on a year round basis, especially for short breaks. The potential of this opportunity has yet to be fully exploited for the west of Ireland.

In the US market the challenging conditions present an opportunity to promote uniquely attractive value vacations to locations in the west of Ireland, particularly outside of the peak summer months. Such offers would find a very receptive market and gain share for the expanded region.

Online campaigns and promotions with carriers and other online distributors offer an opportunity to penetrate the market for short breaks. Stakeholders in the markets are perhaps more receptive to co-op marketing in challenging times.

While several external factors are impacting the short term outlook for tourism, the Irish tourism industry is in a healthy state and better positioned to withstand any downturn than in the past as the fundamentals of the industry remain strong. The quality of the product is at an all time high and better positioned competitively than at any time in the past due to significant private sector investment. The sector is benefiting from extensive resources being made available under the National Development Plan (NDP) for marketing, product development, training and enterprise development. While the short term prospects may not be as encouraging as this time last year, Ireland's potential in Britain, mainland Europe and North America continues to be very positive with expanding opportunities for growth.

## 5. Recommendations

- That the Action Plan contained in the ***Shannon Airport Catchment Area – Economic and Tourism Development Plan*** published in January 2008 be implemented in full without delay. Specific components to assist the tourism development along the western seaboard (Donegal to Kerry) include:
  - the establishment of an independent and financially viable Shannon Airport Authority;
  - continued funding of the *Discover Ireland's Wonderful West* marketing programme in overseas markets;
  - implementation of Transport 21 improving all modes of transport links to Shannon Airport and facilitating ease of movement for tourists from Donegal to Kerry; and
  - an urgently needed investment in the development of broadband communication to improve the competitiveness of the extended region.
- Launch US Customs and Border Protection (CBP) full pre-clearance facilities at Shannon Airport for 2009, thereby creating a unique positioning for commercial and corporate aviation and improving the viability of the airport.
- Increase the funding available for the *Discover Ireland's Wonderful West* marketing campaign for autumn 2008 and spring 2009.
- Invest in marketing support of European routes to increase the level of tourist from mainland Europe to the west of Ireland.
- Work with airlines to secure all existing transatlantic services, particularly winter services, to/from Shannon Airport in the short term, while continuing to seek exploit new route development opportunities.
- Develop a coordinated strategy for route development between airports serving the west to avoid dilution of existing services and enhance the prospects of the sustainable development of new routes.
- Focus on delivering better value for money in order to achieve a standout position within Ireland and boost the attractiveness of the area for visitors.
- Improve the competitiveness of the west of Ireland by continued investment by the public and private sectors to create new 'reasons to visits' and improve the range of visitor infrastructure, attractions, amenities and accommodations.
- Continue to redress the connectivity limitation to/from Shannon exploiting the opportunity presented by the Air France service and exploring other possibilities in line with market demand.

## 1. How do you expect Ireland to perform compared to other European destinations in attracting US visitors in 2008 &amp; 2009?

	Better	Same	Worse
2008	15.4%	53.8%	30.8%
2009	18.2%	59.1%	22.7%

## 2. How will the number of clients you send to Ireland compare with last year?

	1-5%	6-10%	10%+	
Increase	3.8%	15.4%	0.0%	
Decrease	7.7%	23.1%	38.5%	
Unchanged	11.5%			100.0%

## Looking to 2009, how do you foresee your passenger numbers compared to the current year?

Increase 15%	5.9%
Increase	47.1%
Flat	17.6%
Lower	17.6%
Much lower	11.8%
	100.0%

## 3. How do you see the following vacation categories for Ireland performing, compared to the overall market, over the coming 3 years?

	Above average	Average	Below average
Coach tour vacations	5.0%	45.0%	50.0%
Fly drive vacations	10.0%	45.0%	45.0%
Group tours	25.0%	45.0%	30.0%
Golfing vacations	29.2%	41.7%	29.2%
Conferences	6.7%	46.7%	46.7%
Incentive trips	15.8%	42.1%	42.1%
Other			
Food, art/culture & luxury shopping			1
Cycling holidays			1
More interest in private chauffeur drive trips for small numbers			1

## 4. Do you foresee any changes in Ireland itineraries over the coming 3 years?

Yes	56.0%
No	44.0%

## If yes, what changes do you foresee?

Probably shorter trips	30.8%
More cottage style vacations as US guests focus on costs	7.7%
Reduction in class of hotel	7.7%
More in depth or experiences inside the culture	15.4%
Focus will be on value regions such as north west, west & Northern Ireland	23.1%
More & more varieties	7.7%
More group tours to keep costs down	7.7%
	100.0%

## 5. If the pattern of arrivals has or is changing please indicate the reason:

Availability of air service	25.0%
Customer demand	22.7%
Airfares	20.5%
Convenience/logistics	18.2%
Other cost considerations	6.8%
Elimination of LHR-SNN	2.3%
People skipping Dublin who have already been	2.3%
If there was direct LAX-SNN there would be more arrivals there	2.3%
	100.0%

## 6. Looking to the future, how do you see US visitor levels to the West of Ireland (Donegal to Kerry) over the coming 3 to 5 years?

	1-5%	6-10%	10%+
Increasing	20.0%	26.7%	6.7%
Decreasing	3.4%	3.4%	0.0%
Unchanged	40.0%		

## 7. In your opinion, knowing the appeals and attractions of the West of Ireland, are there any issues which need to be addressed in order to attract more US tourists to the area?

Access	29%
Costs	32%
Marketing/promotion	18%
Infrastructure	9%
Activities	6%
Other	6%

## 8. What marketing initiatives would you recommend to boost US traffic to Shannon and the west of Ireland which would help grow your business?

Over a third of respondents to this questions cited a number of suggestions to improve marketing effectiveness. These included the following sample verbatims:

*Increased awareness of Galway as 'city' destination*  
*Destination awareness for the public*  
*A true US based marketing partnership*  
*Development of marketing around western Ireland festivals*  
*Destination awareness for travel agents*  
*eMarketing campaign with operators*  
*eMarketing*  
*Improvements to Discover Ireland website*  
*Promote attractiveness of sporting niches like riding, fly fishing, cycling*  
*Assistance with shoulder season promotion of niche products*  
*Co-op advertising*  
*US West Coast tourism campaign*  
*Reduced carbon footprint by DUB/SNN share promo*

One in four of respondents suggested initiatives around airlines and access, including the following verbatims:

*More airlines*  
*More services to SNN from more US hubs*  
*Reduced fares for SNN arrivals*  
*Better flight options & pricing*  
*Off season air fares*  
*US West Coast non-stop flights into SNN*  
*Promote the easy access of SNN*  
*Keep incentives to airlines to continue to stop at SNN*

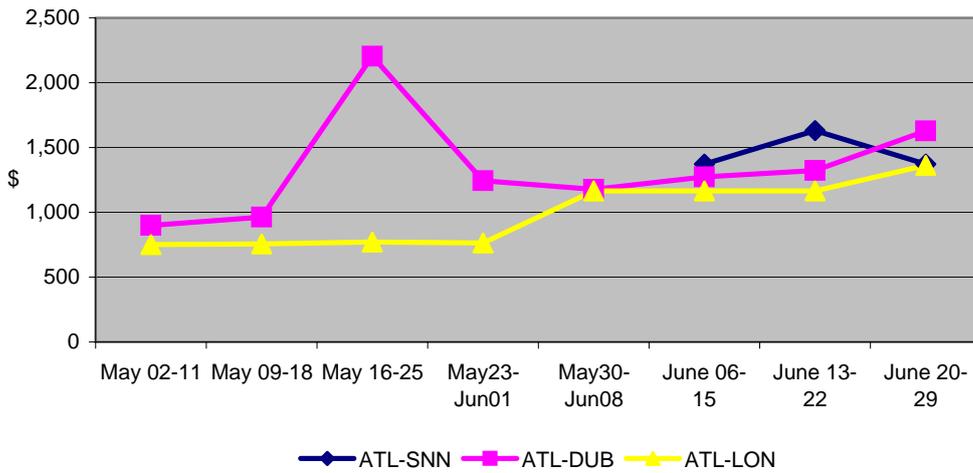
Issues around cost/price and value for money were highlighted by a quarter of respondents. Verbatims included:

*US Dollar rates at hotels*  
*Dollar rates*  
*Media advertising good value*  
*Seasonal pricing from golf clubs*  
*Ireland needs to cut costs*  
*Access to better pricing of accommodations*  
*Need to highlight low cost and value options*  
*Shoulder season specials*

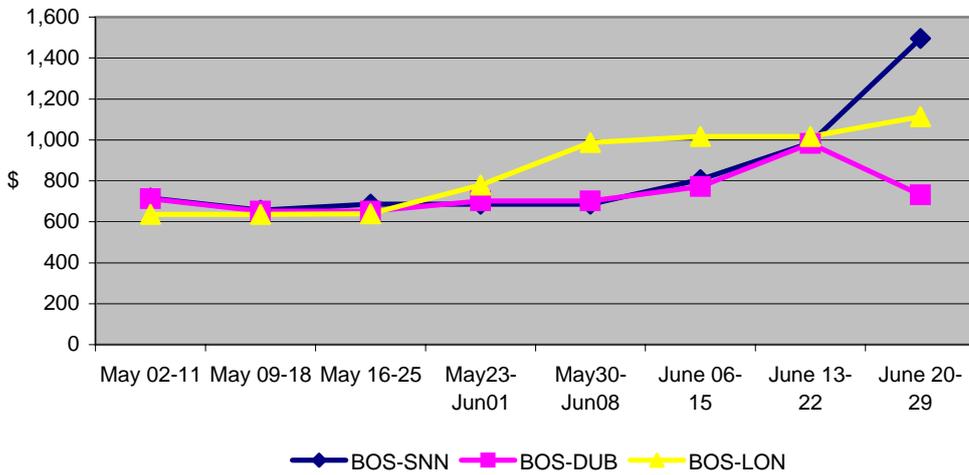
Other verbatims included:

*Special golf competitions/groups*  
*Add on amenity for west hotels over east*  
*Promote 'green' as in environmental, nature of western Ireland*  
*DBB rates from hotels for fly drive to give value*

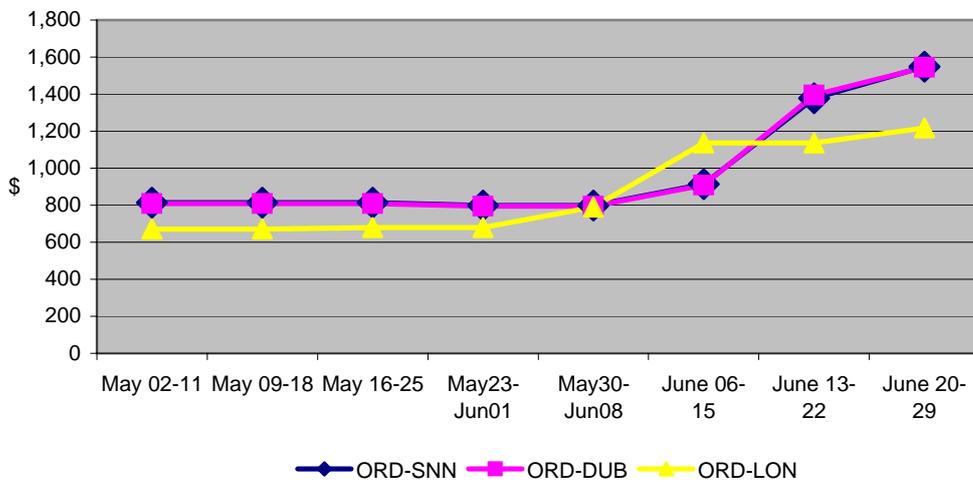
Fares from Atlanta - 4 week advance purchase



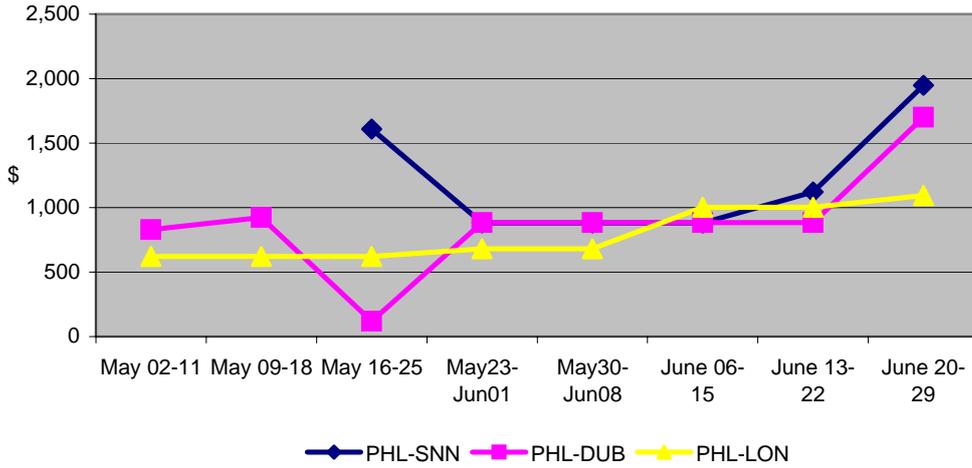
Fares from Boston - 4 week advance purchase



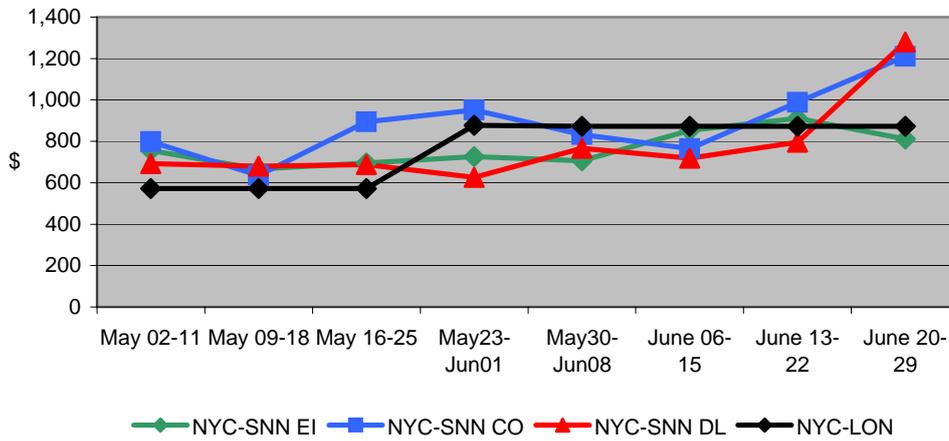
Fares from Chicago - 4 week advance purchase



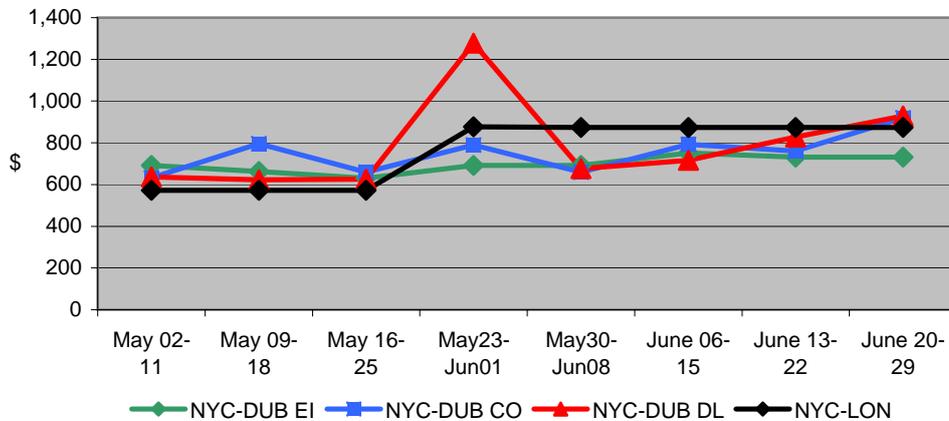
Fares from Philadelphia - 4 week advance purchase

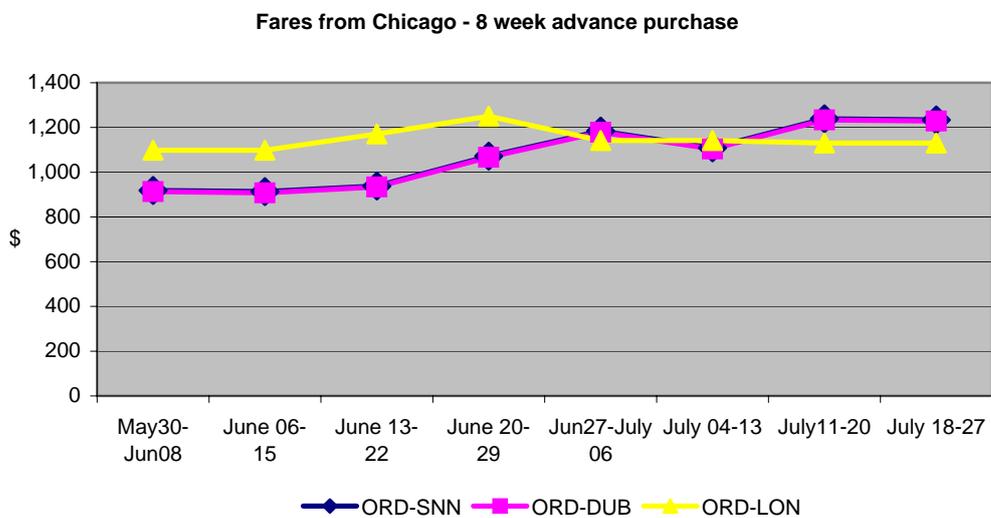
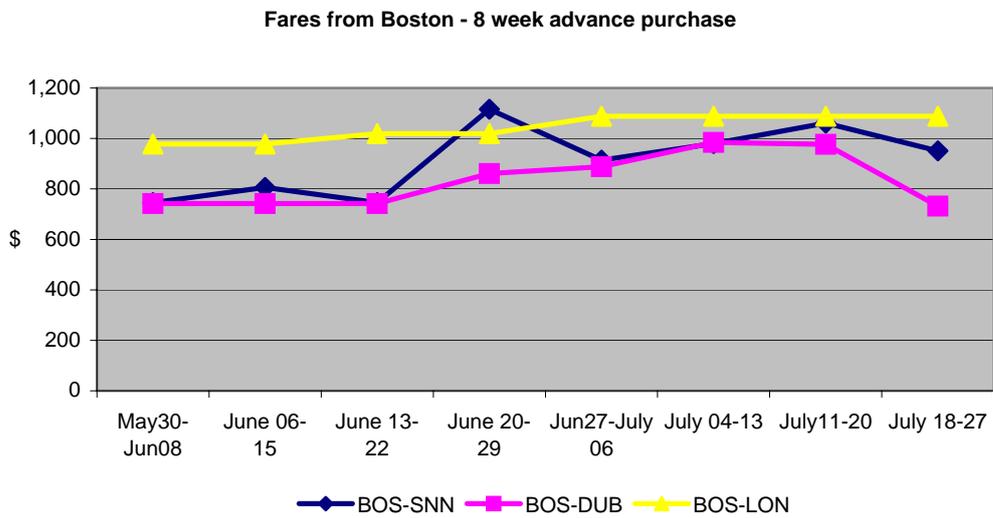
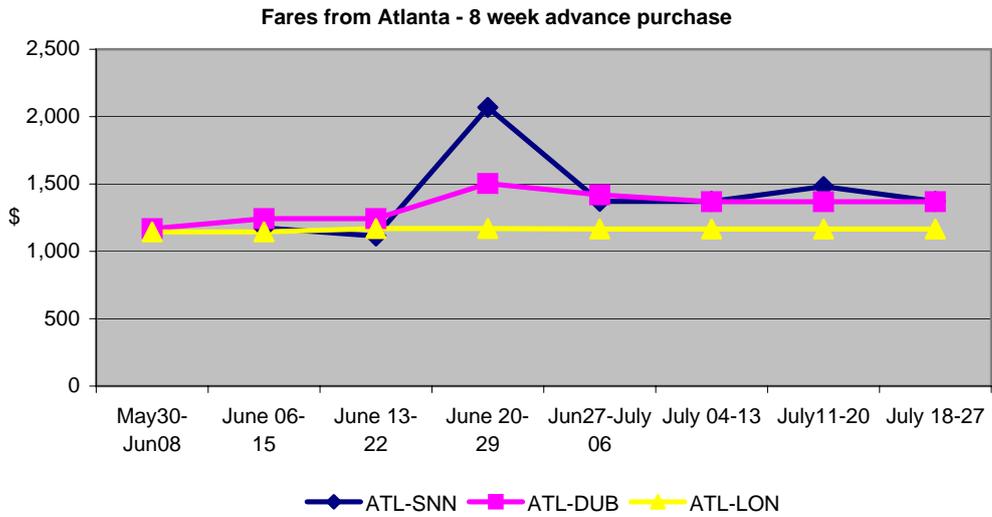


NYC-SNN & London - 4 week advance purchase

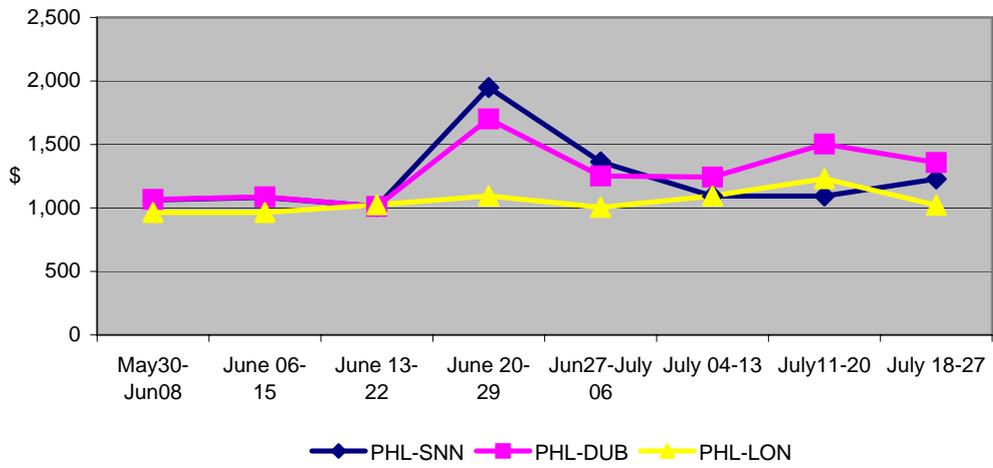


NYC-DUB & London - 4 week advance purchase

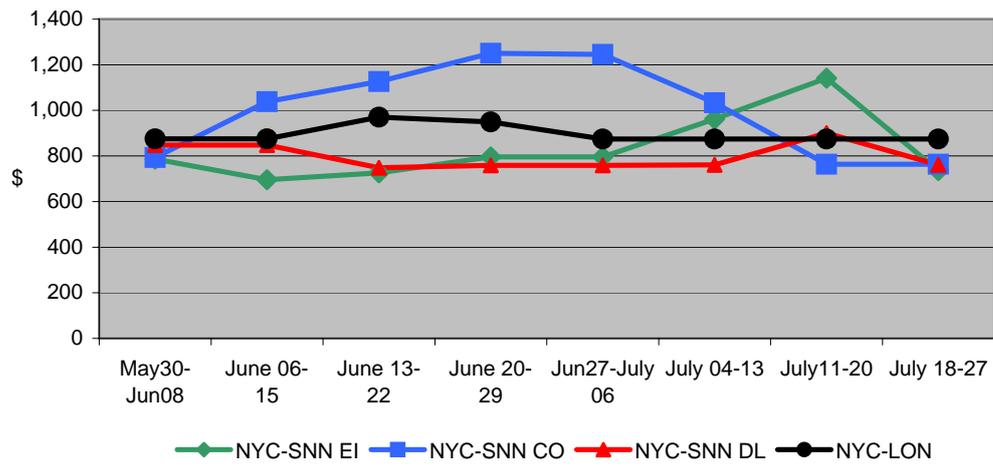




Fares from Philadelphia - 8 week advance purchase



NYC-SNN & London - 8 week advance purchase



NYC-DUB & London - 8 week advance purchase

