
AYRSHIRE JOINT PLANNING STEERING GROUP

16 December 2009

Glasgow Prestwick Airport: Changing Market Context

PURPOSE OF REPORT

1. To inform the Ayrshire Joint Planning Steering Group of recent developments in the aviation market of relevance to Glasgow Prestwick Airport (GPA).

INTRODUCTION

2. GPA is recognised as a significant asset and a key piece of the economic infrastructure of Ayrshire underpinning existing economic activity and with major potential to underpin new and as yet unknown future activities. It is a major gateway for Ayrshire and Scotland and a major driver of the Ayrshire economy with potential for future growth. The Ayrshire Joint Structure Plan recognises this significance and future potential with policies which protect GPA operations and encourage further development and investment. The National Planning Framework (NPF) has designated GPA as a national development.

BACKGROUND

3. For more than 15 years GPA has seen dramatic growth in the number of new routes, passengers and freight, predominantly due to the expansion of the low-cost airline market, development of an inter-continental freight hub and maintenance, repair and overhaul facilities. In 2008 the economic benefit to Ayrshire was estimated as £48m each year in additional income and 1,733 additional jobs and £79m each year and 2,941 jobs to Scotland. The benefits which GPA brings to Ayrshire and Scotland is very wide and includes the impact on business decisions and performance, on employment and incomes of GPA employees and suppliers, on other businesses around the airport – tenants; freight and aerospace and the impact of expenditure by passengers travelling into Ayrshire and Scotland.
4. GPA is a diversified aviation centre with a range of aviation and aerospace connected activities and a number of significant aeronautical, operational and other advantages and is the base for the Scottish aerospace industry. The airport benefits from the co-location of aviation activities in terms of rental income and collateral activity in freight, aircraft landing and parking and business traffic and whilst GPA benefits from a range of income sources as a result of this diversity the airport is heavily dependent on one low cost operator Ryanair for over 90% of its passenger business.
5. In October 2008 GPA published a Draft Master Plan, indicating a potential growth path for the airport to 2033. The Master Plan demonstrated how a doubling of passenger numbers by 2018 and growth potential of up to 12m passengers by 2033 could be accommodated with minimal investment. While this is significantly more

than the Department for Transport's official planning assumptions for Prestwick of 6 m passengers by 2030, it demonstrates the lack of constraint and significant capacity for growth at GPA. There are however two significant events which are bringing a considerable degree of uncertainty into GPA's immediate future. These are Ryanair establishing an additional Scottish base using Edinburgh with new and transferred routes and the *credit crunch* and associated impacts.

CHANGING MARKET CONTEXT

6. The timing of the run up and launch of GPA's Draft Master Plan unfortunately coincided with a sharp downturn in aviation markets as a result of the *credit crunch* and subsequent global downturn. This has challenged many underlying assumptions around future directions for the industry. While at a general level the fundamental logic of a continuing growth in aviation remains, rooted as it is in rising propensities to travel as the economy resumes growth and incomes rise, there are now questions around the direction of incomes, and in particular net of tax income available for discretionary travel spend, over the next few years within the UK.
7. The recent fall in freight and passenger business at GPA needs to be seen as part of this general slowdown but has nonetheless impacted significantly locally. Passenger numbers have not only stopped growing after almost two decades of growth, they have fallen significantly for the last 12 months. Freight volumes have also suffered a severe contraction. The passenger contraction began in September 2008 just as the banking crisis impacted. Freight contraction had already begun at a significant scale a year before in early summer 2007. Monthly comparisons between 2007, 2008 and 2009 show declines in excess of 50% in freight volumes. In general, declines in passenger throughput at GPA have been gathering pace during the last quarter of 2008 and first half of 2009 and for each of the last 5 months have fallen more than 25% compared with the previous year. Charter business by September 2009 had disappeared completely (see Appendix).
8. The downturn in global aviation, and with more localised route and operational changes by airline operators, have led Infratil GPA's operator to undertake a business review to align operations and staffing with the current and expected levels of business. This has resulted in a reduction from some 500 staff employed directly by the airport in 2008 to around 350 currently. This is likely to lead to a much bigger impact in terms of loss of jobs and income across the wider area.
9. Over the last 12 months Ryanair have made significant changes to their services from and to Scotland. Ryanair have been offering services from Edinburgh since 2008 and have opened a number of new routes and developed routes already existing at GPA. In addition Ryanair have introduced new "sun-routes" at GPA to Spanish destinations such as Alicante; Majorca; Gran Canaria and Lanzarote. These are routes which have in the past been served by a range of charter operators. For GPA these new routes are

indicative of a switch of emphasis from European cities and capitals to more traditional holiday destinations for UK and Scottish tourists. This may well have an effect on the balance of inbound and outbound tourists at GPA.

CONCLUSION

10. Recent events and decisions indicate that in the medium and long term there may be greater uncertainty over the timing of future growth in aviation markets than there has been for many years. In the short run for GPA it remains to be seen whether a switch in emphasis by Ryanair to the new sun-routes will stem the loss of business and begin to reverse the current downward trajectory of passenger numbers.
11. Notwithstanding the recent downturn, GPA remains a key part of the economic infrastructure of Ayrshire, Scotland and the UK and continues to be a major driver of the Ayrshire economy with significant potential for future growth. The NPF requirement to deliver enhanced facilities, and AJSP policy for safeguarding, developing and investing in GPA as a Gateway location, remain essential to capitalise on future opportunities as and when they arise. This will be explored in the work identified for AJPU on behalf of South Ayrshire Council next year. It may also be that the Councils with GPA and Ayrshire Business Forum should consider developing a partnership approach to explore how the economic advantages and potential of GPA can be more clearly defined, supported where necessary, and fully developed.

RECOMMENDATION

12. The Ayrshire Joint Planning Steering Group is asked to note the contents of this report.

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Appendix

Table 1. Annual Passenger, Freight and Air Transport Movements: Glasgow Prestwick

Year	Passengers			Freight	Air Transport Movements
	Scheduled	Charter	Total		
2004	1,996,061	152,241	2,148,302	34,433	19,392
2005	2,224,786	163,421	2,388,207	29,676	20,834
2006	2,219,280	160,680	2,379,960	29,030	19,771
2007	2,256,987	147,263	2,404,250	31,574	20,859
2008	2,298,856	146,431	2,445,287	28,705	20,709
2009*	1,942,287	11,962	1,954,949	14,417	17,141

Source: Infratil Note* January to September

Table 2. Glasgow Prestwick Airport Passenger & Freight Monthly Statistics

	Passengers			Freight		
	2008	2009	Change	2008	2009	Change
January	145,550	131,875	-13,675 (-9.4%)	1,804	1,064	-740 (-41.0%)
February	165,977	137,574	-28,403 (-17.1%)	2,429	1,078	-1,352 (-55.6%)
March	192,142	149,994	-42,148 (-21.9%)	3,260	1,364	-1,896 (-58.2%)
April	198,489	160,416	-38,703 (-19.2%)	2,871	1,216	-1,655 (-57.7%)
May	221,840	162,495	-59,345 (-26.8%)	2,704	1,347	-1,357 (-50.2%)
June	222,940	164,060	-58,880 (-26.4%)	1,935	1,169	-766 (-39.6%)
July	258,211	191,940	-66,271 (-25.7%)	1,463	1,027	-436 (-29.8%)
August	256,271	181,873	-74,398 (-29.0%)	1,304	1,232	-72 (-5.5%)
September	214,436	153,837	-60,599 (-28.3%)	1,326	1,005	-321 (-24.1%)
October	212,441		<i>-16,452 (-7.2%)¹</i>	1,448		<i>-1,169 (-44.7%)¹</i>
November	154,006		<i>-9,383 (-5.7%)¹</i>	1,300		<i>-1,701 (-56.7%)¹</i>
December	154,438		<i>-13,530 (-8.1%)¹</i>	1,167		<i>-1,669 (-58.9%)¹</i>

Source: Infratil, September 2009

Note 1 - figures highlighted in italics relate to 2007-2008 comparison