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SHANNON — is it in trouble?

Layoffs Threatened — by PAT COX

THE MID-WEST owes more to Shannon Airport than is commonly realised or acknowledged today. Our report concentrates on Aer Rianta Shannon, its problems and prospects. The Airport, employing over 900 people, paid out £7.4m during 1979. Its shop and mail order sales were worth almost £10m, much of this denominated in \$, mainly a significant contribution to the country's foreign exchange earnings.

Over its first 25 years the Duty Free Shop sold some £45m worth of goods and has acted as a showcase for Irish produce, which in recent years has been reported as accounting for about 60 per cent of all duty free sales. Significant as these facts are, there is a sense in which the airport has played an even greater role in the region.


The threat of technological redundancy due to probable jet flyover from 1958 on propelled the Mid-West into an early and extensive industrial and tourist take-off, marking it as a model for regional development in Ireland, through the joint work of the Shannon Free Airport Development Company (S.F.A.D.Co.) and the then Sales and Catering Organisation.

The nature and extent of our modern and growing prosperity would have been much delayed, at the

ment two decades ago. In short, Shannon is, and has been, of exceptional importance to the local economy. Its problems are thus of concern to us all.

Financial decline: 1980 will mark the fourth consecutive year of financial decline for the Airport. Table I shows the surplus deficit on trading activities since 1975.

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Ryans

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Prices.

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&
PREMIER
MANSHOP
PARNELL ST
LIMERICK

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SHANNON — is it in trouble?

CONT'D FROM PAGE 1

A loss of greater than £1m is expected overall for 1980. This will include a loss on operations (aircraft movement revenue) at Shannon for the first time ever.

Productivity: Table 2 examines some interesting comparative statistics for the three Irish airports during 1979.

transit traffic amounted to 47 per cent of Shannon's total passengers, and averaged just over 50 per cent of airport traffic over the last decade. Thus, any adverse change in the transit market would have a major effect on Shannon. Secondly, Shannon accounted for 63 per cent of the Irish Transatlantic market

Cut-Throat Prices: Cut-throat Transatlantic competition explain the loss of charter transits but somewhat more hidden is another fundamental technological change. Virtually all Transatlantic operators are losing money due to market circumstances outside their control. This has led to greater attention to gaining operating economies within their control. The result on scheduled markets has been a prog-

runway is adequate to meet all the needs of wide-bodied aircraft. Yet, twenty years of wear and tear imposes a burden on the best of structures. In the next few years Aer Rianta will need to invest £2m in a major re-surfacing job. This can be done at night with minimal loss of traffic.

Presently, Shannon is the only airport in the Republic capable of taking a fully-laden westbound Jumbo Jet or DC10. With an additional 1,000 ft. on the main runway, which could be added with re-surfacing, Shannon could include within its range any location as far as the west coast of the U.S.A. Taken with other likely developments at the airport this could help significantly in generating more passenger traffic.



TABLE 1
Financial Surplus/Deficit — Shannon 1975 - 1979 (£,000)

1975	1976	1977	1978	1979
660	1,565	1,515	329	-285

Source: Annual Report 1979, A.R.

Clearly a look at these figures would suggest considerably lower labour productivity at Shannon than elsewhere, insofar as Shannon has much higher proportion of total Aer Rianta staff than it has passenger, aircraft or freight traffic. However, a direct comparison with the other airports is invalid because Shannon operates the country's largest duty free shop, a thriving mail order business and a heavily loss-making catering operation all of which are labour intensive and some of which are not found at all in the other airports, or alternatively are not run by Aer Rianta. Another way of gauging 'output' can be measured through revenue per employee. That is shown in Table 3.

in 1979 and averaged 66 per cent of same throughput in the 1970's. The Transatlantic market grew by a much greater 49 per cent. Shannon is probably too dependent on Transatlantic traffic. Last year only 18 per cent of the airport's traffic was on the European or British routes.

Shannon, it is claimed, is now switching its sights eastward for future growth. This is hardly before its time since the trends in passenger traffic growth indicated that the greatest buoyancy was in that market years ago. Finally, low cost air travel has caused, passenger traffic to move progressively 'down-market' to low budget, economy-conscious travellers. This results in lower real spending per head as compared with passengers in the 1960's.

ressive switch to wide-bodied aircraft (Jumbos (747s), DC10s) capable of greater fuel economies with large freight and passenger payloads. Large payloads are in their turn naturally concentrated on dense routes. The 'bulking-up' of traffic for wide-bodied aircraft spells another significant danger signal for peripheral routes such as Shannon.

These two trends: the declining charter traffic and the switch to wide-bodied aircraft lie outside Ireland's control. They explain the dramatic decline of recent years and vividly parallel the technological threat of the late 1950s. Many additional specific reasons advanced in Aer Rianta reports (e.g. strikes, exchange rates, U.S. Import

Dublin's runways: Aer Rianta (Dublin) has acquired a land bank over the last two decades capable of taking twin-parallel runways of 11,500 ft. This land bank was purchased over a period when traffic growth projections were much more optimistic than emerged in the 1970s. No eastbound flight from Dublin on any route presently served requires such lengthy runways to accommodate its maximum take-off load. Should any such development in Dublin be sanctioned it would be a death blow to Shannon's viability. The logic of long runways at Dublin can only make sense if Ireland's transatlantic traffic is concentrated there. Extending Dublin is like an open invitation to the pressure of American carriers.

Dublin bias: All the Dublin-biased pressure does not originate in the U.S.A. Internal Aer Lingus pressures also weigh their case in this direction. Maintenance facilities are in Dublin. The maintenance staff lives there. Crews live there. When decisions were originally taken as to where transatlantic turn around should be based they gravitated towards Dublin, in spite of the fact that in its early years Shannon was Europe's premier transatlantic gateway. Flight touch-downs at Shannon impose a fuel cost penalty on Aer Lingus because of the double landing and take-off. If this proves to be a growing burden the case for turning around at Shannon must be seriously explored, with link-in feeder air services to and from Dublin, Continental and British airports. This would dovetail with the stated objective of increasing eastbound traffic.

Irish Oil Finds: While considering oil it is worth thinking of the impact on Shannon of commercial Irish oil finds off the West Coast. The oil industry's needs could be served from Shannon. Aberdeen, in Scotland, has a volume of traffic similar to Shannon since the discovery of North Sea oil, but was a virtual backwater prior to that. Operational revenue at Shannon would improve without any major growth on the sales or catering side. Indeed, if Irish oil drove the value of the pound upwards to become a petro-currency the impact on the airport's commercial activities could be bleak. The \$ price of goods sold would increase substantially with a consequent loss of sales.

Terminal Traffic: The freight and passenger statistics for the last decade show a situation which is far from dynamic. When first established S.F.A.D.Co. aimed to create industrial employment at the airport and to increase terminal traffic i.e. traffic whose destination was Shannon. Terminal passenger traffic, to the extent it comprises holidaymakers, can be affected by the number and nature of local tourist 'products' and marketing effort. Tourist products include items such as Mediaeval Banquets, Bunratty Folk Park, Rent-an-Irish Cottage and so

on. The most successful products have been Castle Tours and the Folk Park.

The origin and development of these ideas belongs to the 1960s. S.F.A.D.Co. has shown enormous inventiveness and innovation over recent years in developing strategies to encourage small indigenous industry. This inventiveness contrasts sharply when compared with tourist product development and strategies which have clearly reaped on the sowing of earlier days. S.F.A.D.Co. has begun to systematically screen product proposals and is moving into the development of a set of 'Village Hotels' arising from this. More attention needs to be paid to this aspect of the Development Company's work.

Pre-Clearance: One of the most exciting possibilities for traffic growth in the next few years lies in the pre-clearance idea. This allows for clearance by U.S. Customs and Immigration of passengers and goods at Shannon prior to departure. The cost involved would be very considerable at £3m plus, requiring an extension of the existing pier building, the development of more apron space with 4/5 more parking stations and a separate customs clearance area. The attraction is that a flight leaving Shannon after clearance can land at any airport in the U.S.A. as if it had originated there as a domestic flight. Thus, stacking, time and energy burn off over congested airports, or the heavier landing fees at such international gateways could be avoided. Against this must be set the energy cost of stopping at Shannon and a two hour turnaround time on the ground.

The implication of this development particularly for duty free shopping are difficult to assess. The fewer such pre-clearance facilities agreed to in Europe by U.S. authorities, and the less the number of international gateways offered in the U.S.A. to European traffic, the greater would be the result for the airport. It is clear that the U.S. is prepared to open many more East coast gateways to Europe. This would diminish, though not eliminate, the attractiveness of pre-clearance at Shannon. This costly scheme would involve a calculated gamble.

Aer Lingus decision crucial: Aer Rianta is backing the scheme. The Minister for Transport, Mr. Reynolds, is reported as favouring it also. The U.S. Customs Authorities too are prepared to proceed with the plan provided that there is a minimum throughput of 400,000 passengers per annum. S.F.A.D.Co. appears to have more reservations about the impact of the scheme than Aer Rianta. To have any chance of meeting the target passenger number all westbound Aer Lingus flights would need to pre-clear at Shannon. While there are obvious advantages for the airport there are several disadvantages for Aer Lingus which is itself beset by loss-making problems.

Extra time spent on the ground at Shannon without subsequent savings in cost presents Aer Lingus with many organisational and perhaps some economic problems with no obvious gain to themselves. Aer Lingus has already politely but firmly refused to defer to the Minister for Transport on the maintenance of the Chicago route. Aer Rianta is optimistic that Aer Lingus will see its way to backing this scheme. If this is not forthcoming the scheme simply cannot pro-

ceed. Attractive duty free prices, allied to pre-clearance could leave Shannon well placed to exploit what will not doubt be a growing westbound flow of European package-holiday makers.

Summary: This region owes much to Shannon and gains much from it. The financial position of the airport has deteriorated to the point where 1980 will be its worst year on record. Traffic in 1980 will be down by over a quarter of a million in 1979. The airport is being squeezed between inflating costs and a falling market. The switch from charter to scheduled airlines and the technological shift to wide-bodied aircraft are the fundamental market problems of the airport. These have been aggravated by the recession and the consequent decline in American passenger traffic. Shannon's medium term future (1982/1983 onwards) offers a range of growth possibilities. The immediate future unfortunately looks as bleak as the recent past, particularly for commercial activities. Tourism in 1981 is expected to be as stagnant as this year. A restructuring of its costs allied to inventiveness can help Shannon to weather the present storm and come through, provided public agencies and Departments of State are prepared to give it the breaks.

ADVERTISING OPTIONS



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Airport	p.c. of total A.R. Staff	p.c. of total Aircraft Movements	p.c. of total passengers	p.c. of total freight
Shannon	46.8	28	27	24
Dublin	40.4	57	65	73
Cork	6.3	15	8	3
	93.5	100	100	100

A.R. Aer Rianta.
The balance of 6.5 p.c. is H.Q. Staff.
Source: Annual Report 1979, A.R.

In this regard Shannon compares favourably with Dublin. Last year Shannon contributed over half of Aer Rianta's £39.7m turnover. The problem with the above measure is that Dublin is accounting for a progressively larger revenue slice over time. This arises from greatly improved duty free sales, particularly with the introduction of duty free allowances on cross-channel traffic since March 1978. Unfortunately, last year Shannon spent more than it earned, while Dublin

Market Decline: There have been two major developments in the airport's main markets both of which are fundamental to Shannon's prosperity. When deregulation was introduced in the U.S.A. American carriers began a wave of cut-throat price competition. This, allied on the Atlantic to a price war induced by the Laker Skytrain type of operation has virtually forced Transatlantic charters off the market, in favour of low-priced scheduled airlines. As we

regulations, fuel problems). Separately and collectively they are no doubt important but they can easily serve to cloud the fundamentals noted above.

Airport Employment: For employment to be safe Shannon needs more passengers. Growing freight and training flights would help the airport's revenue but success in the airport's commercial (sales and catering) activities needs passengers. In fact, since so much freight is forwarded in the cargo hold of passenger aircraft any plans to develop freight traffic would be contingent on passenger traffic growth also.

It is worth noting that the shift to wide-bodied aircraft means fewer aircraft landings. The decline in traffic this year means yet fewer movements again. This has resulted not only in a loss for Aer Rianta on its operations (aircraft movement) account, but it also seriously threatens employment in Aer Lingus which handles check-ins, maintenance, loading and traffic operations. Because of the serious decline in aircraft traffic Aer Lingus and S.R.S. are worried about staffing levels. At present Aer Lingus is threatening to lay-off as many as 60 of its staff at Shannon.

Runway development: The most basic piece of infrastructure in the airport is the jet runway. Built in 1960 the present runway is in relatively good condition. With a length of 10,500 ft., a standard width of 150 ft. and two clear shoulders (extensions) of 25 ft. the

have seen, Shannon depends heavily on transit traffic. This was predominantly charter traffic. It is the charter business which has been most damaged by the market changes noted above. The impact on Shannon is shown in Table 4.

The decline in 1980 is staggering and the trend unequivocal. Since 1977 44 per cent of the then transit traffic has simply gone away. For reasons due to the recession, the Iranian hostage crisis, the election year and so on less Americans have travelled to Europe in 1980. This traffic is down overall about 8 per cent. Shannon is, therefore, not unique. The problem is, however, greatly magnified here since Shannon's passenger traffic is down an overall 23 per cent for 1980 — why?

TABLE 4
Shannon Transit Traffic

	1977	1978	1979	1980 (Estimate)
(00s)	624	556	550	346
p.c. change over previous year	+3 p.c.	-11 p.c.	-1 p.c.	-37 p.c.

Stamping About

BELOW is the Stamp programme for 1981. You will note that the dates of issue are "provisional" and indeed it would be surprising if some of these dates did not get put back.

1980 was quite a good year for the collector of modern Irish stamps. Whilst collectors of Plate Blocks may feel they have had to lay out a small fortune others will have enjoyed adding a further gutter pair, another miniature sheet, a completely new set of Postage Dues, etc., to their collection. Collectors who have not yet done so should ensure that they obtain the Shaw Gutter Pairs and the Flora & Fauna miniature sheet on F.D.C.



without delay for they are not going to be easy to obtain in the future.

So, what of the future? Well here is the Programme as issued by the Department. Perhaps it is a little heavily laden with long sets earlier in the year and, unless some of the values are altered later, is only going to cost the 1 each collector the sum of £3.52.

1981 IRISH STAMP PROGRAMME

- Irish Science and Technology — 12th March: 12p, 15p, 16p, 25p.
- Europe — 4th May: 15p, 16p.
- 50th Anniversary founding An Oige — 24th June: 12p, 15p, 16p, 25p.
- Fauna and Flora — 30th July: 12p, 15p, 16p, 25p.
- 150th Anniversary Birth J. O'Donovan Rossa — 10th September: 15p.
- Cent. Land Law (I) Act, 1881 — 10th September: 12p.
- 250th Anniversary of R.D.S. — 12th October: 15p.
- Irish Art — 12th October: 25p.
- Christmas — 12th November: 12p, 15p, 25p.
- However — between now and then, have Very Happy Christmas and on New Year's Eve make a Wish that the New Definitive Design may appear in 1981!