

RURAL RESOURCE DEVELOPMENT LTD.

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Mr Cathal Guiomard
Head of Economic Affairs
Commissioner for Aviation Regulation
36 Upper Mount Street
Dublin 2

Dear Mr Guiomard,

The attached brief commentary shows the positive performance of the Mid-West region and the importance of Shannon Airport underlying that success. The ability of the airport owner/operator to further market and develop Shannon Airport will be a vital criterion in the economic growth potential of the Mid-West (and surrounding) regions.

The determination by the Commission of an airport charges regime will be a key factor in the airport performance. It is recommended by Rural Resource Development & EC Leader Organisation that very careful consideration be given to regional dimension of Shannon Airport and its competitive position particularly relating to Dublin Airport.

The charging structure should:

- (a) allow Shannon Airport to be competitive viz a viz Dublin i.e. its charges should not be greater;
- (b) provide Shannon Airport with the ability to invest in required facilities for the future by the provision of adequate funding.
- (c) allow Shannon Airport to market itself in an appropriate manner and with adequate funding.

One way of ensuring that Shannon's Airports contribution to the region will be maintained and enhanced is for the Commission to regulate the three airports as a group. This will assist in the provision of adequate financial resources and managerial expertise.

Yours sincerely

Fr Harry Bohan

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SHANNON AIRPORT'S CONTRIBUTION TO REGIONAL DEVELOPMENT

The following observation is drawn from a European Parliament Report on “Regional Problems in Ireland” dating from 1987:

“As a consequence of the continuing migration within Ireland from the rural areas to Dublin, approximately one third of the population now resides in the Dublin area ... this **concentration of population will hamper balanced economic development** of Ireland and an immediate effect has been the market deterioration in the quality of life in Dublin”.

“The Government should attempt to discourage further movement to the Dublin area **by stimulating economic activity in the rest of the country**”.

In the intervening 14 years, the problems highlighted in that European Parliament Report have become far worse. Patterns and trends tracked at that time by the European Parliament document have been accelerated by the greater growth in the Dublin and East Regions of overseas tourism and multinational industrial development. This phenomenon has been supported by the availability of direct US flights to Dublin since 1993, when the US-Ireland bilateral air agreement was altered to remove the sole gateway status of Shannon Airport

That European Parliament Report and an OECD study of “Innovation Policy in Ireland” of the same year both emphasised the achievements of the Mid-West Region, in which Shannon Airport and its spirit of enterprise has been at the centre of initiatives and advancement since 1945.

RECORD OF ACHIEVEMENT

The leadership of the Mid-West in integrated Regional Development pre-dates its pioneering establishment of the first Regional Development organisation in 1968.

The success achieved by the Mid-West Region is rooted in the enterprise which has been the driving force at Shannon Airport since its inception and the recognition within the surrounding region that the resource of the airport was a significant strength on which to build.

In shaping the economic development and growth of the Mid-West and surrounding regions, Shannon has been much more than an airport infrastructure. The following were important:

- In siting the airport successor to the Foynes flying boat base in a depopulated area, the transit stop of Shannon Airport was an act of faith in the future of trans-Atlantic aviation by the fledgling Irish State and a vote of confidence in the West of Ireland.
- Becoming an instant generator of jobs and spin-off business by developing catering and commercial activities for passing transit passengers, Shannon consolidated its place on the world aviation map by establishing the first Duty Free Store in 1947 to become an international showcase for quality Irish products and a generator of bonus export earnings as well as jobs.
- In popularising Irish food with its airport restaurants and flight kitchens supplying quality Irish fare for in-flight meals, Shannon build on its reputation by establishing a catering training school which was followed by the first Hotel Management College in the country.
- When Shannon's future and direct employment of more than 2,000 people was jeopardised by the institution of the jet aircraft in the late 1950's, the key importance of Shannon was recognised by the Government when launching a series of path-finding initiatives with Shannon Airport at the core.
- The world's first Duty Free Zone was established around the Airport to facilitate controlled introduction of the export products, skills and techniques of overseas industry. Rapid build-up of sophisticated new ventures was led by giants including General Electric, the Anglo-American/DeBeers Corporation of South Africa, and the Standard Pressed Steel makers of fasteners for US space exploration and the auto industry.
- Shannon Airport also became a pathfinder in combining Industry and Tourism Development in a balanced two-prong strategy for growth. Innovations included the Mediaeval Castle Banquet at Bunratty Castle and US-backed investment in quality hotel developments around Shannon including Dromoland Castle.

- The Government underpinned the two national initiatives being led from Shannon by establishing the Shannon Free Airport Development Company, (now known as Shannon Development) with a mandate of fostering economic advance and growth through development of Shannon Airport.

SHANNON SPREADS BENEFITS

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- The spectacular success of the Shannon Industrial Estate in attracting US investment in particular to tap the resource well educated Irish people reached out into the surrounding Region in the 1960's and 1970's with Shannon-trained managers and workers becoming the key human resource as U.S. and other overseas firms built up their presence in the Mid-West and then spread to other regions from Waterford to Galway.

- Shannon Airport's benefits to tourism also spread rapidly, with the Bunratty Castle banquet followed by sister operations at Knappogue Castle at Quin, County Clare and Dunguaire Castle on the Clare/Galway border. The heritage attraction of Bunratty Castle and Folk Park were followed up by a series of related attractions including the Craggaunowen Project which paved the way for the location of the Hunt Collection in Limerick and the visitor centre at the Cliffs of Moher. Another Shannon tourism initiative was the Rent-an-Irish Cottage scheme with a new concept in self-catering tourism as well as spreading tourism into villages of Clare, Limerick and North Tipperary.

- The success of the twin initiatives in development of Industry and Tourism created a new momentum which resulted in:

Ø The first reversal in a century of population decline, with natural increase bolstered by in-migration generating growth in the population of the Mid-West in the 1970s.

Ø The establishment of the first new town in Ireland for a century at Shannon.

Ø Demand for industry-friendly and business-friendly skills and expertise which prompted the establishment of Limerick NIHE which evolved into the University of Limerick with the highest graduate placement record in the country.

Ø The University of Limerick has become the hub of the National Technological Park with over 3,000 people employed in more than 120 organisations ranging from new start-up companies being helped to

get on their feet with support from the incubator Innovation Centre, the pilot scheme Venture Capital Investment initiative and guidance in adding the advantage of technology to new and existing products through the MAC, the National Microelectronics Applications Centre.

· Rapid build-up of modern overseas industry in the Mid-West Region which introduced new skills, techniques, spin-off opportunities and confidence to aspiring entrepreneurs, established a conducive climate and set down the groundwork for the successful national pilot programme of Accelerated Development of Indigenous Industry started in 1978.

Ø This programme pioneered new “working together” action programmes and concepts involving state bodies and agencies, third level and other educational bodies and a range of other interests in cultivating a new crop of modern home-grown firms.

Ø Cushioned the Mid-West through the economically difficult 1980’s when a national slow down in overseas industrial investment was compensated for with dramatic growth in employment in indigenous firms.

Ø Built up a network of sub supply firms which have advanced to become exporters in their right as well as reinforcing the attraction of the Region for new and expanded overseas industrial investment.

Ø Provided a built-in resilience which enabled the Region to react and respond swiftly to the 1990’s resurgence in economic growth and confidence and the upturn in overseas investment.

In its 1987 review of “Innovation Policy in Ireland” the influential and independent Organisation for Economic Co-Operation and Development (OECD) recorded that in the 5 years from 1979 to 1984 the pilot programme in the Mid West resulted in:

q A 50% increase in employment in small manufacturing firms.

q A 100% increase in the number of new firms start-ups.

The OECD study concluded – “The experience in the Mid-West region constitutes a useful precedent for the successful conduct of a decentralisation process and for the creation of the condition needed for

promoting innovation and setting up new firms. Paramount among these conditions have been a good infrastructure, including Shannon Airport, the establishment of strong education facilities including the National Institute for Higher Education (Limerick NIHE, now the University of Limerick) and the Shannon Free Airport Development Company.

A MODEL OF REGIONAL DEVELOPMENT

“The Mid West Region of Ireland represents proper regional development”

(EU Regional Policies Commissioner, Bruce Millan, at a 1991 meeting with Irish MEPS)

During the 40 years of development initiatives based on building a series of inter-dependent and inter-locking resources and strengths around the central asset of Shannon Airport, the integrated development taking place in the Mid-West Region has been recognised and accepted as a natural counter-balance to Dublin and the east regions, with the Limerick-Shannon-Ennis triangle emerging as a centre of growth.

Even though the 1993 change in the U.S.-Ireland bilateral air agreement which admitted direct US flights has had a detrimental effect on both the region's share of tourist numbers and its share of overseas industry, the Mid-West continues to be successful because of the strengths that have been developed with the airport as the key catalyst for such development.

As a model of Regional Development, the Mid-West represents a combination of strengths:

In Jobs

q Labour force growth in the 1990-95 period of +11.8% was only exceeded by Dublin and the Mid-East. The national increase was 9.1%.

q Jobs in the Industrial sector grew by 33.7% with 8,700 new jobs. The Mid-West led the way in the country where the national growth for the 1990-95 period was 7.2%.

q Balance in Mid West employment was generated with a 23.5% rise in Employment in Services (national growth 17.6%) and female employment grew by 31.3% with a dramatic 53.6% rise in Manufacturing compared to 16.7% growth in female jobs in Commerce and Business.

In Industrial Sophistication

q At 15,637 at the end of the 1993-97 period, Employment in foreign State-assisted firms accounted for more than half the Region's total manufacturing base and was concentrated in fast growth sectors such as IT and electronics.

q Jobs in Electrical and Optical Equipment which includes manufacture of computers and instrument engineering, accounted for close to 40% of the Region's manufacturing base compared to a little over one-fifth nationally.

q Investment in Research and Development by foreign-owned firms rose from £28million in 1993 to £43 million in 1997 – an increase of +54.6% which was ahead of the +41% national average.

In Native Firms

q At +22% numbers employed in Irish-owned State-assisted firms at the end of the 93-98 period was more than twice the national average rate of growth.

q Investment in Research and Development (R&D) by Irish owned firms in the Mid West more than doubled, increasing 114.6% and almost twice the national average of 57.4% over a 5-year period. R&D investment grew from £8.7 million in 1993 to £18.7 million in 1997.

q Sub-supply firms which help to retain and attract overseas industry, account for 3 in every 5 of the 971 jobs in new indigenous manufacturing ventures created in the Region in the 1994-1997 period. Suppliers in the region employed almost 4,000 people, with growth in excess of 20% recorded by 36 sub-supply companies.

In Technology & Innovation

q The town of Ennis in County Clare which ranks among the fastest-growing towns in the country and is an integral element of the Limerick-Shannon-Ennis growth centre, won the title and investment rewards as "Information Age Town" after a nation-wide competition.

q With a 3-fold increase over 7 years in the number of Software ventures setting up in the Region, a "ShannonSoft" initiative launched in September 1998 involves private and public sector interests including Software firms in building a Software-friendly environment which will make the Region the

premier Software location in the country. Already there are 200 companies in the Region employing people with Software skills and over 200 companies involved in Software and IT related activities are based at the Innovation Centre at the University of Limerick where they are investing in leading edge research and development.

q A Regional Innovation Strategy in which the Shannon Region was the only Irish participant on an EU programme involving 20 regions, was launched in March 1999 with the aim of – “developing one of the foremost regions in the world in terms of business enterprise and development”.

Tourism Innovation

q The region is the recognised leader and centre of Heritage and Cultural Tourism.

q Following the extension of the region’s boundary and the mandate of Shannon Development into North Kerry, development of a series of visitor attractions in the county capital of Tralee resulted in growth of visitor numbers from 100,000 in 1990 to 500,000 in 1995. Tralee Premier Attractions have set a goal of growth to 1 million visitors by the year 2000.

q The tourism trade and promotional agencies have consistently emphasised the value of Shannon Airport to the tourist industry.

“The existence of an Airport in the Mid West Region provides a Unique

Competitive Advantage ONLY if it is Fully Utilised”.

Extract from IBEC “Business Perspective on the Mid-West, October 1996

which recommended “An Action Plan for Air Transport linked

into an overall strategic integrated regional transport policy.