



Appeal by: Bristol Airport Limited

Appeal Reference: APP/D0121/W/20/3259234

North Somerset Council Application Reference: 18/P/5118/OUT

**Summary proof of evidence of
John Siraut BSc, MSc, Dip Tran
Economic Impact**

Reference: NSC/W5/2

Jacobs

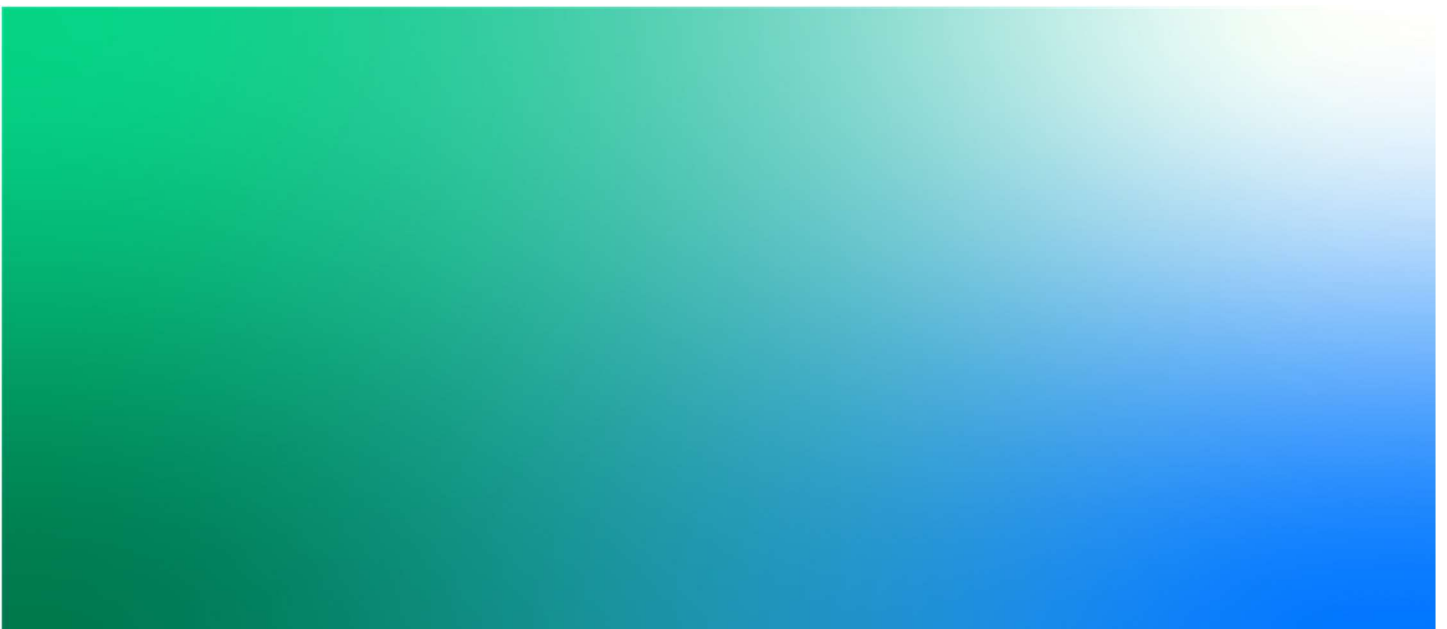


Bristol Airport Public Inquiry

Economic Impact Assessment Proof Summary

14th June 2021

North Somerset Council



Bristol Airport Public Inquiry

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1. Summary

1.1 Introduction

- 1.1.1 My name is John Siraut, Director of Economics and Global Technical Lead for Transport Economics at Jacobs, a multi-disciplinary consultancy. I have over 30 years' experience working in both Government and the private sector; covering economic policy, regeneration, local economic development, inward investment, tourism and transport. I am presently Chair of the Transport Economics, Finance and Appraisal Committee of the European Transport Conference.
- 1.1.2 I have advised on the economic impacts of the proposed London Estuary Airport for Transport for London, the wider economic impacts of the proposed third runway at Heathrow for both the Greater London Authority and the British Chambers of Commerce and the local and regional economic impacts of expanding Stansted Airport. I have also advised on the economic impacts of smaller regional airports including St Helena in the South Atlantic and Galway and Waterford airports in Ireland.

1.2 Economic context and policy

- 1.2.1 The North Somerset Council area and the West of England generally are prosperous areas with average GDP per capita 20% higher than the UK (excluding London) average, as well as higher rates of economic activity and lower levels of unemployment than the national average. Employment growth between 2012-19 was over 15% in both areas, again higher than the national average. While levels of deprivation are significantly lower than the national average.
- 1.2.2 Tourism, which is overwhelmingly domestic, is important to North Somerset and the restrictions placed on overseas travel is seen as a considerable opportunity for the area to attract and retain new visitors to the area.

- 1.2.3 The pandemic has encouraged North Somerset council to change its economic focus to investing in supporting local businesses which in turn support the local economy, improving digital access and developing a low-carbon economy and green recovery.
- 1.2.4 While Bristol Airport is a major employer in the area the net economic benefits of its expansion are overstated and it will not provide the “significant” economic benefits claimed. This is due to an overestimation of the business productivity benefits of expansion, an underestimation of the level of displacement and a failure to take a balanced approach to future uncertainty. It should be noted that my alternative assessments are often presented as a range of possible outcomes. This reflects the level of uncertainty inherent with assessments of this nature and their sensitivity to the underlying assumptions used.

1.3 Business Productivity

- 1.3.1 The appellant’s assumption is that by 2030 business passenger numbers will make up the same proportion (13.8%) of total passenger throughput as in 2019. The pandemic and the climate emergency have changed attitudes to business travel which had already been stagnant for many years. There is no guarantee that additional business destinations will be available in 2030 or that businesses will not be able to successfully undertake their activities on-line in future. Hence a conservative economic assessment would assume that the marginal productivity benefits from expansion are effectively zero.
- 1.3.2 An optimistic approach might be to assume that the differential growth rates between business and leisure passengers (which over the last 20 years were 4.2% versus 8.1%), would grow to the extent that it doubles, that is, leisure traffic grows four times faster than business travel. This would mean business passenger numbers increase by effectively half the level suggested by the appellant. Hence in my opinion business productivity benefits will range from zero to half the level proposed by the appellant.

1.4 Direct Employment Impacts

- 1.4.1 We expect considerable cost pressures from airlines going forward as they seek to recover from the impacts of the pandemic meaning that employment levels per million passenger throughput will decline. Our conservative assumption of a 1% annual productivity improvement (in line with past performance in the sector) reduces the level of direct employment at the airport by 207 FTE under the 12MPPA scenario.

1.5 Displacement

- 1.5.1 Displacement is the proportion of passengers who would have travelled from other airports in the region if expansion did not occur at Bristol. The appellant's updated assessment estimates 28% of passengers would have flown from other airports in this region in a without expansion scenario. The remaining 72% are estimated to use airports further afield such as Gatwick and Heathrow or choose not to fly.
- 1.5.2 There is clear evidence of considerable overlap in catchment areas of airports serving the South West and South Wales. Using the appellant's own road transport data this suggests that 12% of passengers that reside in North Somerset, 13% in West of England and 52% in the South West and South Wales region would travel to other airports in the South West and South Wales.
- 1.5.3 Hence not only are the majority of passengers displaced from other airports in the South West and Wales, these competing airports are all in less prosperous locations.
- 1.5.4 There is then the question of the passengers who would not have flown if the airport did not expand. One can realistically assume that the domestic passengers will spend an equivalent amount of money on other activities as they would have spent on flying from Bristol. There is no reason to suggest why a similar proportion would not have been spent locally in the region thereby supporting local GVA and jobs. This would mean that the only additional spend arising in the South West and South Wales comes from those who decide to fly from airports outside the region and foreign travellers.

1.5.5 Hence the real level of displacement is considerably higher than proposed by the appellant and the level of benefits in terms of GVA and jobs is effectively halved.

1.5.6 As stated in the appellant's 2018 economic assessment document, *"the majority of direct jobs are likely to require either basic skills or supervisory skills at the equivalent of NVQ Levels 1 & 2, and with a range of managerial jobs at a higher level."*¹. This contrasts with North Somerset's economic policies that are aiming to improve the skill sets of its resident population.

1.6 Uncertainty

1.6.1 There is considerable economic uncertainty following **Brexit**. This uncertainty relates to the growth of the economy, which tends to drive demand for travel, and the changing nature of the UK's workforce. With the ending of the free movement of labour, the number of people from eastern and central Europe travelling to and from the UK is likely to fall. Prior to Brexit, nearly 10% of passengers from Bristol airport were travelling to destinations in this region with routes often underpinned by EU nationals travelling to and from their home countries.

1.6.2 The negative economic impacts of **outbound tourism** is currently not included within the appellant's economic assessment. This is contrary to guidance in HM Treasury Green Book Social which requires **all** significant costs and benefits that affect the welfare and wellbeing of the population to be taken into consideration.

1.6.3 This is not an argument to suggest government should be constraining people from flying, in the same way that assessing the full costs and benefits of surface transport policies and interventions is not seen as constraining people's ability to drive. Rather it is ensuring that decision makers are aware of all the costs and benefits before coming to a decision.

1.6.4 My analysis suggests an annual negative impact of £123m in 2030 which is currently not included within the appellant's economic assessment.

- 1.6.5 **Carbon costs and other environmental impacts** - while Carbon costs have been included as part of the appellant's sensitivity test, noise and air quality impacts have not been assessed in the economic case and have not been included in the economic analysis. All three of these environmental impacts should be included in the core economic assessment.
- 1.6.6 **In conclusion** I believe the economic benefits of the proposed expansion have been significantly overstated across a number of different areas and a comprehensive estimation of the negative impacts has not been undertaken. In addition, the economic impacts are highly sensitive to the underlying assumptions used which are subject to considerable uncertainty at the present time.

¹ *Development of Bristol Airport to accommodate 12 million passengers per annum – economic impact assessment, York Aviation November 2018*