

EXPANSION OF BRISTOL AIRPORT TO 12MPPA

PINS REF APP/D0121/W/20/3259234

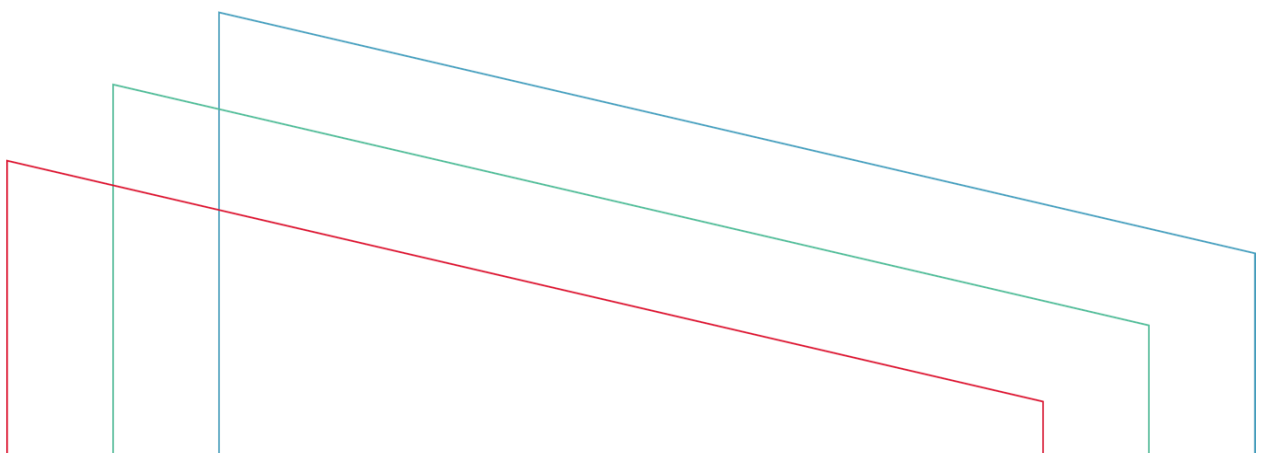
PLANNING APPLICATION REF: 18/P/5118/OUT

# SUMMARY

## PROOF OF EVIDENCE OF DR ALEX CHAPMAN

## ECONOMIC IMPACTS

**New Economics Foundation**



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# 1. INTRODUCTION

## 1.1. Personal details

- 1.1.1. Dr Alex Chapman is a specialist in policy impact analysis and evaluation. He has a BSc in Environmental Economics from the University of York and a PhD from the University of Southampton focused on the socioeconomic evaluation of infrastructure proposals and their climate impacts. Alex works as a Senior Researcher at the New Economics Foundation (NEF) and as an international consultant for the Asian Development Bank and World Bank.

## 1.2. Additional background

- 1.2.1. NEF Consulting is a wholly owned subsidiary of the New Economics Foundation. NEF Consulting were previously commissioned by the Campaign to Protect Rural England (CPRE) to review the Airport's socioeconomic case for expansion. Our report titled *Evaluating the Case for Expansion of Bristol Airport* was published in July 2019 and submitted via North Somerset Council's planning portal (CD11.12). In January 2021 NEF submitted a follow up to our initial report (CD11.13).

## 1.3. Scope of evidence

- 1.3.1. The evidence supplied in this proof covers the economic matters relating to the scheme and is broken down into:
- Economic appraisal methodology
  - Sensitivity testing
  - Appraisal geography
  - Displacement
  - Employment
  - Business productivity
  - Tourism
  - Climate and other environmental impacts
- 1.3.2. I have identified a significant number and breadth of major issues in the Appellant's economic case it has therefore been necessary to condense this summary considerably. For details and full references please refer to my full proof.

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## 2. KEY POINTS

### 2.1. Sensitivity testing

- 2.1.1. None of the core economic parameters in the Appellant's submission appear to have been subjected to any quantitative sensitivity testing.** This is despite the appeal coming at a time of critical uncertainty and contradicts guidance from HM Treasury and the DfT recommending sensitivity testing as a key support to robust decision making. Uncertain parameters around job creation, business impacts, climate impacts, and tourism impacts should have been tested. Failing to do so means exposing the public to significant socioeconomic risk, as detailed further below.

### 2.2. Appraisal geography

- 2.2.1. The maximum appraisal extent is too small and fails to meet government guidance in this regard.** Given the importance to the scheme of passengers and jobs currently linked to London and Birmingham airports a larger, preferably national, assessment should have been conducted.

### 2.3. Displacement

- 2.3.1. The Appellant has made an error in their own application of displacement to business productivity and inbound tourism impacts.** The appellant applies a 28% displacement rate where a higher rate of up to 62% is appropriate. This error means the scheme impacts on business and inbound tourism in the appraisal year of 2030 are overstated.
- 2.3.2. The Appellant fails to apply disaggregated displacement estimates.** The Appellant has the necessary data to conduct a more refined displacement assessment but fails to do so. This leads to a very significant overstatement of the jobs impact of the scheme. A more refined assessment would highlight that the scheme will relocate jobs from airports with high job creation potential to an airport (Bristol) with lower job creation potential. NEF estimate that this reduces the total aviation sector jobs created in the South West and South Wales region by 24%.

### 2.4. Jobs

- 2.4.1. The Appellant assumes no returns to scale.** The job creation estimates put forward imply no returns to scale on employment will result from the expansion. This contradicts standard logic, as well as statements made later in the Appellant's the Economic Impact Assessment Addendum, which states on Page 34:

*"as the airport grows, it is able to realise greater economies of scale"*

- 2.4.2. The Appellant applies an unrealistic rate of future job creation potential.** The future job intensity of the airport is assumed to be far higher than historic data would suggest is realistic. The Appellant suggests the number of jobs per passenger will fall by 10% between 2018-2030. But the continuation of historical trends in the sector would suggest a fall of 25%. This overstates the future jobs creation potential of the scheme.

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**2.4.3. The Appellant fails to model the jobs impact of displacing spending away from non-aviation sectors.** Despite presenting modelling showing that 38% of passengers are expected to be taking new trips created by the airport expansion, the Appellant fails to test how this diversion of spending away from other industries will impact on jobs, GVA, and the local economy. It is very possible that the scheme will in fact result in a decline in jobs in the region as a result of the transfer of spending overseas.

**2.4.4. The Appellant fails to adequately represent or test the Covid-19 pandemic impacts on aviation job creation potential.** In a single year after the financial crisis of 2008 the number of jobs per passenger in the UK aviation sector fell by 8.3%. Job creation has almost certainly declined due to automation and efficiency drives implemented in the past two years. These are not assessed in the application, and likely very significantly reduce the scheme's job creation potential.

## **2.5. Business productivity**

**2.5.1. The Appellant fails to test the Covid-19 pandemic implications for the business impact of the proposed scheme.** The long-term decline in business travel expected means it is unlikely there are any business productivity benefits of the scheme at all. Business use of air travel fundamentally changed after the 2008 financial crisis. Total numbers of UK business travellers have not returned to the peak reached in 2006. The pandemic has had even more profound impacts on business use of air travel. Airline executives and consultancies expect business use of air travel to drop 20-30% long-term. None of these factors have been tested.

**2.5.2. The Appellant's estimates of business productivity should be disregarded.** The model utilised is out-of-date, the relationship used was derived from analysis of data spanning 1980-2010, a very different period of UK economic development. Other models also show much lower impact coefficients than used by The Appellant. The model used does not factor in diminishing returns or 'saturation' of the market highlighted by academic research and the IATA. Business productivity impact estimates from the Appellant should be disregarded.

## **2.6. Tourism**

**2.6.1. Advice to government in 2018 suggested measuring the relative magnitude of inbound and outbound tourism is a key diagnostic test of regional aviation appraisals.** This directly contradicts the position of the Airport, who downplay the significance of this impact. This is likely because more than five times as many outbound tourists fly through Bristol Airport as inbound. Incentivising outbound tourism will take spending out of the local area, damaging the local economy.

**2.6.2. The Appellant makes no attempt to quantify the economic impact of outbound tourism, despite viable methodologies existing.** The magnitude of losses to outbound tourism is certainly more than sufficient to completely offset any economic benefits resulting from inbound tourism. In jobs terms it likely offsets any gains in regional employment in the aviation sector.

## **2.7. Environmental impacts**

**2.7.1. The Appellant's qualitative statements on monetised carbon emissions should be disregarded.** These are not consistent with the Appellant's other analysis on carbon emissions and displacement, nor are they consistent with best-

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practice appraisal. The government is absolutely clear in its guidance that carbon costs should be monetised.

**2.7.2. The Appellant fails to test sensitivity to high carbon prices.** As such the Appellant fails to follow DfT guidance issued in July 2020. As carbon prices affect the demand model, this failure carries right through almost all aspects of the application. The Appellant's submissions are not robust to the significant risks linked to future climate policy.

**2.7.3. The Appellant fails to quantitatively monetise and test the non-CO<sub>2</sub> impacts of air travel.** If, as the latest science would suggest, the non-CO<sub>2</sub> impacts of air travel double or triple its climate impact this will result in very serious negative economic impacts. As the costs of non-CO<sub>2</sub> impacts are not recouped by the UK ETS this cost will impact on wider society either through increased costs of faster and deeper emissions reductions, or through the social costs of additional climate breakdown.

## **2.8. Socio-economic cost benefit analysis**

**2.8.1. The Appellant's socioeconomic cost benefit analysis should be disregarded.** This section of the Economic Impact Assessment Addendum is so riddled with flaws, omissions, and contradictions, that it is not fit for consideration. Key problems relate to the inclusion of reciprocal costs/benefits, inappropriate choice of stakeholders, and missing impacts (particularly noise, air quality, and job gains/losses).

# **3. CONCLUSION**

## **3.1.1. Opinion**

**3.1.2. This appeal should be refused.** The economic assessment is not robust enough to base such an important decision on. Material economic risks and sensitivities have not been tested. This alone should be sufficient grounds to refuse the appeal. However, our supplementary analysis demonstrates that if a more comprehensive and guidance-compliant assessment were conducted, and the Appellant's errors corrected, the proposed scheme would also represent a very poor investment from a public perspective. The scheme's negative impacts, including significant climate impact, are not reliably offset by a sufficiently attractive economic case. The appeal can also therefore be refused on the grounds of protecting the public's economic interest.