



DEVELOPMENT OF BRISTOL AIRPORT TO ACCOMMODATE  
12 MILLION PASSENGERS PER ANNUM:  
ECONOMIC IMPACT ASSESSMENT ADDENDUM



Bristol Airport Limited

Final Report  
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# 1. Introduction

- 1.1. An economic impact assessment<sup>1</sup> was submitted to North Somerset Council (NSC) as part of BAL's planning application (reference 18/P/5118/OUT) to increase the permitted passenger cap of Bristol Airport from 10 million passengers per annum (mppa) to 12 mppa, including improvements to existing infrastructure, delivery of new infrastructure and amendments to current operations (the Proposed Development). The planning application was refused by NSC on 19 March 2020 and on 10 September 2020, BAL made an appeal to the Planning Inspectorate, pursuant to Section 78 of the Town and Country Planning Act 1990.
- 1.2. Since refusal of the planning application, the global COVID-19 pandemic has particularly affected the aviation sector and, like other UK airports, passenger throughput at Bristol Airport has been temporarily suppressed. As a result, the traffic forecasts that informed the 12 mppa planning application and provided the basis for the economic impact assessment have been updated in order to consider the effect of the pandemic and address the uncertainties associated with the rate at which demand will return. BAL therefore commissioned York Aviation to produce an updated economic impact assessment to ensure that the findings of the assessment are accurate in light of the updated forecasts. The updated assessment also provides supporting evidence in relation to Chapter 7: Socio-Economics within the Environmental Statement (ES) Addendum.
- 1.3. This addendum report updates the main elements of the original economic impact assessment and should be read in conjunction with that document. The original document presented a mixture of quantitative and qualitative evidence to consider the future economic impact of Bristol Airport's expansion to handle 12 mppa. This document focuses on updating the following main areas:
  - the assessment of Gross Value Added (GVA) and employment impacts associated with the Proposed Development;
  - the socio-economic cost benefit analysis.
- 1.4. In addition, this addendum document provides updated evidence in relation to key elements of the previous assessment that have been the subject of debate since the original application was submitted, namely: the basis for assumptions around outbound tourism; the airport's role in supporting foreign direct investment (FDI); the quality of jobs at the airport; the availability of labour; and evidence as regards the airport's social value.
- 1.5. The approach used for this assessment is the same as that adopted for the original assessment published in 2018. Where changes have been made, this is in relation to the inputs and underlying assumptions that support the assessment. These changes either reflect changed circumstances since the original application, most notably the impact on the timing of demand growth relating to the COVID-19 pandemic, the availability of more up to date information on baseline conditions or key assumptions, or where related analysis undertaken for the appeal has provided a more detailed and robust understanding of particular issues, perhaps most notably in relation to passenger displacement. Overall, while there are unsurprisingly differences in the assessment, the fundamental conclusion that the Proposed Development will offer substantial economic benefits has not changed.
- 1.6. This addendum report is structured as follows:
  - in Section 2, by way of context, we analyse the extent to which the COVID-19 pandemic could impact on the economic assessment in the future;
  - in Section 3, we present the updated assessment of the GVA and employment impacts associated with Bristol Airport's expansion to 12 mppa and consider a range of issues that support this analysis;
  - in Section 4, we set out the results of the updated socio-economic cost benefit analysis;

<sup>1</sup> York Aviation (2018). Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment.

- ✈ in Section 5, we consider whether there may be additional negative economic consequences from constraint of the airport that should be given consideration in the overall context of the application;
- ✈ in Section 6, we present our conclusions from the assessment.

## 2. COVID-19 and the Economic Impact Assessment

### Introduction

- 2.1. The COVID-19 pandemic is the primary driver behind the requirement to update the original economic impact assessment. It has changed the timescales over which Bristol Airport is expected to reach both 10 mppa and 12 mppa, which ultimately has implications on the timing of delivery of economic benefits and, to some degree, the level of benefits. Below, we have set out a summary of the updated traffic forecasts and, hence, the baseline, future baseline and development case that is considered in this addendum.
- 2.2. However, in this section, we also consider the extent to which the COVID-19 pandemic could affect the results of the economic assessment as set out in this addendum in a broader sense, examining whether the pandemic is likely to fundamentally alter the market in such a way that the economic impact assessment would be affected.

### Updated Traffic Forecasts

- 2.3. The updated traffic forecasts that support the appeal are set out in detail in the traffic forecast report<sup>2</sup>. The updated traffic forecasts provide a 'Core Case' in which Bristol Airport reaches 10 mppa in around 2024 and grows to 12 mppa by 2030. This represents a four-year delay in the airport reaching 12 mppa compared to the traffic forecasts used in the original planning application.
- 2.4. The updated traffic forecasts also provide a 'Faster Growth Case' and a 'Slower Growth Case' for growth at the airport in the future:
  - in the Slower Growth Case, the growth rate slows and 10 mppa is reached in 2028, whilst 12 mppa is reached in 2034;
  - in the Faster Growth Case, growth is faster than the Core Case and 10 mppa is reached in around 2022 and 12 mppa is reached in 2027.
- 2.5. The Faster and Slower Growth Cases have been adopted as sensitivity tests in this addendum. They reflect reasonable paths for faster and slower growth at Bristol Airport and, in the context of COVID-19, potentially faster and slower recovery paths from the pandemic. The impact of these sensitivity tests are dealt with qualitatively in the assessment.
- 2.6. The updated traffic forecasts that form the basis for the assessment are set out in Table 2.1.

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<sup>2</sup> York Aviation (2020). Passenger Traffic Forecasts for Bristol Airport to Inform the Proposed Development to 12 mppa.

**Table 2.1: Passenger Traffic Forecasts by Scenario**

	Core Case		Slower Growth Case		Faster Growth Case	
	Proposed Development	Without Development	Proposed Development	Without Development	Proposed Development	Without Development
2019	8.9	8.9	8.9	8.9	8.9	8.9
2020	3.2	3.2	3.2	3.2	3.2	3.2
2021	8.0	8.0	6.4	6.4	8.4	8.4
2022	8.8	8.8	8.1	8.1	10.3	10.0
2023	9.5	9.5	9.0	9.0	11.1	10.0
2024	10.3	10.0	9.3	9.3	11.4	10.0
2025	10.7	10.0	9.6	9.6	11.7	10.0
2026	10.9	10.0	9.8	9.8	11.9	10.0
2027	11.2	10.0	10.0	10.0	12.0	10.0
2028	11.4	10.0	10.2	10.0	12.0	10.0
2029	11.8	10.0	10.5	10.0	12.0	10.0
2030	12.0	10.0	10.8	10.0	12.0	10.0
2031	12.0	10.0	11.1	10.0	12.0	10.0
2032	12.0	10.0	11.5	10.0	12.0	10.0
2033	12.0	10.0	11.7	10.0	12.0	10.0
2034	12.0	10.0	12.0	10.0	12.0	10.0
2035	12.0	10.0	12.0	10.0	12.0	10.0

Source: York Aviation.

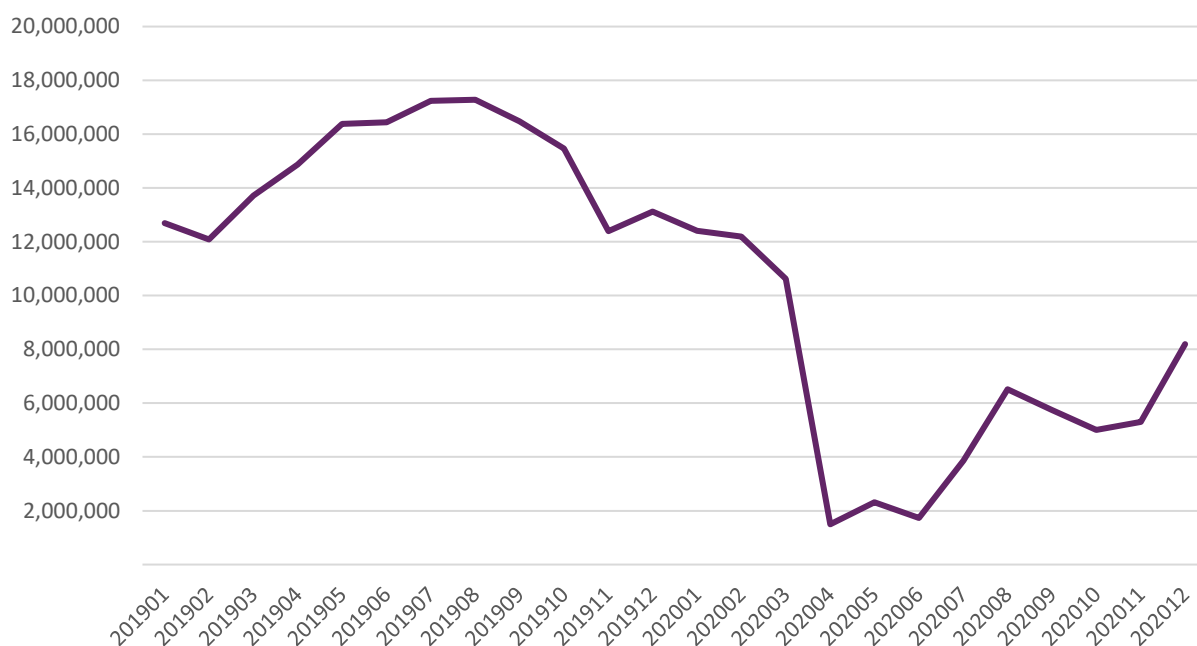
### Assessment of Potential Broader Implications of COVID-19

- 2.7. Below, we have considered the potential influence of the COVID-19 pandemic on the updated economic impact assessment and whether there are further adjustments that might be required over and above those inherent when taking into account the updated traffic forecasts.
- 2.8. At the outset, it should be recognised that, at the time of writing, the pandemic is ongoing and it is unclear how long the current situation will last or what its longer term effects on the way we will live will be, albeit there are positive signs appearing around the potential efficacy of vaccines and effectiveness of treatments. However, it should also be remembered that this economic assessment examines the effects of Bristol Airport's expansion to 12 mppa at a point some time into the future, in an assessment year of 2030 (in the Core Case). Hence, unless it is reasonable to assume that the pandemic fundamentally changes our society, economy and the way we live our lives in ways that cannot sensibly be mitigated, then it is unlikely that the conclusions of this long term assessment would be affected. In our view, this type of long term disruption is not a likely scenario for the future. We believe that, ultimately, over time, the virus will become a background infection, which does not impinge significantly on normal life, or that, at the very least, we will adapt our lives such that normality resumes.
- 2.9. Below, we have considered this in more detail. We have examined what might be said to be a central case view of how the pandemic will evolve, in which vaccines become available for mass distribution during 2021, treatment of COVID-19 continues to improve, the need for social distancing measures reduces and life in general gradually returns to normal through the year. We have analysed how this might impact on three key groups:
- the air transport industry;
  - passengers;
  - the wider economy.
- 2.10. The ultimate purpose of this analysis is to consider whether the COVID-19 pandemic will have lingering effects by 2030 that might mean that the economic impact assessment as set out in this addendum is not reasonable.

## The Air Transport Industry

2.11. The impact of the COVID-19 pandemic on the air transport industry has been rapid and dramatic. The demand impact on airlines and airports has been unprecedented, as can be seen in Figure 2.1. While capacity is starting to recover, with short haul travel returning more quickly, demand is still weak, and travel restrictions, quarantine policies and health concerns mean that there is greater than usual short term uncertainty in forecasts. However, from the perspective of this assessment, it is important to separate the current crisis from the long term<sup>3</sup> future for the industry.

**Figure 2.1: One Way Seat Capacity from UK Airports**



Source: OAG<sup>4</sup>.

2.12. The impact of the pandemic on future demand has been considered through the updated traffic forecasts, with considerable analysis undertaken around the risks and potential scenarios for forward growth. The Core Case has identified that the point at which Bristol Airport will reach 12 mppa has moved back around four years but ultimately demand is expected to recover and the fundamental drivers of long term traffic growth, economic growth and the cost of flying, are expected to reassert themselves once the short term effects from travel restrictions and health concerns fade. As described above, the Faster Growth Case and the Slower Growth Case provide slightly different perspectives on the future growth at the airport and its recovery from the pandemic. However, even the Slower Growth Case sees the airport reach 10 mppa in 2027 and 12 mppa in 2034. In other words, demand is expected to return and growth resume, even if there is some uncertainty as to the exact timing. This effect of the pandemic is reflected in this updated assessment.

2.13. It should also be pointed out that recovery over the timescales described above is in line with the perspectives of other commentators in relation to the air transport market as a whole:

- ACI EUROPE, the industry trade body for European airports, has forecast recovery to 2019 traffic levels in around 2024 and its most recent review of traffic forecasts from around Europe continues to suggest recovery in around 2024 or 2025<sup>5</sup>;

<sup>3</sup> Throughout this discussion we use the terms short term and long term. It should be noted that these do not refer to specific time periods but are solely used in a discursive sense to highlight issues that will change over the passage of time.

<sup>4</sup> OAG is a global travel data provider. It used to be known as the Official Airline Guide but is now simply referred to as OAG.

<sup>5</sup> ACI EUROPE (2020). COVID-19 & AIRPORTS Traffic Forecast & Financial Impact 3rd Updated Forecast (October).

- IATA has forecast a return to 2019 traffic levels by around 2024<sup>6</sup>;
- EUROCONTROL has forecast that, with a vaccine widely available in 2021, traffic will recover by around 2024 or, if a vaccine is not available until 2022, then recovery would be delayed until around 2026<sup>7</sup>.

2.14. The other key question from the assessment's perspective is whether the pandemic will change the way airports operate in the long term and affect their ability to support employment beyond what would be expected from normal growth in productivity over time. This is clearly an area where it is difficult to reach a conclusion at this time. However, taken in the round, our view is that there will not be a long term effect on an airport's ability to generate jobs on-site. The redundancies seen at present are a short term reaction to a significant loss in demand unrelated to any change in the underlying desire or need to travel and the consequent need to reduce costs and preserve liquidity. As demand returns, we would expect employment levels to recover. What may change is the nature of jobs on-site depending on how we learn to live with COVID-19. If life largely returns to normal, then we would expect current employment structures to largely return. If mitigation measures are still required in the longer term, new job functions are likely to be required, such as staff to support testing, and other functions will require more staff, for instance cleaning. Overall, therefore, we would expect employment levels to be similar to those assessed but there could be changes in the nature of jobs, with perhaps a greater emphasis on health screening, cleaning and maintenance.

## Passengers

- 2.15. The impact of the pandemic on passengers and their behaviour is, in our view, likely to be limited in the long term. Demand is suppressed at present by a combination of travel restrictions, health fears and economic concerns. However, as we move through the pandemic and the economy recovers, we would expect the fundamental drivers of demand and peoples' desire to travel to return. Concerns may persist in the next two to three years and there are some segments of the market that may take longer to recover, but over the time period being considered here, we would expect passenger behaviour to return to normal.
- 2.16. Leisure travel is generally expected to return at a faster rate than business travel. Peoples' desire to travel for holidays or to visit friends and relatives appears to be strong. This has been reflected in a generally strong level of bookings over the summer period when travel corridors were opened and certainly once a greater degree of confidence around leisure travel can be attained, demand is expected to return strongly. By the point in time that is being assessed in this addendum, we would expect normal market conditions to have returned and, indeed, to have been in place for a considerable period of time. From this perspective, it should be noted that the structure of Bristol Airport's passenger base puts it in a strong position to recover from the pandemic in the short term before normal market conditions return and the market rebalances back to its underlying structure.
- 2.17. The sector that may lag behind is business travel. Currently, business travel is very low and many companies are finding alternative ways to function given the restrictions in place. As restrictions ease and we move through the pandemic, we would expect major companies and organisations to remain cautious in terms of a return to travelling given their commitments to staff welfare. However, the fundamental drivers for business travel, the need for face to face contact for management functions, client and customer service, market development, after sales care and service delivery, will once again return. While clearly the use of technology for communication during the pandemic has increased massively, we would say that this is ultimately part of an existing long term trend and that usage will return to that trend over time as the importance and value of face to face contact is reaffirmed. Hence, while business travel will probably take longer to recover, we expect it to recover substantially before the time period for this assessment.

<sup>6</sup> IATA (2020). IATA Economics' Chart of the Week Five years to return to the pre-pandemic level of passenger demand July 2020.

<sup>7</sup> EUROCONTROL (2020). Five-Year Forecast 2020-2024 European Flight Movements and Service Units: Three Scenarios for Recovery from COVID-19.

## Wider Economy

- 2.18. The influence of COVID-19 on the wider economy is, again, likely to reflect different timescales. In the short term, the economy has experienced a significant shock and while it is now starting to recover, this recovery will take time and it is reasonable to assume that unemployment is going to rise significantly, particularly as the Government's employment support schemes will wind down or at least become less generous. A number of sectors are being badly affected by the various restrictions that have been put in place and this may result in some restructuring in the economy over the longer term.
- 2.19. However, again, it is important to consider the point in time that is being assessed here. If there was to be profound structure change in the economy, it might impact on how individual actors within the economy behave and impact on the assessment. However, by 2030, we would expect the normal drivers within the economy to have returned and, indeed, for them to have been the primary drivers of activity for some time. Hence, it is reasonable to assume a return to a normal economic structure. This would suggest that, unless the pandemic fundamentally alters our society and peoples' behaviours in ways that we do not expect, it is unlikely to significantly affect the economic assessment set out here given that Bristol Airport is now expected to reach 12 mppa in 2030. The potential for varying speeds of recovery in the wider economy and, hence, the ability to drive demand in air transport, has been reflected within the traffic forecasts through the macroeconomic assumptions adopted. This potential for different speeds of recovery is then reflected in the Faster Growth Case and Slower Growth Case considered in this assessment.
- 2.20. One area to note, however, is the potential importance of investment at the airport in the shorter term. While the primary focus of this economic impact assessment is 2030, when the airport reaches 12 mppa in the Core Case, clearly there is a period of growth prior to that which is also potentially important. As we have described above, the pandemic is expected to result in a significant rise in unemployment in the short term and while this will fall again as the economy recovers and adjusts, unemployment levels are likely to be elevated for a number of years. This is likely to mean that the sensitivity of the economy to investments that generate employment and support people back into work is higher than normal. In this context, the investment associated with the Proposed Development has the potential to drive recovery in the South West economy even in the years before the airport reaches 12 mppa in 2030.

## Conclusions

- 2.21. The COVID-19 pandemic has had a devastating impact across almost all sectors of the economy during 2020 and its effects are likely to be felt for some time to come. This impact is primarily reflected in this assessment through the updated traffic forecasts developed for the appeal. We have also considered whether it is likely that the pandemic will affect the assessment by fundamentally changing behaviours in the economy. Given the long term nature of this economic impact assessment, we do not believe that the pandemic is likely to impact on the findings beyond the effects already considered via the changes in air traffic forecasts. However, one area that is worth highlighting is the potential stimulatory economic effect of the investment associated with the Proposed Development in helping to drive recovery in the South West economy in the years before the airport reaches 12 mppa in 2030.

### 3. Updated GVA and Employment Impacts

#### Introduction

3.1. This section sets out an updated assessment of the GVA and employment impacts of Bristol Airport's growth to 12 mppa and considers a number of issues that support the conclusions of this assessment. The assessment builds on the original economic impact assessment, updating key assumptions and reflecting newly available data. Below, we discuss:

- the scope of the update work undertaken;
- our approach to assessing GVA and employment impacts;
- the 2018 baseline impact of Bristol Airport;
- the updated impact of Bristol Airport at 12 mppa in 2030 in the Core Case, as described in Section 2 above;
- the updated construction related GVA and employment impacts;
- a qualitative assessment of the GVA and employment impacts associated with the Faster Growth Case and Slower Growth Case;
- evidence in relation to a number of issues that underpin elements of the assessment;
- a comparison to the previous economic impacts identified;
- the conclusions to be drawn.

#### Scope of the Update

3.2. A limited update has been undertaken to the original assessment of GVA and employment impacts, mainly to reflect changed circumstances in relation to the timing of the airport reaching 10 mppa and 12 mppa following recovery from the COVID-19 pandemic.

3.3. In summary, the following updates have been made to the economic impact modelling work:

- Updated Traffic Forecasts – the updated economic impact assessment is based on updated traffic forecasts. These forecasts reflect the potential impacts on future passenger growth from the COVID-19 pandemic and the latest available economic forecasts for the UK and world economies, hence reflecting longer term issues such as the potential influence of BREXIT on future growth. The forecasts indicate that in the Core Case, Bristol Airport is now expected to reach 12 mppa in around 2030, four years later than previously forecast. This Core Case is the basis for the quantified assessment of GVA and employment set out in this addendum. The Faster Growth Case and Slower Growth Case are considered qualitatively;
- Civil Aviation Authority (CAA) Passenger Survey 2019 – since the original application, the CAA has undertaken a further Departing Passenger Survey at the airport during 2019. The results of this survey have been reflected in the economic impact modelling, particularly in relation to the modelling of wider economic impacts;
- Tourism Visits and Expenditure Data – updated information on tourism expenditure and visits from VisitBritain has been included in the model;
- Updated Productivity Assumptions – the future productivity assumptions within the model have been updated in line with the latest Annual Business Survey<sup>8</sup>, Business Register and Employment Survey<sup>9</sup> and Tourism Satellite Accounts<sup>10</sup> from the Office for National Statistics (ONS);
- Construction Timetable – the updated construction timetable has been applied to the construction related GVA and employment.

<sup>8</sup> ONS (2020). Annual Business Survey - 2018 Regional Results.

<sup>9</sup> ONS (2019). Business Register and Employment Survey 2018. Accessed via NOMIS.

<sup>10</sup> ONS (2019). Tourism Satellite Accounts 2017.

- 3.4. In addition, this updated assessment has given more detailed consideration to the issue of product displacement and its potential effect on the GVA and employment impacts identified in the relevant study areas. Product displacement refers to the extent to which passengers displaced from Bristol Airport, in the event that it is constrained to 10 mppa, might use other airports within the study areas instead, thereby potentially increasing economic activity and employment at these other airports and reducing the economic impacts associated with Bristol Airport's expansion to 12 mppa. Previously, and in the absence of detailed evidence on the issue, the assessment has stated that this effect is likely to be limited given the nature and market share of the other airports in the South West and South Wales region. The updated traffic forecasts have included the use of an econometric passenger allocation model. This has enabled a much more detailed understanding of potential product displacement impacts. These are considered further below.
- 3.5. The impact assessment continues to focus on three study areas, which are defined as follows:
- North Somerset – the local authority district in which the airport is located and the relevant planning authority;
  - the West of England – a sub-region that includes North Somerset, the City of Bristol, Bath & North East Somerset and South Gloucestershire;
  - the South West region and South Wales.

### Our Approach

- 3.6. The updated assessment of GVA and employment impacts uses the same approach as the original assessment. This approach is described in detail in the original economic impact assessment<sup>11</sup> and subsequent additional information on this approach has been provided in response to Regulation 25 requests received from North Somerset Council<sup>12,13</sup>.
- 3.7. The analytical framework used for this analysis is set out below:
- 'Economic footprint' effects reflect the role the airport plays in supporting GVA and employment purely through its operation as an economic activity. There are three sub-effects within this classification:
    - Direct – employment and GVA supported by activities wholly or largely related to the operation of the airport or air services (passenger or cargo) and located at the airport or in the immediate vicinity. Essentially, this is the airport related economic activity that occurs at the site. It includes companies such as the airport company itself, airlines, handling agents, aircraft maintenance and engineering, terminal retailing, cleaning and car hire firms;
    - Indirect – employment and GVA supported in the supply chain to the direct activities. The companies that generate the direct impacts need to buy goods and services from others to produce their output, who in turn have their own supply chains. These purchases in turn support jobs and GVA in a wide range of sectors, such as utilities and energy, advertising, manufacturing, professional services or construction;
    - Induced – employment and GVA supported in the economy by the expenditure of wages and salaries earned in relation to the direct and indirect activities. People working in the companies in the direct and indirect effects spend money in their local economies. This expenditure injection also supports GVA and jobs. Any sector involved with consumer spending such as general retailing, food and beverages, leisure activities, utilities, banking and finance costs and insurance may benefit from this increase in expenditure;

<sup>11</sup> York Aviation (2018). Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment.

<sup>12</sup> York Aviation (2019). Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment – Response to Comments Received.

<sup>13</sup> York Aviation (2019). Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment – Response to Further Comments Received.

- ➔ Wider, or catalytic impacts reflect the benefits that accrue to the region around the airport through the provision of connectivity to businesses and to inbound travellers:
  - Business productivity – employment and GVA supported by the role that the airport plays in enabling business travel and the movement of air freight, which in turn supports increased trade, increased inward investment, greater competition and better access to supply chains and knowledge sources. This is ultimately reflected in higher productivity in the surrounding economy;
  - Inbound tourism – employment and GVA supported by the airport's role in helping to bring new and additional visitors to the region. Expenditure by these visitors boosts economic activity and supports jobs and prosperity. The initial injection is in the sectors that make up the tourism industry, notably hospitality and catering, leisure activities and transport. However, indirect and induced effects stemming from this injection will spread the impact across the economy.

3.8. The methodologies used to estimate Bristol Airport's economic footprint are well established and accepted. The quantification of the wider impacts of airports is a more recent development and a number of innovative approaches have been developed. Many of the airport economic assessments have included a quantitative assessment of wider impacts. Given that quantification of these benefits is an area where best practice is still evolving, the estimates of these particular effects should be considered from a broader perspective than those associated with the economic footprint of the airport. This should not be taken as suggesting that the wider impacts associated with airport growth are open to question. Their existence and the evidence base to support their existence and potential scale has been established for some time. It is simply that the techniques available for estimating them are not yet subject to the same level of precision. This approach was reviewed by NSC's advisors and accepted with only minor comments.

3.9. For the avoidance of doubt, the quantified assessment considers:

- ➔ A 2018 baseline position for the economic impact of the airport when the airport was handling around 8.7 mppa;
- ➔ A future baseline where the airport is handling 10 mppa in 2030;
- ➔ A Proposed Development scenario where the airport is handling 12 mppa in 2030.

3.10. This reflects the Core Case from the updated traffic forecasts.

## 2018 Baseline GVA and Employment Impacts

3.11. The baseline assessment of GVA and employment impact associated with Bristol Airport in 2018 remains a valid and appropriate assessment and, consequently, has not been updated since the original assessment. The GVA and employment impacts associated with Bristol Airport in 2018 are repeated in Table 3.1.

**Table 3.1: The GVA and Employment Impact of Bristol Airport in 2018**

	North Somerset			West of England			South West & South Wales		
	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs
Direct	£200	1,300	1,150	£260	2,900	2,550	£300	3,900	3,425
Indirect & Induced	£60	1,100	875	£170	2,900	2,350	£310	6,050	4,775
<b>Economic Footprint</b>	<b>£260</b>	<b>2,400</b>	<b>2,025</b>	<b>£430</b>	<b>5,800</b>	<b>4,900</b>	<b>£610</b>	<b>9,950</b>	<b>8,200</b>
Productivity	£90	600	450	£290	2,250	1,850	£780	8,400	6,625
Tourism	£5	75	50	£90	1,475	1,200	£260	5,125	4,050
<b>Wider Impacts</b>	<b>£95</b>	<b>675</b>	<b>500</b>	<b>£380</b>	<b>3,725</b>	<b>3,050</b>	<b>£1,040</b>	<b>13,525</b>	<b>10,675</b>
<b>Grand Total</b>	<b>£355</b>	<b>3,075</b>	<b>2,525</b>	<b>£810</b>	<b>9,525</b>	<b>7,950</b>	<b>£1,650</b>	<b>23,475</b>	<b>18,875</b>

Source: York Aviation.

3.12. In 2018, Bristol Airport was estimated to support:

- ➔ £260 million in GVA and 2,400 jobs (2,025 Full Time Equivalents (FTEs)) in North Somerset through economic footprint effects. When wider impacts are included, this increases to £355 million in GVA and 3,075 jobs (2,525 FTEs);
- ➔ £430 million in GVA and 5,800 jobs (4,900 FTEs) in the West of England through economic footprint effects. When wider impacts are included, this increases to £810 million in GVA and 9,525 jobs (7,950 FTEs);
- ➔ £610 million in GVA and 9,950 jobs (8,200 FTEs) in the South West and South Wales through economic footprint effects. When wider impacts are included, this increases to £1,650 million in GVA and 23,475 jobs (18,875 FTEs).

## The Economic Impact of Development to 12 mppa

### Future Baseline Scenario

3.13. The future baseline sees Bristol Airport constrained to its current 10 mppa planning restriction and hence unable to meet the passenger demand that is forecast to come forward over the period to 2030. So, while the airport will be able to grow to some degree beyond its 2018 baseline position, this growth is relatively limited. The impact of the airport in the future baseline scenario is shown in Table 3.2<sup>14</sup>.

**Table 3.2: The GVA and Employment Impact of Bristol Airport at 10 mppa in 2030**

	North Somerset			West of England			South West & South Wales		
	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs
Direct	£240	1,360	1,200	£310	3,020	2,650	£360	4,080	3,580
Indirect & Induced	£70	1,160	910	£200	3,060	2,490	£360	6,380	5,040
<i>Economic Footprint</i>	<i>£310</i>	<i>2,520</i>	<i>2,110</i>	<i>£510</i>	<i>6,080</i>	<i>5,140</i>	<i>£720</i>	<i>10,460</i>	<i>8,620</i>
Productivity	£100	580	460	£420	2,850	2,320	£920	8,860	7,000
Tourism	£10	180	140	£110	2,200	1,790	£270	5,400	4,270
<i>Wider Impacts</i>	<i>£110</i>	<i>760</i>	<i>600</i>	<i>£530</i>	<i>5,050</i>	<i>4,110</i>	<i>£1,190</i>	<i>14,260</i>	<i>11,270</i>
<b>Grand Total</b>	<b>£420</b>	<b>3,280</b>	<b>2,710</b>	<b>£1,040</b>	<b>11,130</b>	<b>9,250</b>	<b>£1,910</b>	<b>24,720</b>	<b>19,890</b>

Source: York Aviation.

3.14. Bristol Airport's economic footprint in 2030 at 10 mppa is estimated to be:

- ➔ £310 million in GVA and 2,520 jobs (2,110 FTEs) in North Somerset;
- ➔ £510 million in GVA and 6,080 jobs (5,140 FTEs) in the West of England;
- ➔ £720 million in GVA and 10,460 jobs (8,620 FTEs) in the South West and South Wales.

3.15. In terms of wider economic impacts at 10 mppa, the airport is estimated to support:

- ➔ £110 million in GVA and 760 jobs (600 FTEs) in North Somerset;
- ➔ £530 million in GVA and 5,050 jobs (4,110 FTEs) in the West of England;
- ➔ £1.2 billion in GVA and 14,260 jobs (11,270 FTEs) in the South West and South Wales.

3.16. The total GVA and employment supported by the airport at 10 mppa in 2030 is therefore estimated to be around:

<sup>14</sup> It should be noted that the direct employment impacts shown reflect leakage of employees that live outside the relevant study area. The total number of direct employees on-site at the airport is forecast to be 4,125 (3,625 FTEs).

- ➔ £420 million in GVA and 3,280 jobs (2,710 FTEs) in North Somerset;
- ➔ £1.0 billion in GVA and 11,130 jobs (9,250 FTEs) in the West of England;
- ➔ £1.9 billion in GVA and 24,720 jobs (19,890 FTEs) in the South West and South Wales.

### Proposed Development Scenario

3.17. Table 3.3 shows the updated assessment of the GVA and employment supported by Bristol Airport in 2030 when it is handling 12 mppa<sup>15</sup>.

3.18. With Bristol Airport able to expand to 12 mppa, its ability to contribute to the economies of its study areas will be significantly enhanced. In terms of economic footprint impacts, the airport is estimated to support:

- ➔ £360 million in GVA and 3,050 jobs (2,540 FTEs) in North Somerset;
- ➔ £610 million in GVA and 7,300 jobs (6,180 FTEs) in the West of England;
- ➔ £870 million in GVA and 12,580 jobs (10,370 FTEs) in the South West and South Wales.

**Table 3.3: The GVA and Employment Impact of Bristol Airport at 12 mppa in 2030**

	North Somerset			West of England			South West & South Wales		
	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs
Direct	£280	1,640	1,440	£370	3,620	3,180	£430	4,900	4,300
Indirect & Induced	£80	1,410	1,100	£240	3,680	3,000	£440	7,680	6,070
<b>Economic Footprint</b>	<b>£360</b>	<b>3,050</b>	<b>2,540</b>	<b>£610</b>	<b>7,300</b>	<b>6,180</b>	<b>£870</b>	<b>12,580</b>	<b>10,370</b>
Productivity	£120	710	560	£510	3,470	2,820	£1,120	10,780	8,520
Tourism	£10	230	180	£140	2,820	2,290	£350	6,920	5,470
<b>Wider Impacts</b>	<b>£130</b>	<b>940</b>	<b>740</b>	<b>£650</b>	<b>6,290</b>	<b>5,110</b>	<b>£1,470</b>	<b>17,700</b>	<b>13,990</b>
<b>Grand Total</b>	<b>£490</b>	<b>3,990</b>	<b>3,280</b>	<b>£1,260</b>	<b>13,590</b>	<b>11,290</b>	<b>£2,340</b>	<b>30,280</b>	<b>24,360</b>

Source: York Aviation.

3.19. In terms of wider economic impacts at 12 mppa, the airport is estimated to support:

- ➔ £130 million in GVA and 940 jobs (740 FTEs) in North Somerset;
- ➔ £650 million in GVA and 6,290 jobs (5,110 FTEs) in the West of England;
- ➔ £1.5 billion in GVA and 17,700 jobs (13,990 FTEs) in the South West and South Wales.

3.20. The total GVA and employment supported by the airport at 12 mppa in 2030 is therefore estimated to be around:

- ➔ £490 million in GVA and 3,990 jobs (3,280 FTEs) in North Somerset;
- ➔ £1.3 billion in GVA and 13,590 jobs (11,290 FTEs) in the West of England;
- ➔ £2.3 billion in GVA and 30,280 jobs (24,360 FTEs) in the South West and South Wales.

### Additional Economic Impact of the Proposed Development Scenario

3.21. Table 3.4 shows the additional GVA and employment supported by Bristol Airport in the Proposed Development scenario compared to the future baseline.

<sup>15</sup> It should be noted that, again, the direct employment impacts shown reflect leakage of employees that live outside the relevant study area. The total number of direct employees on-site at the airport is forecast to be 4,950 (4,350 FTEs).

**Table 3.4: Additional GVA and Employment Supported by the Proposed Development Scenario Compared to the Future Baseline**

	North Somerset			West of England			South West & South Wales		
	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs
Direct	£40	280	240	£60	600	530	£70	820	720
Indirect & Induced	£10	250	190	£40	620	510	£80	1,300	1,030
<b>Economic Footprint</b>	<b>£50</b>	<b>530</b>	<b>430</b>	<b>£100</b>	<b>1,220</b>	<b>1,040</b>	<b>£150</b>	<b>2,120</b>	<b>1,750</b>
Productivity	£20	130	100	£90	620	500	£200	1,920	1,520
Tourism	£0	50	40	£30	620	500	£80	1,520	1,200
<b>Wider Impacts</b>	<b>£20</b>	<b>180</b>	<b>140</b>	<b>£120</b>	<b>1,240</b>	<b>1,000</b>	<b>£280</b>	<b>3,440</b>	<b>2,720</b>
<b>Grand Total</b>	<b>£70</b>	<b>710</b>	<b>570</b>	<b>£220</b>	<b>2,460</b>	<b>2,040</b>	<b>£430</b>	<b>5,560</b>	<b>4,470</b>

Source: York Aviation.

3.22. The updated assessment estimates that Bristol Airport will support the following additional economic footprint effects in 2030:

- £50 million in GVA and 530 jobs (430 FTEs) in North Somerset;
- £100 million in GVA and 1,220 jobs (1,040 FTEs) in the West of England;
- £150 million in GVA and 2,120 jobs (1,750 FTEs) in the South West and South Wales.

3.23. The airport will support the following additional wider economic impacts:

- £20 million in GVA and 180 jobs (140 FTEs) in North Somerset;
- £120 million in GVA and 1,240 jobs (1,000 FTEs) in the West of England;
- £280 million in GVA and 3,440 jobs (2,720 FTEs) in the South West and South Wales.

3.24. The total additional GVA and employment supported by Bristol Airport in the 12 mppa scenario compared to the future baseline is estimated to be:

- £70 million in GVA and 710 jobs (570 FTEs) in North Somerset;
- £220 million in GVA and 2,460 jobs (2,040 FTEs) in the West of England;
- £430 million in GVA and 5,560 jobs (4,470 FTEs) in the South West and South Wales.

3.25. The development of the airport to handle 12 mppa will, therefore, offer considerable economic benefits to the three study areas considered.

### The Potential Impact of Product Displacement

3.26. As described above, the original assessment did not seek to quantify the potential offsetting effect on GVA and employment impacts from passengers that cannot travel via Bristol Airport transferring to other airports in the South West and South Wales to undertake their journeys if the proposed development did not go ahead. Given the market share of the main London airports and the position of Birmingham Airport compared to the much smaller airports in the South West and South Wales, it was assessed that this effect would likely be limited.

3.27. To ensure that the assessment represents a worst case assessment, passenger displacement has been considered in the latest traffic forecasts in more detail. These forecasts include the development of an econometric passenger allocation model to consider how passengers will choose between airports serving Bristol Airport's catchment area in the future. The allocation model developed is described in detail in the traffic forecasts report<sup>16</sup>. This analysis has identified that only around 28% of the 2 million passengers that would be displaced from Bristol Airport in 2030 (should passenger throughput be capped at 10mppa) would divert to other airports in the South West and South

<sup>16</sup> York Aviation (2020). Passenger Traffic Forecasts for Bristol Airport to Support the 12 mppa Planning Appeal.

Wales, namely Cardiff, Exeter, Newquay and Bournemouth airports. This compares to an estimated diversion percentage for the region calculated by NSC's advisors, Jacobs, of 36%<sup>17</sup>.

- 3.28. The approaches taken in the updated traffic forecasts to considering passenger displacement and that taken by Jacobs are different. However, irrespective of the differences, both assessments generally support the qualitative view expressed in the previous assessment that the impact of product displacement would be limited. The great majority of passengers are likely to use airports outside of the South West and South Wales, reflecting the much broader range of services offered and the greater levels of frequency, or will choose not to fly.
- 3.29. It should, however, also be recognised that the extent of product displacement, whichever method is considered, is inherently uncertain and, as a result, should be viewed with caution. The analysis undertaken in the updated traffic forecasts and, indeed, that undertaken by Jacobs, focusses on how passenger demand might react in a 'stylised' model. These analyses do not necessarily fully reflect supply side reactions and potential constraints.
- 3.30. Consideration also needs to be given to the incremental nature of passenger displacement in this case. This links back to potential supply side reaction. The limited potential passenger displacement being considered here is going to build up slowly over a significant period of time and be spread across four other airports. This again results in uncertainty as to the nature and extent of the supply side reaction by airlines and other airports.
- 3.31. We would also highlight that, ultimately, this issue relates to growth in a competitive market. If Bristol Airport was to be constrained to 10 mppa, this would ultimately prevent a true competitive equilibrium being reached and, as a result, there would be an inefficient allocation of resources in the market. This again creates additional uncertainty in terms of the nature and extent of airline and airport supply side reactions in the market.
- 3.32. In this particular case, the geography of the study areas is also a relevant consideration. Product displacement is only potentially an issue in relation to one of the three study areas being assessed. That is the broadest geographic area, the South West and South Wales, as there are no alternative airports in either North Somerset or the West of England. It is not, therefore, a relevant issue in considering the local or sub-regional impacts of the Proposed Development.
- 3.33. Overall, therefore, we believe that using the 28% passenger demand displacement in 2030 identified from the updated traffic forecasts represents a worst case, outer boundary assessment of the potential impact of product displacement on the level of GVA and employment supported in the South West and South Wales region. The nature of the uncertainty described is such that it would likely reduce the extent of product displacement.
- 3.34. This adjustment has the effect of raising the future baseline set out in Table 3.4 so that it reflects not just the GVA and employment supported by Bristol Airport operating at 10 mppa in 2030 but also that other airports in the South West and South Wales have gained additional traffic as Bristol Airport is unable to grow in line with demand and consequently are supporting additional GVA and employment. The consequent future baseline, allowing for product displacement, is shown in Table 3.5. Again, it should be remembered that this adjustment does not affect North Somerset or the West of England study areas.

<sup>17</sup> Jacobs (2020). Bristol Airport Traffic Displacement Estimation.

**Table 3.5: Future Baseline GVA and Employment Impacts Adjusted for Product Displacement**

	North Somerset			West of England			South West & South Wales		
	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs
Direct	£240	1,360	1,200	£310	3,020	2,650	£380	4,310	3,780
Indirect & Induced	£70	1,160	910	£200	3,060	2,490	£380	6,740	5,330
<i>Economic Footprint</i>	<i>£310</i>	<i>2,520</i>	<i>2,110</i>	<i>£510</i>	<i>6,080</i>	<i>5,140</i>	<i>£760</i>	<i>11,050</i>	<i>9,110</i>
Productivity	£100	580	460	£420	2,850	2,320	£980	9,400	7,430
Tourism	£10	180	140	£110	2,200	1,790	£290	5,830	4,610
<i>Wider Impacts</i>	<i>£110</i>	<i>760</i>	<i>600</i>	<i>£530</i>	<i>5,050</i>	<i>4,110</i>	<i>£1,270</i>	<i>15,230</i>	<i>12,040</i>
<b>Grand Total</b>	<b>£420</b>	<b>3,280</b>	<b>2,710</b>	<b>£1,040</b>	<b>11,130</b>	<b>9,250</b>	<b>£2,030</b>	<b>26,280</b>	<b>21,150</b>

Source: York Aviation.

**The Net Additional Impact of the Proposed Development**

3.35. Table 3.6 shows the impact of this product displacement assumption on the assessment of the additional GVA and employment supported by the Proposed Development compared to the adjusted future baseline as set out in Table 3.5. This represents the net impact of the Proposed Development.

**Table 3.6: Additional GVA and Employment Supported by the Proposed Development Scenario Compared to the Future Baseline Net of Product Displacement**

	North Somerset			West of England			South West & South Wales		
	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs
Direct	£40	280	240	£60	600	530	£50	590	520
Indirect & Induced	£10	250	190	£40	620	510	£60	940	740
<i>Economic Footprint</i>	<i>£50</i>	<i>530</i>	<i>430</i>	<i>£100</i>	<i>1,220</i>	<i>1,040</i>	<i>£110</i>	<i>1,530</i>	<i>1,260</i>
Productivity	£20	130	100	£90	620	500	£140	1,380	1,090
Tourism	£0	50	40	£30	620	500	£60	1,090	860
<i>Wider Impacts</i>	<i>£20</i>	<i>180</i>	<i>140</i>	<i>£120</i>	<i>1,240</i>	<i>1,000</i>	<i>£200</i>	<i>2,470</i>	<i>1,950</i>
<b>Grand Total</b>	<b>£70</b>	<b>710</b>	<b>570</b>	<b>£220</b>	<b>2,460</b>	<b>2,040</b>	<b>£310</b>	<b>4,000</b>	<b>3,210</b>

Source: York Aviation.

3.36. The assessment of net impacts post product displacement estimates that in the South West and South Wales, the expansion of Bristol Airport to handle 12 mppa in 2030 will support an additional £310 million in GVA and 4,000 jobs (3,210 FTEs). Impacts in North Somerset and the West of England remain as previously stated. In all study areas, the economic impacts offered by the Proposed Development are still substantial and significant. These net impacts form the basis for the economic assessment in the ES Addendum.

3.37. Table 3.7 sets out the difference in the additional GVA and employment supported by the Proposed Development in the gross impacts (Table 3.4) compared to the net impact following product displacement (Table 3.6).

**Table 3.7: Comparison of the Assessment of the Proposed Development to the Product Displacement Sensitivity Test**

	<i>North Somerset</i>			<i>West of England</i>			<i>South West &amp; South Wales</i>		
	<i>GVA (£m)</i>	<i>Jobs</i>	<i>FTEs</i>	<i>GVA (£m)</i>	<i>Jobs</i>	<i>FTEs</i>	<i>GVA (£m)</i>	<i>Jobs</i>	<i>FTEs</i>
Direct	£0	0	0	£0	0	0	-£20	-230	-200
Indirect & Induced	£0	0	0	£0	0	0	-£20	-360	-290
<i>Economic Footprint</i>	<i>£0</i>	<i>0</i>	<i>0</i>	<i>£0</i>	<i>0</i>	<i>0</i>	<i>-£40</i>	<i>-590</i>	<i>-490</i>
Productivity	£0	0	0	£0	0	0	-£60	-540	-430
Tourism	£0	0	0	£0	0	0	-£20	-430	-340
<i>Wider Impacts</i>	<i>£0</i>	<i>0</i>	<i>0</i>	<i>£0</i>	<i>0</i>	<i>0</i>	<i>-£80</i>	<i>-970</i>	<i>-770</i>
<b>Grand Total</b>	<b>£0</b>	<b>0</b>	<b>0</b>	<b>£0</b>	<b>0</b>	<b>0</b>	<b>-£120</b>	<b>-1,560</b>	<b>-1,260</b>

Source: York Aviation.

3.38. As previously stated, the sensitivity test has no impact on the results for North Somerset and the West of England. In the South West and South Wales, it reduces GVA impact by around £120 million and employment impacts by around 1,560 jobs (1,260 FTEs).

### Construction Impacts

3.39. The updated traffic forecasts see Bristol Airport reach 12 mppa in 2030, four years later than originally assessed. As a result, the construction programme for the associated infrastructure development has also been delayed. This has resulted in the GVA and employment impacts associated with construction also moving back in time. Otherwise, this assessment has not been updated as it is unlikely that the impacts will have materially changed.

3.40. The GVA and employment impacts associated with the construction of the Proposed Development are set out in Table 3.8.

**Table 3.8: GVA (£m) and Employment Impacts Associated with Construction of the Proposed Development Infrastructure**

		2022	2023	2024	2025	2026	2027	2028	2029	Discounted Total GVA <sup>1</sup> / Total Job Years
<b>North Somerset</b>										
GVA (£m)	Direct	£1	£4	£2	£0	£0	£5	£8	£3	£20
	Indirect & Induced	£1	£2	£1	£0	£0	£2	£3	£1	£8
	<b>Total</b>	<b>£2</b>	<b>£5</b>	<b>£3</b>	<b>£0</b>	<b>£1</b>	<b>£6</b>	<b>£11</b>	<b>£5</b>	<b>£28</b>
Jobs	Direct	5	20	10	0	0	20	35	15	105
	Indirect & Induced	10	30	15	5	5	35	60	25	185
	<b>Total</b>	<b>15</b>	<b>45</b>	<b>25</b>	<b>5</b>	<b>5</b>	<b>55</b>	<b>95</b>	<b>40</b>	<b>285</b>
FTEs	Direct	5	15	10	0	0	20	35	15	100
	Indirect & Induced	10	25	10	0	5	30	50	20	150
	<b>Total</b>	<b>15</b>	<b>40</b>	<b>20</b>	<b>5</b>	<b>5</b>	<b>50</b>	<b>85</b>	<b>35</b>	<b>255</b>
<b>West of England</b>										
GVA (£m)	Direct	£2	£5	£2	£0	£1	£6	£10	£4	£24
	Indirect & Induced	£1	£3	£2	£0	£0	£4	£6	£3	£16
	<b>Total</b>	<b>£3</b>	<b>£8</b>	<b>£4</b>	<b>£1</b>	<b>£1</b>	<b>£9</b>	<b>£16</b>	<b>£7</b>	<b>£40</b>
Jobs	Direct	25	75	40	5	10	85	150	65	455
	Indirect & Induced	20	55	30	5	5	65	110	45	335
	<b>Total</b>	<b>40</b>	<b>125</b>	<b>65</b>	<b>10</b>	<b>15</b>	<b>150</b>	<b>260</b>	<b>110</b>	<b>775</b>
FTEs	Direct	25	70	35	5	10	80	140	60	425
	Indirect & Induced	15	45	25	5	5	50	90	40	275
	<b>Total</b>	<b>35</b>	<b>115</b>	<b>60</b>	<b>10</b>	<b>15</b>	<b>135</b>	<b>235</b>	<b>100</b>	<b>705</b>
<b>South West &amp; South Wales</b>										
GVA (£m)	Direct	£2	£5	£3	£0	£1	£6	£11	£5	£27
	Indirect & Induced	£2	£6	£3	£1	£1	£7	£12	£5	£30
	<b>Total</b>	<b>£4</b>	<b>£11</b>	<b>£6</b>	<b>£1</b>	<b>£1</b>	<b>£13</b>	<b>£23</b>	<b>£10</b>	<b>£57</b>
Jobs	Direct	35	100	50	10	10	120	205	85	615
	Indirect & Induced	40	115	60	10	15	140	240	100	720
	<b>Total</b>	<b>70</b>	<b>215</b>	<b>115</b>	<b>20</b>	<b>25</b>	<b>255</b>	<b>445</b>	<b>190</b>	<b>1,335</b>
FTEs	Direct	30	95	50	10	10	110	195	80	580
	Indirect & Induced	30	95	50	10	10	115	195	85	590
	<b>Total</b>	<b>60</b>	<b>190</b>	<b>100</b>	<b>15</b>	<b>20</b>	<b>225</b>	<b>390</b>	<b>165</b>	<b>1,165</b>

<sup>1</sup> GVA totals have been discounted using HM Treasury's standard discount rate of 3.5%.

Source: York Aviation.

### Qualitative Assessment of the Impact of the Faster Growth Case and Slower Growth Case

3.41. As described above, the updated traffic forecasts have identified two sensitivity tests that offer reasonable faster and slower growth scenarios for Bristol Airport:

- ➔ in the Slower Growth Case, 10 mppa is reached in 2028, whilst 12 mppa is reached in 2034;
- ➔ in the Faster Growth Case, 10 mppa is reached around 2022 and 12 mppa is reached in 2027.

3.42. Either scenario would have an impact on the results of the economic impact assessment. However, this is more about the timing of the delivery of economic benefits rather than the level of benefits. Economic impacts, in terms of either GVA or jobs, are ultimately closely linked with passenger volumes at an airport. Therefore, if, as in the Slower Growth Case, Bristol Airport grows more slowly than anticipated in the Core Case, then it will still ultimately deliver the assessed economic benefits but delivery will be delayed until around 2034. Conversely, of course, if the airport were to grow more quickly than anticipated, as per the Faster Growth Case, delivery of economic benefits would be accelerated, with the assessed benefits delivered in around 2027.

- 3.43. The proviso to this conclusion is in relation to the level of employment. While GVA impacts would be expected to remain essentially the same, as they are a reflection of the level of economic activity, employment numbers would be impacted by the underlying rate of growth in productivity. In the Slower Growth Case, with traffic growth delayed, there will be more time for productivity growth to occur and, hence, it would be reasonable to assume that slightly lower levels of employment would be supported. Again, conversely, in the Faster Growth Case, with traffic growth accelerated, productivity growth would have less time to occur and, as a result, employment levels would be slightly higher.
- 3.44. Overall, we would not expect the Faster Growth Case or the Slower Growth Case to change the overall conclusions of the assessment. Either would simply change the timescales for the delivery of benefit, with only a limited effect on the level of employment supported.

### Additional Commentary in Relation to Key Issues for the Assessment

- 3.45. This assessment also takes into account the following considerations in assessing the economic impact of Bristol Airport's expansion to 12 mppa:
- The offsetting effect of outbound tourism – the original assessment recognised that the use of Bristol Airport by UK resident outbound travellers for leisure flying was likely to have some negative impact on economic activity in the study areas considered but that for a number of reasons this was unlikely to be material. The evidence taken into account in relation to this issue in the assessment is set out in full below;
  - Wider evidence on foreign direct investment (FDI) – the role that the airport plays in supporting regional FDI success is an important part of the assessed wider economic impacts that the airport will bring. This assessment considers the importance of airports in securing FDI and on the FDI position in the South West and South Wales;
  - Nature of jobs at the airport and the supply of labour – this assessment takes into account the value of job creation on-site at Bristol Airport and also the extent to which there will be a supply of labour to support growth at the airport;
  - Social value of Bristol Airport – in addition to considering the economic impact of the expansion of Bristol Airport, we have analysed the extent of any social value created through flying at Bristol Airport, considering in more detail the purpose of leisure flying, who flies through Bristol Airport, the role that Bristol Airport plays in facilitating leisure travel and its role in supporting the increasing internationality and connectivity of the South West region.
- 3.46. These issues are considered further below.

### Outbound Tourism

- 3.47. The potential influence of additional outbound leisure travel, sometimes termed the 'tourism deficit', can be perceived as a negative economic impact of airport development that should be deducted from any assessment of the benefits associated with airport growth. The original assessment of the economic impact of Bristol Airport's expansion and subsequent Regulation 25 responses, considered the potential influence of outbound tourism on the results of the economic assessment. This concluded that outbound travel was unlikely to have a material impact on the conclusions of the economic impact assessment.
- 3.48. This assessment has been undertaken in the context of the UK Government's policy position in relation to outbound tourism as set out in the Aviation Policy Framework<sup>18</sup>:

<sup>18</sup> Department for Transport (2013). Aviation Policy Framework. Page 19.

*“Consultation responses were divided on the economic impacts of outbound tourism. Some respondents considered that there was a ‘tourism deficit’, as more UK residents travelled abroad than overseas residents travelled to the UK. Other respondents highlighted that outbound tourism supports UK-based jobs in the travel and airline industry and boosts high street consumer demand before trips are made. The latter has been valued at around £27 billion per year. Responses confirmed that the ‘tourism deficit’ question is a complex one and that the evidence available to us does not show that a decrease in the number of UK residents flying abroad for their holidays would have an overall benefit for the UK economy. UK residents made 57 million visits abroad in 2011 and spent £32 billion, 84% of which was spent by residents who travelled abroad by air. The Government believes that the chance to fly abroad also offers quality of life benefits including educational and skills development. Overall the Government believes continuing to make UK tourism more attractive is a better approach both for residents and attracting new visitors.”*

3.49. Below, we consider the potential effect of outbound tourism on the conclusions of the assessment

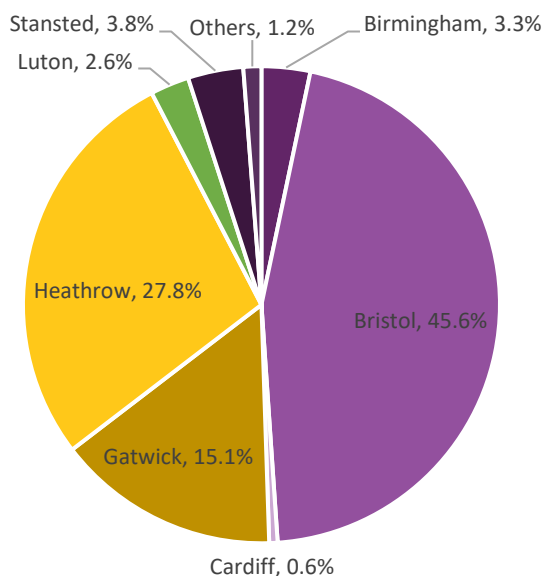
### **The Differing Extent of Airport Substitutability for Inbound and Outbound Passengers**

3.50. A fundamental point in relation to outbound tourism is the extent to which inbound and outbound passengers will switch between different airports for their travel needs. The choice facing inbound and outbound passengers is fundamentally different and there is also likely to be an asymmetry in terms of the information available to them. This is an area that has been explored in some detail previously in Regulation 25 responses<sup>19</sup>. The argument is summarised here and updated information on competitor airport market shares is provided.

3.51. For visitors using Bristol Airport to come to the South West region, their choice is not primarily about which airport they use to access the region but about whether to visit the South West or one of many other destination options elsewhere. They will likely either come to the region via Bristol Airport, as the known gateway to the area, or not come at all and choose a destination where air access is more convenient or more obvious. For UK outbound resident passengers, the choice is different. If they want to travel (and the extent of outbound demand from the UK and propensity to fly would suggest that this is the case) they will in most cases have to use an airport and if Bristol Airport were not to be available they would simply travel to the next nearest airport option on the majority of occasions. This behaviour is driven both by the lack of alternatives to air travel and by a greater knowledge of the available airport options than overseas residents. Ultimately, this means that UK resident passengers will in the great majority of cases still fly if Bristol Airport were not available to them and, as a consequence, the loss of consumer expenditure in the domestic economy from these outbound travellers would occur with or without Bristol Airport.

3.52. In consequence, any adverse effect on outbound travel from Bristol Airport is likely to be limited. Ultimately, this effect is reflected in the fact that other airports, notably Heathrow and Gatwick, both continue to have significant market shares in Bristol Airport’s catchment (see Figure 3.1). The differing level of knowledge as regards available airports is at the heart of why some major low cost airlines market airports that are actually located some distance from the city visitors are mainly travelling to using the primary city name. For instance, Hahn Airport was marketed as Frankfurt Hahn so people recognised that it was an option for visiting Frankfurt, just as Torp Airport became Oslo Torp.

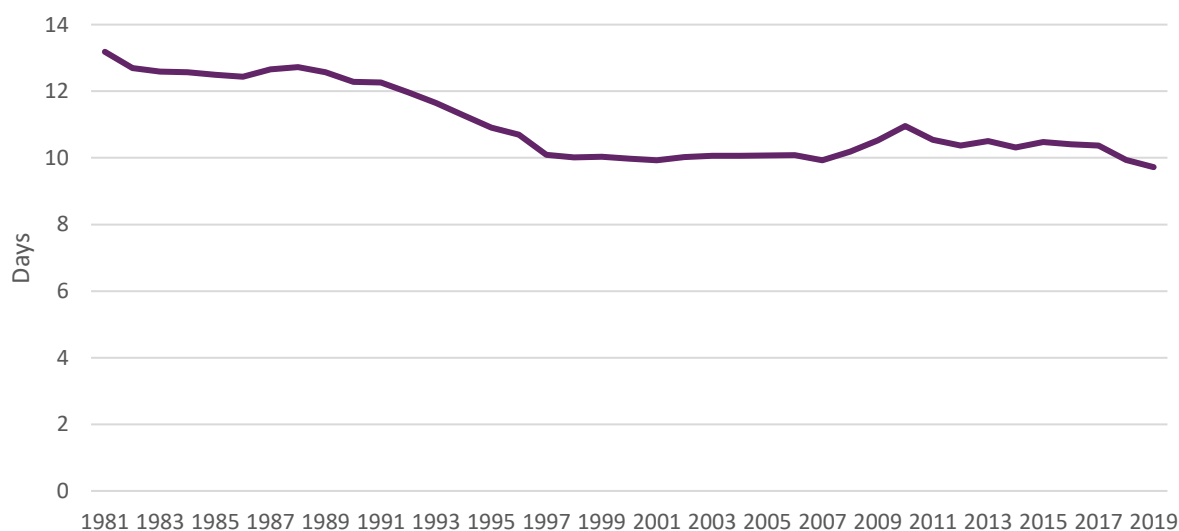
<sup>19</sup> York Aviation (2019). Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment – Response to Comments Received.

**Figure 3.1: Airport Market Shares in the South West (Surveyed Airports Only)**

Source: CAA Passenger Survey 2019.

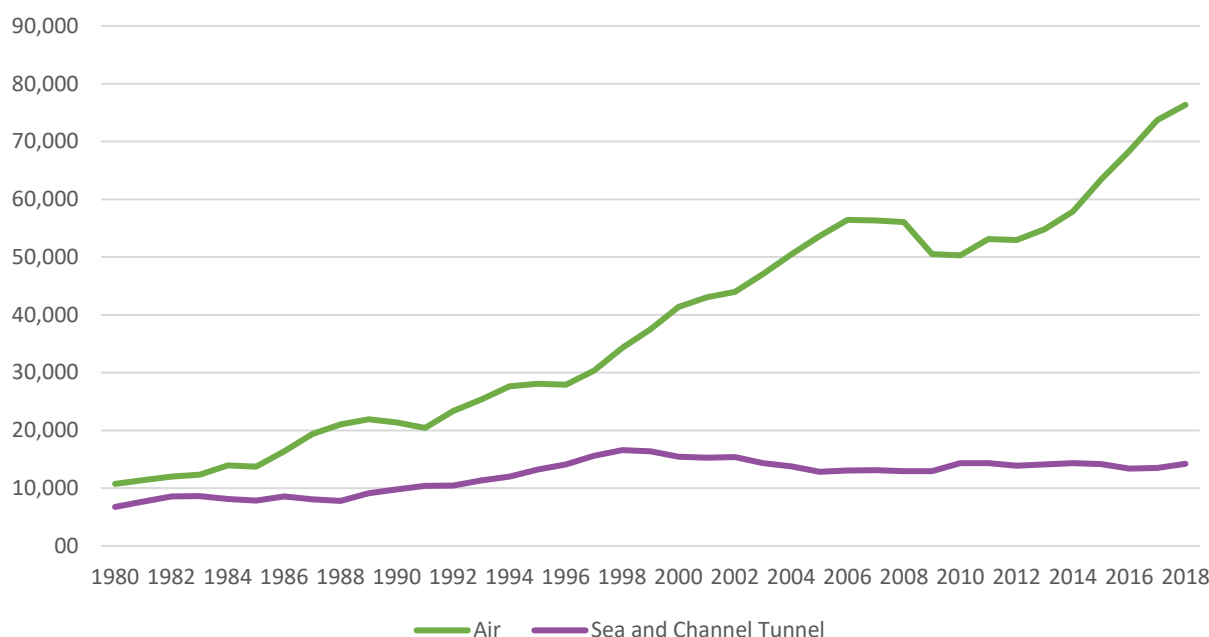
**Constraint on Air Travel Would Likely Change Travel Patterns**

3.53. The growth in the availability and reduction in cost of outbound air travel from the UK over time has changed the patterns of behaviour of passengers, affecting trip duration and mode choice. As UK residents have flown more the average length of trips taken has fallen, reflecting the trend towards people taking more short breaks and moving away from the traditional two-week summer holiday (see Figure 3.2).

**Figure 3.2: Average Length of Trip for UK Outbound Travellers**

Source: International Passenger Survey.

3.54. At the same time, passengers have also clearly switched from using ferries to travel internationally to travelling by air as the opportunities to do so and the costs of air travel have fallen, as can be seen in Figure 3.3.

**Figure 3.3: UK Residents Overseas Trips by Air and Sea**

Source: International Passenger Survey.

- 3.55. If air travel becomes constrained, with resulting increases in the real cost of travelling by air, then it is reasonable to conclude that we are likely to see some reversal of these trends. Trip lengths are likely to start to go back up again and a proportion of the market will switch back to using ferries and the Channel Tunnel. Both these patterns would have implications for the level of outbound tourism expenditure. Increasing trip lengths would likely lead to an increase in expenditure per trip as UK residents will simply be away for longer. While it is unlikely that this would completely offset the reduced expenditure effect from a reduction in the number of trips, it would likely mean that outbound expenditure would not reduce pro-rata with a reduction in trips. Similarly, passengers switching to alternative modes would mean that these trips are still made regardless of whether an airport is able to expand or not and the expenditure will still leave the UK.
- 3.56. While clearly the data above describes long term national trends, it would seem reasonable to assume that this effect would occur at a more micro level as well, with some residents of the South West in this case, changing their travel patterns in response to being unable to use Bristol Airport.

#### **Outbound Travel Supports Economic Activity in the UK Economy**

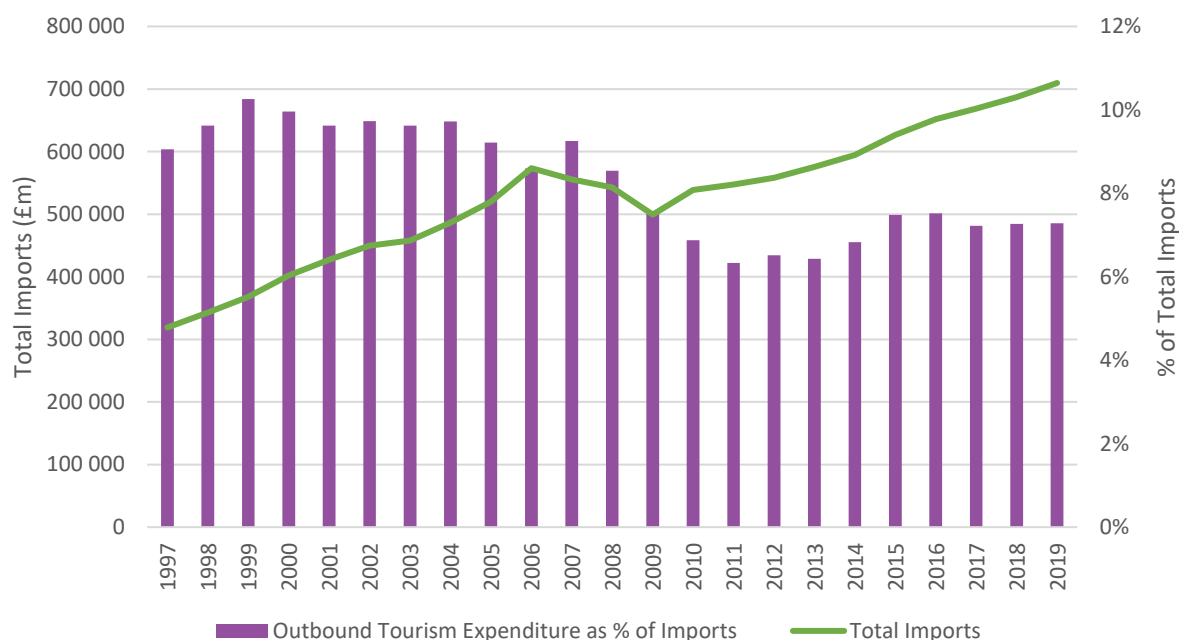
- 3.57. Outbound travel from the UK directly supports significant GVA and employment in the domestic economy as travellers buy goods and services before they leave the country. These include services such as travel agencies and tour operators, travel insurance, currency exchange or travel to and accommodation at or near UK airports and goods such as clothes, toiletries and cosmetics, or sports and leisure equipment. Research undertaken by the Centre for Economics and Business Research on behalf of ABTA identified that the outbound travel sector makes a contribution of around £28.3 billion to the UK economy and supports around 435,000 jobs<sup>20</sup>. Any impact on the study area economy from tourism expenditure overseas would need to be offset by the corresponding effect on the outbound travel sector in the UK.

<sup>20</sup> The economic value of outbound travel to the UK economy – a report for ABTA – The Travel Association by CEBR (June 2015).

### Outbound Expenditure Would Not Necessarily be Retained Within the Region

- 3.58. Another perceived negative impact of the 'tourism deficit' is an assumption that if people are not able to use air travel to leave the UK then the money that they spend overseas currently or might do in the future will simply be spent in the UK economy. In reality, it is far from clear whether this would in fact be the case. Again, this is a consideration that has been previously identified but for which additional evidence is presented below.
- 3.59. Discretionary expenditure, such as that involved in overseas leisure travel, is quite likely to be used for the purchase of high value consumer goods, which in a UK context, are very often imports and consequently the great majority of the economic value might still be lost overseas. Ultimately, the UK is a trading economy with very strong links into the global economy. Outbound tourism is in fact another form of import. It is, therefore, not appropriate to view this form of import in isolation. It needs to be viewed in a context where UK imports as a whole have been rising (as have exports) for many years as the UK becomes more globalised and secures the economic gains that come from enhanced trading relationships. In this context, it is reasonable to assume that if UK residents are forced to reduce expenditure on one form of import (tourism), they will shift at least some of their expenditure towards other imported goods. Recent trends in UK imports and the proportion of UK imports made up by outbound tourism expenditure is shown in Figure 3.4. Figure 3.4 also shows that outbound tourism is falling as a proportion of overall imports.

**Figure 3.4: UK Total Imports and Outbound Tourism Expenditure as a % of Imports**



Source: ONS.

- 3.60. Alternatively, discretionary expenditure, such as that being considered here, is ultimately optional. It may well not be spent at all but instead saved, which again would not support additional GVA or employment in the UK.

### Outbound Travel has Positive Economic Benefits

- 3.61. As described above, the UK Government has previously noted the importance of outbound air travel in providing quality of life benefits, including educational benefits and skills development.
- 3.62. The ability to travel and experience other countries and other cultures is an extremely important part of life for many people, while for others the ability to visit friends and relatives in other parts of the world is vitally important. In this context, access to air travel is a key component in making cities and regions 'liveable' places for people. Hence, access to an airport with a good range of services is an increasingly important factor in attracting people to live and work in an area, particularly in the context of what is an increasingly global workforce. Ultimately, this will

support population growth and additional economic activity in an area, provide prosperity and create the conditions that are needed for economic growth. It has long been recognised that transport accessibility is vitally important for long term economic prosperity and access to airports and air travel is no different.

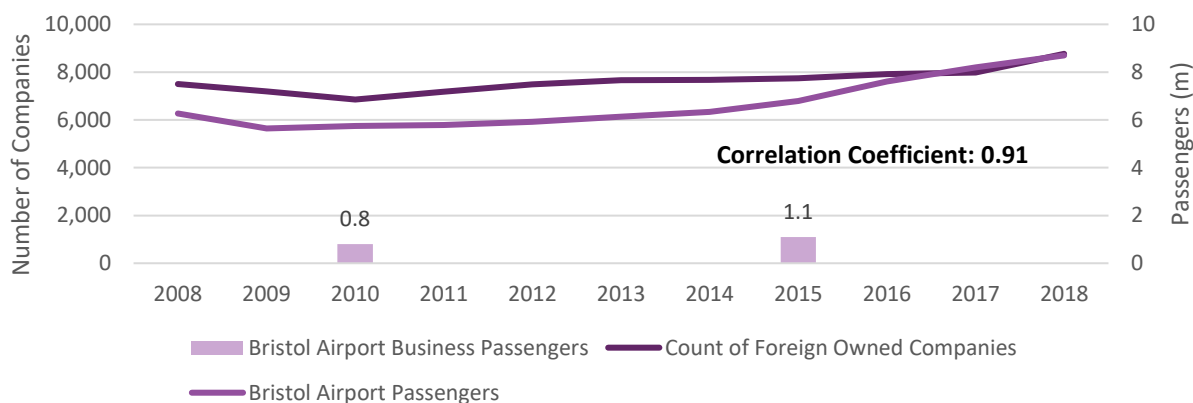
### Conclusions on Outbound Tourism

- 3.63. Based on the evidence set out above and previously considered in the original economic impact assessment and Regulation 25 responses, we maintain that including the impact of outbound tourism in the assessment would be inappropriate as it is unlikely that the negative effect is significant and it is actually unclear whether the effect would be positive or negative over the long term. We would also highlight again that this position consistent with the Aviation Policy Framework, as set out above.

### Foreign Direct Investment

- 3.64. Bristol Airport is the largest airport serving the South West and South Wales region and provides a broad range of connectivity to a range of potentially economically important destinations in Europe. This connectivity is an important asset for the region in terms of its ability to attract and retain foreign direct investment (FDI) and also to enable indigenous companies to manage overseas investments effectively. This link to the region's ability to attract FDI is important supporting evidence as to the scale of the business productivity benefits identified in the quantitative assessment set out above. Again, the link between the airport and FDI is an area that has been explored previously in the original economic impact assessment and through responses to Regulation 25 requests<sup>2122</sup>. We have not sought to repeat that previous evidence here but provide some additional evidence and updated analysis.
- 3.65. An updated analysis of the South West's recent FDI performance and the correlation to growth at Bristol Airport is analysed below. Figure 3.5 below shows the number of foreign owned companies in the South West between 2008 and 2018 set against passenger numbers at Bristol Airport over the same period.

**Figure 3.5: Foreign Owned Companies in the South West and Passenger Numbers at Bristol Airport**

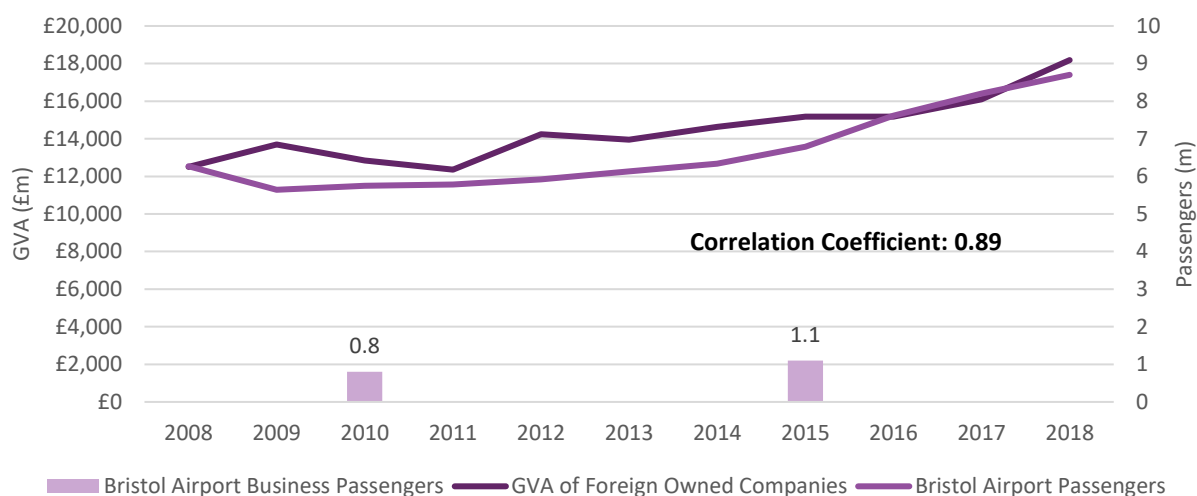


Source: ONS and CAA.

- 3.66. Figure 3.6 presents a similar analysis. It shows the GVA supported by foreign owned companies in the South West over time compared to passenger numbers at the airport.

<sup>21</sup> York Aviation (2019). Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment – Response to Comments Received.

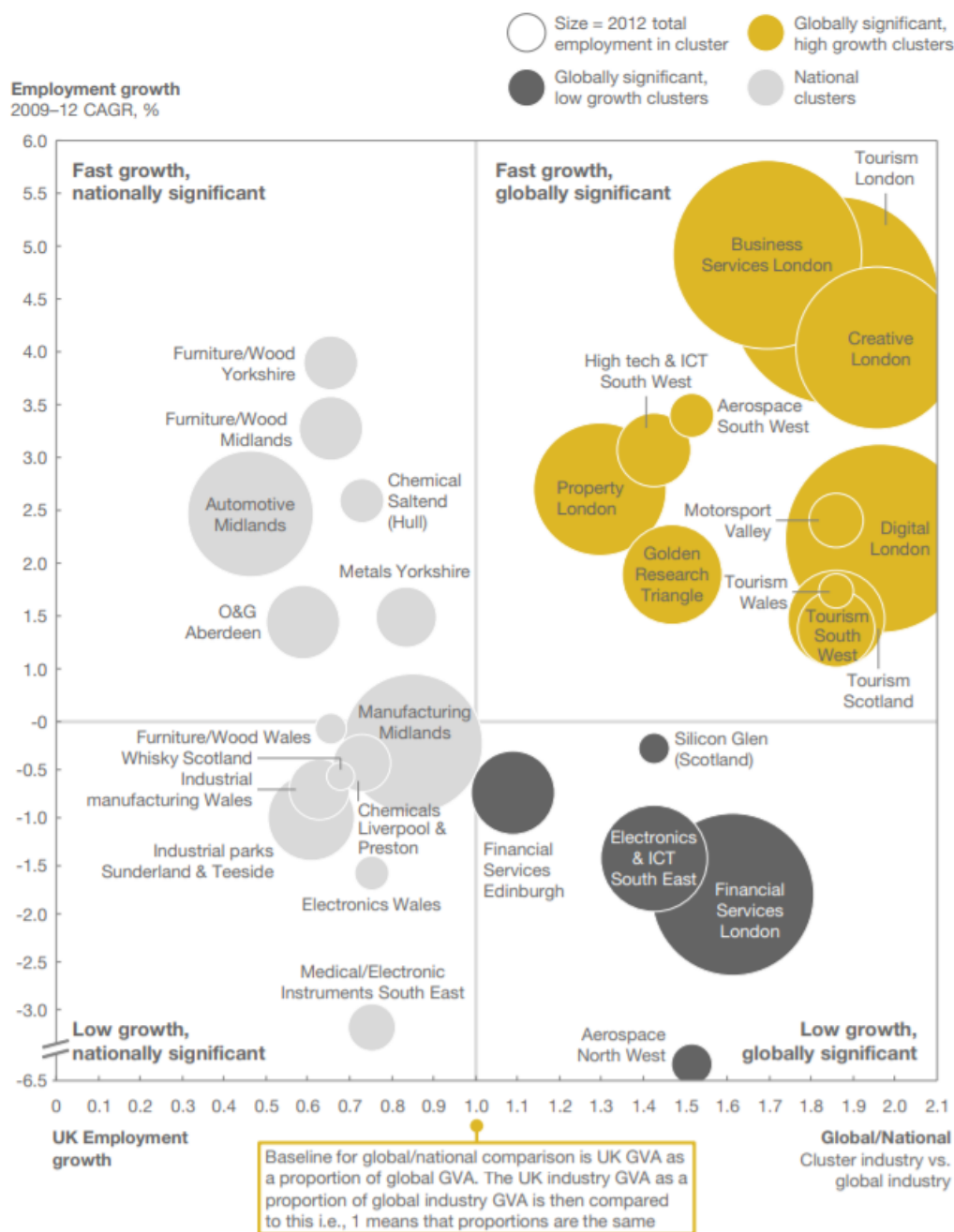
<sup>22</sup> York Aviation (2019). Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Further Submissions in Relation to Inbound Tourism and Foreign Direct Investment.

**Figure 3.6: GVA of Foreign Owned Companies in the South West and Passenger Numbers at Bristol Airport**

Source: ONS and CAA.

- 3.67. Both charts clearly show a strong correlation between FDI performance in the South West (as illustrated by foreign company ownership) and passenger growth at the airport. It should be recognised that this does not prove causality. However, given the logical link between the two, it does provide some evidence on the link between the airport's growth and this element of the region's international economy, particularly given the growing number of business passengers over time.
- 3.68. A range of analysis from other sources highlights the importance of FDI to the South West economy and the recent growth in FDI stocks. The EY Attractiveness Survey 2020 identifies Bristol and Cardiff as the two UK core cities with the largest improvement in the number of annual inward investment projects since 1997, with Bristol attracting eight times as many projects in 2019 as in 1997 and Cardiff five times as many. This compares to a typical increase of around two to three times for all UK core cities. The research also identified that there have been 645 FDI projects in the South West since 1997, of which nearly 30% have been in Bristol.
- 3.69. Research by McKinsey & Co. for the Centre for Cities identified that the South West was home to three globally significant clusters, High Tech and ICT, Aerospace and tourism, the first two of which include significant inward investors (see Figure 3.7).
- 3.70. The aerospace cluster is perhaps of particular relevance in considering the role of Bristol Airport in supporting FDI given its location in and around Bristol. In Filton, Airbus has teams working on aerodynamics, research and development, including the state-of-the-art Wing Integration Centre and wind tunnel. Dorset and Somerset have their own clusters in the supply chain of aero-structure and aero-engine components.
- 3.71. The cluster has linkages around the globe but key European centres include Toulouse, Hamburg, Seville, Berlin, Paris, Bergen, Madrid, Munich, Hoofddorp (Amsterdam), Kongsberg (near Oslo), Alkmaar (near Amsterdam), Stuttgart and Brussels. Bristol Airport supports the cluster by providing direct links to a number of these cities including Toulouse, Berlin, Seville, Paris, Madrid and Amsterdam.

Figure 3.7: Classification of Major Sector Clusters in the UK



3.72. Overall, the South West has a vibrant and growing FDI stock with two globally significant, high growth clusters. Growth in foreign owned companies over recent years has been closely correlated with growth at the airport. The airport is the largest gateway for business travel to / from the South West and provides a comprehensive range of connectivity to support inward investors. This qualitative analysis provides strong evidence to support the findings quantitative findings of the assessment in terms of business productivity impacts.

3.73. In this context, we also note the importance attached to Bristol Airport in attracting inward investment within North Somerset Council's Economic Plan<sup>23</sup> and the strong focus on inward investment in the West of England Industrial

<sup>23</sup> North Somerset Council (2017). North Somerset's Economic Plan 2017-2036.

Strategy<sup>24</sup> and Strategic Economic Plan<sup>25</sup>. More broadly the importance of air links in relation to securing inward investment is recognised in the Aviation Policy Framework<sup>26</sup> and enabling the regions away from London to compete more effectively in FDI markets is clearly supportive of the Government's 'levelling up' agenda.

### Nature of Jobs and Labour Supply

- 3.74. The value of creating jobs at the airport has also been considered to address negative perceptions that most jobs at airports are low skilled and low paid. In terms of the assessment, this issue is important in demonstrating the 'value' of direct jobs created at the airport.
- 3.75. In reality, airports are economies in microcosm. Companies on-site at the airport undertake a wide range of different activities and offer a significant range of job opportunities at a wide range of different skill levels with varying pay scales.
- 3.76. Detailed information on the skills structure or wages offered by airport companies is difficult to obtain. Information on skills is not routinely collected and is not available publicly. Similarly, wages and salaries information is often commercially sensitive and difficult to collect. It is, however, possible to make some comparisons based on publicly available company level information.
- 3.77. Figure 3.8 presents an analysis of the estimated distribution of salaries at Bristol Airport compared to the West of England and the South West as a whole. This suggests that average salaries at the airport are in fact somewhat higher than in the rest of the economy, with a broad range of salary levels represented. It should be recognised that the data on which this is based is limited and at a company rather than individual employee level but it still provides an order of magnitude view.

**Figure 3.8: Average Salaries at Bristol Airport, in the West of England and in the South West**



Source: ONS Annual Survey of Hours and Earnings and York Aviation analysis.

- 3.78. Table 3.9 considers the labour supply in the areas around Bristol Airport as the likely core labour catchment area for expansion. This analysis is based on data from 2019 prior to the COVID-19 pandemic, which is likely to result in increased available labour at least in the short to medium term. Notwithstanding this point, the analysis suggests that there is a significant pool of labour from which the airport can draw to support its expansion, either in terms of those unemployed or that are economically inactive. Key areas such as Weston-super-Mare and Bristol South alone have significant pools of labour. As has previously been identified in the original economic impact

<sup>24</sup> West of England LEP and West of England Combined Authority (2019). West of England Local Industrial Strategy.

<sup>25</sup> West of England LEP (2015). West of England Strategic Economic Plan 2015-2030.

<sup>26</sup> Department for Transport (2013). Aviation Policy Framework. Page 18.

assessment, both Weston-super-Mare and South Bristol include significant areas of deprivation, and, as such, the Proposed Development offers a significant opportunity to develop employment opportunities for residents of these areas.

**Table 3.9: Labour Supply in Areas around Bristol Airport in 2019**

	<i>Economically Active</i>	<i>of which Unemployed</i>	<i>Economically Inactive</i>	<i>'Available' Labour Supply</i>
North Somerset	45,600	1,200	9,400	10,600
Weston-Super-Mare	52,400	2,800	10,500	13,300
Bristol East	65,100	1,900	14,800	16,700
Bristol North West	50,800	3,200	15,500	18,700
Bristol South	65,100	2,300	13,600	15,900
Bristol West	75,700	4,300	19,000	23,300
Kingswood	48,100	1,300	6,700	8,000
Bath	51,300	2,200	16,200	18,400
North East Somerset	45,600	1,300	7,400	8,700
<b>West of England</b>	<b>604,100</b>	<b>23,200</b>	<b>133,300</b>	<b>156,500</b>
<b>South West</b>	<b>2,724,900</b>	<b>86,900</b>	<b>606,100</b>	<b>693,000</b>

Source: ONS Annual Population Survey.

3.79. We recognise that, given the relatively full employment conditions that have characterised the overall labour market in the region around the airport, accessing economically inactive labour supply is likely to require action in the labour market but this is an area where Bristol Airport already undertakes significant work and has previously committed to a range of employment and training initiatives to support local residents in accessing employment opportunities at the airport. Indeed, the draft Section 106 Heads of Terms agreed with North Somerset Council recognises this issue and provides for the development of a Skills and Employment Plan with a number of key features:

- A 'Construction Phase Local Labour Agreement and Action Plan'. This would consist of a local labour agreement and action plan, bound by the principles of the 'Construction Training Industry Board (CITB) Client Based Approach', relating to the construction phase of the development;
- An 'Achieve Programme' to deliver employment and skills interventions and a programme of activities with education providers relating to the operational phase of the development. This would include a financial contribution of up to a maximum of £300,000 to commission a specialist employment support provider to deliver a suite of employment and skills interventions which would support residents to access end use/ operational phase jobs;
- An 'Operational Phase Education Programme'. This would require BAL to engage with the education sector from primary level through to university and develop opportunities for young people and adults to access employment at Bristol Airport;
- 'Monitoring Programme'. This would set out the agreed key performance indicators against which the implementation of the Skills and Employment Plan will be monitored.

3.80. Table 3.10 shows the qualification profiles of the areas around the airport, while Table 3.11 provides a similar analysis for the Mid Level Super Output Area around the airport. This latter analysis provides information on the smallest statistical area around the airport available taken from the 2011 Census. This provides a basis for considering the skills availability to support growth at the airport.

**Table 3.10: Percentage of the 16 to 64 Population with Qualification Levels**

	% with NVQ4+	% with NVQ3+	% with NVQ2+	% with NVQ1+	% with other quals. (NVQ)	% with no quals. (NVQ)
North Somerset	49.0	67.0	85.3	94.8	2.9	2.3
Weston-Super-Mare	31.7	57.7	76.7	87.7	6.6	5.7
Bristol East	46.5	64.4	79.7	91.1	4.0	4.9
Bristol North West	51.1	61.1	73.4	84.1	9.8	6.1
Bristol South	38.5	59.4	73.7	84.9	5.1	10.0
Bristol West	65.1	82.7	88.1	95.7	1.9	2.4
Kingswood	29.0	56.1	81.1	92.9	3.1	4.1
Bath	48.2	73.0	84.1	91.6	5.9	2.5
North East Somerset	41.9	64.0	80.6	93.0	4.4	2.6
<b>West of England</b>	<b>45.4</b>	<b>66.2</b>	<b>80.7</b>	<b>91.2</b>	<b>4.5</b>	<b>4.4</b>
<b>South West</b>	<b>39.2</b>	<b>60.5</b>	<b>78.2</b>	<b>89.3</b>	<b>5.4</b>	<b>5.3</b>

Source: ONS Annual Population Survey.

**Table 3.11: Percentage of the Population with Qualification Levels around Bristol Airport**

Qualification Level	Population	% of Population
No qualifications	484	10%
Other qualifications	239	5%
Apprenticeship	218	5%
Level 1 qualifications	790	80%
Level 2 qualifications	894	63%
Level 3 qualifications	731	44%
Level 4 qualifications and above	1,322	28%
Total	4,678	100%

Source: ONS 2011.

- 3.81. Table 3.11 suggests that employment at the airport and at companies in the immediate surrounding areas is predominantly focussed on Level 1 to Level 3 qualification levels. Table 3.10 identifies that the population in the surrounding areas is able to fulfil these requirements but that there are also opportunities for residents around the airport to upskill and enter the labour market through the airport.
- 3.82. Overall, this analysis demonstrates that jobs at the airport are varied and that pay ranges are comparable to the broader economy. It also demonstrates that there is potential local labour supply and that there are the necessary skills available in the local labour market around the airport. However, the assessment also recognises that there is work to be done to access currently inactive labour, which could benefit deprived areas particularly, and that there are appropriate plans in place to achieve this. Overall, this supports the conclusion that the development of direct employment at the airport is of value to the economy.

### Social Value of Bristol Airport

- 3.83. The social value provided by Bristol Airport in terms of the role it plays in supporting the demand for leisure travel in the South West and South Wales has been considered. In terms of the assessment, this provides a broader perspective on the role of the airport and links to its importance as a quality of life factor that is important in supporting economic prosperity in the wider economy.
- 3.84. Table 3.12 provides a detailed breakdown of the purpose of travel of passengers at Bristol Airport taken from the CAA Passenger Survey 2019. In terms of the social value of the airport, it is important to note that leisure travel through the airport is multifaceted. While the largest number of passengers are travelling for holidays, which, as we have described above has an important socio-economic value, significant numbers of passengers travelling through Bristol Airport are travelling to visit friends or relatives (VFR). This clearly represents an important social function for the airport.

**Table 3.12: Detailed Purpose of Travel at Bristol Airport in 2019**

	<i>Bath and North East Somerset</i>	<i>City of Bristol</i>	<i>North Somerset</i>	<i>South Gloucestershire</i>	<i>West of England</i>	<i>South West &amp; South Wales</i>
Business	15%	20%	12%	20%	18%	14%
Leisure - Holiday	46%	32%	52%	54%	41%	50%
Leisure - Other	4%	2%	1%	1%	2%	2%
Study	0%	0%	0%	0%	0%	0%
Visit Friends or Relatives	36%	46%	34%	25%	39%	34%

Source: CAA Passenger Survey 2019.

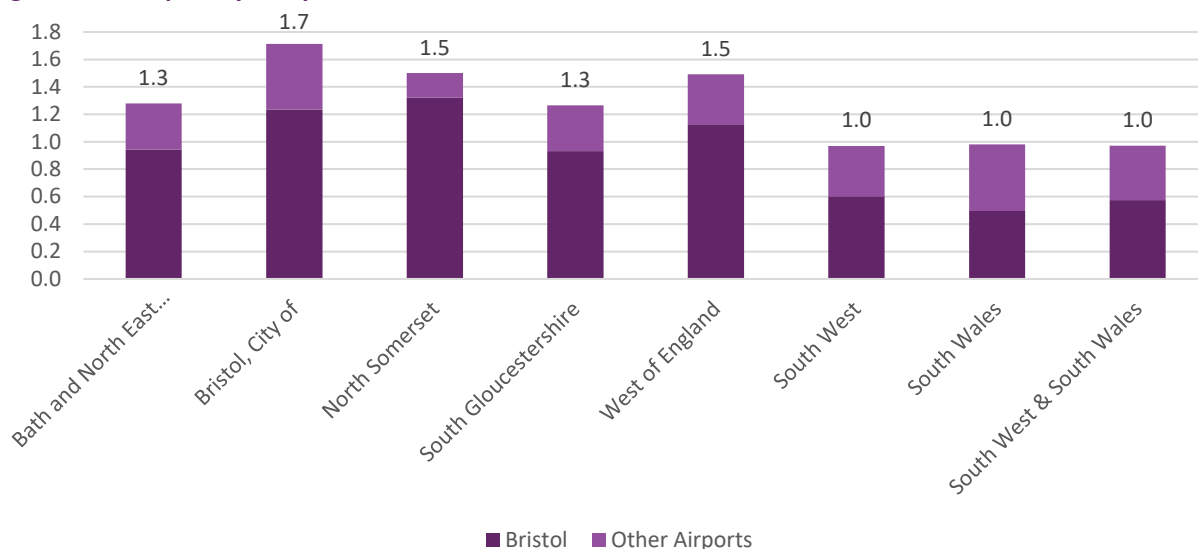
3.85. Figure 3.9 shows the income distribution of passengers at Bristol Airport compared to the average salary in the South West. This demonstrates that the airport provides services to a broad spectrum of people. Although there is some bias towards higher income levels, which is unsurprising given the relationship between wealth and propensity to fly, it is clear that the airport attracts passengers from all income levels, with significant numbers coming from income bands below the regional average.

**Figure 3.9: Income Distribution of Passengers at Bristol Airport**

Note: Reflects only survey records where the question has been answered.

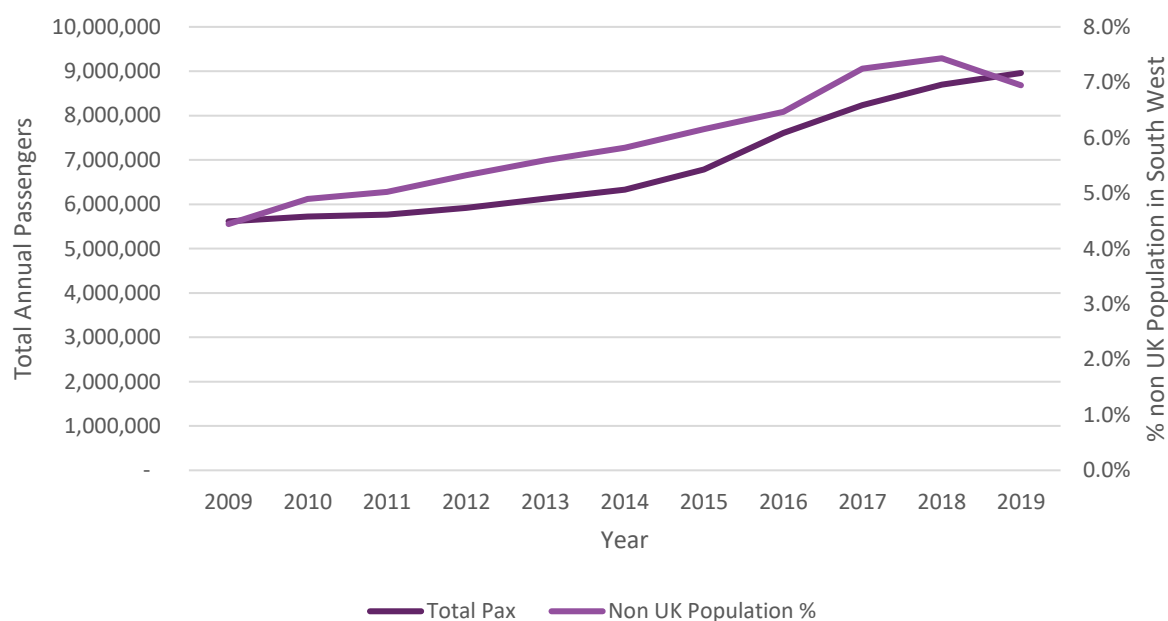
Source: CAA Passenger Survey 2019 and ONS Annual Survey of Hours and Earnings.

3.86. Figure 3.10 shows the propensity to fly for leisure for residents of the South West and South Wales. This suggests that residents from across the region on average take one flight a year but that is significantly higher in the areas immediately around Bristol Airport. There is, therefore, clearly significant demand for leisure flying within Bristol's core catchment areas. The chart also demonstrates that Bristol Airport is the key airport in satisfying this demand, particularly in the West of England, reflecting its important social role in making the sub-region an attractive place to live and work.

**Figure 3.10: Propensity to Fly for Leisure of South West and South Wales Residents**

Source: CAA Passenger Survey 2019 and ONS Population Estimates.

3.87. Figure 3.11 demonstrates the link between passenger growth at the airport and the increasing internationalisation of the population in the South West of England. In 2009, around 4.4% of the South West's population were overseas nationals. By 2019, this percentage had increased to around 6.9%, driven primarily by EU nationals making the South West their home. Bristol Airport's growth over the same period has improved the region's connectivity into Europe, supporting the needs of overseas nationals in terms of connections home.

**Figure 3.11: Overseas Residents and Passenger Growth at Bristol Airport**

Source: CAA Statistics and ONS Annual Population Survey.

3.88. Bristol Airport plays a vital role in supporting the travel needs of the resident population of the South West. It enables significant numbers to satisfy their desire for foreign travel for holidays but also fulfils a vital function in supporting VFR travel. It provides services to a broad spectrum of people from a range of different income backgrounds and offers services that support the needs of the region's increasingly international population.

### Conclusion on Issues for the Assessment

3.89. Above, we have considered a number of issues that have a bearing on the conclusions of our economic impact assessment. This analysis supports the conclusions of our assessment and validates the approach that we have taken. The analysis on outbound tourism supports the exclusion of this as a negative factor in the economic impact assessment. The additional information on FDI provides supporting evidence in relation to the business productivity benefits associated with the development, while the consideration of the labour market supports the conclusion that direct jobs at the airport are valuable to the economy and can help in addressing deprivation in the areas around the airport. Finally, our analysis of the social value of Bristol Airport supports conclusions around the long term quality of life benefits of the airport and its importance in making the study areas attractive places to live and work.

### Comparison to the Previous Assessment

3.90. Table 3.13 compares the original assessment in terms of the economic impact of Bristol Airport at 12 mppa compared to 10 mppa in 2026 versus the updated assessment of 12 mppa compared to 10 mppa in 2030. For the avoidance of doubt, this comparison reflects the final net impact of the Proposed Development set out in Table 3.6.

**Table 3.13: Comparison of the Impact of the Proposed Development in the Original Assessment versus the Updated Assessment (including Product Displacement)**

	North Somerset			West of England			South West & South Wales		
	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs	GVA (£m)	Jobs	FTEs
Direct	-£10	5	-10	-£10	25	5	-£20	-210	-180
Indirect & Induced	-£10	0	-10	£0	-5	-15	-£10	-385	-310
<i>Economic Footprint</i>	-£20	5	-20	-£10	20	-10	-£30	-595	-490
Productivity	£0	5	0	£20	95	100	-£50	-495	-385
Tourism	£0	50	40	£0	295	225	£0	-60	-40
<i>Wider Impacts</i>	£0	55	40	£20	390	325	-£50	-555	-425
<b>Grand Total</b>	<b>-£20</b>	<b>60</b>	<b>20</b>	<b>£10</b>	<b>410</b>	<b>315</b>	<b>-£80</b>	<b>-1,150</b>	<b>-915</b>

Source: York Aviation.

3.91. Unsurprisingly, given the passage of time and the changed circumstances, there are differences in the assessments. The reasons for these differences can be summarised as follows:

- ➔ Quantification of the Effect of Product Displacement – the more detailed assessment of passenger displacement provided by the updated traffic forecasts has enabled a worst case quantitative estimate of this effect to be made. This has reduced the GVA and employment impacts in the South West and South Wales. It does not affect impacts in North Somerset or the West of England;
- ➔ Updated Timeline for the Proposed Development – the updated traffic forecasts see the year in which Bristol Airport reaches 12 mppa in the Core Case move back to 2030. This has implications for the absolute level of employment supported as the productivity would be expected to grow in the background, reducing the amount of labour required to undertake any given task;
- ➔ Changes in the Associated Air Transport Movement (ATM) Forecasts – the updated traffic forecasts also include updated, lower ATM forecasts. Some elements of on-site activity in the model use ATMs as a driver of growth and, hence, the updated forecasts have reduced the direct impacts in these areas;
- ➔ Composition of the Traffic Forecasts – the structure of traffic identified within the traffic forecasts is slightly different to the original forecasts, which has resulted in some changes to the level of wider economic impacts;
- ➔ Updated productivity assumptions for sectors in the wider economy has again resulted in some changes in the amount of employment that is generated;

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- ➔ Updated information from the CAA Passenger Survey 2019 has resulted in some spatial differences in the distribution of wider benefits.

3.92. Overall, we would consider all of these differences to be a normal function of updating an assessment following the passage of time or reflect the availability of more detailed information on which to base the assessment. In our view, the result of these changes does not affect the overall conclusion of the assessment, that the Proposed Development will offer substantial GVA and employment benefits to the study areas considered.

## Conclusions

3.93. The updated assessment of the GVA and employment impacts of the Proposed Development of Bristol Airport to 12 mppa continues to identify major economic benefits to North Somerset, the West of England and the South West and South Wales. The updated assessment has considered updated traffic forecasts and the latest available information on passenger characteristics and behaviours from the CAA Passenger Survey 2019. The assessment has also provided additional information on issues around outbound tourism, FDI, labour quality and supply, and quality of life benefits, which provide additional context and justification for the economic benefits assessed.

## 4. Updated Socio-Economic Cost Benefit Analysis

### Introduction

- 4.1. This section presents an update of the socio-economic cost benefit analysis presented in Section 6 of the original economic impact assessment. As with the rest of the analysis in this addendum report, the basic methodology and approach set out remains the same as previously adopted in the original assessment. The changes that have been made relate to the underlying assumptions that support the analysis and reflect where new information has become available since the original application was submitted, either via additional analysis or from the publication of new data. In terms of the updated traffic forecasts, the quantitative assessment considers the Core Case. The Faster Growth Case and Slower Growth Case sensitivity tests are considered qualitatively.
- 4.2. One additional area that has been included in the cost benefit analysis for this addendum is carbon costs. These have been included in response to comments on the original assessment made in the NSC Officers Report<sup>27</sup>. It should be emphasised that this should not be taken to infer the appropriateness of its inclusion, as explained below. However, in the interests of ensuring that the assessment represents a conservative and worst case position, a quantitative assessment of these costs based on data from the climate change assessment contained in the ES Addendum has been included.
- 4.3. The purpose of the cost benefit analysis is to consider the broader effects on socio-economic welfare associated with the Proposed Development and it places the emphasis on whether the expansion of the airport will result in a more efficient allocation of resources across the economy. It examines whether the key actors (passengers, producers, and the Government) in the market will be better or worse off as a result of Bristol Airport being allowed to increase its passenger cap from 10 mppa to 12 mppa. This approach is the same in concept as the economic elements of the Department for Transport's WebTAG appraisal approach. It should, however, be emphasised that it is not a WebTAG appraisal and is not intended to be one. WebTAG itself acknowledges that its applicability to aviation projects is limited given its origins in the appraisal of surface modes:

*"The appraisal of government interventions in the aviation industry presents some analytical issues which have no close analogue in surface transport modes....."*

*The DfT regards this unit as best practice for the appraisal of aviation interventions and would assess the merits of any aviation intervention against this benchmark, while recognising that any appraisal ought to be proportional to the scale of the likely impacts and the appraisal process may be very different for alternative types of intervention."*<sup>28</sup>

- 4.4. The purpose of this analysis is to provide a proportionate assessment of the impacts of the Proposed Development from a socio-economic welfare perspective. It is intended to provide additional evidence to support the primary assessment of GVA and employment impacts set out in Section 3. It is important to note that the cost benefit analysis is not additive in relation to the GVA and employment impacts. It provides a different perspective on the potential economic benefits associated with the Proposed Development.

### Components of the Cost Benefit Analysis

- 4.5. The cost benefit analysis examines the changes in costs and benefits to the primary actors in the market that are directly affected by the proposed expansion of Bristol Airport. This includes:
  - passengers – allowing Bristol Airport to expand its passenger capacity by 2 mppa will mean that up to 2 million more passengers will be able to use the airport where, as things stand currently, this demand would either have to use another airport or choose not to make their intended journey. This will impact on:

<sup>27</sup> North Somerset Council (2020). Report to the Planning and Regulatory Committee March 2020.

<sup>28</sup> Department for Transport (2018). TAG UNIT A5.22 Aviation Appraisal. Page 3.

- surface access time – if Bristol Airport cannot grow, there will be passengers within its catchment who will have to travel to alternative airports. We have estimated this additional travel time based on the assessment of passenger displacement estimated through the development of the new traffic forecasts for Bristol Airport<sup>29</sup>. This provides a more granular assessment than that used for the original analysis and reflects the latest information on passenger behaviour as observed in the CAA Passenger Survey 2019. Journey times have been estimated using Google Maps. This additional time is an economic cost, which can be monetised using the air passenger values of time identified by the Airports Commission<sup>30</sup>;
  - surface access costs – if passengers have to travel further, then it is likely to cost them more to access an alternate to Bristol Airport. We have identified these additional costs based on DfT's WebTAG guidance on vehicle operating costs<sup>31</sup> and the assessment of passenger displacement as described above;
  - flight time savings – if passengers cannot use Bristol Airport, they may be unable to fly directly to their intended destination from the alternate airport and hence incur additional time by having to travel via a hub airport. This assessment is again based on the extent of switching from direct to indirect routings observed within the updated traffic forecasts;
  - air fare savings – if passengers cannot use Bristol Airport, they may be forced to use a more expensive air service to reach their destination from another airport. Given the significant role played by both Heathrow and Gatwick in Bristol's catchment and the primarily low cost airline offer available at Bristol Airport, this is a significant possibility. Our assessment uses modelled fares for Bristol Airport and alternate airports based on CAA Passenger Surveys for 2015 and 2019 to assess the likely differences in prices paid by passengers. Both years have been used to increase the sample sizes on which the fare analysis is based given that not all survey records include fare information. It should be recognised that predicting how fares in the broader market might change is very difficult. The air fare benefits should therefore be considered as an order of magnitude estimate. It should also be noted that the assessment does not include any assumption as regards the effect that constraint at Bristol Airport might have on the fares charged to passengers that continue to use Bristol Airport. Given that limiting the airport to 10 mppa will effectively result in a constraint on supply, it is reasonable to assume that excess demand at the airport will lead to a rise in fares for the 10 million passengers still using the airport. Estimating this effect is highly complex and not proportionate to this analysis. However, the impacts could be sizable. This suggests that this element of the assessment is potentially conservative;
- airport company – as the airport grows, it is able to realise greater economies of scale and its ability to generate profits that ultimately benefit society increases. We have estimated the impact of this effect based on an analysis of the airport's profitability over time from its published accounts;
  - airlines – we have assumed that if airlines are not able to locate capacity at Bristol Airport, they will simply locate capacity elsewhere and hence there is no impact on their costs or benefits. This is a simplified assumption as the next best option to Bristol Airport can reasonably be assumed to be less profitable for the airline. However, we are not able to sensibly estimate the size of this effect. This means that the benefits of expansion will be understated to some degree;
  - Government – if passengers choose not to fly because they cannot fly from Bristol Airport (i.e. they would not switch to another airport), there is a cost to Government in terms of lost Air Passenger Duty revenue. A significant majority of passengers that cannot use Bristol Airport if it were constrained to 10 mppa (around 62%) would travel via another airport. For the purposes of this analysis, we have assumed that all passengers in this group would be travelling to short haul destinations and travelling in economy class. This is a simplification of reality but provides a conservative assessment of this effect;
  - construction costs – the costs of building the infrastructure required to enable the airport to handle 12 mppa are in this case the opportunity cost to society of choosing to develop Bristol Airport rather than invest in

<sup>29</sup> York Aviation (2020). Passenger Traffic Forecasts for Bristol Airport to Inform the Proposed Development to 12 mppa..

<sup>30</sup> Airports Commission Final Report (2015). Economy: Transport Economic Efficiency Impacts.

<sup>31</sup> Department for Transport, Transport Analysis Guidance (TAG) (2014). Values of Time and Vehicle Operating Costs TAG Unit 3.5.6.

another option. Hence, these construction costs must be set against benefits that accrue from expansion. The construction costs have been provided to us by BAL;

- carbon costs – the carbon emissions associated with the Proposed Development have been identified via the updated climate change assessment contained in the ES Addendum. This provides an assessment with and without offsetting for a number of future years. An annual carbon impact has been estimated by interpolating between the spot years. Beyond 2050, the carbon impact is assumed to remain the same. In other words, no further efficiency gains are assumed. These annual impacts have been monetised using the central case carbon values taken from the latest Department for Business, Energy and Industrial Strategy (BEIS)<sup>32</sup> guidance. The impacts both with and without offsetting are presented. However, it is considered that the inclusion of carbon emissions within this assessment is not appropriate for the reasons set out below. There inclusion does therefore mean that the assessment is very much a worst case position.

- 4.6. The cost and benefit streams are assessed over a 60 year period, which is regularly used for the assessment of airport infrastructure, and discounted using the HM Treasury Green Book standard discount rate of 3.5%.

### Position on the Inclusion of Carbon Emissions

- 4.7. In our original economic impact assessment, we excluded the cost of carbon emissions from the socio-economic cost benefit analysis on the grounds that it was highly questionable whether the emissions associated with the Proposed Development were likely in reality to be additional in a European or global context. This position reflects the view that constraining Bristol Airport will simply result in airlines displacing aircraft capacity that would have been used at the airport to operations at other airports either in the UK or indeed further afield.
- 4.8. It should be noted that this is completely unrelated to demand displacement (where passengers are forced away from the airport to use other airports that serve the catchment area). It is also completely consistent with the findings of the supplementary climate change assessment contained in the ES Addendum. The climate change assessment is focussed specifically on considering the scale of international aviation greenhouse gas emissions in the proposed development case, contextualised within their overall impact on the 'planning assumption' of 37.5 MtCO<sub>2</sub> used by Government as 'headroom' in setting 'carbon budgets' under the Climate Change Act 2008. The assessment considers the extent to which the scheme in isolation materially affects the ability of the UK to meet these aviation greenhouse gas figures. Consideration of this potential broader displacement question around airline strategy and capacity decisions is not within the scope of the assessment.
- 4.9. It remains highly unlikely that major airlines, such as those that make up the majority of capacity at Bristol Airport, will make fleet investment decisions based on incremental changes in capacity at individual UK regional airports. Hence, the size of airline fleets is unlikely to be affected by developments such as those being assessed here and, consequently, airlines will simply deploy the same amount of capacity in different ways if there are constraints at particular airports. This means, ultimately, that the overall level of carbon emissions is unlikely to change because of constraints at a particular airport. The potential for aircraft displacement simply demonstrates that dealing with climate change emissions is a global issue that requires co-ordinated national and international action and is not something that can be addressed via local constraints.
- 4.10. In addition, there is a further factor that should be considered in relation to this updated assessment. The new traffic forecasts developed for the appeal use a model to consider future growth rates in the underlying market that is driven by economic growth and changes in future air fares. The modelling of future air fares includes an assumption that the cost of carbon associated with flights will have to be paid by passengers. In other words, the carbon costs of growth are internalised within the traffic forecasts and, hence, including the costs of carbon again as a cost in the socio-economic cost benefit analysis can be viewed as double counting.
- 4.11. These two points would argue strongly against the inclusion of the costs of carbon within the socio-economic cost benefit analysis. However, as stated above, these costs have been included within this updated assessment in

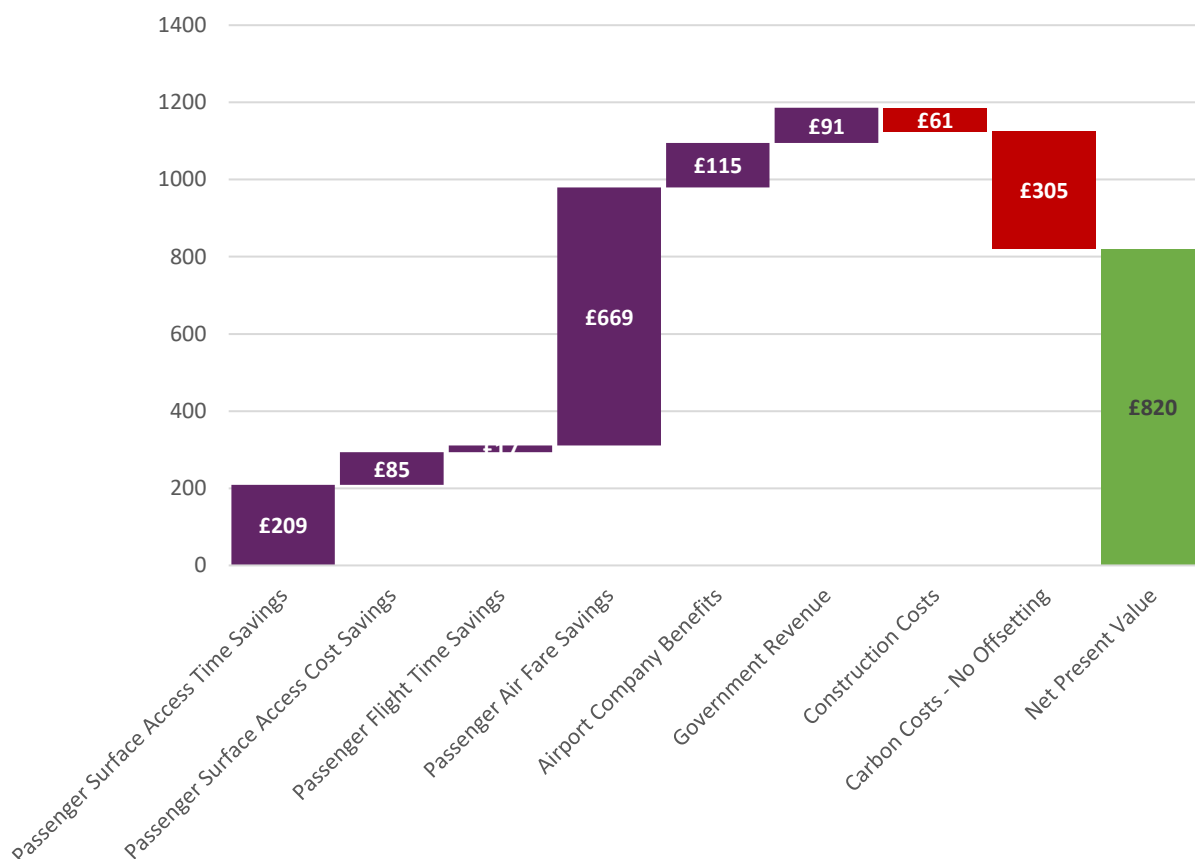
<sup>32</sup> HM Treasury (2018). Green Book supplementary guidance: valuation of energy use and greenhouse gas emissions for appraisal.

response to the comments within the North Somerset Council Officers Report and to ensure that the assessment is conservative and represents a worst case assessment of the net impact of the development.

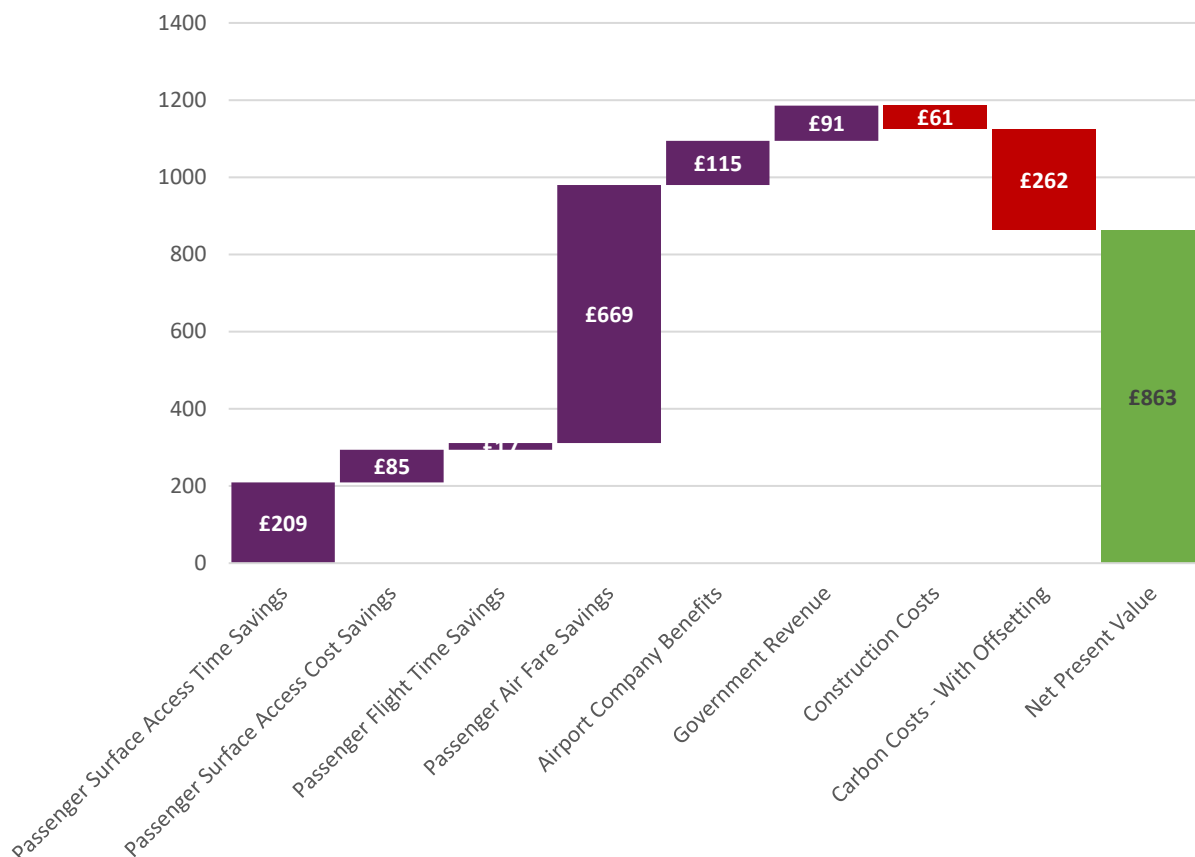
### Socio-Economic Impacts

4.12. Figure 4.1 sets out the results of the cost benefit analysis with no offsetting of carbon emissions. It shows the present value for each of the cost benefit analysis components described above and the Net Present Value. This analysis suggests that, with no offsetting of carbon emissions, the Proposed Development, offers a net benefit of around £820 million over the next 60 years. The Benefit Cost Ratio on this basis would be 3.2.

**Figure 4.1: Socio Economic Cost Benefit Analysis with No Offsetting of Carbon Emissions (£ million)**



4.13. Figure 4.2 sets out the results of this analysis with offsetting of carbon emissions allowed. This analysis suggests that, with offsetting of carbon emissions, the Proposed Development offers a net benefit of around £863 million over the next 60 years. The Benefit Cost Ratio on this basis would be 3.7.

**Figure 4.2: Socio Economic Cost Benefit Analysis with Offsetting of Carbon Emissions (£ million)**

### Comparison to the Previous Assessment

- 4.14. Comparing the results of the original and updated assessments requires some care. The updated traffic forecasts for the development, which see the point at which 10 mppa and 12 mppa are reached move back in time, automatically result in reductions in both benefit and cost streams due to the discounting process. Similarly, the inclusion of carbon emissions in the updated assessment clearly significantly reduces the net benefits. The original assessment identified a net benefit of around £1.6 billion over the following 60 years, compared to estimated net benefits of between £820 million and £863 million in the updated assessment. If the impact of carbon costs is removed from the updated assessment, this provides a closer comparison. On this basis, the updated assessment suggests a net benefit of around £1.1 billion.
- 4.15. However, overall, while updates to the underlying assumptions have also resulted in reductions in some benefit streams, the fundamental conclusion has not changed. The Proposed Development will offer significant net benefits.

### Impact of the Faster Growth Case and Slower Growth Case Traffic Forecasts

- 4.16. The above assessment has been prepared on the basis of the Core Case traffic forecasts. The Faster Growth Case and Slower Growth Case forecasts would result in changes in the points in time that costs and benefits would be felt but this would most likely impact all cost and benefit streams equally. Hence, the impact on the results of the cost benefit analysis would primarily reflect changes in the level of discounting, which is intended to reflect societal

time preferences<sup>33</sup>. This would mean that the net benefit is likely to be reduced in the Slower Growth Case, as costs and benefits are delivered later in time, while the Faster Growth Case would see net benefits increase, as costs and benefits are delivered earlier. As the timing costs and benefits are equally affected then we would not expect either case to significantly alter the conclusions of the assessment.

## Conclusions

- 4.17. The updated socio-economic cost benefit analysis suggests that the Proposed Development will offer net benefits of between £820 million and £863 million over the next 60 years, depending on whether offsetting of carbon emissions is included or not.

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<sup>33</sup> Broadly, time preference says that society values £1 received more highly than £1 received in 10 years time. It is important to note that this is not the same as the concept of inflation.

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## 5. Potential Impacts of a Failure to Grow

### Introduction

- 5.1. This section considers in qualitative terms how Bristol Airport might be affected if it is constrained to 10 mppa over a long period. It explains what the effects of stagnation might be at the airport beyond the 2024 threshold that represents the core forecast case assessed. Ultimately the future baseline that is used may not fully reflect how the airport and airlines react to constraint and therefore the negative consequences of constraint may in fact be greater than assessed. How this then might affect the economic impact of the airport is also considered.

### The Airport Company and Other On-site Companies

- 5.2. The GVA and employment assessment in Section 2 assumes that if the airport is constrained then normal productivity growth will continue to occur at the site once the 10 mppa threshold is reached and that this will slowly erode employment at the airport over time, as fewer people are required to deliver the passenger throughput. This is a reasonable basis for assessing the impact but it may in reality be too optimistic. It is perfectly possible that the airport company and indeed other companies on-site may seek to invest in different ways to improve profitability if they cannot invest in growth that have a more dramatic effect on productivity. Reducing service levels or simply rationalising the products and services offered would all be ways of potentially increasing profitability at an airport that is constrained. The common theme here is that they are aimed at rationalising and simplifying operations because there is no incentive to invest in growth and thereby reducing the need to employ as many staff. This would ultimately have the effect of reducing employment levels at the airport above and beyond that which might be expected within the future baseline.

### The Impact on Airline Behaviours

- 5.3. The most obvious and most likely immediate effect of constraint will be that fares at Bristol Airport rise. As the airport becomes constrained, demand for services from the airport will start to outstrip supply and, assuming airlines are acting rationally, they will raise prices to equalise demand and supply. This is clearly disadvantageous to passengers seeking to use the airport as they will either have to pay more or they will no longer be able to fly from Bristol. This is not an effect that has been built into the assessment as it stands and should be considered as an additional effect over and above the assessed impacts. Recent research by SEO<sup>34</sup> on air fare levels at constrained airports found that a 10% constraint results in a 1.4% increase in average air fares in liberalised markets. Restriction of Bristol Airport to 10 mppa would represent a significant and growing constraint on the airport that would impact on fare levels. Crudely speaking, in 2030 in the Core Case Bristol Airport's passenger throughput would be constrained by around 17% if it were unable to grow above 10 mppa, suggesting an increase in fares at the airport of around 2.4%. The average short haul fare at Bristol Airport in 2019 was around £70 based on analysis of CAA Passenger Survey data. This would suggest that consumers would face additional fare costs at Bristol Airport of around £17 million each year in 2030.
- 5.4. However, there is likely to be a greater impact on GVA and employment supported by the airport, where constraints result in a change to the structure of demand at the airport. With airlines operating in a constrained environment at Bristol Airport, we are likely to start to see behaviours at Bristol similar to those observed at Heathrow in the last decade or so. Airlines at Heathrow have been forced to make either / or decisions about which markets to serve rather than simply being able to add new routes. At Heathrow, this has led to inexorable decline of the domestic and short haul networks as airlines have moved to make the most possible revenue from each take off and landing slot by operating more long haul services, which involves using larger aircraft with more seats, often operating at higher load factors. Bristol Airport's market is different but airlines are still likely to try to achieve the same thing: to maximise the revenue they can make from each take off and landing slot at the airport. In the context of a regional airport such as Bristol, this is likely to mean that airlines seek to focus on high volume outbound leisure

<sup>34</sup> The impact of airport capacity constraints on air fares – SEO Amsterdam Economics (2017).

routes, which are the largest and most revenue intensive routes at regional airports<sup>35</sup>. This is likely to come at the expense of more marginal routes, including business focussed routes, where markets are not large enough to justify the use of larger aircraft. This will clearly impact on the airport's ability to support wider economic impacts stemming from business travel and inbound tourism.

- 5.5. With airlines moving towards high volume outbound leisure focussed routes, it will simply become more difficult for business travellers to access the services that they need to support trade and international partnerships and the South West and South Wales will become a less attractive place to locate and do business resulting in reduced FDI. Similarly, if the airlines at the airport focus on outbound leisure routes, then potential visitors to the region will not be able to come as easily and will simply choose to go elsewhere. Both effects will ultimately result in reduced GVA and employment in the economy.
- 5.6. Again, this is an effect that will take some time to appear and, hence, it is not likely to be fully reflected in the future baseline at 2030.

## Conclusions

- 5.7. The economic impact assessment focusses on the impact of the Proposed Development in 2030 compared to the future baseline where the airport is limited to a throughput of 10 mppa. It should, however, be recognised that, particularly in the longer term, the impact of constraint at the airport may affect the way in which companies on site at the airport and airlines serving the airport behave, such that the airport's ability to support GVA and employment is eroded over and above the position set out in the future baseline. In particular, there must be a concern that stagnation at the airport will erode its usefulness as a tool for business travellers, as airlines seek to maximise the revenue from individual slots by focussing on high volume, high margin leisure routes.

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<sup>35</sup> It should be noted that this is not to suggest that leisure focused routes are not important to the economic impact of the airport. Ultimately, they are what makes the airport viable and leisure passengers are essential in making the great majority of air routes viable, and hence the economic impact of the airport is reliant on them in a very real sense. Leisure routes will also be central in facilitating recovery from COVID-19, as they are likely to return faster than business markets for the reasons discussed above, as they will provide the core of revenues for airports and airlines in the early stages of recovery. However, this does not take away the point that once normal market conditions return, constraint at Bristol Airport will lead to an imbalance in the market that could suppress business travel.

## 6. Conclusions

- 6.1. This addendum to the original economic impact assessment prepared as part of Bristol Airport's 12 mppa planning application updates a number of key elements of the analysis in the light of changed circumstances, primarily resulting from the COVID-19 pandemic, and more recent information in relation to the assumptions base.
- 6.2. While there are unsurprisingly some differences in the results of the assessment, the fundamental conclusions of the assessment have not changed. The expansion of Bristol Airport to serve 12 mppa would offer substantial economic benefits to the economies it serves.
- 6.3. The updated assessment estimates that Bristol Airport will support the following additional economic footprint effects in 2030 at a passenger throughput of 12 mppa (the Core Case) before adjusting for product displacement:
  - £50 million in GVA and 530 jobs (430 FTEs) in North Somerset;
  - £100 million in GVA and 1,220 jobs (1,040 FTEs) in the West of England;
  - £150 million in GVA and 2,120 jobs (1,750 FTEs) in the South West and South Wales.
- 6.4. The airport will support the following additional wider economic impacts in 2030:
  - £20 million in GVA and 180 jobs (140 FTEs) in North Somerset;
  - £120 million in GVA and 1,240 jobs (1,000 FTEs) in the West of England;
  - £280 million in GVA and 3,440 jobs (2,720 FTEs) in the South West and South Wales.
- 6.5. The total additional GVA and employment supported by Bristol Airport in the 12 mppa scenario compared to the future baseline is estimated to be:
  - £70 million in GVA and 710 jobs (570 FTEs) in North Somerset;
  - £220 million in GVA and 2,460 jobs (2,040 FTEs) in the West of England;
  - £430 million in GVA and 5,560 jobs (4,470 FTEs) in the South West and South Wales.
- 6.6. The updated traffic forecasts have provided additional evidence on passenger displacement in the event that Bristol is constrained to 10 mppa. This has enabled a quantitative assessment of potential product displacement effects to be made in the updated assessment. This adjustment only affects the South West and South Wales study area. The impacts net of product displacement are assessed as follows:
  - Economic footprint effects - £110 million in GVA and 1,530 jobs (1,260 FTEs) in the South West and South Wales;
  - Wider economic impacts - £200 million in GVA and 2,470 jobs (1,950 FTEs) in the South West and South Wales.
- 6.7. The total impact, net of product displacement, in the South West and South Wales is £310 million in GVA and 4,000 jobs (3,210 FTEs). These net impacts have been used as the basis for the supplementary environmental assessment contained in the ES Addendum to ensure that the assessment represents a worst case.
- 6.8. This addendum report also presents additional evidence in relation to a number of key areas that are important in supporting the conclusions of the GVA and employment assessment and the approach taken:
  - the treatment of outbound tourism – further analysis demonstrates that any negative impacts on GVA and employment from outbound tourism are likely to be limited in reality and that there are also key benefits to outbound leisure travel. This strongly supports the decision to exclude these impacts from the assessment;
  - the impact on FDI – further evidence is provided on the important role played by Bristol Airport in supporting the South West region's FDI performance. It provides strong supporting evidence to the quantitative assessment of business productivity effects;

- quality of jobs and labour supply – additional information is presented that identifies that the airport and associated companies offer a wide range of job roles at comparable pay levels to the wider economy and that there is likely to be a significant pool of labour for the airport to draw from in the future as it expands. The Proposed Development also has the potential to provide opportunities within deprived areas in Weston-super-Mare and South Bristol and an outline Skills and Employment Plan to support people in accessing opportunities at the airport has been agreed with NSC officers. Overall, this confirms the ‘value’ of direct job creation at the airport;
- the social value of Bristol Airport – the role of the airport in supporting VFR travel and in satisfying the region’s demand for leisure travel is quantified. It shows that leisure flying at the airport is not just about people taking holidays but that there is a large VFR component. It also highlights that the airport provides services to a broad range of income groups. This supports the conclusion that the airport is an important quality of life factor the South West and South Wales region, making it an attractive place to live and work and thereby supporting long term prosperity.

- 6.9. The updated economic impact assessment also provides an updated assessment of the Proposed Development from a socio-economic welfare perspective using a socio-economic cost benefit analysis. This analysis provides supporting evidence in addition to the main assessment of GVA and employment impacts. It suggests that the Proposed Development will offer net benefits of between £820 million and £863 million over the next 60 years, depending on whether offsetting of carbon emissions is included or not.
- 6.10. The addendum considers the potential influence of COVID-19 on the assessment and identifies that, while clearly the pandemic is a significant short term shock, given the long term nature of the analysis, the pandemic is unlikely to further influence the results of the assessment beyond the changed time horizons for reaching 12 mppa identified within the traffic forecasts. The assessment also highlights the importance of the Proposed Development and the associated investment at the airport in helping to support economic recovery from the pandemic across the South West region.
- 6.11. Finally, the assessment considers whether there may be additional negative economic consequences if Bristol Airport is unable to grow beyond 10 mppa, as in the future baseline. This analysis identifies that there are potential additional negative effects both in terms of the employment that might be supported on-site at the airport and also in terms of the impacts in the wider economy as airlines shift focus to more outbound leisure focussed routes. The assessment highlights the potential dangers of stagnation at the airport, notably the potential for the service offer at the airport to become unbalanced and for business demand to remain unfulfilled as airlines seek to profit maximise in a constrained environment by shifting to more revenue intensive volume leisure routes. It should be noted that this does not detract from the importance of leisure routes in fuelling recovery at the airport post the COVID-19 pandemic but reflects a market failure in the long term generated by capacity constraint.

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