

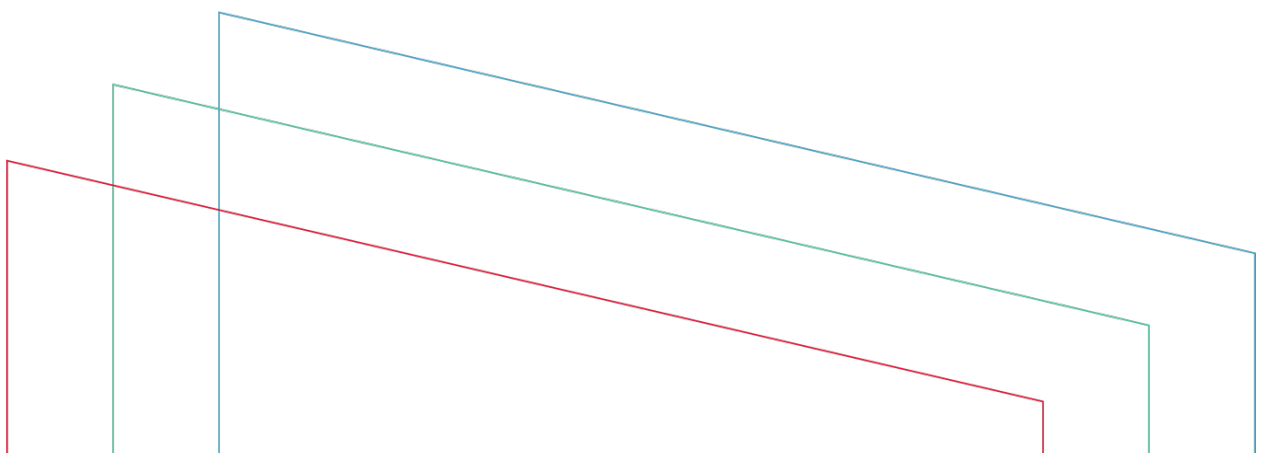
EXPANSION OF BRISTOL AIRPORT TO 12MPPA  
PINS REF APP/D0121/W/20/3259234  
PLANNING APPLICATION REF: 18/P/5118/OUT

# REBUTTAL

## PROOF OF EVIDENCE OF DR ALEX CHAPMAN

## ECONOMIC IMPACTS

**New Economics Foundation**



# 1. INTRODUCTION

## 1.1. Context

- 1.1.1. This document is provided by Dr Alex Chapman, witness on socio-economics, and supplements the proof of evidence submitted in summary and long form to the planning inquiry into the expansion of Bristol Airport to 12mppa.

## 1.2. Summary

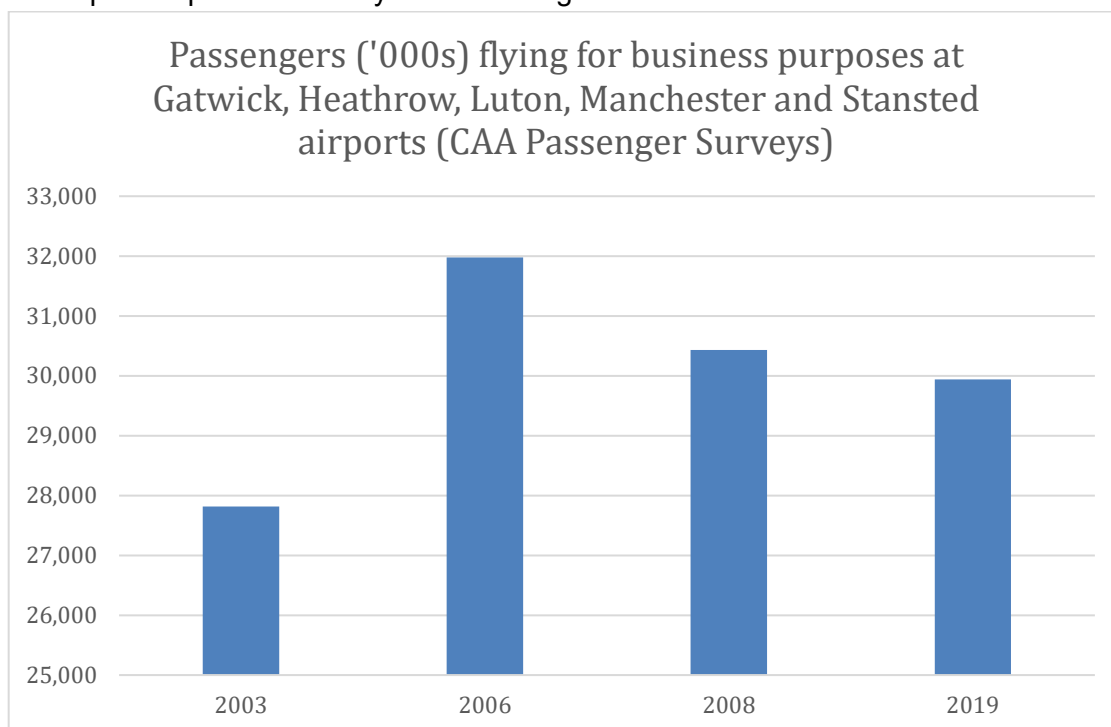
- 1.2.1. This rebuttal addresses a number of issues I have identified in the proof of evidence submitted by James Brass of York Aviation on behalf of Bristol Airport Limited (BAL) in which my work, and/or key data and pieces of evidence have been misrepresented. This does not constitute a complete evaluation of the evidence submitted by Mr Brass, I limit my rebuttal to issues which I believe to be critical to the inspector's determination on the appeal, and/or instances in which Mr Brass has referred directly to my previous work.

# 2. BUSINESS IMPACTS

## 2.1. Context

- 2.1.1. Mr Brass has addressed the business impacts of the proposed scheme, in the light of the Covid-19 pandemic, primarily in his evidence on Forecasting. The issues raised by PCAA and NSC are given very short treatment in Mr Brass' evidence on socio-economics, which simply refers back to the Forecasting evidence.
- 2.1.2. I would like to draw attention to a significant concern with points 4.9.4. and 4.9.5. of Mr Brass' Forecasting evidence.
- 2.1.3. Two pieces of evidence are referred to by Mr Brass in support of his contention that the Covid-19 impact on Business Travel is "*short-term*". These same pieces of evidence also effectively underpin Mr Brass' claim in his Socio-economic evidence (5.4.4) that "*by 2030, York Aviation expect the proportion of business travel at the airport is likely to be similar to the 2018 baseline*". It is important to note that this means Mr Brass is assuming the proposed expansion will lead to growth in absolute terms in the number of business travellers using Bristol Airport equivalent to around 300,000 new passengers by 2030.
- 2.1.4. The first piece of evidence Mr Brass refers to is the Civil Aviation Authority's (CAA) passenger surveys. Mr Brass presents a graph which he claims shows that "*Bristol Airport's business market proved resilient in the face of the Global Financial Crisis*". The graph Mr Brass presents does not, in fact, support this claim, as I will demonstrate.
- 2.1.5. Mr Brass claims that his graph shows "*the dip in business travel following the recession*". This presumably refers to the very small decline (-5%) shown in business passengers between the years 2008 and 2012. The problem with this is that 2008 is not the correct baseline. Business travel in 2008 was already suppressed by the financial crisis. The appropriate baseline point for comparison is in fact the year 2006, the last year before crisis impacts began to take hold.
- 2.1.6. Unfortunately, Bristol Airport was not included in the CAA Passenger Survey in 2006 so we do not have the appropriate data. We do however, have data from the five

airports that the CAA include in every annual survey, Gatwick, Heathrow, Luton, Manchester, and Stansted. We can observe business traveller trends at these airports. I present the key data in the figure below.



- 2.1.7. This figure shows that business traveller numbers were significantly higher in 2006 than both 2008 and 2019. As an aside, this underscores the point that business travel has *never* recovered from the financial crisis of 2007/08 at the UK level, nor at many UK airports.
- 2.1.8. The year 2006 is the correct baseline to use for this assessment. Peak business travel at Bristol Airport was likely also in the year 2006. If so, business travel at Bristol likely declined much more significantly as a result of the financial crisis than Mr Brass claims. Hence, Bristol Airport is likely not “resilient” in the face of crisis.
- 2.1.9. A critic of my analysis might, rightly, point out that smaller regional airports could have responded differently to the five major UK airports I refer to above. To address this point I have conducted further analysis on the data used by Mr Brass to look at the response of other regional airports to the 2007/08 financial crisis. I present the findings in the table below. The reference years used in this analysis are constrained by the airports chosen for survey by the CAA.

Airport	Baseline year	Impact year	Change in business traveller numbers
Birmingham	2006	2010	-12%
East Midlands	2006	2010	-40%
Newcastle	2005	2009	-18%
Leeds Bradford	2005	2010	-11%

- 2.1.10. The data I present above highlights that the impact of the financial crisis on business passengers at regional airports in England was typically much larger than the 5% implicated by Mr Brass. This was likely the case at Bristol Airport, but is obscured by the unfortunate lack of CAA data in the key baseline year.

- 2.1.11. I present this evidence to highlight that the conclusions drawn by Mr Brass are not credible, and are not supported by a deeper analysis of the dataset he uses.
- 2.1.12. The second piece of evidence Mr Brass provides is a reference to a reported rebound in business passengers travelling with Air New Zealand. There are a host of reasons why this data is inappropriate and does not support the conclusion that business air travel will be “resilient” to the Covid-19 pandemic:
- Conclusions cannot be drawn from data points relating to only a few months as there is considerable natural month-to-month variation.
  - The short-term response will not mirror the long-term response. There will be some ‘pent-up’ demand for business travel which will provide a short-term boost to passenger numbers as restrictions ease, but this is no indicator of how businesses will adjust long-term. Indeed, it might be regarded as a very concerning sign that despite this pent-up demand, business passenger levels *only* reached 90% of pre-crisis levels.
  - New Zealand has had a completely different strategy to the UK in managing the Covid-19 pandemic.
  - New Zealand has a very different economy to the UK.
  - Air New Zealand is a different type of airline, serving a different customer base and different destinations to Bristol Airport.
- 2.1.13. In my proof I have presented a wide array of references from business leaders and aviation sector consultancies which all support the proposal that there will be a long-term decline in business passenger numbers of around 10-30%.
- 2.1.14. I maintain my position that upon reviewing the impact of the previous crisis, and the impact of the Covid-19 pandemic, there is no reason to expect *any* new business passenger trips will take place as a result of the expansion of Bristol Airport, and certainly not within a 9-year time horizon (i.e. in the 2030 assessment year).

### 3. COMPLIANCE WITH WEBTAG

- 3.1.1. Mr Brass makes a number of statements in section 5.7 of his evidence regarding the relevance of the Department for Transport’s Transport Analysis Guidance (TAG) to this inquiry. These statements are made directly in response to prior submissions by NEF and PCAA. A number of these statements are demonstrably incorrect or misleading.
- 3.1.2. Mr Brass states: *“It [TAG] is only suitable and appropriate for consideration of major airport capacity development schemes, such as the third runway at Heathrow, which have enormous national significance and implications.”*
- 3.1.3. This is incorrect. The DfT state, in their aviation unit of TAG: ***“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”*** (p.3) (TAG, Unit A5.2, Aviation Appraisal). Clearly, the DfT would assess “any” scheme against TAG, not just “major” schemes.
- 3.1.4. Confusingly, Mr Brass himself also references this quote, despite directly contradicting it in his own statement.
- 3.1.5. TAG is widely used on smaller transport schemes relating to far fewer travellers than in the case of the proposed Bristol Airport expansion. The claim that it only applies to

“major” schemes is false. Additionally, Mr Brass’ comment referring to Nationally Significant Infrastructure projects (NSIs) is irrelevant, there is nothing restricting TAG to use on NSIs.

- 3.1.6. Mr Brass also states: *“a WebTAG appraisal is not ‘best practice’ in these circumstances as asserted by the PCAA.”*
- 3.1.7. This is a very strange assertion, given that the DfT state: **“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”** (p.3)
- 3.1.8. Clearly, the government regard TAG as best practice.
- 3.1.9. Mr Brass additionally states: *“the Appeal Proposal is a private sector investment and not a national, government ‘intervention’”*.
- 3.1.10. This does not preclude use of TAG as Mr Brass would suggest. In fact, within unit A5.2, the DfT specifically recognises that aviation investment is usually privately financed, and the DfT provides guidance on how to apply TAG in these circumstances: **“Since aviation investment is most commonly paid for by the private sector, it is also necessary to include private financing costs in the total scheme costs”** (p.6)
- 3.1.11. Furthermore, while it is clearly not the case that TAG is only applicable to publicly funded projects, it is also the case that the proposed expansion of Bristol Airport will involve significant outlay of public funds. On the 21<sup>st</sup> June 2021 North Somerset Council began consulting on substantial improvements to the A38 which are necessary in order to support the current passenger load at the airport. The council is explicit that the scheme will be paid for primarily by the Department for Transport, stating:  
*“The project will ultimately be funded by the Department for Transport”*<sup>1</sup>  
Previous council documents have indicated that the improvements are likely to cost in the tens of millions of pounds.<sup>2</sup>
- 3.1.12. Costly improvements to the A38, or other publicly funded transport enhancements, are essential for the viability of the proposed scheme. The economic case for these enhancements depends almost entirely on the case for the expansion of the airport. This further underscores the need to ensure that the scheme represents good value for money for the taxpayer. The appropriate way to establish this, as clearly stated by the DfT, is through a TAG-compliant appraisal.
- 3.1.13. Mr Brass additionally states: *“WebTAG is designed for use by the DfT not by developers/airport operators”*
- 3.1.14. The DfT describes itself only as the “main” user, not the “only” or “exclusive” user. As evidenced in the quote provided by Mr Brass which states: **“The main user of this guidance is expected to be the DfT itself”** (p.3)
- 3.1.15. However, my understanding is that it would also be possible for BAL and NSC in conjunction to request that the DfT conduct or commission a TAG-aligned appraisal.
- 3.1.16. In summary it is very clear that TAG does in fact represent the government’s position on best practice in aviation appraisal. As both the planning inspectorate and North Somerset Council represent arms of Government, and significant outlay of public

<sup>1</sup> DfT/North Somerset Council/ Somerset County Council/WSP (2021) Consultation webpage, available at: <https://a38mrn-engagement.com/>

<sup>2</sup> See: North Somerset Council Decision No. 18/19 DE 410.

funds is expected, including on behalf of the DfT, there also seems to be a credible argument that TAG assessment is mandatory in this case.

- 3.1.17. This application fails to meet TAG guidelines in a multitude of ways. For example, high carbon prices have not been tested, no distributional impact assessment has been conducted, and air quality and noise impacts have not been monetised and included in the socio-economic assessment.

## 4. COMPETITION AND DISPLACEMENT

- 4.1.1. Throughout sections 4.10 and 4.11 of Mr Brass' Forecasting evidence a number of arguments are made which relate to the concept of 'free markets' and 'competition'.
- 4.1.2. To synthesise, Mr Brass argues that preventing Bristol Airport from expanding would "stifle competition" (4.10.2) and that decision makers should not worry about displacement as this is a matter for the free market. This argument is made in response to PCAA pointing out that there is ample spare capacity at other airports in the South West and South Wales.
- 4.1.3. These arguments are misplaced. The aviation market is fundamentally not a free market. Airport numbers are capped. Restrictions on airport capacity are an established norm. When the UK Government voted to endorse expansion of Heathrow Airport over Gatwick Airport this principle was reiterated. It is well within the power of decision makers to choose to restrict airport capacity at one location, while expanding capacity in another location.
- 4.1.4. Taken to its logical conclusion, Mr Brass' argument would imply that all airports should be allowed unlimited capacity. This is clearly not the UK Government's policy position.
- 4.1.5. In fact, the UK Government currently has strategic policy agendas on climate change and 'levelling-up'. In order to meet its 'levelling-up' agenda, the UK Government has explicitly emphasised the importance of conducting and considering distributional analysis and place-based analysis in decision making. The Government's position is set out in sections 1.7-1.10 and 2.26-2.30 of HM Treasury's 2020 Green Book review. This is summarised in 1.18 where the government states that it expects:

*"Appropriate emphasis on the analysis of place-based impacts, including for projects and programmes where these are not the objective of the intervention. There will be a new expectation that appraisal must assess the likelihood and extent of differential place-based impacts where it appears likely to be significant, or else explain why it is unnecessary."*<sup>3</sup>

- 4.1.6. I maintain my position that displacement is a critical issue for the determination of distributional and place-based impacts. I have also evidenced that the Government perceive this to be a priority for the meeting of their strategic goals.
- 4.1.7. The Appellant has conducted no distributional or place-based impact assessment, despite these appraisal techniques representing best-practice in TAG and the Green Book.

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<sup>3</sup> CD16.2 Green Book Review