



Development of Bristol Airport to Accommodate
12 Million Passengers Per Annum: Economic
Impact Assessment

[Response to Comments from CPRE Avonside](#)



Bristol Airport Limited

October 2019



Summary of Response

The Campaign to Protect Rural England (CPRE) Avonside has made a number of assertions in relation to the Economic Impact Assessment¹ undertaken and submitted in support of Bristol Airport Limited (BAL's) planning application² for the development of Bristol Airport to accommodate 12 million passengers per annum (mppa) (the proposed development) based on research commissioned by it from NEF Consulting (NEF)³. This document responds to these assertions in detail. Below, we have summarised our response to CPRE's main comments:

- **CPRE/NEF Comment:** *The proposed development of the airport is incompatible with inevitable and essential future constraints on air travel because of climate change.* **Response:** This assertion is at best premature as there is currently no policy setting out a target for emissions from the aviation sector in 2050 nor guidance on how a target would be achieved. In any case, the Environmental Statement for the proposed development has established that the addition of 2 mppa would represent only 0.28% of the Committee on Climate Change's recommendation for aviation emissions to not exceed 37.5 Mt CO₂/annum in 2050, which is not considered to be a significant effect.
- **CPRE/NEF Comment:** *Claimed benefits for the West of England region have been overstated by almost 50%.* **Response:** In its report, NEF has made a number of inaccurate claims regarding displacement, tourism impacts, carbon impacts and productivity effects that demonstrate a misunderstanding of the Economic Impact Assessment approach or that attempt to localise a global issue. The impacts of the proposed development in the West of England have not been overstated.
- **CPRE/NEF Comment:** *Claimed benefits for the wider South-West region and Wales have been overstated by as much as 70%.* **Response:** This assertion suffers from the same flaws as outlined above. In particular, it misunderstands how passenger demand is likely to redistribute if Bristol Airport could not expand. The impacts on the South West and South Wales have not been overstated.
- **CPRE/NEF Comment:** *Much of the methodology used by the Airport's advisers appears to be inconsistent with the methods recommended and used nationally.* **Response:** The methodology adopted in the Economic Impact Assessment is based on best practice that follows a well recognised and accepted analytical framework for economic impact assessment. It draws on Government guidance as appropriate to the particular circumstances of BAL's application.
- **CPRE/NEF Comment:** *Using Department for Transport (DfT) standard models, traffic at Bristol Airport in 2030 is likely to be only 8.5 million passengers a year, not the 12 million suggested by BAL.* **Response:** In its most recent forecasts for UK aviation demand⁴, the DfT makes clear that they should not be used as a detailed guide to the short term performance of individual airports, as commercial and local information is not reflected in its modelling (indeed, more than 8.6 million passengers used Bristol Airport in 2018). The DfT forecasts take the current planning restrictions on Bristol Airport into account and therefore do not model growth beyond 10 mppa; in consequence, this should not be considered a cap on future development should planning permission be granted for growth beyond this threshold. NEF's interpretation of the DfT forecasts is therefore inaccurate.
- **CPRE/NEF Comment:** *Most of the additional traffic will come from "displaced" activity from other airports that already have spare capacity.* **Response:** This assertion relates to other airports in the South West and South Wales. It ignores the fact that airports are not homogenous and demonstrates a failure to understand how air transport markets work. It is much more likely that such passengers would gravitate towards the London airports and Birmingham Airport (which is larger than Bristol Airport) for their travel needs. This dynamic is

¹ York Aviation (2018) Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment: Final Report - November 2018.

² Reference 18/P/5118/OUT.

³ NEF Consulting (2019) Evaluating the Case for Expansion of Bristol Airport – July 2019.

⁴ Department for Transport (2018) UK Aviation Forecast 2017.

consistent with the patterns seen in the market now, where the London airports are by far the largest competitors for Bristol Airport.

1. Introduction

- 1.1. The purpose of this paper is to respond to the report⁵ by NEF Consulting (NEF) prepared on behalf of the Campaign to Protect Rural England (CPRE) Avonside, in relation to the Economic Impact Assessment⁶ undertaken and submitted in support of Bristol Airport Limited (BAL's) planning application⁷ for the development of Bristol Airport to accommodate 12 million passengers per annum (mppa) (the proposed development).
- 1.2. The NEF report focuses on the following aspects of the proposed development and the associated Economic Impact Assessment:
 - the passenger demand forecasts for the proposed development;
 - compatibility of the proposed development with the Government's recent net zero climate change commitment;
 - the regional economic benefits associated with the proposed development.
- 1.3. This paper responds to each of these aspects in-turn.

2. Passenger Demand Forecasts

- 2.1. NEF contends that York Aviation's forecasts of passenger growth do not align with Department for Transport (DfT) aviation forecasts.
- 2.2. It should be noted that passenger growth forecasts have been prepared by BAL and not York Aviation and have been independently verified by Mott MacDonald; in consequence, BAL considers that they represent a robust and realistic projection of future passenger demand. Regardless, and as highlighted in the Planning Statement⁸ submitted in support of the planning application, in its most recent forecasts for UK aviation demand⁹, the DfT makes clear that they should not be used as a detailed guide to the short term performance of individual airports, as commercial and local information is not reflected in its modelling. The DfT forecasts take the current planning restrictions on Bristol Airport into account and therefore do not model growth beyond 10 mppa; in consequence, this should not be considered a cap on future development should planning permission be granted for growth beyond this threshold. In this context, the DfT state:

“The purpose of these forecasts is primarily in informing longer term strategic policy rather than in providing detailed forecasts at each individual airport in the short term; the uncertainty reflected by future demand growth scenarios at the national level is compounded at the level of the individual airport. At the airport level the department's forecasts may also differ from local airport forecasts. The latter may be produced for different purposes and may be informed by specific commercial and local information – such information is particularly relevant in the short-term. For example, an airport may have reached an agreement with an airline to increase frequencies or routes in the short-term and for some airports, one route may make up a large proportion of their traffic. Nevertheless, for both continuity with previous publications and transparency of the forecasting methodology, airport level forecasts are included in this document. While the department aims to accurately reflect existing planning restrictions on the expansion of airports, the forecasts should not be considered a cap on the development of individual airports. In some circumstances more recent airport specific data and forecasts might be used, in conjunction with additional relevant information, to inform local planning decisions.”
- 2.3. The DfT forecast demand growth in the South West to increase by some 76% to 2050 with overall market share raising from 4% to 5%. This growth represents an increase in passengers originating in the South West of England

⁵ NEF Consulting (2019) Evaluating the Case for Expansion of Bristol Airport – July 2019.

⁶ York Aviation (2018) Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment: Final Report - November 2018.

⁷ Reference 18/P/5118/OUT.

⁸ Wood (2018) Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Planning Statement.

⁹ Department for Transport (2018) UK aviation forecast 2017.

from 14.3 mppa in 2016 to 25.1 mppa in 2050. Bristol Airport is significantly the greatest regional contributor to catering for this regional demand with Exeter Airport carrying only 900,000 passenger per annum (ppa) and Cardiff Airport currently limited to 3 mppa with growth expected to 8 mppa by 2030. Notwithstanding this, passenger throughput is limited to 10 mppa by the extant 2011 planning permission and current facilities at Bristol Airport are not capable of accommodating an increase in passenger numbers beyond this cap. In this context, there is a need for the proposed development in order to cater for the latent demand reflected in the BAL and DfT forecasts.

3. Compatibility with the Net Zero Commitment

- 3.1. NEF argues that, in light of the UK Government's commitment to net zero carbon, "*it is almost certain that the UK Government will take steps to reduce growth in passenger demand*" and notes the Committee on Climate Change (CCC) estimate that national passenger demand should grow by no more than 60% between 2005 and 2050. This leads NEF to state that "*the logical conclusion is that growth [at Bristol Airport] would fall*". This assumption is incorrect.
- 3.2. On behalf of BAL, Wood has separately provided an update¹⁰ on the current UK carbon policy position. In June 2019, the UK Government passed the '*Climate Change Act 2008 (2050 Target Amendment) Order 2019*'. The Order sets out a target for at least a 100% reduction of GHG emissions (compared to the 1990 levels) in the UK by 2050; this is commonly referred to as the 'net zero' target. Wood highlights that importantly, international aviation (and shipping) is not formally part of the net zero target, with a continuation of the 'headroom' approach used instead. Currently, therefore, there is no policy to reflect what the 100% obligation means for GHG emissions from the aviation sector.
- 3.3. The UK Government is due to publish its Aviation Strategy following consultation on Aviation 2050: The Future of UK Aviation¹¹. In the Green Paper, the Government has stated that it proposes to "*accept the CCC's recommendation that UK-departing flights should be at or below 2005 levels in 2050*". This is the 37.5MtCO₂/annum headroom which was originally posited by the CCC in 2009¹². Wood highlights, however, that until there is a commitment from the UK Government to formally incorporate international aviation into the Climate Change Act 2008 (2050 Target Amendment) Order 2019, there is no policy setting out a target for emissions from the sector in 2050 nor guidance on how a target would be achieved.
- 3.4. The recommended targets and forecasts for aviation all consider increases in efficiency in aviation emissions that are very uncertain. Wood also highlight that Aviation 2050 sets out the UK Government's position that it considers reducing international aviation emissions as an international issue, and that cooperation across the global sector is required to reduce the impact on UK competitiveness.
- 3.5. In consequence, NEF's assertion that the UK Government will implement measures to curtail the growth of the aviation sector is at best premature. In any case, the Environmental Statement for the proposed development has established that the addition of 2 mppa would represent only 0.28% of the CCC's recommendation, which is not considered to be a significant effect.

¹⁰ Wood (2019) Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Carbon Policy Update.

¹¹ Department for Transport (2018) Aviation 2050: The future of UK aviation.

¹² The Committee on Climate Change (2009) Meeting the UK aviation target – options for reducing emissions to 2050.

4. Regional Economic Benefits

Displacement of Passenger Demand

4.1. NEF has suggested that the Economic Impact Assessment should have taken greater account of the potential for passengers displaced from Bristol Airport, in the event that it cannot grow beyond 10 mppa, using other airports in the South West and South Wales. In their report, they have cited four potential options:

- Bournemouth;
- Cardiff;
- Exeter; and
- Newquay.

4.2. This assertion ignores the fact that airports are not homogenous and demonstrates a failure to understand how air transport markets work. Different airports offer substantially different services and ranges of destinations. The four airports cited are all small regional airports with a limited service offer; they do not have the core catchment demand bases required to offer the range of services that Bristol Airport does. If Bristol Airport were not able to grow beyond 10 mppa then passengers that would be forced to use an alternative airport would likely be those requiring travel to more marginal destinations. It is unlikely that such destinations would be offered by the alternative (much smaller) airports suggested to any significant degree. It is much more likely that such passengers would gravitate towards the London airports and Birmingham Airport (which is larger than Bristol Airport) for their travel needs. This dynamic is consistent with the patterns seen in the market now, where the London airports are by far the largest competitors for Bristol Airport. In consequence, market share displacement within the South West and South Wales is likely to be minimal and, in our view, unlikely to support significant employment at the other airports cited.

Application of Factor Displacement and Use of WebTAG

4.3. NEF has raised the issue of whether factor displacement should be applied to the economic impacts of the proposed development in line with WebTAG guidance. This issue has been addressed in our response¹³ to North Somerset Council's comments and accepted by the Council's advisors Jacobs and is reproduced below:

"Jacobs's comments appear to focus primarily around a further factor often referred to as 'factor displacement'. This refers to the extent to which resources used by the airport might switch to being used for alternative activities if they were not required to support growth. This is a valid point and, as Jacobs point out, is something that is normally considered when appraising a public sector investment. However, it is not something that has been factored into our estimates for two reasons:

- *the investment being considered here is a private sector investment and, hence, while guidance such as WebTAG or Green Book is helpful, they are designed to consider public sector investments, and the situation under consideration is not exactly the same. There is a concern ultimately that public sector intervention should not result in the 'crowding out' of market led private investment and hence factor displacement is a genuine concern in relation to achieving value for public money and ensuring that an intervention is indeed addressing market failure. This is not the same for a private sector investment;*
- *considering factor displacement has, to a significant degree, the effect of 'hiding' the value of such a private sector investment, as in a high employment economy, such as the UK or the South West, it can reasonably be assumed that whatever the investment the great majority of resources would ultimately reallocate to a different activity and hence the net impact on employment would be close to zero (the impact on GVA would be slightly higher as it would be reasonable to assume in a market economy that resources will tend to towards the highest productivity activity as a first choice). However, there is clearly a problem here in that this suggests that no*

¹³ York Aviation (2019) Development of Bristol Airport to Accommodate 12 Million Passengers Per Annum: Economic Impact Assessment - Response to Comments Received.

single project has a significant net impact and should be supported. This then creates a problem that if nobody is investing then where will economic growth in the future come from and what will be providing employment? This is clearly perverse.

With this in mind, while we accept the concept of factor displacement and indeed the points that Jacobs make about how it might affect our estimates of future economic impacts in the different study areas, we do not actually believe that it is a helpful consideration in assessing a private sector infrastructure investment. We also note that it does not appear to be a factor considered in assessing the socio-economic impacts of the recent Stansted Airport planning application to increase its passenger cap¹⁴.

Furthermore, we note the comments in the November 2017 Joint Spatial Plan Publication Document¹⁵, which identifies Bristol Airport as a key strategic infrastructure employment location (Policy 4). It recognises the employment growth potential of Bristol Airport and in this regard, the supporting text to Policy 4 states: "Growth at Bristol Airport has the potential to create a range of new employment opportunities". This clearly indicates the value placed on the employment creation potential of the airport."

- 4.4. We also note that NEF then cites the impact figures provided in our response to Jacobs that have been adjusted for factor displacement and notes that these are significantly lower. We would highlight that the factor displacement adjusted estimates provided in our response to comments from Jacobs are primarily for information. They should not be seen as our view on the economic impact of the proposed development.

Displacement of Carbon Emissions

- 4.5. NEF seeks to contrast our views on the limited displacement of passenger demand in the South West and South Wales with our views on the total displacement of carbon emissions globally in the cost benefit analysis. These issues are quite separate.
- 4.6. NEF's comments are essentially seeking to 'localise' what is a global issue. Carbon emissions do not stop at the boundaries of regions or nations and the effects are not felt solely in a particular area. Carbon emissions are an issue for the air transport industry as a whole and are not specifically related to the expansion or otherwise of individual airports. In essence, carbon emissions are about aircraft and not airports. In most cases, whether an individual airport expands or not has ultimately very limited, if any, impact on carbon emissions. Aircraft are by their nature mobile; if they do not fly from one airport, they will fly from another in the UK or elsewhere and, as a consequence, the likely impact on carbon emissions is net zero¹⁶. It would, therefore, not be appropriate to include the costs associated with aircraft carbon emissions within an assessment of the expansion of an individual airport of the scale being considered here.

Calculation of Inbound Tourism Impacts – Average Spend per Trip

- 4.7. NEF has questioned whether our analysis uses UK level spend per trip data from VisitBritain or more specific South West related data. To clarify, the average per trip expenditure used was for the visitors to the South West that arrived in the UK by air in 2017 (the latest available data at the time of analysis). The impacts have not therefore been overstated in the manner suggested by NEF.

Treatment of Outbound Tourism

- 4.8. We are pleased to note NEF's general support for our position in relation to the treatment of outbound tourism.

¹⁴ Stansted Airport Environmental Statement Volume 1 – (2018), Chapter 11.

¹⁵ West of England Partnership (2017). West of England Joint Spatial Plan Publication Document - West of England Partnership (2017).

¹⁶ In reality, it is likely that in circumstances where Bristol Airport is constrained, some passengers will be forced to travel to more distant airports to meet their travel needs, thereby increasing carbon emissions from surface modes.

Further Comments in Relation to Wider Economic Impacts

- 4.9. NEF makes a number of comments regarding the approach taken to considering wider economic benefits. The comments suggest that the reviewer has misunderstood the purpose of the analysis and where it sits within our overall assessment.
- 4.10. At the outset, some clarification should be made as to the origins of our productivity analysis. As stated in our report and repeated by NEF, the relationship between productivity and business travel used in our analysis is based on research undertaken by Oxford Economics for Transport for London as part of the Airports Commission process. It is important to note that it was not produced for the Airports Commission but for Transport for London to aid its inputs to the work being undertaken by the Airports Commission. It was never an alternative to the SCGE approach used by the Airports Commission and hence was never considered for use by the Airports Commission or, later, the DfT. The approaches taken by the Airports Commission and DfT were not therefore chosen instead of the Oxford Economics approach.
- 4.11. More fundamentally, NEF appears to have misunderstood the purpose of the analysis. The analysis has been used to estimate a holistic Gross Value Added (GVA) and job impact associated with business travel at Bristol Airport to sit alongside the analysis of direct, indirect and induced impacts. It sits within a Gross Domestic Product (GDP) type accounting framework and has not been used to support the socio-economic cost benefit analysis, which focusses on impacts on socio-economic welfare, as seems to have been suggested, which is where the approaches identified by NEF would sit. Given the significant user benefits identified for the proposed development, we chose to take a conservative approach to the socio-economic cost benefit analysis and did not include wider economic benefits, where approaches are less mature and there is less certainty as regards the quantum of effects.
- 4.12. The comparison that NEF therefore makes to other airports is not valid; the analyses are not looking at the same issues. A more appropriate comparison would be to consider the impact on GDP identified by the SCGE model used by the Airports Commission to consider the strategic case for expanding capacity in London. This analysis identified a discounted impact on GDP over 60 years of £89 billion for a second runway at Gatwick, £131 billion for the Extended Northern Runway at Heathrow and £147 billion for the North West Runway at Heathrow.¹⁷

Total Effect on the Results

- 4.13. We do not agree with the revised results set out within the NEF report and do not accept that the results of the Economic Impact Assessment have been overstated. We believe that the results set out in our report are robust and represent a reasonable and appropriate assessment of the economic impact associated with the proposed expansion of Bristol Airport to 12 mppa.
- 4.14. Notwithstanding our view that the findings of the Economic Impact Assessment are robust, we note that based on NEF's own adjusted assessment, the economic benefits of the proposed expansion of Bristol Airport to 12 mppa within the study areas would still be significant.

¹⁷ Airports Commission Final Report (2015), Page 129.

Contact York Aviation at:

Primary House
Spring Gardens
Macclesfield
Cheshire
SK10 2DX

United Kingdom

Telephone No: 01625 614051

Fax No. 01625 426159

yal@yorkaviation.co.uk

www.yorkaviation.co.uk