

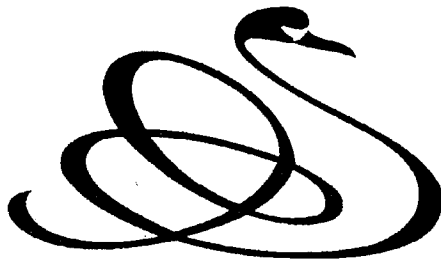
York Aviation

MANCHESTER AIRPORT GROUP

**THE ECONOMIC AND SOCIAL IMPACT OF THE
MANCHESTER AIRPORT GROUP AIRPORTS**

EXECUTIVE SUMMARY

June 2006



York Aviation

Originated by: JAMES BRASS

Dated: 26th June 2006

Reviewed by: NIGEL MASON

Dated: 30th June 2006

Introduction

1. In August 2005, Manchester Airport Group commissioned York Aviation to undertake an assessment of the economic and social impact of the four Manchester Airport Group (MAG) airports:
 - Manchester (MAN);
 - Nottingham East Midlands (NEMA);
 - Bournemouth (BOH);
 - Humberside (HUY).
2. The Study is designed to provide an input to the ongoing Master Plan process at the four airports, to demonstrate the true value of the airports as social and economic pillars and key components of regional transport infrastructures, and to provide the basis of input to the Northern Way Airports strategy.
3. The report is divided into sections examining the impact of each airport and a separate section on the national employment and income impact of MAG.

Manchester Airport

4. MAN handled around 22.4 million passengers in 2005, making it the largest regional airport in the UK, with 23% of the total traffic at UK regional airports. In addition the Airport handled around 150,000 tonnes of freight.
5. There were 140 scheduled service destinations in 2005, of which 119 were international and 21 were domestic. Around 21% of international scheduled passengers in 2005 were on flights to and from the key continental European business centres of Amsterdam, Barcelona, Berlin, Brussels, Copenhagen, Düsseldorf, Frankfurt, Madrid, Milan, Munich, Paris, Stockholm and Zurich. Further afield, around 14% of passengers were on flights to and from the global business destinations of New York, Chicago, Philadelphia, Atlanta, Boston, Washington, Toronto, Dubai, Singapore and Kuala Lumpur.

6. The Airport is forecast to grow substantially over the period to 2030. The Master Plan predicts an increase in passenger throughput to between 37 mppa and 39 mppa in 2015, and then on to between 50 mppa and 55 mppa in 2030. Freight is also forecast to grow significantly to around 270,000 tonnes per annum by 2015¹.

Supporting Economic Policy and Strategy

7. The Future of Air Transport White Paper identifies the particular circumstances relating to Manchester, noting that it is the only airport in the UK apart from Heathrow that has two full length runways and could potentially cater for 50 mppa by 2030. It goes on to recognise the substantial potential benefits to the economy of the North of England from the continued expansion of MAN.
8. Within the recently published Regional Economic Strategy for the North West, MAN is identified as a significant regional asset for the Manchester City Region as well as for the region as a whole. Growing Manchester Airport is identified as a key 'transformational action' and as a central driver for knowledge-based industries, tourism and regional image.
9. The Northern Way Strategy proposes a Northern Airports Priorities Plan, which will highlight the role that Manchester plays as an international gateway airport. More recently, the Northern Way Business Plan 2005-2008 has identified the importance of MAN to the Manchester City Region.
10. The Manchester City Region Development Plan identifies that *"the continued growth and expansion of Manchester Airport is a vital component of the success of the Manchester city region and is crucial to the city region's ability to attract globally mobile high value added inward investment. Access to an increasing range of air services, especially long haul, will be key to attracting and retaining economic activity"*.
11. The Greater Manchester Strategy states that *"Manchester Airport is considered by many to be the biggest single economic driver in Greater Manchester, both in terms of direct and indirect employment. Its continuing and sustainable growth remains a key factor in the development of the city-region's economy"*.

¹ Freight forecasts for 2030 are not available at present.

12. The Tourism Strategy for the North West also specifically recognises the importance of Manchester Airport as a key asset to the region in this context and states its intention to promote the Airport as an international gateway to the Region.

Supporting an International Economy

13. Airports are a key pillar of modern economies. The rapid connections they provide for both passengers and freight mean that they are:
- locational magnets for high growth, globally focussed sectors;
 - drivers of inward investment decisions;
 - facilitators of international trade;
 - essential quality of life factors for a highly skilled workforce.
14. Our analysis of the value of the connectivity provided by MAN confirms its role as an international gateway for the business base far beyond simply the Manchester City Region and even the North West Region. MAN is the primary provider of air service connectivity to four of the five core cities in the North of England, Manchester itself (92% of the City's connectivity), Liverpool (85%) and, across the regional border into Yorkshire & the Humber, Leeds (75%) and Sheffield (92%). The fifth, Newcastle, is beyond the journey time threshold for this analysis.
15. In terms of its role as regard to the two North West core cities, Manchester and Liverpool, the Airport makes them by far the best connected of the UK core cities group. In terms of an international comparison, the picture is less positive overall. Only Lyon and Stuttgart of our comparator group have lower connectivity indices while others, notably Dusseldorf and Barcelona, are significantly higher. This gaps stems largely from the greater success that the airports around these higher rated cities have had in developing access to high value long haul destinations. This is an area of MAN's service offer that needs to be developed if its full potential as a tool for the regional economy is to be realised.
16. Both NWDA and Yorkshire Forward have identified clusters or sectors that are expected to drive forward the regional economies in the coming years:
- in the North West these are Biotechnology, Aerospace, Chemicals, Automotive, Creative and Digital, Financial Services, Food and Drink and Environmental Technologies;

- in Yorkshire & the Humber these are Advanced Engineering and Metals Bioscience, Chemicals, Digital Industries, Food and Drink, Healthcare Technologies and Environmental Technologies.
17. These sectors are knowledge-driven, high value-added industries that serve markets and clients, interact with partner organisations and source materials all over the world. For this group, the availability of air service links is essential for future growth. MAN has a central role to play in supporting these sectors.
18. The role that MAN plays within the inward investment offer of the region is impossible to quantify but both the policy and strategy documents reviewed and stakeholders from around the region clearly identify the Airport as a central pillar. Perhaps the most obvious recent example of the role played by the Airport was in securing the recent location of the Bank of New York at No. 1 Piccadilly. The availability of international connections was also felt to be a central issue in the upcoming relocation of significant areas of the BBC to Greater Manchester.
19. In considering the economic benefits relating to MAN it is important to make a distinction between it and many other regional airports because of its role as the only truly global international gateway in the North of England. The long haul services it provides will become increasingly important in allowing the North of England to interact with the key international growth poles to the East.

Supporting Inbound Tourism

20. The ability to facilitate access for overseas travellers to a region's tourism product is central to an airport's ability to provide economic benefit via this path. MAN with its extensive route network and high profile is an ideal gateway for visitors to the North of England and is consequently considered a key asset for regional tourism products.
21. The International Passenger Survey identifies the role that air services play in bringing these visitors to the North of England. In 2005, it estimates that around 78% travelled to the North West via air and 73% to Yorkshire & the Humber. While the survey does not tell us which airports acted as gateways for these visitors it seems reasonable to infer from the analysis that we have undertaken above in relation to overseas passengers, that MAN plays a substantial role.

Supporting Employment and Income

22. MAN is one of the largest centres of employment in the North West. In 2005, on-site employment was around 16,970 ftes, or 19,070 total job opportunities. Moreover, we estimate that there were around 2,890 direct off-site fte jobs (3,240 total job opportunities) related to the operation of MAN in 2005.
23. Including indirect and induced impacts, we estimate that MAN supported around 42,510 fte jobs and generated £938 million of income in the North West Region in 2005.
24. If the Airport were to grow as outlined in the Master Plan, we estimate that MAN will support between 59,290 and 61,430 fte jobs and generate around £1.6 billion in income (at 2005 prices) in 2015 in the North West region, rising to between 61,690 and 66,690 fte jobs and between £2.1 billion and £2.3 billion of income (at 2005 prices) by 2030.

Nottingham East Midlands Airport

25. NEMA handled around 4.2 million passengers in 2005, which accounts for around 5.5% of the passenger traffic at UK regional airports. In addition the Airport handled around 292,000 tonnes of freight, making it the second largest freight airport in the UK behind London Heathrow and the largest 'pure'² freight airport.
26. Passenger traffic at NEMA is dominated by UK nationals (94%) and leisure travellers (84%). There were 30 scheduled service destinations in 2005, of which 24 were international and 6 were domestic. The leading destinations are a mixture of UK and Irish major cities and major tourist destinations, such as Alicante, Malaga and Gerona.
27. Passenger traffic is forecast to grow to around 14 million passengers per annum by 2030. However, perhaps the most dramatic growth is anticipated in the freight sector, with NEMA expected to be handling around 1.2 million tonnes of freight by 2016, a growth of over 330% over the period, and then on to around 2.5 million tonnes in 2030.

² 'Pure' freight refers to freight carried on dedicated freighter aircraft as opposed to freight carried in the holds of passenger aircraft.

Supporting Economic Policy and Strategy

28. The Future of Air Transport White Paper recognises NEMA as a rapidly growing passenger airport and as the leading airport for freight carried in all-cargo aircraft, including its function as the UK hub for two of the four major global express freight operators, DHL and UPS. In relation to its role in the freight market, the White Paper highlights the particular importance of air freight to the future of the national and regional economy.
29. *Smart Growth: The Midlands Way* supports the complementary development of Nottingham East Midlands and Birmingham Airports in order to realise their full potential within the context of the Future of Air Transport White Paper.
30. NEMA has a central role to play in the achievement of the vision set out in the refreshed East Midlands Regional Economic Strategy, *A Flourishing Region*. Its role as a facilitator of the movement of both people and goods will be vital to an economy seeking to further internationalise and to become a genuine global player. The RES identifies that *"in the context of international trade and competitiveness, the ongoing function and success of NEMA, particularly as a strategic express freight hub, is important as it is one of the region's key economic assets"*.
31. The East Midlands Urban Action Plan explicitly recognises the important role that NEMA has to play in relation to the economic renaissance of the Region's key urban areas. The UAP focuses on the need to capture more effectively the benefits offered by the expansion of NEMA and the requirement to improve surface access to the Airport if its potential is to be fully realised.
32. *Destination East Midlands*, the Regional Tourism Strategy, recognises the central importance of air accessibility in attracting tourists to the Region and acknowledges that the Region is currently well served by airports, including NEMA. However, it also acknowledges the current lack of visitors arriving in the Region by air and the consequent need to better capitalise on the infrastructure available.

Supporting an International Economy

33. NEMA is one of two major hub airports for the UK based express freight industry. The development of this sector has been the primary driving force behind the rapid growth of freight traffic at the Airport in recent years to the point that it is now the largest pure freight airport in the UK.
34. The importance of the express freight industry to the UK and East Midlands economy and the role played by NEMA in the services provided by the sector has been explored in some detail in a recent report by Oxford Economic Forecasting and Mott MacDonald. The report describes the most important contribution of the sector to the UK economy as coming through *“its impact on the capabilities and competitiveness of other sectors of the economy – enabling UK companies to implement best international business practice, improve their customer service and compete effectively in the global economy”*. The report goes on to estimate that the sector contributes around £1.3 billion a year to the UK economy through its impact on the competitiveness of other industry sectors. NEMA is the UK gateway for a large proportion of the international element of the express freight sector. The services provided by the Airport enable businesses throughout the UK to be within what has been termed the ‘Day + 1 economy’. Without it large numbers of UK businesses would be put at a substantial competitive disadvantage.
35. Our analysis of the value of the connectivity available to the Three Cities in the East Midlands illustrates that in general they lag behind many of their UK competitors in terms of the air service connectivity. This pattern reflects the current role of NEMA as a regional airport. While the Airport is growing quickly, this growth has, to a large extent, come from the development of outbound leisure focussed low cost services. The future growth of passenger services at the airport therefore represents a substantial opportunity to extend the range of destinations and increase the competitiveness of regional businesses.
36. NEMA’s central location in the East Midlands region means it should play a strong role in the overall regional inward investment offer. It should, however, be recognised that the area is also served by a number of other airports, including Manchester, Birmingham and Luton, all of which have more developed passenger service offers. However, the role the Airport plays as an express freight hub will ensure that it ‘punches above its weight’ in terms of its influence on company location decisions.

37. The Milton Keynes/South Midlands area has been identified as one of the potential centres of growth for the South East, which is forecast to remain the most dynamic region in the UK economy. The focus of this growth will be in high technology sectors that have extensive international business and research links and hence demand for high quality air links to destinations around the world. Given that surface journey times to Heathrow, in particular, are likely to become longer and more variable, the continued expansion of NEMA both as a centre for express freight and for passenger services, would support the continued development of this growth pole of national significance.

Supporting an Inbound Tourism

38. The tourism sector in the East Midlands has a wide range of attractions to offer in order to meet the needs of both business and leisure visitors. In 2005, overseas tourism was worth around £377 million, with 1.1 million trips made and over 9.1 million overnight stays in the East Midlands.
39. In this context the role of NEMA as a gateway to the East Midlands for international visitors is currently relatively small. However, as is outlined in *Destination East Midlands*, there is a strategy in place to effect a substantial change in the sector's fortunes, focussing particularly on encouraging more overnight stays and increasing the average amount spent. NEMA potentially has a key role to play in this development.

Supporting Employment and Income

40. In 2005, on-site employment at NEMA relating to either passenger or freight operations was around 5,410 ftes, or 5,970 total job opportunities.
41. Including indirect and induced impacts, we estimate that NEMA supported around 9,270 fte jobs and generated £231 million of income in the East Midlands Region in 2005.
42. If the Airport were to grow as outlined in the Master Plan, we estimate that NEMA will support between 23,890 and 25,300 fte jobs and generate around £780 million of income (at 2005 prices) in 2015 in the East Midlands region, rising to between 30,430 and 34,590 fte jobs and around £1.4 billion of income (at 2005 prices) by 2030.

Bournemouth Airport

43. BOH handled around 840,000 passengers in 2005, which accounts for around 0.9% of the passenger traffic at UK regional airports. The Airport is one of the fastest growing passenger airports in the UK, growing by nearly 70% in the last year. In addition the Airport handled around 11,000 tonnes of freight.
44. Passenger traffic at BOH is dominated by UK nationals (88%) and leisure travellers (95%). There were 20 scheduled service destinations in 2005, of which 16 were international and 4 were domestic. The leading scheduled destinations are a mixture of UK and Irish major cities and major tourist destinations, such as Gerona and Malaga.
45. BOH is forecast to continue to grow rapidly in the years through to 2030. It is anticipated that passenger throughput will reach 3 million by 2015 and 4.5 million by 2030.

Supporting Economic Policy and Strategy

46. The Future of Air Transport White Paper recognises the role of BOH as a small regional airport competing, to some extent, with nearby Southampton Airport. It goes on to recognise that the continued expansion of the Airport will lead to the requirement for more terminal capacity and supports this development subject to measures being put in place to improve surface access and to appropriate environmental measures being put in place.
47. In relation to the South West Regional Economic Strategy, BOH has the potential to support aspirations around increasing productivity and growing competitiveness by providing connectivity to the local business base and through its ability to combat problems of peripherality.
48. *Raising the Game*, the sub-regional economic development strategy for the Bournemouth, Dorset and Poole area, identifies the key challenge for the Sub-Region as to “create the conditions that enable businesses to thrive and local people to compete for the jobs on offer in a highly competitive 21st century global marketplace”. Within the strategy, the importance of BOH to the Sub-Region, firstly as a growth pole for advanced engineering activities, and secondly, and more importantly from the perspective of this Report, as an important connectivity asset is recognised.

Supporting Wider Benefits

49. At present, BOH primarily serves the UK outbound leisure market (around 85% of passenger throughput) and consequently its influence on either company location decisions or business productivity is likely to be small. Similarly with tourism, the majority of passengers at BOH, around 80%, have home addresses in either the South West or South East and, consequently, will be outbound passengers. However, the Airport is growing rapidly and there is potential for impact in the future.
50. The Airport provides links to a number of world cities including Amsterdam, Barcelona, Dublin and Glasgow. While these are all significant leisure markets, they are also important business destinations and consequently do offer an alternative option for business people seeking to travel to these destinations, rather than travelling via other airports. The link to Amsterdam, operated by Thomsonfly, in particular provides access to one of Europe's main hubs and therefore offers some opportunity for onward connections. Through these connections and new ones, BOH can offer:
- useful, convenient connections to major European cities. However, it will need to expand the range of destinations covered or acquire a hub connection for this potential to be realised;
 - the perception of international connectivity. Having an international airport is often on the 'shopping list' for potential inward investors as they examine regions in which to locate. BOH ensures that this requirement can be fulfilled and that the Sub-Region is not immediately removed from consideration.
51. The Bournemouth International Centre (BIC) is one of the leading conference and entertainment venues in the UK. It has recently been through a £22 million investment programme that has enabled it to expand its facilities to stage larger conferences and events. The Airport has an increasingly important role to play in supporting the continued growth and development of this facility. It provides access to Bournemouth from key domestic centres around the UK and to an increasing range of international destinations.

52. Bournemouth is recognised as an important international language centre. It ranks second to London as a language school provider, attracting 75,000 international students to the borough each year. The value to the local economy of the accredited language schools alone is estimated at £150 million per annum. There is substantial potential for the Airport to play a more important role in the future in this sector as the range of destinations widens and passenger throughput increases.
53. Tourism is a major sector in the sub-region but it is primarily driven by domestic visitors, of which there were around 4.2 million in 2004. In the same year, around 318,000 overseas visitors came to Dorset, spending nearly £128 million in the sub-regional economy. The role the Airport plays at present in relation to this market is believed to be relatively small, but again there is potential for market development around the Dorset Countryside product for short breaks with greater connections to Europe, a sailing and water sports product building on the 2012 Olympic Sailing at Weymouth and the continued success of Bournemouth itself as a destination for short breaks.

Supporting Employment and Income

54. In 2005, on-site employment at BOH relating to either passenger or freight operations was around 430 ftes, or 490 total job opportunities.
55. Including indirect and induced impacts, we estimate that BOH supported around 770 fte jobs and generated £18 million of income.
56. If the Airport were to grow as outlined in the Master Plan, we estimate that BOH will support around 1,920 fte jobs and generate around £57 million of income (at 2005 prices) in 2015 in Dorset, rising to approximately 2,190 fte jobs and around £85 million of income (at 2005 prices) by 2030.

Humberside Airport

57. HUY handled around 461,000 passengers in 2005, which accounts for around 0.5% of the passenger traffic at UK regional airports. In addition the Airport handled a small amount of freight.

58. Passenger traffic at HUY is dominated by UK nationals (91%) but while leisure passengers make up the majority, there is a substantial minority of business travellers (22%). This reflects the nature of the service offer at the Airport, where the key service is the KLM hub link to Amsterdam, which alone makes up around 19% of HUY's traffic. The majority of other passengers are on charter services.
59. HUY is forecast to handle between 0.9 mppa and 1.1 mppa by 2015, growing further to between 1.6 million and 2.5 million by 2030.

Supporting Economic Policy and Strategy

60. The Regional Economic Strategy sets out a vision for Yorkshire & the Humber *"to be a great place to live, work and do business"*. The Strategy focuses on a number of key objectives including developing more businesses, increasing business competitiveness, enhanced transport, infrastructure and connectivity. HUY is not specifically mentioned in the RES but the role to be played by air service connectivity in improving competitiveness and building an international economy is clear.
61. As part of the pan-regional Northern Way strategy, stakeholders within the Hull and Humber Ports City Region published a development programme for the sub-region in May 2005. The City Region Development Programme (CRDP) sets out a vision for the City Region as *"a Global Gateway with a thriving, outward-looking, sustainable economy building on its unique assets of location, the estuary, ports connectivity and physical environment, perpetually changing for the benefit of people, businesses and the environment, whilst making significant and distinctive contributions to sustainability of regional, national and European economies"*. HUY is in an ideal position to provide essential international air connectivity to this *"global gateway"*. If the City Region is to achieve this vision of being a global gateway, it will need rapid access to its international trading partners, particularly those in the continental European trading ports on the E20 Corridor.

62. The Hull City Centre Master Plan establishes a vision for the city centre of Hull as *“a beautiful, prosperous heart for a great European maritime city, proud of its distinguished history and confident in its future, competing effectively in the modern global economy whilst preserving its distinctive heritage and special landscape, enriching the quality of life of all Hull’s people, now and for all the generations to come”*. The Airport potentially has a key role to play indirectly, through its role as a facilitator of the economic activity that will make the City part of the *“modern global economy”* and in enhancing the quality of life of the City’s residents through its ability to provide opportunities for travel.

Supporting Wider Benefits

63. At present, HUY is a small regional airport but it has within its portfolio of services a key tool for the sub-regional economic base, the KLM hub link to Amsterdam. This thrice daily service offers convenient access to destinations across Europe and the world. This is of significant benefit to the international businesses located in the Humber Trade Zone, such as Associated British Ports, Corus, DFDS, BP Chemicals, ConocoPhillips and Total.
64. In considering the role HUY plays in the sub-regional inward investment market, it is important to consider its size and nature. At present and for the foreseeable future it is unlikely that an airport of the size of HUY plays a major part in investment decisions. What it does do, however, is ensure that the sub-region is not disadvantaged when compared to other potential locations with an international airport.
65. One of the central challenges facing the Hull and Humber Ports City Region is felt to be perceptions of the accessibility of the City and the surrounding sub-region. The City is seen as peripheral to much of the UK and consequently out of touch. In this context, HUY is felt to have a key role to play in establishing the City Region’s European ‘credibility’. Its frequent direct links to Amsterdam Schiphol are again seen as a key asset that can be marketed and used to support the image of a rejuvenated City.

66. At present, the Airport transports small volumes of fresh fish but, in conjunction with regional partners, it will shortly be opening a 10,000 square foot freight facility, including chilled facilities for perishable goods. This initiative is seeking to place the Airport at the centre of a market for goods, such as fresh fish, fruit, vegetables and flowers, enabling the food and drink cluster to trade more effectively with European partners. It is also hoped that the establishment of the Airport as a centre for the trade in perishable goods, will enable the sub-region to develop high added value functions in relation to this market.
67. The tourism product in HUY's catchment area, primarily Humberside and Lincolnshire, is not strong in terms of the overseas market. There is a lack of iconic brands, with the possible exception of the Deep in Hull, and consequently the area lacks strong attractors that might form a coherent international product. When this is combined with what is known about the current structure of traffic at HUY, then our conclusion must be that the Airport has only a minor role to play in terms of supporting inbound tourism.

Supporting Employment and Income

68. In 2005, on-site employment at HUY relating to either passenger or freight operations was around 510 ftes, or 610 total job opportunities. Including indirect and induced impacts, we estimate that HUY supported around 720 fte jobs and generated £16 million of income.
69. If the Airport were to grow as outlined in the Master Plan, we estimate that HUY will support between 1,040 and 1,290 fte jobs and generate between £30 million and £35 million of income (at 2005 prices) in 2015 in the sub-region, rising to between 1,230 and 2,020 fte jobs and between £52 million and £78 million of income (at 2005 prices) by 2030.

The National Impact of MAG

70. The MAG airports as whole supported a total of around 134,800 fte jobs and £3.2 billion of income in the UK in 2005. If the various Master Plans are implemented, we estimate that this national impact will grow to between 217,300 and 224,200 fte jobs and between £6.3 and £6.5 billion of income (at 2005 prices) in 2015, and rise to between 251,500 and 269,300 fte jobs and between £9.9 and £10.5 billion of income (at 2005 prices) by 2030.

Conclusions

71. An international airport is a vital piece of modern infrastructure that contributes to the prosperity of the region it serves and further afield. Airports put regions 'on the map' in a way that few other facilities can.
72. The Manchester Airport Group operates four airports around the UK, each of which acts as a facilitator for economic activity in its catchment area and supports employment and income through its operations.
73. MAN is by far the largest of the Group by passenger throughput and is one of the essential economic drivers for the North of England. Its wide range of short haul and long haul destinations provide the majority of the connectivity available to four of the five core cities in the North of England.
74. NEMA is now the largest 'pure' freight airport in the UK, on the back of the substantial growth in the express freight industry at the site in recent years. The services provided by the express freight operators based at NEMA are essential to many sectors in the modern, global economy both at regional and national level.
75. BOH is growing very fast at present and consequently its role is changing. While its current focus on outbound leisure traffic suggests that it does currently not have a strong influence on company location decisions or inbound tourism, it increasingly provides a useful tool for local businesses and there is considerable potential for greater impact on the economic base in the future, linking with such opportunities as those around the refurbished Bournemouth International Centre and the 2012 Olympic Sailing.
76. HUY, and its key service to Amsterdam, has been a useful tool for the major industrial complex in the Hull and Humber Ports City Region for some time, providing easy access to key trading partners in Europe. Expansion at the Airport can only increase its importance as a tool for sub-regional businesses.