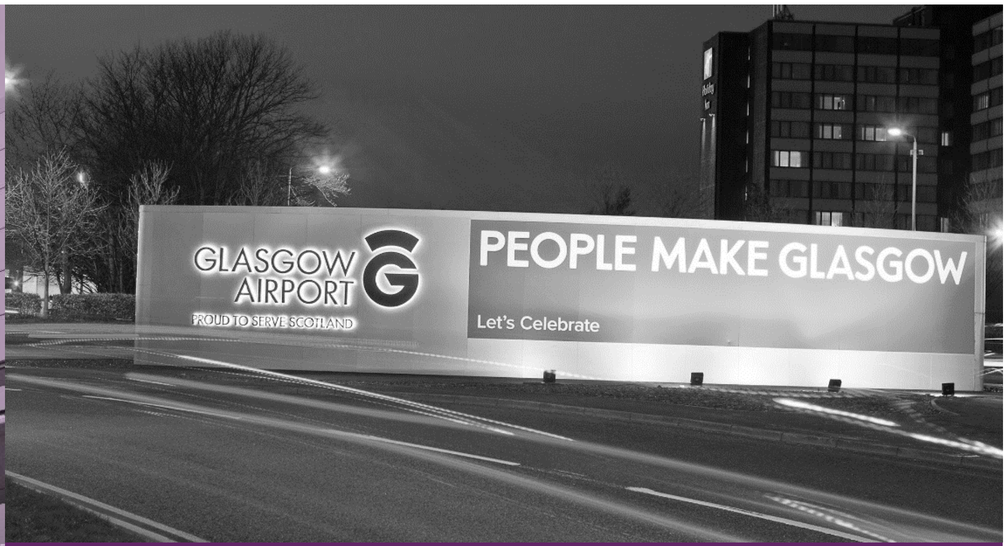
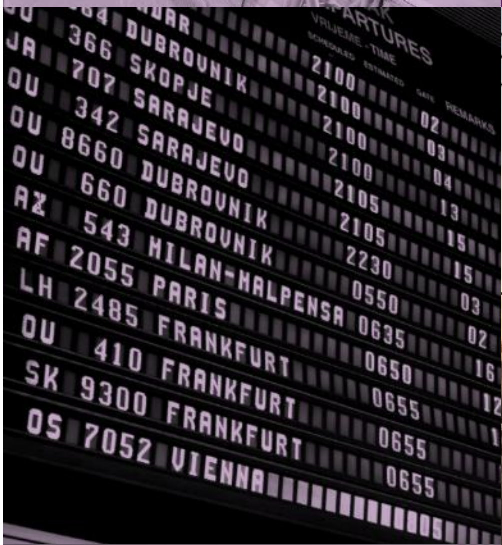
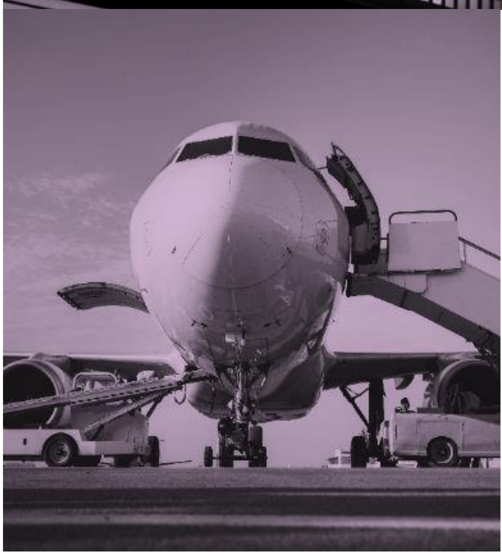


THE ECONOMIC IMPACT OF GLASGOW AIRPORT

Executive Summary





Glasgow Airport Limited

January 2019

York Aviation

0. Executive Summary

Introduction

0.1. York Aviation was commissioned by Glasgow Airport Limited in August 2018 to undertake an economic impact assessment of Glasgow Airport. The airport is currently updating its 2040 Master Plan and this study is intended to quantify the current economic impact of the airport, as well as its future economic potential if the Master Plan is delivered.

0.2. The key objectives of this study are to:

- identify the current direct, indirect, induced and catalytic impacts of Glasgow Airport on Gross Value Added (GVA) and employment at site, Glasgow City Region, Ayrshire, and Scotland level;
- identify the future '2040 masterplan scenario' direct, indirect, induced and catalytic impacts of Glasgow Airport on GVA and employment at a site, Glasgow City Region, Ayrshire, and Scotland level;
- provide a qualitative review of the wider economic benefits of Glasgow Airport, for example providing connectivity for air intensive sectors;
- appraise the framework of economic, planning and transport policy relevant to Glasgow Airport and make high level recommendations as to how this may be enhanced to optimise the economic role and impact of Glasgow Airport.

Profile of Glasgow Airport

0.3. Glasgow handled around 9.7 million passengers in 2018, making it the eighth largest airport in the UK and the second largest in Scotland. The airport provides a wide range of domestic and short haul services, in addition to a number of long-haul routes.

0.4. The airport draws over 70% of its passenger traffic from the Glasgow City Region but operates in a competitive market, with Edinburgh Airport, Manchester Airport, and Newcastle Airport drawing nearly a fifth of international passengers from Glasgow Airport's catchment area and more than 50% of Prestwick passengers coming from the Glasgow City Region.

0.5. The airport has a single operational runway with a length of 2,658 meters, and up to 47 aircraft parking stands depending on the configuration used. It regularly handles the world's largest commercial aircraft, including the Emirates Airbus A380 from May 2019. The check-in hall of the main terminal building and its departures and arrivals concourses were refurbished in 2014 to coincide with the Glasgow Commonwealth Games. This was part of a development programme which has seen £130 million of capital invested between 2011 and 2018 to expand and improve facilities.

0.6. Over the past decade Glasgow Airport has increased its freight throughput nearly four-fold, overtaking Prestwick as the principal freight airport for Scotland. It now handles significantly more extra-EU freight than any other Scottish airport, with more than £1.6 billion of exports and £1.8 billion of imports passing through the airport in 2017, and with consistent growth in the value of extra EU exports and imports since 2015.

0.7. Around 25% of passengers were travelling on business in 2015-16. The airport offers connections to a range of hub airports that provide business passengers with onward connections to a wide range of global destinations. Amsterdam is the most popular airport used for business passengers connecting to short haul destinations, and London Heathrow and Dubai are the two most popular airports for business passengers making long haul connections.

0.8. The connectivity that Glasgow Airport offers is ultimately central to its economic impact. The range of destinations it serves and the levels of frequency it offers are key competitive factors, which ultimately drive its ability to provide jobs at the airport and support other sectors of the Scottish economy in accessing international markets. Over the past decade, Glasgow Airport has grown to serve 120 routes in 2018, although connections to the London airports are the most popular routes.

Policy and Socio-Economic Context

0.9. Glasgow Airport is operating in a supportive policy environment that will help it to grow in line with its Master Plan aspirations. The current economic policy in Scotland and in the Glasgow City Region is strongly focussed on driving productivity growth and improving Scotland's connections to the international economy is a key part of that.

0.10. For many years, the UK Government has sought to drive growth at airports outside the South East to improve opportunities for connectivity and to help reduce demand on South East airports. Following a series of consultations, the Government published a Green Paper in December 2018, forming the final stage of consultation before the new Aviation Strategy is published as a White Paper in mid-2019. The Green Paper re-iterates the important role of regional airports and of airports throughout the UK making best use of their existing runways, subject to environmental issues being addressed. The planned future development of Glasgow Airport is consistent with the strategic objectives outlined in the Green Paper and its continuing economic impact will make a direct contribution to building a "global and connected Britain", which will be increasingly important as we approach the date when the UK will leave the European Union.

0.11. The Scottish Government's Economic Strategy of 2015 highlights the importance of improving international connectivity and Scotland's Third National Planning Framework (NPF3) recognises the way in which airports support investment. The Scottish Government has also confirmed its intention to reduce APD by 50% within the term of the next Parliament, with a view to eventually abolishing the tax when public finances allow.

0.12. The Glasgow City Region Economic Action Plan recognises that "Glasgow Airport is a key driver of the City Region economy" and the £144.3 million Airport Access Project and £39.1 million Glasgow Airport Investment Area (GAIA), which form part of the Glasgow City Region City Deal, are key components of a £1.13 billion investment programme funded by the Scottish and UK Governments, and eight local authorities across Glasgow.

0.13. The Renfrewshire Strategic Economic Framework 2016–2018 aims to accelerate development of the Glasgow Airport Investment Area and acknowledges the potential economic and regenerative impacts of the airport.

0.14. The Glasgow City Region is one of the largest city regions in the UK, providing 33% of Scotland's jobs and is home to over 29% of Scottish businesses. It has strengths in a number of sectors including financial services, life sciences, engineering, manufacturing, and creative and media industries. The region is also home to a number of internationally acclaimed universities and research institutes.

0.15. One of the key strengths of the West of Scotland economy is tourism and VisitBritain statistics suggest that both visitor numbers and visitor spend have grown markedly in recent years. Around 0.8 million international visitors came to the region in 2017 and spent around £414 million. These overseas visitors spent on average around £520 on each visit and stayed for around 6 nights.

0.16. Nevertheless, the component districts of the Glasgow City Region (with the exception of East Renfrewshire, and East and West Dunbartonshire) have a GVA per job lower than Scotland as a whole and the unemployment count for the City Region forms over a third of the total for Scotland. There are also areas around the City of Glasgow and parts of Renfrewshire that suffer from relatively high levels of deprivation.

0.17. The further development of Glasgow Airport has strong potential to support the region's strengths and help address its weaknesses.

Economic Impact

0.18. The economic footprint of Glasgow Airport reflects the role the airport plays in supporting GVA and employment purely through its operation as an economic activity. It is made up of:

- direct effects - employment and GVA supported by activities wholly or largely related to the operation of the airport and located at the airport or in the immediate vicinity;
- indirect effects - employment and GVA supported in the supply chain to the direct activities;
- induced effects - employment and GVA supported in the economy by the expenditure of wages and salaries earned in relation to the direct and indirect activities; and
- wider, or catalytic impacts - reflecting the benefits that accrue to the region around the airport through the provision of connectivity to businesses and to inbound travellers.

0.19. Glasgow Airport's current economic footprint supports:

- around 2,000 full-time equivalent (FTE) jobs and £210m of GVA in Renfrewshire;
- around 5,970 FTE jobs and £420m of GVA in the Glasgow City Region;
- around 600 FTE jobs and £30m of GVA in Ayrshire;
- around 8,200 FTE jobs and £590m of GVA across Scotland.

0.20. The role that Glasgow Airport plays in supporting and facilitating prosperity in other sectors is at the very centre of its economic importance:

- the connectivity provided by Glasgow Airport enables the flow of trade, investment, people and knowledge that are central to globally successful regions;
- companies based in the Glasgow City Region are able to easily access international markets, either to seek out new business opportunities or to build on and solidify existing relationships;
- it enables companies to seek out better or cheaper inputs to their supply chains;
- air services enable inward investors to effectively manage their activities within the City Region, thereby making new investments or expansion more attractive; conversely, it also enables global businesses based in the region to manage their overseas interests, promoting efficiency and profitability;
- by being better connected, businesses in the City Region are exposed to greater competition, to new ideas and a greater knowledge base, which drives productivity;
- in a labour market which is increasingly global, connectivity is an increasingly important quality of life factor; air services enable individuals to visit friends and relatives overseas easily and make the region a more attractive place to live and work.

0.21. The stakeholders consulted as part of this work emphasised the role that the airport plays in supporting the international economy of the region.

0.22. The effects of productivity from business travel particularly influence the level of GVA within a study area. They reflect the fact that businesses can operate more effectively from within Glasgow Airport's catchment area with the airport in place. We estimate that productivity impacts from the airport's business passenger travel accounts for around £20m of GVA and 100 FTE jobs in both Renfrewshire and Ayrshire, around £230m of GVA and 1,000 FTE jobs in the Glasgow City Region, and £320m of GVA and 2,000 FTE jobs across Scotland as a whole.

0.23. Another way in which the benefits of an airport can be evaluated is in terms of the air connectivity it provides to businesses. In December 2017, York Aviation was commissioned by Glasgow Airport Limited to undertake an assessment of the airport's business-related connectivity offer, using York Aviation's Business Connectivity Index (BCI). Trend analysis based on Glasgow's comparator cities suggests that at present the city is suffering from a business focussed connectivity deficit. This is likely to be limiting the GVA that the airport can currently support through productivity effects relating to business travel.

0.24. As part of the study referred to above, York Aviation undertook a headline analysis of what the Airport's route network might look like when it reaches 17 million passengers per annum (mppa). Glasgow Airport's growth to 17 mppa results in a significant increase in Glasgow's BCI score, which grows from 109 currently to around 194 - an increase of nearly 80%. It moves the city from being at the lower end of the group into the mid-range, on a par with cities such as Oslo and Hamburg currently, and substantially ahead of rivals such as Birmingham, Lyon and Stuttgart.

0.25. The expansion of the route network at Glasgow Airport is also a strong driver of growth in the tourism sector. The further development of the airport is very much seen as part of a package of measures around the tourism product in the Glasgow City Region and beyond that will help it fulfil its potential. Stakeholders we consulted referred to Glasgow positioning itself as the 'Gateway to Scotland' and to the ambition to welcome a million more tourists to Glasgow by 2023. We estimate that the inbound tourism impacts from Glasgow Airport's passenger market amount to £20m of GVA and 800 FTE jobs in Renfrewshire, £250m of GVA and 7,400 FTE jobs in the Glasgow City Region, £30m of GVA and 1,000 FTE jobs in Ayrshire, and £540m of GVA and 13,700 FTE jobs across Scotland.

0.26. Taking the sum of all these effects into account, we estimate that Glasgow Airport currently supports:

- £260m of GVA and 2,880 FTE jobs in Renfrewshire;
- £900m of GVA and 14,010 FTE jobs in the Glasgow City Region;
- £77m of GVA and 1,590 FTE jobs in Ayrshire; and
- £1,440m of GVA and 23,820 FTE jobs across Scotland as a whole.

The Economic Impact of Future Growth at Glasgow Airport

0.27. We have considered the potential economic impact of the growth of Glasgow Airport in future years, based on a number of key assumptions, notably in relation to:

- future passenger growth at the airport – we have selected two spot years for consideration, namely 2028 (when passenger throughput reaches 12.8mppa) and 2040 (at 16.8mppa);
- assumed levels of labour productivity; and
- the nature of passenger demand growth – the extent to which future growth delivers more business travellers or more inbound travel.

0.28. Based on these assumptions, we estimate that in 2028 Glasgow Airport will support:

- £360m of GVA and 3,570 FTE jobs in Renfrewshire;
- £1,200m of GVA and 16,950 FTE jobs in the Glasgow City Region;
- £102m of GVA and 1,930 FTE jobs in Ayrshire; and
- £1,930m of GVA and 28,980 FTE jobs across Scotland as a whole.

0.29. These figures represent an increase over current impact of £100m of GVA and 700 FTE jobs in Renfrewshire, £310m of GVA and 2,930 FTE jobs in the Glasgow City Region, £24m of GVA and 360 FTE jobs in Ayrshire, and £480m of GVA and 4,840 FTE jobs across Scotland.

0.30. In 2040 Glasgow Airport is expected to support:

- £470m of GVA and 4,220 FTE jobs in Renfrewshire;
- £1,590m of GVA and 19,850 FTE jobs in the Glasgow City Region;
- £134m of GVA and 2,250 FTE jobs in Ayrshire; and
- £2,540m of GVA and 33,480 FTE jobs across Scotland as a whole.

0.31. These figures represent an increase over the current impact of £220m of GVA and 1,350 FTE jobs in Renfrewshire, £690m of GVA and 5,830 FTE jobs in the Glasgow City Region, £57m of GVA and 670 FTE jobs in Ayrshire, and £1,090m of GVA and 9,670 FTE jobs across Scotland.

0.32. The construction programme associated with the Master Plan will also support significant GVA and employment while it is going on. The average GVA impact per annum is around £44 million in Scotland, with a peak of around £147 million. Total jobs supported each year average around 910 (765 FTEs), with a peak of around 3,040 (2,550 FTEs).

Supporting the Potential of Glasgow Airport

0.33. We considered how stakeholders in the Glasgow City Region and across Scotland can support the development of Glasgow Airport to enable it to fulfil its potential and achieve the economic benefits outlined above. We also considered the actions that might be taken by Glasgow Airport and its partners to maximise the economic impacts of the airport within the Glasgow City Region. The key areas identified where the airport and its partners can work together to ensure the airport's potential is fulfilled, are:

- delivery of the Glasgow City Region Deal commitments and particularly the Glasgow Airport Rail Link;
- enhancing the City Region's productivity;
- reaffirming the Scottish Government's commitment to reducing the tax burden on air passengers;
- formalising a partnership approach to route development within the Glasgow City Region;
- improving access to the airport's supply chain for 'local' companies; and
- collaborating on labour market initiatives to address worklessness in the City Region and support the labour supply requirements of the airport as it grows.

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