

Analysis of the Economic Assessment of LBA's planning application 20/02559/FU

Key points

- 1) the report was prepared with data prior to the COVID pandemic. The economic forecast for the aviation industry has drastically changed, therefore the economic benefits from the report are significantly overestimated.

- 2) the report does not include the negative impacts of increased outbound tourism. A large majority of leisure passengers fly from LBA abroad, rather to LBA. So more wealth is taken away from the region that brought into in the region. The loss due to increasing the number of passengers with the expansion is estimated to be £215 million

- 3) the UK intends to become net zero by 2050. The UK Committee on Climate Change suggests a distribution of the cost of reaching this target across different industries. The Committee recommends that aviation would pay towards the cost of removing emissions from the atmosphere. This, or other climate change mitigation costs, is likely to increase the cost of flying for passengers. This was not taken into account when estimating 7 million passengers annually by 2030.

- 4) increasing the number of passengers will worsen the effects of climate change. The economic impact of an increase in frequency and severity of extreme weather events to the local economy was not accounted for in the report.

- 5) the report does not consider automation of jobs. Several of the job types proposed by the expansion are low skilled and at high risk of being lost to automation. Therefore, the number of new jobs is overestimated.

- 6) airport expansion would not have a strong impact on the region's economy. Most of the beneficial effects of expanding the airport are considered in LBA'S own application to be Negligible, Minor/Moderate or Moderate
- 7) airport expansion contradicts priority 3 of the Leeds city region Strategic Economic Plan for 2016-2036: "Clean energy and environmental resilience"

These points are developed further below.

1) The data of the economic assessment is outdated

The report was prepared with data from before the COVID pandemic (see paragraph 1.5 in [1]) and its predictions for 2030 assume that the number of passengers will increase to 7 million per year (see paragraph 6.16 in [1]). Jet2 and Ryanair, which accounted for more than 80% of seat capacity in 2019 (see figure 2.14), have been seriously affected by the pandemic. Ryanair is not offering any European holiday destinations in summer 2021 [2]. Jet2 has had to freeze any recruitment and terminate contractors [3]. Therefore, the claim about an additional 780 direct full-time jobs by 2030 (see table 6.7 in [1]) needs to be reassessed.

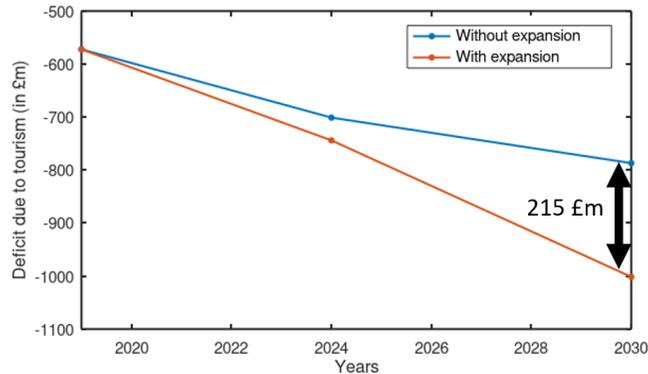
Similarly, the estimations of indirect and induced economic impacts are based on input-output tables from April 2019 (see paragraph 5.6 in [1]). These tables describe how different industries across the UK interact with each other, to assess how one industry (in this case aviation) affects the others (such as hotels, contractors, grocery shops, etc). Because of the COVID crisis, airlines are revisiting their deals with contractors [3]. The chief economist of the International Air Travel Association (which represents 260 airline businesses worldwide) said in May 2020: “We think that Covid’s effects on air travel are certainly going to last for a number of years, with no quick rebounds to 2019 levels...” [4]. The claim about an additional 600 indirect and induced full-time jobs by 2030 (see table 6.7 in [1]) needs to be reassessed.

Finally, the New Economics Foundation report on aviation and the COVID crisis warns: “Looking beyond the immediate impact on the sector’s employment, long-term projections on passenger demand after the pandemic are extremely difficult. Projections will only improve when the extent of the public and business behaviour shift resulting from the crisis becomes clearer. There have been suggestions that the Covid crisis may mean a new, lower, normal in passenger numbers. Airlines on the other hand, are hoping that passenger numbers and kilometres will return to pre-crisis levels within 5 years [5] The claim about an additional 670 full-time jobs related to tourism by 2030 (see table 6.7 in [1]) needs to be reassessed.

2) Increasing the number of passengers will increase the tourism deficit by £215 million

Paragraph 2.18 in [1] says that outbound leisure passengers “do not generate significant wider economic impact (and are in fact sometimes viewed as a negative in terms of economic impact)”. This represents 71.5% of all LBA passengers in 2017 (see Table 2.1 in [1]).

Since many more people fly away from Yorkshire than into Yorkshire, more wealth is spent abroad by UK passengers than is brought in by foreign visitors. This is known as **tourism deficit**. An estimation based on the data from [1] and explained in the appendix shows that the increase in tourism deficit due to the expansion would be about £215 million by 2030.



3) The report does not consider the cost of reaching net zero by 2050

The UK Committee on Climate Change (UKCCC) published a report in May 2019 suggesting a pathway to reaching net zero greenhouse gas emissions by 2050 [11]. In this report, the UKCCC emphasises the importance of sharing the economic cost of the transition. In the pathway proposed by the UKCCC, part of the cost associated with removing greenhouse gases from the atmosphere will be paid for by the aviation industry.

It is likely that if the aviation has to bear such costs, the price of flight tickets will increase, which will affect demand. This was not taken into account by the applicant when making their estimation of 7 million annual passengers by 2030.

Note that removing emissions from the atmosphere is only one of many climate change mitigation strategies that could affect the aviation industry. For example, it is plausible that another strategy adopted a national level would be to increase carbon taxes. This will likely affect demand in the same way.

4) The report does not include the costs associated to climate change

The increase in flights due to the increase in passengers would worsen the effects of climate change. Its effects, which include an increase in frequency and severity of extreme weather events, will be felt by local communities. In Yorkshire, the Calder Valley has seen six floods in five years [12], with the subsequent impact on the local economy and the well-being of residents.

This financial impact has been omitted by the applicant when assessing the economic benefits of the expansion to the region.

5) The report does not consider automation of jobs

The Office for National Statistics (ONS) performed a study in March 2019 on the number and types of jobs that are at risk of being automated [6]. Several of the job types that will be created by the expansion are at high risk of automation. For example, air travel operative jobs have a 57% risk of being automated, kitchen and catering assistants have a 69% risk. Automation of jobs is not considered at all in LBA’s economic assessment reports.

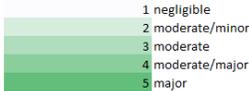
The ONS study also notes that: “Women, young people, and those who work part-time are most likely to work in roles that are at high risk of automation”. Table 6.7 in LBA’s application [1] shows that the number of jobs reduces by 20% when considering full-time equivalent jobs rather than jobs. Assuming that part time workers work 50%, this means that 40% of the jobs offered are part-time jobs, which puts them at high risk of automation.

6) The airport will not have a strong impact on the region

Even assuming that the predictions made by the applicant are correct, the total number of full-time equivalent jobs created by the expansion would be only 340 by 2024 and 2,310 by 2030.

The Summary of Effects of the Development (Table 11.26 in [7]) shows that most of the economic impacts of the expansion will be minor to moderate.

		Construction	Operational development						
		Direct, Indirect and Induced GVA and employment impacts	Direct, Indirect and Induced GVA and employment impacts in 2024	Wider Economic Impact GVA and Employment Effects in 2024	Connectivity Impacts in 2024	Direct, Indirect and Induced GVA and employment impacts in 2030	Wider Economic Impact GVA and Employment Effects in 2030	Connectivity Impacts in 2030	Passenger Socio Economic Welfare Effects
Leeds	Existing and potential economic footprint employees	3	3	1	1	5	1	1	1
	Leeds and the Leeds City Region Economies	1	1	3	3	1	5	5	1
	Passengers	1	1	1	2	1	1	4	3
Leeds City Region	Existing and potential economic footprint employees	2	3	1	1	4	1	1	1
	Leeds and the Leeds City Region Economies	1	1	3	3	1	4	5	1
	Passengers	1	1	1	2	1	1	4	3



7) Airport expansion contradicts the Leeds city region Strategic Economic Plan for 2016-2036

The Leeds City Region Strategic Economic Plan [8] states that one of the priorities for the region is “Clean Energy and Environmental Resilience”. To reach that objective, one of the headline initiatives is “Targeted investments and innovation to make the City Region a leading edge centre for zero carbon energy” (page 71 in [8]). The applicant’s report says at para 4.46: “The key aim of this strategic priority, as set out in the SEP is:... Priority 4 - Infrastructure for Growth

To build a 21st century physical and digital infrastructure that supports the City Region to grow and compete globally; and to **do this in a way that** enhances places, transforms connectivity, maximises GVA benefits, **minimises carbon impacts**, and enables all businesses, people and places to have access to opportunities”. The applicant makes no mention at all of the significantly increased carbon emissions from additional flights. One of the indicators that will be used to assess whether this goal is reached is carbon emissions (p 71). Reducing emissions is fundamentally incompatible with airport expansion – see more in this article published in the Conversation [9].

References

[1] ES Volume 2, Appendix 11.1 Economic Impact report

[2] <https://www.thetelegraphandargus.co.uk/news/18440426.ryanair-summer-2021-flights-sale-none-lba/>

[3] <https://bdaily.co.uk/articles/2020/04/24/jet2-owner-asks-staff-to-take-30-per-cent-pay-cut-amid-fears-of-109m-pandemic-impact>

[4] <https://www.flightglobal.com/airlines/iata-passenger-demand-may-not-recover-until-2024/138357.article>

[5] <https://neweconomics.org/uploads/files/aviation-workers.pdf>

[6]

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/whichoccupationsareathighestriskofbeingautomated/2019-03-25>

[7] ES Volume 1 Chapter 11 Socio-Economics

[8] <https://www.westyorks-ca.gov.uk/growing-the-economy/economic-strategy/strategic-economic-plan/>

[9] <https://theconversation.com/we-cant-expand-airports-after-declaring-a-climate-emergency-lets-shift-to-low-carbon-transport-instead-120740>

[10] 2020 Mid-year report, IATA www.iata.com/economics

[11] Net Zero: The UK’s contribution to stopping global warming, May 2019

<https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/>

[12] <https://www.theguardian.com/environment/2020/feb/21/dams-wellies-and-sleepless-nights-yorkshire-calder-valley-flooding>

[13] <https://commonslibrary.parliament.uk/research-briefings/sn06022/>

Appendix: Calculation of the tourism deficit

The number of visits abroad by UK residents in 2018 was 72.8 million and their total expenditure was £45.4 billion £ [13]. The average expenditure per head was thus £623.63. The number of overseas visitors to the UK in 2018 was 37.9 million and their total expenditure was £23 billion [13]. The average expenditure per head was thus £606.86.

The difference between the total expenditures from inbound and outbound passengers is known as the tourism deficit and was thus £22.4 billion in 2018.

According to Table 6.1 in [1], the reported and forecast passenger numbers between 2020 and 2030 is:

Total terminal passengers (m)	2020	2024	2030
LBA with expansion	4.00	5.20	7.00
LBA without expansion	4.00	4.90	5.50

According to Table 2.1 in [1], the percentage share by passenger type at LBA is

Purpose	International business	International business	International leisure	International leisure
Nationality of passenger	UK	Foreign	UK	Foreign
percentage	2.4%	1.9%	64.9%	20.1%

Note that the percentages do not add up to 100 because this table does not include domestic flights.

If we assume that the percentage share by passenger type and the expenditure per head remains the same over the next 10 years, it is possible to calculate the tourism deficit for each year for each scenario. For example, in 2019 there are 4 million passengers annually at LBA $20.1 + 1.9 = 22\%$ of these are foreign passengers coming to the UK, which is 880 000 passengers. Assuming that each passenger takes one inbound and one outbound trip, that means 440 000 foreign visitors. Since each visitor spends on average £606.86, a total of £267.02 million will be spent by foreign visitors in the region.

Note: here we assume that the number of visitors landing at LBA and then going elsewhere is compensated by visitors landing in other airports and coming to the Leeds City Region.

	No of foreign visitors (m)	Spend by foreign visitors (£m)	No of UK residents on overseas trips	Spend of UK residents on foreign trips (£m)	Tourism deficit 2019 (£m)
LBA currently (2019)	0.44	267.02	1.35	839.40	572.38
LBA with expansion (2024)	0.57	347.12	1.75	1091.22	744.10
LBA without expansion (2024)	0.54	327.10	1.65	1028.27	701.17
LBA with expansion (2030)	0.77	467.28	2.36	1468.95	1001.67
LBA without expansion (2030)	0.61	367.15	1.85	1154.18	787.03

The conclusion is that with the expansion, the tourism deficit in the region will produce a tourism deficit of over £1 billion. Without the expansion, the tourism deficit will be £787 million. The expansion will therefore increase the tourism deficit by about £215 million.