APPRAISAL FRAMEWORK FOR UK START-UP AID FOR AIRPORTS WITH LESS THAN 3 MILLION PASSENEGERS PER ANNUM

1 Introduction

Policy background

- 1.1 The Aviation Policy Framework¹ sets out the government's policy to allow the aviation sector to continue to make a significant contribution to the economic growth of the country.
- 1.2 The Government recognises the very important role airports across the UK play in:
 - attracting new or more frequent international connections to attract new business activity to support the growth of a more balanced economy
 - reducing the need for long-distance travel to and from airports;
 and
 - giving air passengers greater choice.
- 1.3 The UK Government believes that airlines operate best in a competitive, commercial environment and it is for individual airlines to determine the routes that they operate. However, the UK recognises that aviation plays an important role in connecting regions and accepts that aid may be necessary to develop air services to airports where local economic conditions prove unattractive to airlines. However, any Government intervention in this market must ensure that it does not distort competition and comply with European Commission (EC) State aid rules.
- 1.4 In response to this agenda, the Chief Secretary to the Treasury announced in the 2013 Spending Round that £20 million would be made available over two years to 2016 to maintain regional air access to London through a Public Service Obligation (PSO) where there was the probability that an existing air service would be lost.
- 1.5 PSOs are governed by European legislation on 'Common rules for the operation of air services in the Community' (1008/2008). The Department for Transport (DfT) has published guidance² that clarifies how Government will ordinarily expect to interpret these criteria when assessing PSO applications to protect existing regional air services to London and how a devolved administration or local authority can access funding for supporting an airline to operate a service on the PSO route.

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/153776/aviation-policy-framework.pdf

² https://www.gov.uk/government/publications/public-service-obligation-regional-air-access-to-london

1.6 In the 2014 Budget, the Chancellor further increased the support for regional air connectivity to London from £10 million to £20 million per annum, and extended the fund to include start-up aid for new routes from regional airports which handle fewer than five million passengers per year, providing this meets new EC aviation State aid guidelines for airports and airlines³ ("Guidelines").

1.7 The Guidelines note that:

"Development of new air traffic should, in principle, be based on a sound business case. However, airlines are not always prepared, without appropriate incentives, to run the risk of opening new routes from unknown and untested small airports. Therefore, under certain conditions, airlines can be granted start-up aid even after the transitional period, if this provides them with the necessary incentive to create new routes from regional airports, increases the mobility of the citizens of the Union by establishing access points for intra-Union flights and stimulates regional development."

- 1.8 The Department for Transport have prepared and submitted a Protocol to the EC that provide a framework of rules and guidance that a route promoter would need to comply with in order to be considered compliant with the Guidelines. Once the Protocol has been cleared by the EC, the UK Government can award start-up aid in respect to routes from airports handling fewer than 3 million passengers per annum which commence services after 1 April 2015, without further notification.
- 1.9 This Protocol does not directly apply to new routes from airports handling between 3-5 million passengers per annum due to the higher risk of market distortion. However the Commission Guidelines state that for airports of this size, aid <u>can</u> be compatible with the internal market only in "duly substantiated exceptional cases" and will need to be notified on an individual basis to the Commission. Therefore route promoters should contact DfT separately to discuss whether a route might be considered compatible. Those schemes the Department deemed suitable for funding will then need to be notify and cleared by the Commission before funding can be provided.
- 1.10 For airports handling more than 5 million passenger per annum, state aid will not be considered compatible.

The objectives of start-up aid

1.11 Start-up aid should create net economic benefits for the region by improving the connectivity between the UK regions and their domestic and European counterparts.

http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:2014:099:FULL&from=EN

- 1.12 It should work with the market to support new air services by sharing risk during the period of route start-up. As such, it will provide a mechanism that allows a promoter to bring forward the commencement of new air services that are expected to become commercially sustainable in the medium term, thereby securing the resultant economic benefits to be derived from additional connectivity.
- 1.13 Start-up aid is <u>not</u> intended to support services that have the potential to be commercially viable without assistance, that serve primarily outbound leisure markets, or that will not be commercially sustainable in the medium term. It is expected to be a strictly short-term measure providing limited sums for start-up assistance over a maximum period of three years. It is not intended to distort existing competition by bringing forward routes at one airport that will significantly affect the viability of existing routes from another with a shared catchment area.
- 1.14 Start-up aid will only be provided, therefore, where:
 - a route complies with EC Guidelines on State aid,
 - an assessment indicates that the development of new routes from airports within the region or sub-region in question will bring demonstrable economic benefits and make better use of regional airport infrastructure,
 - if the number of bids exceeds funding availability, the routes will be ranked based on how they meet the objectives of start-up aid funding.

Key compliance criteria for award of start-up aid

- 1.15 The EC Guidelines set out the following criteria that a route must meet in order to be deemed compatible for aid:
 - a) Start-up aid can only be awarded for airports handling fewer than 3 million passengers per annum. For airports handling between 3-5 million passengers per annum Start-up aid is permissible but only in "duly substantiated exceptional cases", and, due to the higher risk of distorting competition, must be notified individually to the Commission. Start-up aid cannot be made to airports handling more than 5 million passengers per annum.
 - b) Start-up aid must be time-limited and support should not be offered in respect of any route for a period in excess of three years.
 - c) Start-up aid offered cannot, exceed 50% of airport charges.
 - d) Start-up aid can only be made to "new" services between unserved city pairs, or, in some circumstances increased frequencies on existing

- routes, and should not be made in retrospect where a route has already been announced.
- e) If another airlines announces the same route from an airport in the same catchment area before final agreement on funding is made, then the application for Start-up aid will fall (this assumes the second airline's plans are well- advanced, as evidenced by, for example, its selling seats for the route). However once funding has been agreed we will honour the commitment.
- f) Start-up aid offers will only be made where it can be demonstrated that the service successfully passes the appraisal criteria and will attract significant business or inbound tourism traffic.
- g) Where a carrier recently ceased flying a particular route without Startup aid support, they are unable to apply for funding to re-start operations between the same city pair within two years of stopping. Should an alliance partner of that airline apply for funding, the period falls to 6 months.
- h) If an airline starts a service with Start-up aid and stops during the agreed funding period, the remainder of the offer can be taken up by another carrier to ensure continuity of service, subject to appraisal.
- Once an offer has been made for Start-up aid, it cannot be extended or converted to a Public Service Obligation.
- 1.16 Further clarification of these criteria can be found the UK's 'Protocol for start-up aid for airports of less than 3 million passengers per annum.'

Purpose of Appraisal Framework guidance of UK provision of start-up aid

- 1.17 This Appraisal Framework ("Framework") has been prepared to allow the Department for Transport to evaluating bids received for funding for start-up aid. It has been designed to be consistent with the HM Treasury Green Book⁴ and the Department for Transport's Transport Appraisal Guidance (WebTAG)⁵. It will allow Ministers to make an informed decision on whether a scheme should be funded
- 1.18 The Framework is designed to be objective, consistent and transparent, providing auditable information for public reporting. It will provide an overarching framework for the scope of the appraisal process and the procedure for assessing applications for start-up aid, which will ensure funding can be allocated in an open and fair method. It is

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

⁵ https://www.gov.uk/transport-analysis-guidance-webtag

expected that applicants provide the calculations and analysis set out in the framework to facilitate decision making.

- 1.19 Applications will be assessed in two stages.
 - Initial Application Stage: This will include a screening process to establish whether the application fits the key requirements of the start-up aid, as set out in the start-up aid Protocol. (Chapter 2 and 3)
 - ii. Appraisal Stage: A full economic and environmental appraisal, from which a Benefits-Costs ratio will be calculated and a quality score developed. These will be combined to provide a final assessment score to allow bids to assess against each other. (Chapter 4)
- 1.20 The responsibility to ensure that all the data is present for the Department to develop a full appraisal falls on the applicants for funding.

Who is eligible to apply to the Fund?

- 1.21 Any bids for funding would need to come from a consortium made up of at least:
 - airport that meets Guideline's criteria;
 - airline that will operate the route;
 - where suitable, the devolved or regional government body from where the airport is located
- 1.22 Throughout this guidance this consortium will be referred to as the 'route promoter'.

Timescale for funding

1.23 To ensure an open and fair process the Department for Transport will publish a timetable for receiving bids from route promoter to provided start-up aid.

Essential criteria

- 1.24 The Department's assessment of the bids will be consistent with the Transport Business Case process covering strategic, economic, and commercial and management cases.
- 1.25 Given the objectives of start-up aid, particular attention will be given to strategic and economic case, as set out in chapter 4 of this document.

1.26 The Department will use the evidence provided under these criteria to allow Ministers to make decisions on whether schemes should be funded. The Department reserves the right to fast track decisions on a limited number of schemes based on the quality of bids received and the potential for early delivery.

Structure of this document

- 1.27 The structure of the remainder of the guidance is as follows:
 - <u>Section 2</u> sets out the initial application that the route promoters would need to submit to the Department for Transport to assess whether the bids comply with the EC Guidelines on start-up aid as set out in the UK's Protocol.
 - <u>Section 3</u> sets out the process that the route promoters will need to undertake to provide evidence that the route will be commercially viable at the end of the funding period.
 - <u>Section 4</u> sets out the economic and strategic appraisal process the route promoter must undertake.

2 <u>Initial Application Process</u>

2.1 To allow the Department for Transport to assess whether a proposed scheme meets the EC Guidelines the route promoter will be required to submit the following information.

General Information

- departure and destination airport;
- list of airports within 60 minutes journey time of both airport;
- airline;
- contact information for the airport and the airline.

Schedule Information

- proposed start date:
- summer and winter schedules (weekly or daily frequency);
- · departure and arrival times;
- block time;
- slot status at both ends of the route;
- interlining arrangements with airlines at the other end of the route.

Route Data

- route forecast passengers and/or freight in the first three years;
- passenger mix outbound/inbound and business/leisure;
- estimated load factor by year;
- estimated average yield per passenger;
- non-variable costs;
- passenger variable costs;
- · route profitability with and without funding support.

Airline Operator Details

- certificate status;
- liquidity ratio;
- actual load factor (network);
- break even load factor (network);
- net operating surplus per million revenue passenger kilometres (network);
- existing services at the airport, in the region, at the destination airport, in the destination country;
- aircraft type and seating capacity;

 additional facilities required at the airport to handle the service, and the funding required for these additional facilities.

Funding Profile

- total airport charges for the service at the published tariff;
- actual average airport charges per departing passenger ('standard' charge) and the basis of the 'standard' charge;
- total airport charges for the service at the 'standard' charge;
- discount offered per passenger against the 'standard' charge;
- discounts offered for equivalent services in their first three years;
- estimated commercial revenue per passenger from the service;
- level of airport charges support requested from the RDF (annual totals and per departing passenger);
- · support sought from, or granted by, other public agencies;
- additional marketing support offered by the airport;
- form of marketing programme proposed;
- other marketing support sought from, or granted by, other public agencies.
- Proposed Fare Levels:
- business fully flexible and restricted;
- leisure restricted;
- 2.2 The application must be accompanied by a Business Plan or clear statement of how the proposed route fits with the overarching objectives of the start-up aid. It should provide evidence that the route cannot operate to acceptable levels of profit or loss during the initial start-up period without assistance but that at the end of the funding period the route can be operated on a commercial basis.
- 2.3 It should be noted that the information being requested is not onerous for the airport or airline to assemble and is no different than would be expected for them to internally gather for commercial decisions to establish a new route.
- 2.4 Applications should indicate what information must remain commercially confidential and what could be declared under the Freedom of Information Act and the application pro forma should be split accordingly. It is likely that general information, information regarding schedules and employment, and some aspects of information about the airline operator could be released under the Freedom of Information Act, whilst the remainder of the application would need to be treated as commercially confidential.
- 2.5 Applications will be subject to an initial screening process in order to establish their fit with the key objectives of the start-up aid, including

whether the airline is capable of operating the service at the airport in question and has the support of the airport to do so. This will include consideration of whether:

- the route or planned service meets the objectives and criteria set out in the Department's Protocol;
- the airline has an EU operating licence, and is a credible provider of the service;
- slots are available to meet the planned schedule;
- the airport is able to handle the service at the planned operating times:
- there is prima facie evidence that the service is capable of being commercially viable at the end of the funding period.
- 2.6 In reaching decisions on applications during the initial screening process, attention will be paid first and foremost to the overarching objectives of the Start-up aid, which should include enhancing the connectivity of the region and secure economic benefits for the region being served.
- 2.7 To ensure openness the Department will publish a list of routes that it consider to meet the EC Guidelines. This will allow other airlines or airports a period of time to make representation to the Department if they are planning to operate the route commercially if they are within the same catchment area. The DfT will publish the following information:
 - the two airports flight will operate between,
 - the airline providing the service, and
 - the frequency of service.
- 2.8 Where the Department is presented with evidence that shows the route is likely to be offered commercially either from another airline or from a different airport in the same catchment area the route will no longer be considered compliant for start-up aid.

3 Commercial Appraisal

- 3.1 Applications for funding that pass the initial screening process (Chapter 2) will be subject to an independent assessment of the passenger forecasts and commercial viability of the route at the end of the funding period. Routes will not normally be funded that are found either:
 - to be viable without funding on the basis of the proposed discounted airport charges provided by the airport operator;
 - not likely to be viable once the support for airport charges provided by this scheme cease at the end of the funding period, taking into account any ongoing support from the airport operator.
- 3.2 At this stage it is not yet clear who the independent contractor will be as the Department for Transport is going through a competitive tender process to award the contract for these route forecasts. It is expected that the independent contractor will provide a spreadsheet based input sheet for applicants to fill out.
- 3.3 Where this assessment indicates that route forecasts differ from those used in the initial commercial viability assessment, the potential viability of the service may need to be retested and applicants might be asked for additional information.
- 3.4 The calculation of benefits from a new route requires absolute clarity as to how many passengers are diverted from other services, in order that their journey time and air fare savings may be calculated, and how many people are newly stimulated to travel leading to a net inflow or outflow of new visitors and their expenditure.
- 3.5 Requirements for route forecasts are amongst others as follows:
 - Model Air Passenger Growth the application of background growth rates and methodologies for forecast growth that do not conflict with those already used by Department for Transport⁶.
 - Demand Stimulation the application of transparent demand stimulation assumptions using parameters that are consistent with evidence on traffic stimulation rates for new routes at a regional and national level. The economic appraisal will require separate outputs for stimulated and diverted passengers and for sensitivity testing on stimulation rates.

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⁶ See

- Substitutable Destinations there may be a need for a review of how the substitution of one destination for another by passengers impacts on stimulation rates and background growth.
- Individual Routes –the route forecasting model must operate at an individual route, rather than a group of routes, level, subject to the ability to assess substitutable destinations.
- Economic Appraisal Outputs as outlined in Section 4, the economic appraisal framework requires the following inputs from the route forecasting model:
 - passenger forecast (broken down by inbound and outbound, business and leisure, and diverted and stimulated);
 - journey time savings for outbound and inbound business and leisure passengers;
 - air fare savings for outbound business and leisure passengers and inbound business passengers;
 - base journey times and air fares for inbound business passengers;

4 Economic and Strategic Appraisal

Introduction

- 4.1 Schemes that have passed the initial screening process will be required to develop a business case for the route setting out economic benefits the new route will generate and whether the scheme meets the strategic objectives of the fund. There are two key elements to the appraisal Department for Transport will undertake to underpin the business case for support and to differentiate between applications.
 - Cost Benefit Analysis (CBA) Where possible benefits should be monetised in line with WebTAG and will amongst others consist of journey time savings and journey costs savings. These benefits will be compare to the monetary asks for the scheme to produce a Benefit Cost Ratio (BCR).
 - Strategic Analysis Benefits that cannot necessarily be monetised and meet the strategic aims of the scheme. These will be made of a seven individual scores. (Table 1)
- 4.2 If the Department receives total bids in excess of funds available we shall consider both the BCR and strategic scoring system to determine which bids will receive funding. However if the total bids do not exceed funding levels the BCR and strategic scoring system will be used to allow Ministers to make decisions on which schemes to fund.
- 4.3 The scoring systems used are amongst others based on the research York Aviation undertook for Scottish Enterprise in 2012 to appraise the benefits of new air routes in Scotland⁷.

Table 1: Strategic impact scoring system

Category	Measure	Score	Weight	Table
Business	Service	1-5	20%	Table 2
Connectivity	Frequency			
Score	Score			
	Business	1-5	20%	Table 3
	Centre Link			
	Business	1-5	20%	Table 4
	Target Market			
Connectivity	Hub	0.5-5	20%	Table 5
	connectivity			
	score			
Tourism	Tourism impact	0-5	10%	

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^{&#}x27; See:

Direct Employment	Additional jobs created by airline and airport	0-5	5%	Table 6
Social Impact	Social Connectivity Score	1-5	5%	Table 7

Cost Benefit Analysis (CBA)

- 4.4 The HMT Green Book defines CBA as 'analysis which quantifies in monetary terms as many of the costs and benefits of a proposal as feasible, including items for which the market does not provide a satisfactory measure of economic value.'
- 4.5 CBA principles can be summarised as:
 - the impacts of a scheme should be based on the difference between forecasts of the without-scheme and with-scheme cases;
 - impacts should be assessed over a defined appraisal periods, capturing the planned period of scheme development and implementation we shall be using 10 years;
 - the magnitude of impacts should be interpolated and extrapolated over the appraisal period;
 - values should be presented in current year prices, accounting for the effects of inflation;
 - streams of costs and benefits should be in **present values**, discounted to current year; and
- 4.6 The basic principles of appraisal are explained in The Transport Appraisal Process document⁸ and more detailed guidance for aviation is provided in TAG UNIT A5.2⁹. Where possible, appraisal quantifies the impacts of the schemes by monetising the impacts of:
 - Economic impacts changes in journey times (business, leisure and freight)
 - Environmental impacts noise, air quality, greenhouse gases
 - Social and distribution impacts human experience of the journey (quality, accessibility etc.) and how the benefits are shared across the different social groups
 - Public accounts changes in tax receipts

⁸ https://www.gov.uk/government/publications/webtag-transport-appraisal-process

- 4.7 In order to carry out the appraisal, applicants are expected to provide a spreadsheet detailing:
 - Expected user profile (split between business and leisure passengers)
 - Whether these passengers are new passengers or passengers that would currently travel to other airports (this will be validated within the independent route forecasts where possible)
 - For passengers that would currently travel to/through other airports
 - Current total journey (surface access and flight routes) distance, time and costs split by business and leisure passengers
 - Estimated future journey (surface access and flight routes), distance, time and costs split by business and leisure passengers
- 4.8 The Net User Benefits indicator estimates these overall economic benefits of a proposed new service. There are two indicators in the economic appraisal framework:
 - Net Present Value (NPV) this is the present value of the monetised benefits minus the present value of the support costs (funding requirements)
 - Benefit/Cost Ratio (BCR) this is calculated by dividing the sum of the monetised benefits by the present value of the support costs (funding requirements)
- 4.9 As indicated, the calculation of the NPV and BCR of each proposed service comprises journey time savings, air fare savings and support costs. It is expected that the applicants provide the Department with the assumptions and sources for their expected passenger base, including whether these passengers are new or displaced passengers, and their expected mode of airport access. Furthermore, it is expected that information on expected fuel use by the planes over the appraisal period is provided as well as a noise assessment to facilitate an environmental appraisal.
- 4.10 The benefits of start-up aid continues after the initial support period. As such, the proposed assessment period is for seven years after the start of the service, to reflect that some if not most of the benefits are likely to arise after support ends and the route has become fully viable.
- 4.11 Non-monetised impacts are considered in the Strategic Impacts Appraisal.

Strategic Impacts

- 4.12 The aim of start-up fund is to create economic benefits for the region by improving the connectivity between UK regions and their domestic and European counterparts. To allow the Department to assess whether a proposed route meets these aims it will be necessary for the route promoter to provide evidence against the following seven criteria:
 - Service Frequency
 - Business Centre Link
 - Business Target Market
 - Hub Connectivity
 - Tourism Impact
 - Direct Employment
 - Social Impacts

Service Frequency

- 4.13 The availability of a greater range and frequency of direct air services will allow businesses located in the region to reach their customers, suppliers, partners and, for multi-national companies, other parts of their organisation more easily, quickly and cheaply. The same benefits will also accrue to customers, suppliers, partners and colleagues visiting the region. This will lead to increased business productivity and competitiveness, with resulting benefits for the economic prosperity of the region.
- 4.14 Some of the economic benefits of the proposed services will accrue to business passengers. This reflects the greater ease with which outbound passengers can do business outside the country and inbound passengers can do business in the region. Both represent potential benefits for the regional economy through an increase in business efficiency, although it is also possible that increased efficiency for foreign businesses could result in a loss of competitiveness for regional businesses.
- 4.15 An important criterion for European business connectivity is the ability to make a day return business trip to key centres, with sufficient time to reach the specific destination and to do business. One of the potential advantages of a new direct air service to/from a region is that, subject to the timing and frequency of flights, it will potentially allow business travellers to make day return trips to/from a wider range of continental European and UK centres. The outcomes are converted to a score on a scale of 1-5. Details of the scoring are provided in Table 2.

Table 2: Service frequency scoring system

Current situation	Double Daily Return Flight	Single Daily Return Flight
At least a single daily return flight	2	N/A
Less than single daily return	3	1
No direct flights, indirect day return trip possible	4	2
No direct flights, no day return trip possible	5	3

Business Centre Links

- 4.16 New direct air services to/from a region offer the potential for fast, frequent and efficient links to major business centres across Europe. The business centre links indicator measures the importance of a new service in terms of the significance of the city served by the destination airport as a business location.
- 4.17 The Business Centre Links indicator is based on the work undertaken by the Globalisation and World Cities (GaWC) network based at Loughborough University.
- 4.18 The GaWC ranks cities into 5 categories which we have converted into a score on a scale of 1-5 (Table 3).

Table 3: Business centre link scoring system

Destination City	Score
All cities not in any of the categories below	1
Sufficiency / High Sufficiency	2
Gamma World Cities	3
Beta World Cities	4
Alpha World Cities	5

Source: Globalisation and World Cities Network, 2014 http://www.lboro.ac.uk/gawc/world2012t.html

Business Target Market

- 4.19 The previous Business Efficiency indicators are unlikely to reflect all of the wider business benefits of a proposed air service, especially in the context of the objectives of Start-up aid. Scores will be awarded in line with Table 4 where a proposed service is assessed as being likely to have an impact in at least one of the following areas:
 - Target FDI Markets the key foreign direct investment (FDI) market targets for a region can for instance be identified from an analysis of recent trends in the number of projects and the number of jobs created by the country of origin of the investing company, and discussions with the relevant agencies regarding specific country markets;
 - Export Market Targets the key export market targets for a region can for instance be identified from an analysis of recent data on regional exports by country and discussions with the relevant agencies regarding specific country markets.

Table 4: Business target market scoring system

Evidence level	Score
Limited evidence of impact	1
Evidence of impact in one area	2
Evidence of impact in both areas	3
Strong evidence of impact in one area, evidence of impact in the other	4
Strong evidence of impact in both areas	5

Connectivity

- 4.20 New services to / from a region to airports that offer significant opportunities for onward connections (hubbing) can be valuable to businesses because they offer the potential of easier indirect links to a wide range of business destinations.
- 4.21 The connectivity score is calculated by summing the number of onward connections available at the destination airport within a two-hour window of the arrival of a flight from the relevant UK regional airport, allowing for a 45-minute connecting time, across the 'typical' flight schedule. We would define a 'typical' flight schedule to be one outside of a school holiday period.
- 4.22 It is assumed that the number of inbound connections broadly matches the number of outbound connections, but the score is calculated in one direction only. The score is used as a relative measure to indicate the order of magnitude of the hub connectivity from any UK regional airport, thus all feasible connections are counted.

4.23 However full hub connectivity benefits to passengers are only likely to be realised when the service to the hub is offered by the hub carrier itself or a carrier aligned to the hub carrier or in an interline agreement/offering through fares. 'Low cost' carriers, in particular, seldom provide facilities for transfer passengers and, indeed, may often serve airports that do not function as hubs. Even where connections are not actively marketed or advertised by the airlines, some passengers may well use a service connecting to a hub to transfer, such as to other 'no frills' services at Stansted. However, in terms of placing a value on the hub connection, the full connectivity value will only count where the carrier operating the route is known to be marketing connections at the hub. Therefore evidence must be supplied so show that through ticketing to other flights at the destination airport within the two hour time window specified above, can be offered by the airline. Accordingly, scores will be awarded in line with Table 5

Table 5: Onward connectivity score system

Number of onward flights	No interlining possible	Interlining possible
<20	0.5	1
20-29	1	2
30-49	1.5	3
50-70	2	4
70+	2.5	5

Tourism Impact

- 4.24 Air services are a fast way for business and leisure visitors to travel to an area, thus supporting employment in a wide range of facilities, including hotels, restaurants, shops, conference and exhibition centres and visitor attractions.
- 4.25 In economic terms, the proposed air services can generate additional benefits if leisure visitors generate greater expenditure, thus supporting greater employment, than would otherwise have occurred. Stimulated visitors to a region from overseas and, other parts of the UK will be relevant in this context.
- 4.26 The tourism score will be derived by subtracting the number of outbound leisure passengers forecast by the independent route forecaster from the number of inbound leisure passengers. This will provide a net leisure passenger number.

4.27 The application with the highest net passenger number will receive the full score for tourism impact. The other applicants will be scored relative to that applications. For example, if the highest number of net leisure passengers is 100, an application with 50 net leisure passengers will score 50% of the full score.

Direct Employment

- 4.28 The direct employment supported by the proposed services is estimated on the basis of information provided by the airlines. Where an airline is proposing to operate more than one service from an airport, the estimated number of new jobs is divided pro rata between the individual services. Where an airline is proposing to base a new aircraft at the airport that will also operate non-supported routes, if a majority of the routes are supported all of the projected employment should be included in the route appraisal. If only a minority of the routes are supported, the number of new jobs is divided pro rata between the individual services.
- 4.29 A job can only be counted if it is a totally new jobs has been created rather than displaced jobs. For example an airline who makes use of existing flight crew to operate the route would not count, but if the airline has to employ new check in staff this would count.
- 4.30 Accordingly, scores can be awarded in line with Table 6 where a proposed service is assessed as being likely to have an impact in at least one of the following areas
- 4.31 The indicator has been based on the analysis undertaken by York Aviation for Scottish Enterprise, which used the maximum number of direct airline jobs that was created by a Route Development Fund route (the original Glasgow to Dubai Emirates service).
- 4.32 It is expected that airlines provide the following information:
 - · direct employment (airline and airport);
 - on-airport (handling, catering etc);
 - employment linked to single route or to the basing of an aircraft;
 - other facilities to be established at the airport.

Table 6: Direct employment scoring system

Number of jobs supported	
No additional employment	0
Less than three jobs created	1
Three - five jobs created	2
Six - eight jobs created	3
Nine to ten jobs created	4
More than 10 jobs created	5

Social Impacts

- 4.33 In addition to economic impacts, air services also generate a number of social benefits. For example, air services are important, especially in remote areas, for links to health services and cultural and sporting events, whilst the ability to access convenient air services in order to take overseas holidays is a significant quality of life factor. The scoring reflects the proportionally larger impact of additional services at less well connected airports.
- 4.34 Therefore routes shall be assessed based on the percentage increase that adding a new daily service will add to the number of daily non-stop destinations that an airport services. The percentage increases in the social connectivity index are converted to a score on a scale of 1-5 (Table 7). The scoring reflects the proportionally larger impact of additional services at less well connected airports.

Table 7: Social connectivity scoring system

Increase in destinations with at least a daily service	Score
Less than 10%	1
Between 10% and 20%	2
Between 20% and 40%	3
Between 40% - 70%	4
Greater than 70%	5