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YOUR LONDON AIRPORT Gatwick

GATWICK AIRPORT'S IMPACT ON THE VISITOR ECONOMY

FEBRUARY 2018

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EXECUTIVE SUMMARY

5.5 million

Overseas visitors arrived via Gatwick in 2017

Spending 40.3 million nights in the UK, and adding £3.9 billion in expenditure

Beyond the value that Gatwick Airport contributes to the UK economy through its own activities, it also facilitates important additional economic benefits. Millions of visitors from overseas arrive in the UK through its terminals each year, underpinning extensive tourism receipts that support UK employment and value-added, as well as boosting exports. Oxford Economics were appointed by the Gatwick Growth Board to investigate the full scale and regional distribution of these benefits.

Based on data from the Civil Aviation Authority (CAA), we estimate that 5.5 million international visitors entered the UK through Gatwick in 2017. While these visitors were predominantly European in origin and the majority travelled to the UK for leisure purposes (such as holidays and visits to friends and relatives), Gatwick's overseas visitors hail from every continent and reflect a full variety of trip purposes, including business trips, study and shopping.

These visitors amount to a valuable source of demand for the UK's visitor economy, contributing £3.9 billion in spending within the nation in 2017. This expenditure flows to all manner of different businesses, encompassing spending on air fares, taxis, rail tickets, hotel stays, restaurant meals, retail purchases, and visits to leisure and cultural attractions. The breadth of this spending underlines how Gatwick's economic contribution is not solely limited to the transport sector or its own supply chains, but spreads across all sectors of the UK economy.

This report confirms that Gatwick's tourism footprint extends far wider than the capital city. Using International Passenger Survey (IPS) evidence on the character of trips taken by overseas visitors who enter the UK via Gatwick, we have established a detailed spatial breakdown of the Airport's tourism 'footprint'. This reveals that in 2017, while just over half (56 percent) of overseas visitors' overnight stays were within London, a further quarter (24 percent) were spread across the South East, including the Coast to Capital LEP (12 percent) and the Gatwick Diamond area (4 percent). The remaining fifth of overnight stays were spread across the country, reflecting the fact that Gatwick's overseas visitors reached every region and nation of the UK.

£4.7 billion

UK GDP attributable to Gatwick's overseas visitors in 2017

Along with 93,300 jobs, and £1.2 billion in tax revenues

As a result of Gatwick-facilitated overseas visitors, some 93,300 jobs were supported across the UK in 2017, while £4.7 billion was added to national GDP. Moreover, the transactions, profits and wages paid due to this activity gave rise to an estimated £1.2 billion in revenues for the Exchequer. Roughly three-quarters of this economic impact was concentrated in London and the South East, with the local areas around the Airport accruing notable economic benefits. Our analysis suggests that the 4.6 million nights spent by Gatwick's overseas visitors in the Coast to Capital LEP supported 22,900 jobs, and around £1.2 billion of value added.

But these overseas visitors form only part of the impact that Gatwick Airport has upon the visitor economy. Domestic visitors also land at the Airport in order to take journeys and holidays, across London and the South East region. CAA data reveals that in 2017, some 1.6 million passengers landed at Gatwick from other regions of the UK, which we estimate yielded another 5.2 million overnight stays in the capital and the South East.

£588 million

Total GDP contribution of Gatwick's domestic visitors in 2017

Along with 12,700 jobs, and £150 million in tax revenues

The activity and spending of domestic visitors also supports broader multiplier impacts throughout the UK, with the nationwide impact reaching £588 million in GDP and an estimated 12,700 jobs. Within the Coast to Capital area specifically, these domestic visitors undertook travel amounting to over one million nights, supporting a further £131 million in GDP and around 3,000 jobs. While the spending of domestic visitors, and its associated economic impacts, cannot be considered 'additional' from a national perspective, this element of Gatwick's economic footprint further demonstrates its importance to the national and regional visitor economy.

This analysis highlights Gatwick Airport's contribution to the UK economy through the tourism it facilitates, and provides new evidence on its local and regional spread. But the true extent of economic benefits from Gatwick-facilitated visitors do not stop here. Official tourism statistics also measure the economic activity supported by outbound travellers, who spend money in the UK on their way to overseas destinations. Were the spending of Gatwick's millions of outbound passengers to be accounted for, the economic impacts presented here would be even greater.

1. INTRODUCTION

The contribution of Gatwick Airport to the UK economy flows through many channels. The Airport itself directly provides economic value and employment, as do the airlines and other firms operating on the Gatwick campus. In addition, these businesses' requirements for inputs of goods and services create supply-chain demands that 'ripple out' into the wider region, and across the UK.

Further, by helping integrate the UK within the global aviation network, Gatwick provides important 'connectivity' benefits. By making both European and long-haul destinations more accessible, the effective operational sphere of local businesses grows, connecting them to broader markets with more potential suppliers, customers and competitors.

Its facilitation of inbound tourism is one way that Gatwick directly expands the market for domestic firms. Millions of international visitors take advantage of Gatwick's infrastructure and services to visit the UK, boosting demand for accommodation, restaurant meals, retail goods, cultural and entertainment activities, and transport services. The companies meeting this demand also draw upon extensive UK-based supply chains, transmitting the impact of this tourism activity to other parts of the economy.

This study sets out a detailed assessment of Gatwick's impact on the UK's visitor economy in 2017. It measures the patterns of overseas visitor trips and spending, quantifying the resultant economic impact in terms of GDP, jobs, and tax revenues.[1]

It also investigates how this impact is spatially distributed across the regions around Gatwick and further afield. Through an examination of evidence on the durations and destinations of inbound visitors' trips, we quantify how much of this tourism impact was felt in the Gatwick Diamond, the wider South-East region, and the rest of the UK.

[1] The assessment is performed on a 'gross' basis – it measures the impact of this inbound tourism as it stood in 2017. It does not attempt to estimate what proportion of this tourism impact would have materialised anyway, if Gatwick's aviation services were not provided.

INTRODUCING ECONOMIC IMPACT ANALYSIS

The economic significance of tourism activity is measured using a standard means of analysis called an economic impact assessment. This quantifies the economic significance of visitor activity through three channels of impact, namely:

- ***Direct impact***, which relates to the activities of the industries that directly serve visitor demands, sometimes termed the 'visitor economy' or 'tourism industries'. These include hotels and restaurants, airlines, rail and taxi services, retailers, leisure establishments, cultural and heritage sites, and so on.
- ***Indirect impact***, which encapsulates the activity and employment supported in the supply chain of the visitor economy, as a result of their procurement of goods and services; and,
- ***Induced impact***, comprising the wider economic benefits that arise when employees within the visitor economy and its supply chains spend their earnings in the consumer economy, for example in local retail and leisure establishments.

Using these pathways, a picture of this tourism's 'economic footprint' can be presented, via three key metrics:

- ***GDP***, or more specifically, the *gross value added* (GVA) contribution to GDP;
- ***Employment***, as the number of people employed, measured on a headcount basis; and,
- ***Government revenues***, including Corporation Tax, business rates, income taxes, National Insurance Contributions (NICs), VAT, and other product taxes (such as Air Passenger Duty, alcohol duty, fuel duty etc).

The analysis in this study utilises a bespoke input-output (I-O) model, that is based on the ONS' official I-O tables of the UK economy.

Additional methodological details are provided in ***Appendix 1*** of this report.

BOX 1: DEFINING OVERSEAS VISITORS

To measure the impact of Gatwick Airport on the visitor economy, it is necessary to define who qualifies as a visitor. For overseas visitors, we have used the International Passenger Survey (IPS) definition of an international tourist.

To qualify as an overseas visitor, a passenger must be a non-UK resident. This means that they must have lived outside of the UK for a minimum of 12 months (or currently live outside the UK, and intend to do so for at least 12 months). This period is measured exclusive of any holidays, or time spent in another country for work.

The IPS definition of a 'tourist' is an international visitor who reports one or more of a given set of reasons for visiting the UK. Tourists must have stayed in the UK for less than 12 months, and be in the UK:

- on holiday;
- visiting friends and/or relatives (known as VFR);
- on business trips (including conference and trade fair visits);
- studying; or
- for other reasons (these include medical treatment, looking for work, overnight transit, work experience, participating in sports or competitions).

Other passengers are excluded from the IPS' definition of tourists, and therefore from our calculation of the number of overseas visitors to the UK. These include:

- transit passengers who do not stay for even one night (although their spend is captured and modelled as part of tourism economic impact);
- migrants (those are who leaving their country of residence to live elsewhere for at least 12 months);
- persons travelling to take up pre-arranged employment; and
- military or diplomatic personnel, and airline personnel on duty.

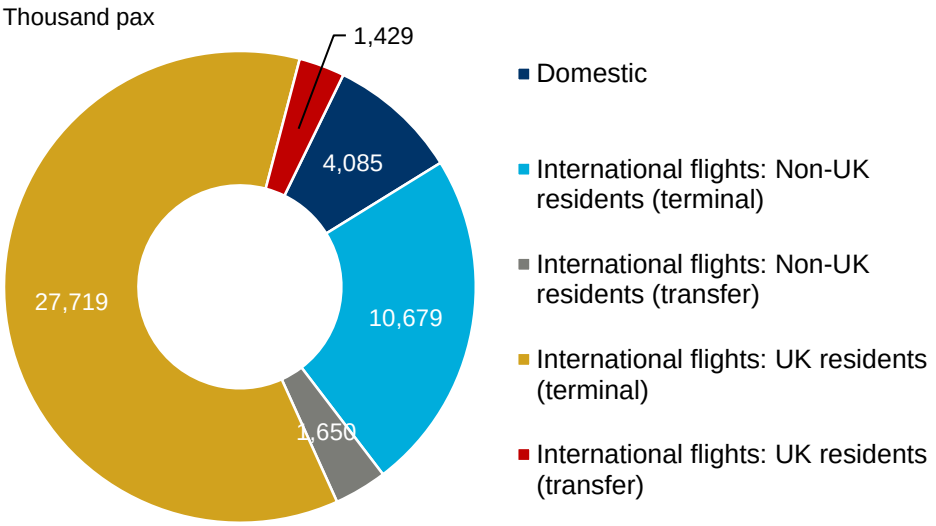
When measuring the economic impact of these visitors, we consider the expenditures they make while they are on their trips within the UK. This includes their spending on airfares, taxis and trains, hotel stays, restaurant meals, retail spending, visits to sporting/artistic events or cultural attractions, and so on.

Excluded from this impact assessment are any economic benefits arising from trade, investments or other deals struck by business visitors during their trips.

2. CHARACTERISTICS OF GATWICK VISITORS

Gatwick Airport handled 45.6 million passenger movements (pax) during 2017. This figure encompasses every arrival, departure and transfer that the Airport facilitated in that year, whether on domestic or international flights. The Civil Aviation Authority's (CAA) Departing Passenger Survey suggests that around 12.3 million of these pax were not UK residents. These arrivals, departures and transfers represent a substantial volume of overseas demand for UK aviation services, that is dependent upon Gatwick's infrastructure and facilities. The breakdown is illustrated in Fig. 1 below.

Fig. 1: Gatwick Airport's passenger movements by type, 2017 [2]



Source: CAA Passenger Survey, Oxford Economics

We estimate that this traffic represents around 5.5 million visits to the UK by overseas visitors in 2017.[3] These tourists contributed sizeable spending and economic value to the UK, forming the basis for the assessment in this study. We also take account of the estimated spending of some 585,000 overseas passengers who transited through Gatwick on the same day as their arrival.

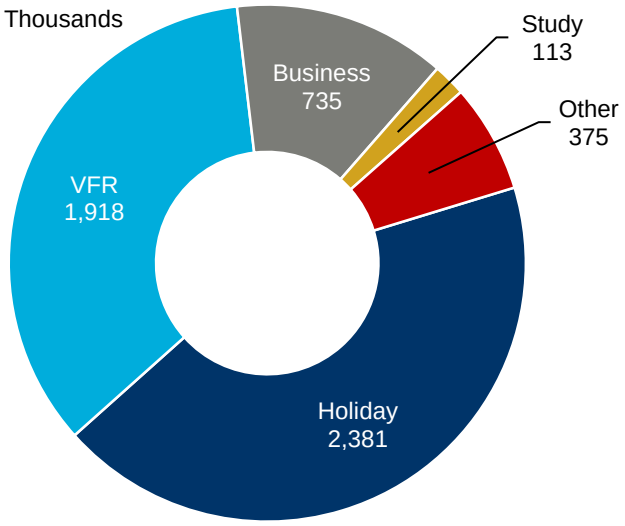
Overseas visitors that arrived in the UK through Gatwick tended to have travelled for leisure-related reasons. For around four-fifths of these arrivals (78 percent), their trip purpose was a holiday or to visit their friends and relatives (VFR). Business travellers represent a further 13 percent of the total, while another 2 percent were students. The remainder is accounted for by

[2] In this report, 'terminal' passengers refer to those for whom Gatwick was their port of ultimate origin or destination.

[3] This assumes that each journey to the UK by an overseas resident involves an inbound and outbound flight. The 'tourist' figure also encompasses overnight transit passengers.

visitors who arrived in the UK for other reasons, such as overnight transit, shopping, health, religious or other purposes.[4] The relative shares of different trip purposes are broken down in Fig. 2 below.

Fig. 2: Trip purposes for inbound tourists arriving in the UK via Gatwick, thousands, 2017



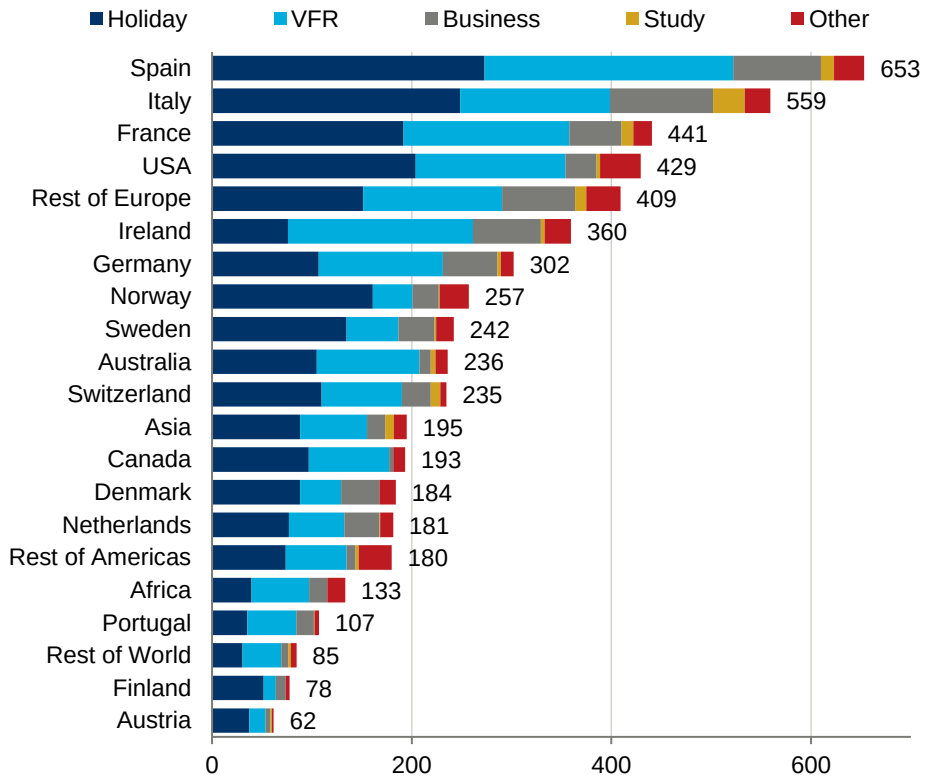
Source: CAA, ONS International Passenger Survey, Oxford Economics

The international visitors who arrived in the UK at Gatwick were predominantly residents of European nations. More than four-fifths (81 percent) of inbound visits in 2017 were by European passengers, with Spain, Italy and France alone accounting for almost one-third (30 percent) of the total.

European visitors to Gatwick include higher proportion of business travellers than those from outside Europe. While just 9 percent of non-European arrivals travel for business reasons, the equivalent figure for European nations is 14 percent. Around one-fifth of all arrivals from Denmark, the Netherlands, Ireland and Germany were travelling on business, while the equivalent figure for USA and Canada collectively was just 1 percent. A full breakdown of inbound visitors' purposes, by origin nation/region, is provided in Fig. 3 below.

[4] See Box 1 for more detail on definitions and trip purposes.

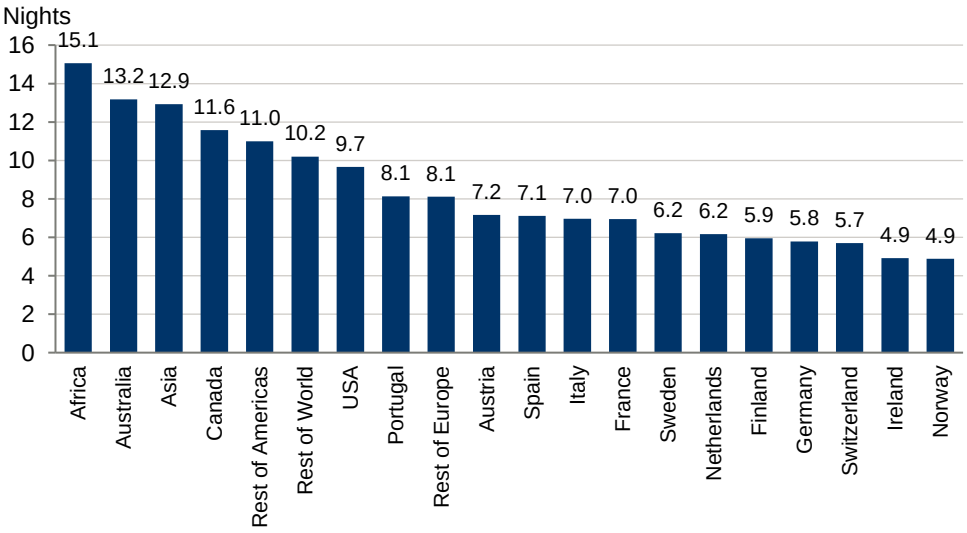
Fig. 3: Origins of inbound visitors and purpose of inbound visits via Gatwick Airport, thousands, 2017



Source: CAA, ONS, Oxford Economics

Once these overseas visitors arrived, there was a wide disparity in the durations of their stays in the UK. As one may expect, those who undertook journeys from more distant origins tended to remain in the UK for longer periods than those on short-haul trips.

Fig. 4: Average lengths of stay of inbound tourists via Gatwick, 2017

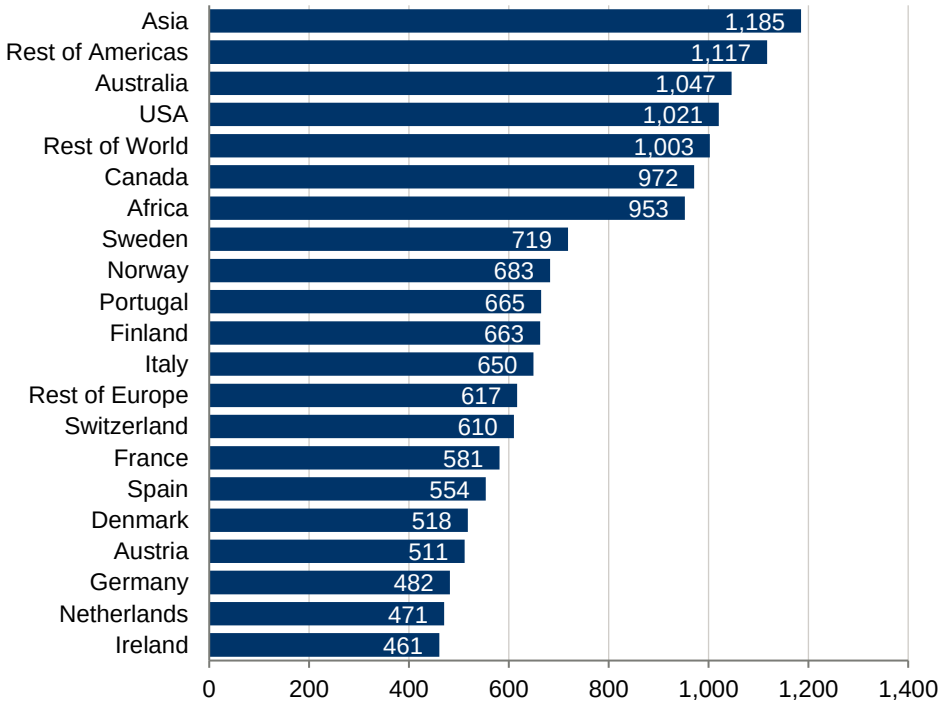


Source: CAA, ONS, Oxford Economics

In terms of trip purpose, the longest durations were seen among those who visit the UK for study. Students stayed in the UK for an average of 51.5 nights. VFR tourists took an average of 8.8 nights in the country, with holidaymakers tending to dwell for 5.7 nights. Business visits were the briefest, lasting an average of 4.5 nights.

These visits translate into substantial volumes of spending. Based on International Passenger Survey (IPS) data, we estimate that passengers who arrived in the UK via Gatwick in 2017 spent £3.9 billion in the country. This was accrued by sectors supplying all manner of goods and services: ranging from airlines, rail operators, taxis, retailers, hotels, restaurants, museums and heritage sites, artistic and cultural establishments, and so on. Fig. 5 below illustrates how this per-visit spending differed, according to the global origin of the visitor. The variations reflect the different trip durations that are taken, as well as varying rates of per-night spending.

Fig. 5: Average spend, per international visit to the UK via Gatwick, by origin, 2017 [5]



Source: CAA, ONS, Oxford Economics

On average, the typical visitor who arrived in the UK via Gatwick in 2017 spent an estimated £705 in the country over the course of their visit. But this figure also varies when disaggregated by trip purpose. Those tourists who were in the UK on holiday spent an average of £710; while those visiting friends and family contributed £535 worth of spending, on average. Business visitors engaged in around £750 of spending per trip. Finally, students—whose visits tend to be measured in terms of months rather than days or weeks—each spent around £3,400 in the UK.

[5] Note that these per-visit spending estimates include the cost of air fares, that accrue to UK-based airlines.

3. THE SPATIAL DISTRIBUTION OF GATWICK'S OVERSEAS VISITORS

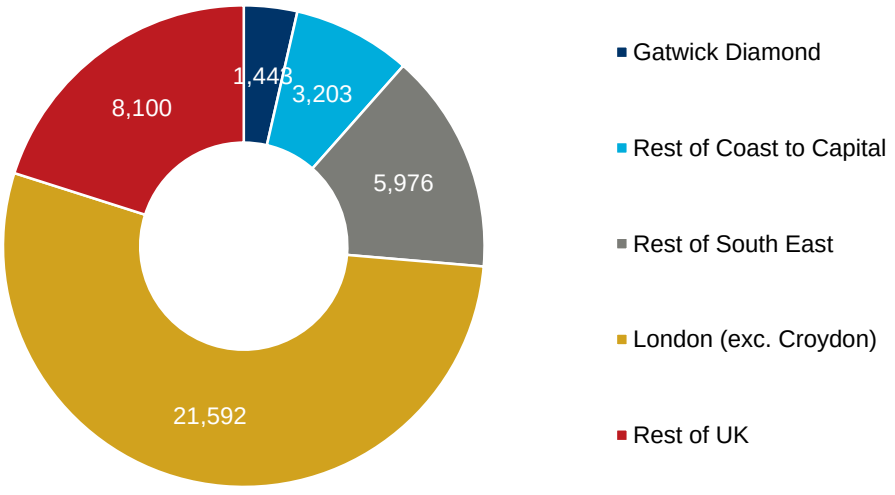
The volume of visits, overnight stays and spending, explored in the previous chapter, transmits a large economic stimulus throughout the UK. To understand how this activity affects different regional economies within the UK, we investigated the location choices that Gatwick's international visitors make, once they are in the country.

We developed a detailed mapping of the tourism activity taken by the inbound visitors arriving in the UK via Gatwick. This was achieved by segmenting inbound visitors by nationality and trip purpose, before using the IPS to identify all the towns and regions that such travellers typically visited. This involved recording all phases of complex, multi-stage trips, to develop estimates of how many nights were spent in each location, and how much money was spent there.

Gatwick's overseas visitors spent 40.3 million nights in the UK, on a variety of trip patterns that criss-crossed London, the South East, and further afield. Unsurprisingly, given its status as one of the world's foremost tourist attractions, London was the predominant destination for visitors who arrived via Gatwick. Over half (56 percent) of all overnight stays undertaken by such tourists were within London.

Fig. 6: Regional distribution of nights spent by overseas visitors who arrived in the UK via Gatwick, 2017 [6]

Thousand nights



Source: CAA, ONS, Oxford Economics

[6] In this section, "London" refers to the entirety of Greater London excepting Croydon, which is counted as part of the Coast to Capital LEP.

BOX 2: GEOGRAPHIES DISCUSSED IN THIS REPORT

When describing the trips and economic impact of Gatwick's visitors, this report follows the official definitions of UK regions, including London and the South East.

We also focus on the immediate regions surrounding Gatwick Airport. We provide results for the Coast to Capital, defined along the formal boundaries of the Local Enterprise Partnership. We also set out economic impacts in the 'Gatwick Diamond' area, that encompasses seven local authorities within the Coast to Capital LEP. These two areas are set out in Fig. 7 below.

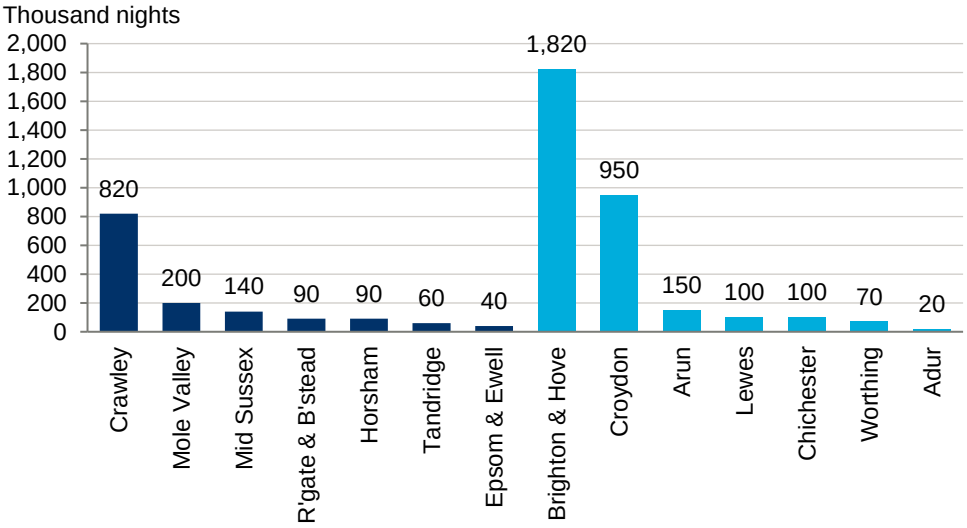
Fig. 7: Local authorities within the Gatwick Diamond, and Coast to Capital LEP



Around a quarter of all nights (9.7 million) were spent within the South East region. This includes around 4.6 million nights within the Coast to Capital LEP (12 percent of total), within which 1.4 million were spent within the Gatwick Diamond. The estimated distribution of these trips, in terms of local authorities, is shown in Fig. 8 below.[7]

[7] Many of these local authorities are identified in the International Passenger Survey in aggregated groups. Where this is the case, we have allocated out nights according to the relative sizes of the tourism economies in each local authority, as estimated by ONS.

Fig. 8: Overnight stays in Gatwick Diamond and Coast to Capital, 2017



Source: CAA, ONS, Oxford Economics

Fig. 9 plots these nights, as well as all other nights spent by Gatwick tourists, on a map of the wider South East region, including London. This illustrates the cities and towns where Gatwick's overseas visitors tended to gravitate and spend time. The most striking feature is the significance of central London, but also prominently featured are Crawley, Brighton and Hove, Eastbourne and Croydon. Areas such as Hastings, Dover and Reading also saw many overnight stays by visitors who entered the UK via Gatwick.[8]

[8] We note that these values are for nights, i.e. the locations of overnight accommodation. Therefore, visitors who stayed in (e.g.) Reading may have also undertaken day trips in the Chiltern Hills, but these excursions would not be captured in these data.

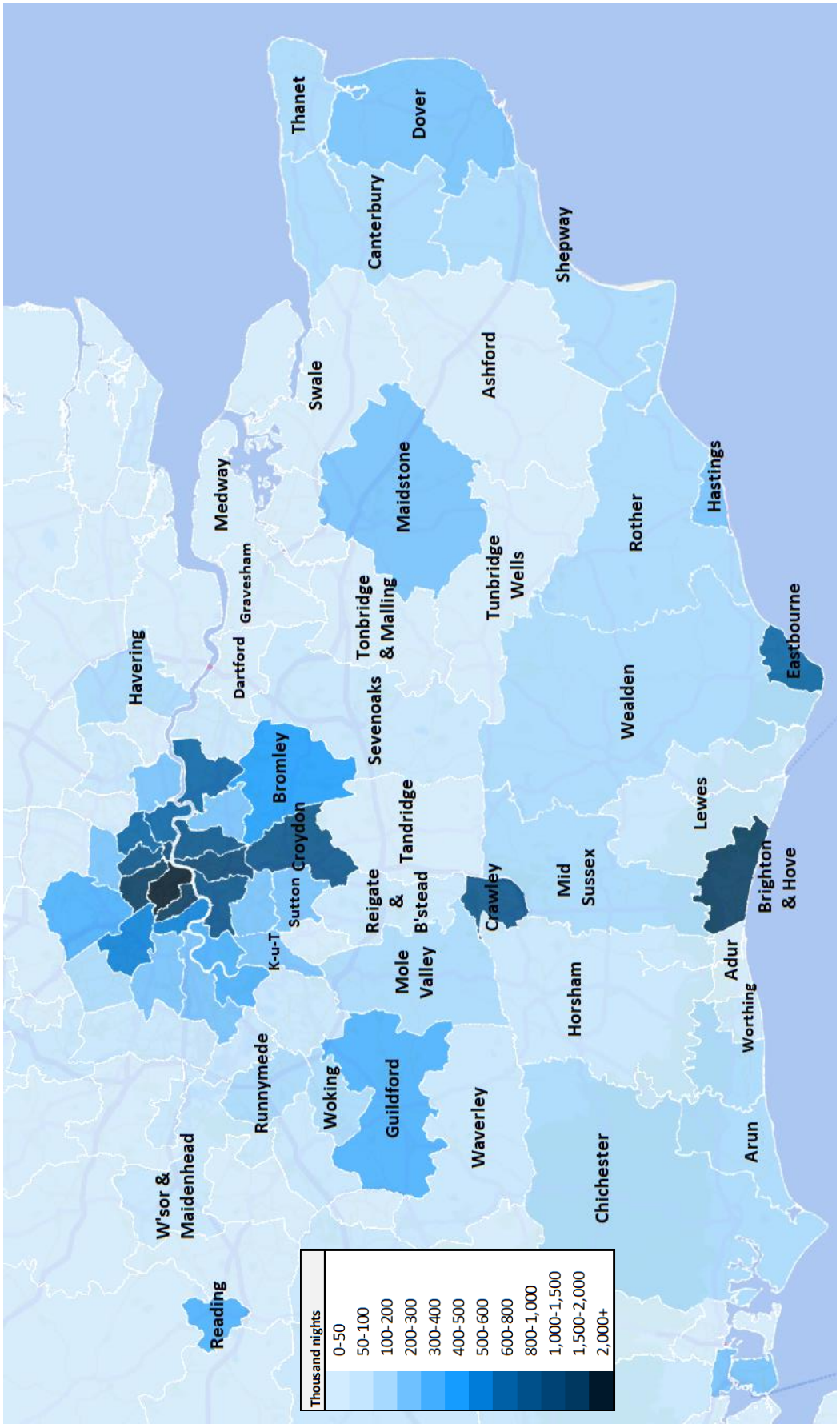
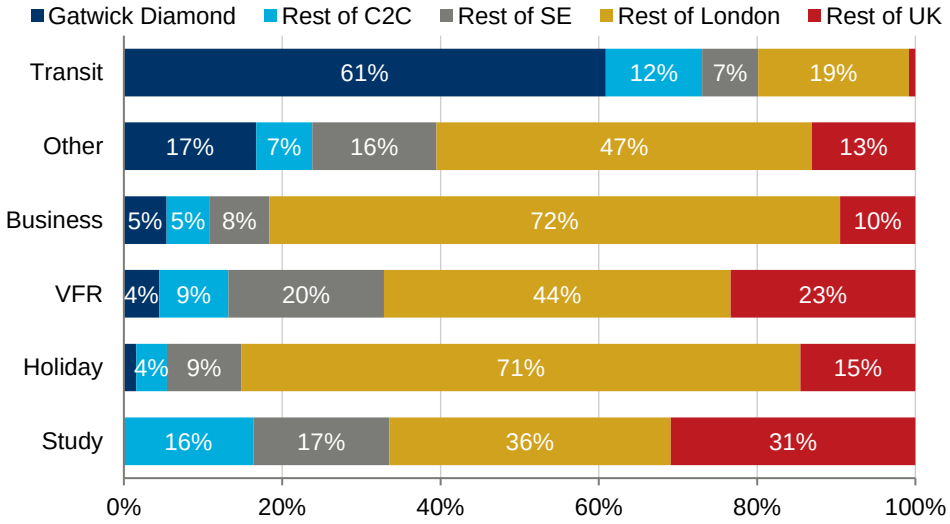


Fig. 9: Distribution of overnight stays by overseas Gatwick visitors, by local authority, 2017

While London was the predominant destination for inbound visits overall, there were notable variations between visitors of different types. Holidaymakers and business travellers were most likely to spend time in London; while students, VFR and 'other' tourists tended to spend relatively more time in the South East. Meanwhile, more than half of all overnight transfer visitors stayed within the Gatwick Diamond, reflecting the importance of ease of access to and from the Airport for these passengers. These differences are shown on Fig. 10 below.

Fig. 10: Distribution of nights stayed by overseas Gatwick visitors, by trip purpose, 2017



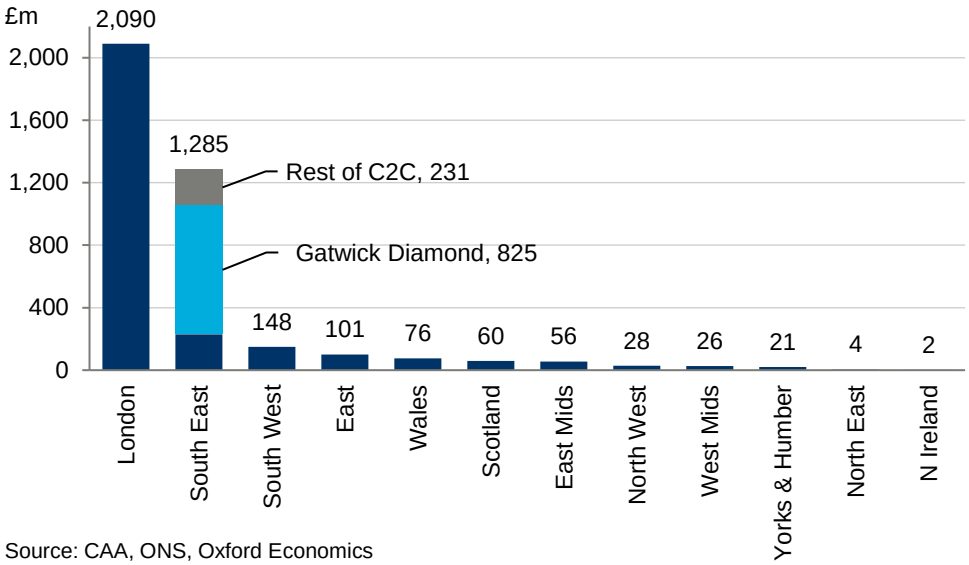
Source: CAA, ONS, Oxford Economics

% of nights

To assess the economic impact of this tourism activity, we allocated these visitors' spending totals across all the towns and cities that they visited.[9] Using evidence from the IPS, we comprehensively mapped this tourism spending, across each of the UK's nations and regions, as well as the Gatwick Diamond and the Coast to Capital LEP. This spending distribution is shown in Fig. 11.

[9] This spatial allocation assigns the visitors' spending on air fares to Gatwick Airport, as this is the point at which the air transport services are supplied and consumed. See Appendix 1 for more details on this assumption.

Fig. 11: Spending of Gatwick's overseas visitors in the UK's nations and regions, by region, 2017



Source: CAA, ONS, Oxford Economics

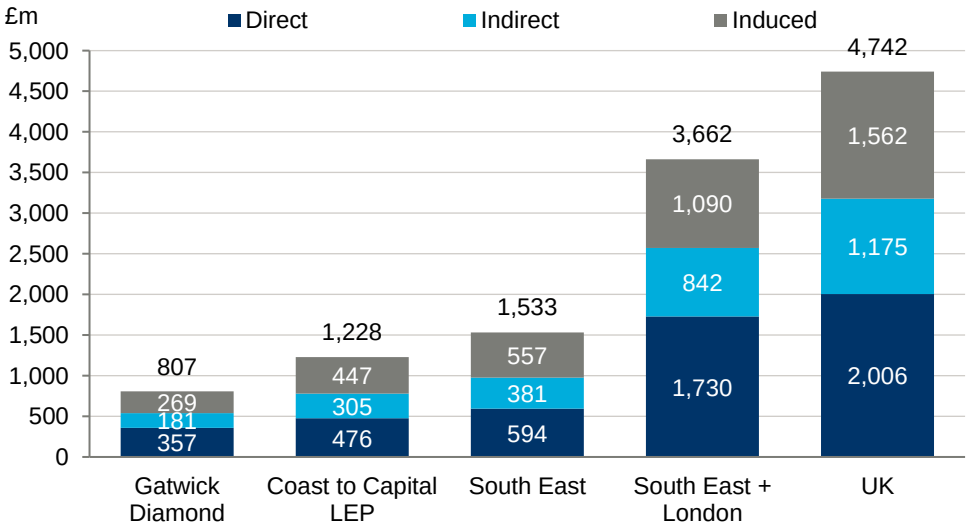
4. GATWICK'S IMPACT ON THE VISITOR ECONOMY

The overseas visitors who arrive in the UK through Gatwick contribute spending in all nations and regions of the UK. Following the spatial allocation of this spending, as set out in the previous chapter, we use our suite of input-output models to quantify its economic impact. This impact is evaluated within the following channels:

- The activity among the firms that directly serve overseas visitor demand, for example hotels and restaurants, airlines, other transport providers, and retail outlets (the direct impact);
- the activity of supplier businesses that provide inputs of goods and services to these tourist-facing firms (the indirect impact), and,
- the activity within consumer-facing sectors that accrue the wage-financed expenditure of workers in the visitor economy and their suppliers (the induced impact).

We estimate that the spending of overseas visitors who arrived in the UK via Gatwick Airport supported a £4.7 billion contribution to national GDP. Over three-quarters (77 percent) of this impact was felt in London and the South East, which collectively accounted for £3.7 billion of the total GDP contribution. We also estimate that around a quarter (26 percent) of the national total, equivalent to £1.2 billion, was generated within the Coast to Capital LEP. The Gatwick Diamond itself saw £807 million of value-added as a result of the spending of visitors that enter the country through the Airport. Fig. 12 below sets out the regional distribution of this GDP contribution.

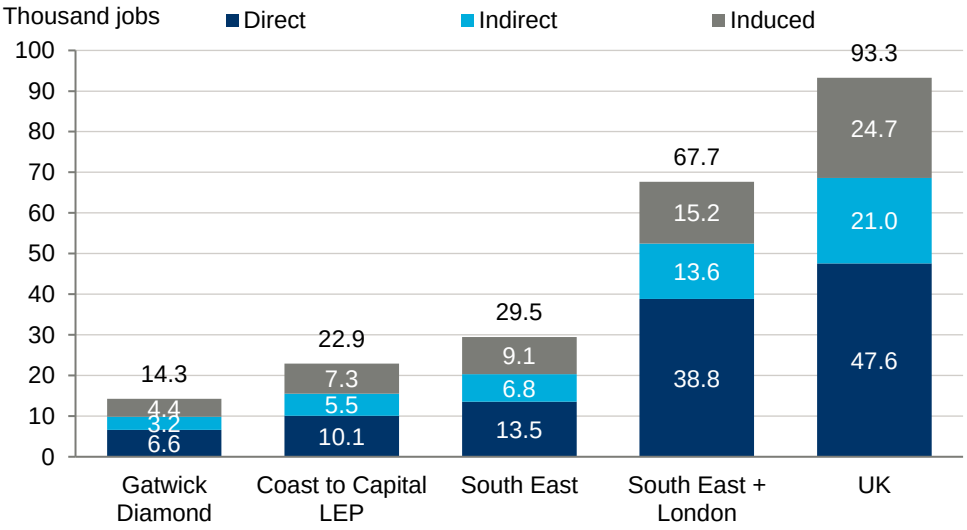
Fig. 12: GVA impact of Gatwick's overseas visitors, by geography, 2017



Source: CAA, ONS, Oxford Economics

This volume and distribution of spending supported an estimated 93,300 jobs across the UK economy. Over half (51 percent) of these jobs were supported within tourism-facing industries, that directly provide goods and services to meet the demand of overseas visitors that travel via Gatwick Airport. Around one-quarter of this total jobs impact was felt in the Coast to Capital LEP, with the equivalent figure for the Gatwick Diamond reaching 15 percent.

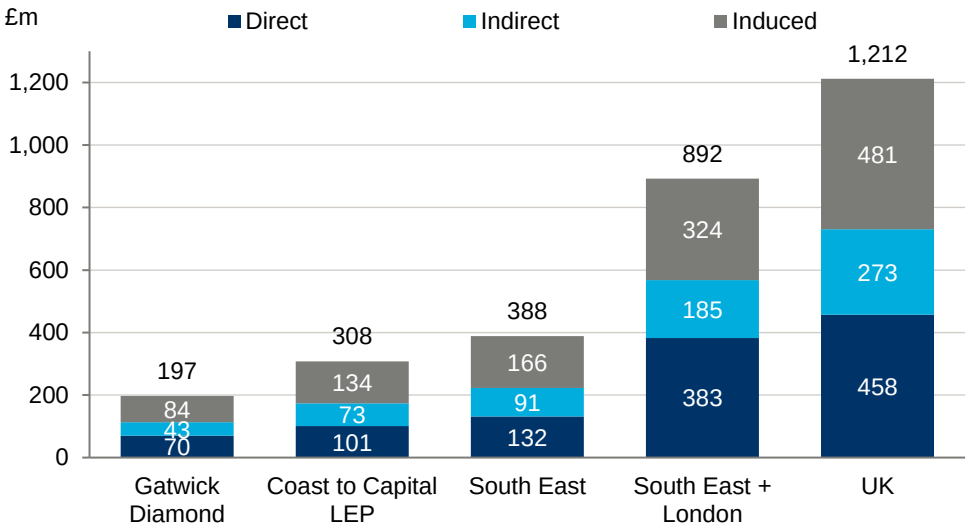
Fig. 13: Employment impact of Gatwick's overseas visitors, by geography, 2017



Source: CAA, ONS, Oxford Economics

The transactions, employment and profits that are sustained by this visitor spending also give rise to significant tax revenues. Our modelling suggests that across the UK economy, these revenues reached £1.2 billion during 2017. Almost half (48 percent) of this figure was made up of labour taxes such as income tax, employers' and employees National Insurance Contributions (NICs). Activity within the Gatwick Diamond supported an estimated £197 million of this tax contribution.

Fig. 14: Tax impact of Gatwick's overseas visitors, by geography, 2017



Source: CAA, ONS, Oxford Economics

BOX 3: ESTIMATED IMPACT OF A FURTHER 100,000 VISITOR ARRIVALS FROM ASIA

One avenue through which Gatwick's visitor economy impact could increase is through continued growth in its international passenger arrivals. Due to long average visit durations and high average spend per visit (see Fig. 4 and Fig. 5), a rise in overseas visits from Asia would have a particularly pronounced impact.

Using the typical characteristics of Asian visitors from the IPS (encompassing China, Hong Kong, Japan, South Korea, Macau, Mongolia and Taiwan), we estimate how much additional economic activity could be supported by a further 100,000 arrivals from the region. These results are set out in Fig. 15 below.

Fig. 15: Estimated additional economic impact of a further 100,000 visitor arrivals to Gatwick from Asia in 2017

GVA (£m)	Direct	Indirect	Induced	Total
Gatwick Diamond	8.5	5.0	7.5	21.0
Coast to Capital LEP	9.3	8.3	12.0	29.6
South East	24.5	14.3	21.4	60.2
UK	83.1	47.2	65.3	195.6

Employment (jobs)	Direct	Indirect	Induced	Total
Gatwick Diamond	160	80	110	350
Coast to Capital LEP	180	140	170	490
South East	610	250	320	1,180
UK	2,100	860	1,030	3,990

Source: CAA, ONS, Oxford Economics

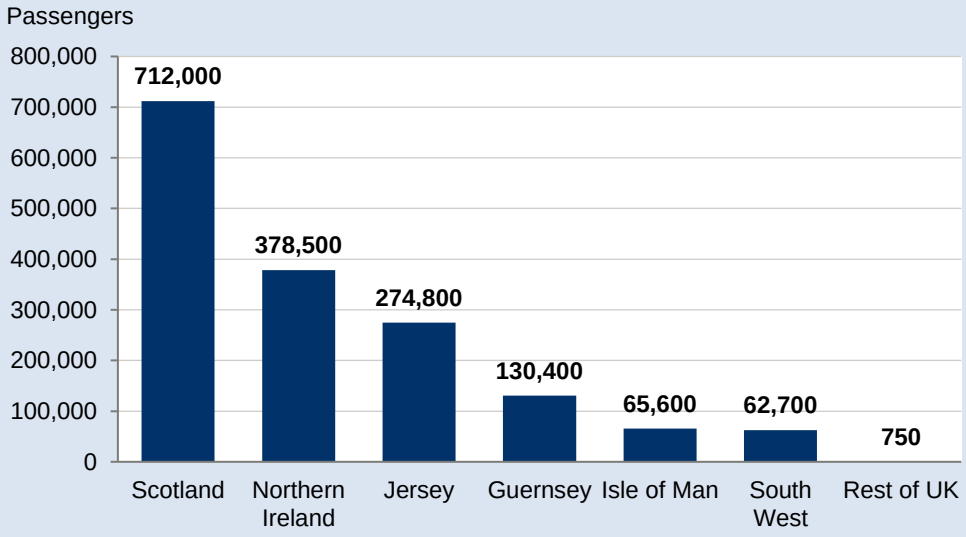
5. DOMESTIC VISITORS TO GATWICK AIRPORT

This report is primarily focussed on the economic contribution enabled by the millions of overseas visitors who enter the UK through Gatwick Airport's terminals. However, it should be noted that the visitor economy of London and the South East also benefits from many domestic tourists, who fly to the region from other parts of the UK via Gatwick.

In this chapter, we assess the economic importance of these domestic visitors to the region. This is informed by CAA data recording the numbers of terminating passengers who arrive at Gatwick on domestic flights, as well as VisitBritain data on the typical spending behaviour of domestic visitors, and the IPS.[10] To understand the spatial distribution of their trips within the region, we assume that their travel activity extends across London and the South East, along the same lines as the trips undertaken by overseas visitors.[11]

Almost all the 1.6 million domestic visitors to Gatwick in 2017 arrived at the airport on flights that originated in Scotland, Northern Ireland, the Channel Islands and Isle of Man. Fewer than five percent of domestic terminal passengers at Gatwick arrived there on services from outside of these regions. The origins of these domestic visitors are shown in Fig. 16 below.

Fig. 16: Regions of origin for terminating domestic passengers at Gatwick Airport, 2017



Source: CAA, Oxford Economics

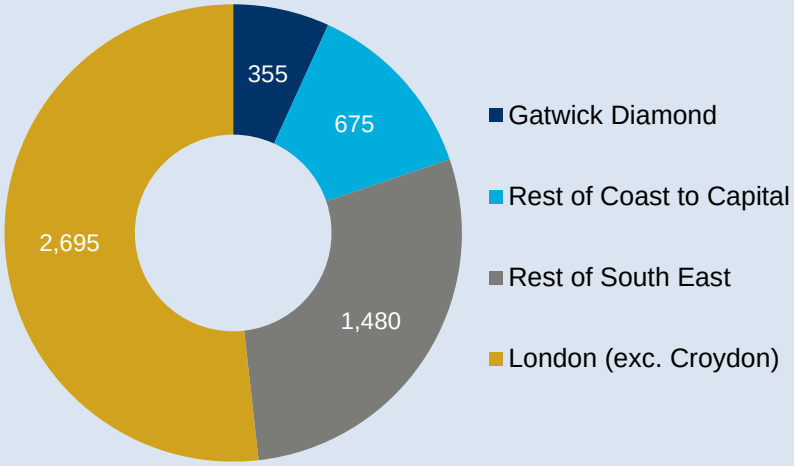
[10] We use IPS information for non-UK residents: CAA data reveal that around 12 percent of terminating visitors on domestic flights at Gatwick are not UK residents.

[11] This assumption is made because we do not have detailed trip data for domestic visitors that is as granular as the IPS' intelligence on the trips taken by overseas visitors. We exclude areas outside of London and the South East.

Our modelling suggests that most (52 percent) of these nights are spent in London (excluding Croydon). The remainder are spread throughout the South East, including many in the Gatwick Diamond and the rest of the Coast to Capital LEP.

Fig. 17: Overnight stays by Gatwick's domestic visitors, 2017

Thousand nights

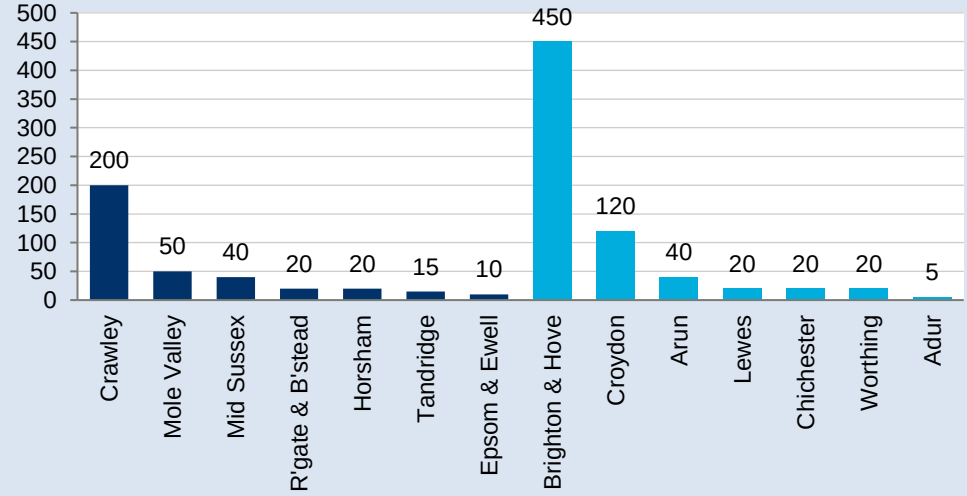


Source: CAA, ONS, Oxford Economics

We estimate that domestic visitors contributed around one million overnight stays to the visitor economy of the Coast to Capital LEP during 2017. Brighton & Hove and Croydon alone accounted for more than half (55 percent) of these nights, while the Gatwick Diamond overall saw one-third of the total, equivalent to around 360,000 overnight stays. The distribution of these nights is set out in Fig. 18.

Fig. 18: Overnight stays in Gatwick Diamond and Coast to Capital, by Gatwick's domestic visitors, 2017

Thousand nights

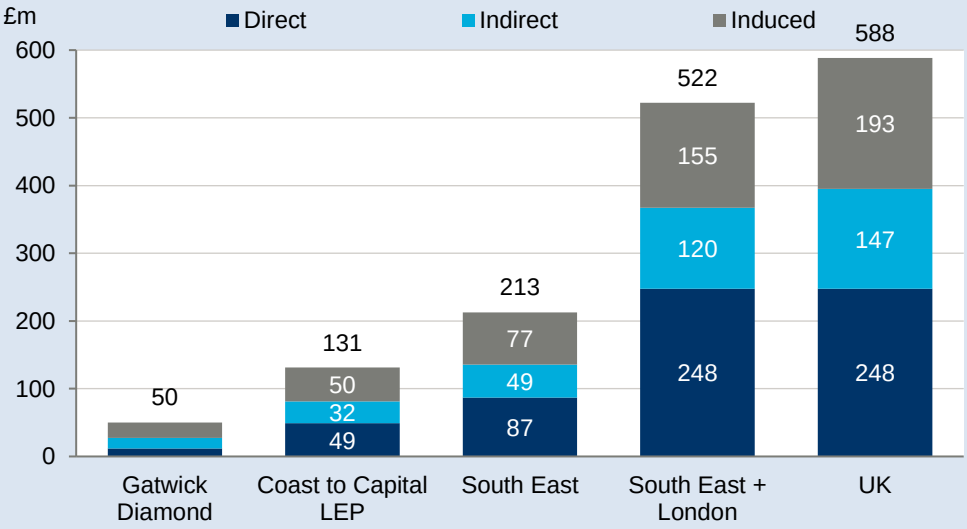


Source: CAA, ONS, Oxford Economics

These domestic visitors contributed some £489 million in spending to the visitor economies of London and the South East. The majority of this was estimated to have fallen within London, while around £93 million was spent within the Coast to Capital LEP.

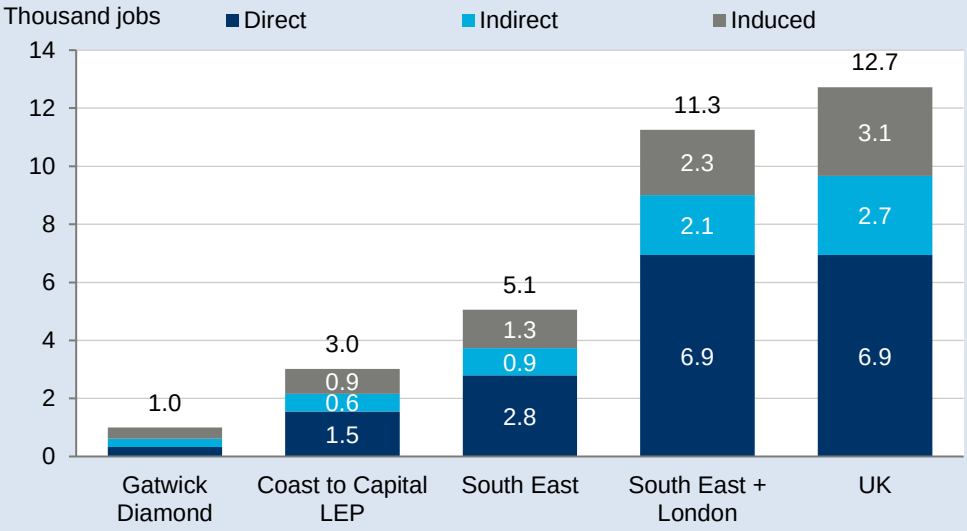
This spending generated further economic contributions in the visitor economy, both directly and through its supply-chain and consumption multiplier effects. Our modelling suggests that across the UK, an additional £588 million in GDP was supported due to the tourism activity of Gatwick's domestic visitors. Around £213 million was generated within the South East, of which £131 million was within the Coast to Capital. Further, the UK economy saw another 12,700 jobs supported by Gatwick's domestic visitors. An estimated 5,100 of these were within the South East, including 3,000 in the Coast to Capital LEP. The spatial distribution of these impacts are outlined in Fig. 19 and Fig. 20 below.

Fig. 19: GVA impact of Gatwick's domestic visitors, 2017



Source: CAA, ONS, Oxford Economics

Fig. 20: Employment impact of Gatwick's domestic visitors, 2017



Source: CAA, ONS, Oxford Economics

6. CONCLUSION

By providing crucial aviation infrastructure to the South East and London, Gatwick Airport facilitates a wide-ranging economic impact. Beyond its own activities and those of businesses operating on the Airport's campus, Gatwick provides an important conduit through which millions of visits to the UK are undertaken.

In 2017, some 5.5 million trips to the UK by overseas residents began with a journey through Gatwick's terminals. These visitors, hailing from all over the world and travelling for a variety of reasons, then undertook extensive travel within the UK. While many such inbound trips were focussed mainly on the London area, almost half of all overnight stays by Gatwick's overseas visitors were outside of the capital itself. Millions of overnight stays were distributed across the regions and nations of the UK.

In total, Gatwick's overseas visitors added £3.9 billion in spending to the UK, providing a sizeable demand stimulus for the nation's tourism industries. This spending was accrued by hotels, restaurants, retailers, airlines, taxis, rail operators and various other tourist-facing segments of the UK economy.

Our modelling suggests this spending supported some £4.7 billion in GDP and 93,300 jobs across the nation, when considering its supply-chain and wage-consumption multiplier effects. Additionally, the activities of overseas visitors who arrived via Gatwick generated over £1.2 billion for the Exchequer in 2017 – sufficient to cover the gross annual salaries of 46,000 nurses, or 36,000 teachers.

The Gatwick Diamond itself hosted overseas visitors who arrived via the Airport for an estimated 1.4 million nights in 2017. These overseas visitors brought around £825 million in spending to the area, which in turn helped to support 14,300 jobs within the Diamond. Due to the multiplier effects of this activity these jobs cut across all sectors, supporting local employment in a wide range of contexts from retail to construction, manufacturing and professional services.

Moreover, the domestic visitors who arrive at the Airport to commence trips in London and the South East add further economic value to the regional visitor economy. During 2017, some £489 million in tourism spending was attributable to such visitors, stimulating activity that supported 12,700 jobs and an estimated £588 million of UK GDP.

The analysis in this report contributes to the understanding of how Gatwick Airport's facilities and services contribute economic value to the region, and to the wider UK. And in addition to this inbound impact, there is also a corresponding outbound impact: UK residents from all over the country travel to Gatwick Airport to embark on international trips, contributing spending as they do so, and generating further economic value. While this report focusses on the economic impact of international visits to the UK, it is also important to acknowledge this additional dimension to Gatwick's tourism impact.

7. APPENDIX 1: METHODOLOGY

The study comprised of three broad strands of analysis, that broadly mirror three chapters of this report:

- Measuring the volume, characteristics and spending of inbound (non-UK resident) tourists arriving at Gatwick Airport;
- Understanding their trip behaviour in spatial terms, including locations visited, durations spent there and money spent; and
- Quantifying the economic impact of this spending.

This methodology describes each in turn.

THE VOLUME & SPENDING OF INTERNATIONAL TOURISTS

To estimate the number of international tourists arriving at Gatwick Airport in 2017, we began with monthly traffic figures published by Gatwick Airport. These track the number of passenger movements (pax) at the Airport during each month for 2017. Domestic flights were excluded, to ensure that only international tourists were considered.

To identify the number of inbound (non-UK resident) tourists, we drew on the Civil Aviation Authority (CAA)'s survey of aviation passengers from 2014 to 2016. This collects information on the number of passengers travelling through Gatwick Airport by various metrics, including country of residence. The proportion of inbound tourists among total international passengers was estimated using this residency identifier, which is not necessarily the same as the passenger's nationality or the foreign origin/destination of the flight. To control for potential volatility in the data, we used average proportions over the three years 2014-16 to reach our number of inbound international passengers. To reach an estimate of inbound tourists specifically, we assumed a 50:50 split between arrivals and departures.

We then classified international passengers by the purpose of their trip, using proportions from the Office for National Statistics' (ONS) International Passenger Survey (IPS), 2016 edition. This enabled us to estimate the extent of tourists: defined by ONS as visitors who stayed for less than one year, encompassing holidaymakers, those visiting friends or relatives, travelling on business, studying, those travelling for miscellaneous other reasons, and those passing through on an overnight transit. Visitors who are in the UK for more than a year, and those travelling for specific excluded trip purposes (e.g., military and embassy personnel, those arriving for a guaranteed job, or airline personnel on duty) are not classified as tourists, and are excluded from the estimates in this report.

In line with the UK's official tourism statistics, passengers who transferred flights on the same day were not counted in the number of visits to the UK, but their spending is measured, and forms a part of the economic impact assessment.

We also extracted from the IPS data on the number of nights that inbound Gatwick passengers spend in the UK, and how much money they spend on their trips. These data are disaggregated by nation of residence and by trip purpose.

Since the latest full IPS version pertains to 2016, our modelling of tourists' expenditures involved uprating to 2017 estimates. This used annual growth in spend per inbound visit, drawn from ONS' more timely Travel and Tourism bulletins. Air fares expenditures were inflated to 2017 prices using annual growth in the Consumer Prices Index (CPI) sub-index for passenger air transport services.

THE SPATIAL DISTRIBUTION OF INBOUND TRIPS

The next phase of the research involved understanding how inbound Gatwick tourists' impact was spread out across the UK's nations and regions, and the Gatwick Diamond and Coast to Capital LEP.

The primary data source for this information was the IPS. This provides information on the numbers of visits to different locations, what locations these were, and the nights that were spent there. The survey includes a breakdown of passengers' spending within each town, if the respondent visited multiple towns during their stay. We accessed these data for all tourists who entered the UK via Gatwick, disaggregated by country of residence and trip purpose.

Data on nights and spend were used to estimate an average per-night spend in each region (split by passengers' trip purposes, and country of residence). These were combined with the estimates of overnight stays, to calculate total spending in each of the UK's nations and regions, and within the Gatwick Diamond and Coast to Capital LEP, by tourists who stay for at least one night. The IPS also collects information on air fares expenditure and records it separately. In spatial terms, we attribute this air fares expenditure to the Gatwick Diamond.

This allocation is chosen (rather than the location of the airlines' registered headquarters) because Gatwick Airport is the point at which the air transport service is provided. In ideal terms, all economic activity should be spatially allocated to the site at which the value is generated. However, due to the administrative difficulties in collecting all the data necessary to make such granular allocations, in practice statistical offices often assign economic activity to the headquarters of the supplying firm. In this study, such a simplifying assumption was not necessary.

For tourists who visited the UK but did not stay even one night (either to transfer flights, or for any of the other trip purposes discussed above), the IPS does not record any of the locations they may have visited. However, it does provide spending figures. The spending of same-day tourists was therefore allocated to either London or the South East (and the Gatwick Diamond and Coast to Capital LEP), using the breakdowns estimated for similar 'overnight' tourists (i.e. those that stay for one night or more). For example, the relative frequency of visits to London and the South East by overnight business visitors was applied to same-day business visitors.

THE ECONOMIC IMPACT OF INBOUND TOURISM SPENDING

The final step was to convert the regionally-disaggregated tourism spend into GDP, employment and tax impacts.

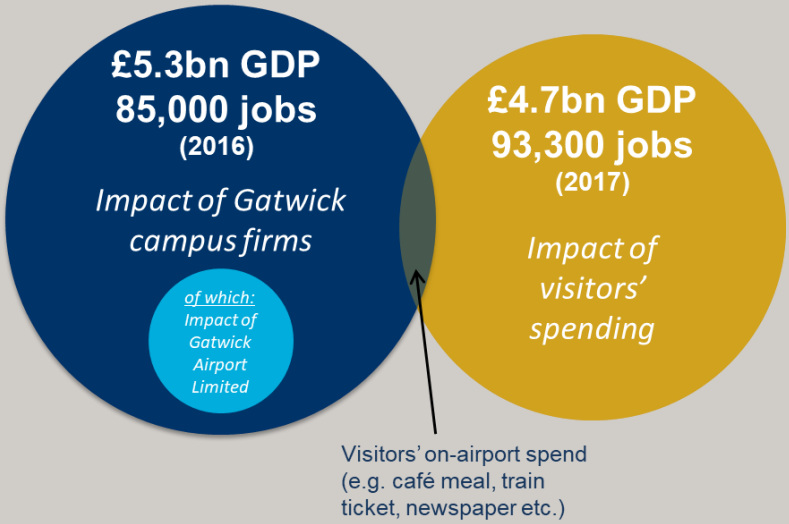
This began with an allocation of total tourism spending to specific tourism-related products, such as hotels, restaurants, transport, cultural attractions etc. The distribution of spending across all tourism products was sourced from the ONS' latest Tourism Satellite Accounts, pertaining to 2015. These products were then linked to the industries that provide them, consistent with the industrial categories within Oxford Economics' suite of input-output (I-O) models for the UK.

These models contain regional modules, that describe the economies of the UK's constituent nations and regions. It also estimates the interrelationships between them, based on the technical requirements of each industry (i.e. the products that it requires to produce its output), the productive capacity of each industry in each geography, and the distances between each region. We also utilise a bespoke extension of this modelling suite, developed during prior analysis for Gatwick Airport Limited, to extend this impact modelling to the Gatwick Diamond and the Coast to Capital LEP.

RELATIONSHIP BETWEEN GATWICK'S CORE IMPACT AND ITS VISITOR ECONOMY IMPACT

Our prior analysis for Gatwick Airport focussed on the so-called 'core' impact of the businesses based on the Gatwick campus.[12] The research found a £5.3 billion contribution to UK GDP in 2016, along with an employment impact of 85,000 jobs. These findings describe the economic impact of the firms on the Gatwick site, along with their supply chain and wage-consumption multiplier effects.

Fig. 21: Illustration of relationship between Gatwick's own impact, and its facilitated impact on the visitor economy



By contrast, this report assesses the impact of visitors who travel via Gatwick. Rather than the activities of Gatwick firms, this assessment tracks its visitors' tourism activity throughout the UK, and the economic impact of their spending. This is largely distinct from the prior estimate, but there is a slight overlap, as illustrated in Fig. 21 above. Where inbound visitors spend money with businesses on the Gatwick campus, this amount would be a part of both estimates.

[12] This encompassed Gatwick Airport Limited, airlines, handling agents, cargo and freight operators, retailers, restaurants and caterers, hotels, Government services, building and maintenance contractors, etc.

8. APPENDIX 2: NOTES ON REVISIONS

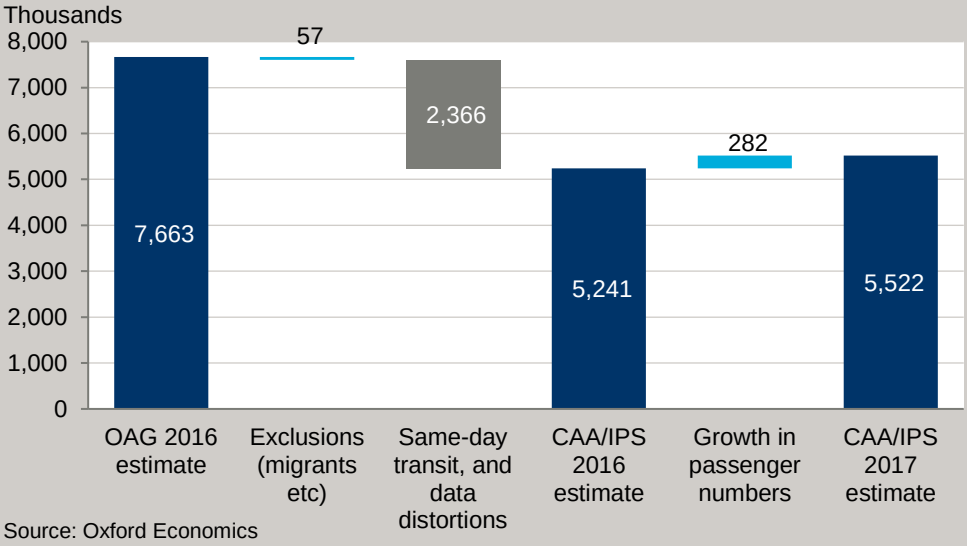
DECOMPOSITION OF REVISED ESTIMATES

In 2016, Oxford Economics undertook an economic impact assessment of Gatwick Airport. As a part of this study, we estimated the impact of inbound tourism through Gatwick on the UK. The estimates from that report differ to the findings of this more extensive study of the impact of inbound tourism due to growth in passenger numbers, a refined methodology, and a move to more robust data sources.

The change in economic impact is largely a result of an updated estimate of the number of international visitors. In our 2016 study, we reported a figure of 7.7 million, which is higher than the 5.5 million estimated in this assessment for 2017. The tourism element of the 2016 study produced an estimated contribution to UK GDP of around £6.1 billion.

This difference is a result of a more refined definition of international visitors, discussed in Box 1, and a move to new data sources. The difference between the number of visitors reported in the two studies is shown in Fig. 22 below.

Fig. 22: Illustration of differences between 2016 and 2017 estimates



Source: Oxford Economics

Some 57,000 of the change in passenger numbers reflects passengers who are now excluded from the visitor numbers, in line with the official definition of 'tourist'. These are migrants, military or diplomatic personnel, merchant seamen, airline personnel, persons moving to pre-arranged employment.

A further 2.4 million of the change in passenger numbers reflects:

- the change in data source from OAG to CAA/IPS, as explained below; and
- the exclusion of passengers who arrived at Gatwick on a same-day transit trip, who had separate tickets booked for the subsequent leg of their journey (OAG does allow the identification of passengers whose transit was arranged in the same booking, and these passengers were already excluded).

Using available data, it is not possible from to disaggregate the relative size or importance of these two sources of change, although we suspect the first factor to be the more significant.

MOTIVATION FOR CHANGE IN DATA SOURCE

In Oxford Economics' 2016 economic impact assessment, the primary source of data was OAG's Traffic Analyser. This is a global dataset collates bookings, schedules and fares data submitted by airlines around the world. It was therefore used as a measure of passengers flying into Gatwick Airport. The key identifier in this dataset used to quantify tourist visitors was Point of Sale (POS), which details the country from which each ticket booking is made (often distinct from either the origin or destination country of the flight). We used this as a proxy for the passengers' country of residence in our first report.

However, we now believe that POS is a less than ideal proxy for passengers' countries of residence. For one, passengers may have purchased their tickets to return home, whilst already abroad on their trips. Additionally, POS data is subject to distortions from online booking procedures where passengers use techniques to 'appear' in other markets, for the purposes of obtaining cheaper flights. These distortions would have boosted the apparent proportion of non-UK residents, to an unknown extent.

For this assessment, this study draws on data from the CAA Passenger Survey, to identify international passengers. In this dataset, international passengers are reported according to their reported country of usual residence. Based on some 200,000 surveys every year, we believe that this provides a more robust estimate of the proportion of international visitors within the passengers arriving at Gatwick.

We also used breakdowns of passengers by trip purpose, calculated using equivalent data in the IPS. The IPS allows us to remove passengers who are excluded from the official definition of tourists (as discussed above), as well as same-day transit passengers. Details on the information included in each of the three data sources in summarised in the table below.

Information	OAG	IPS	CAA
Destination airport	✓	✓	✓
Origin airport	✓	✓	✓
Country of residence	✗	✓	✓
Point of sale	✓	✗	✗
Purpose of trip	✗	✓	✓
Length of trip	✗	✓	✓



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