

Wider Economic Impacts of Regional Air Connectivity Regional Connectivity Research Programme

Background

As part of the aviation strategy the government is assessing the connectivity available to the UK's nations and regions, and how targeted interventions could be used to improve this.

There are a wide range of claimed benefits of regional connectivity, including those felt directly by users as well as spillover effects into the wider economy. This research aims to clarify the extent and validity of these benefits in a regional air connectivity context, and whether certain interventions may release these benefits to a greater or lesser extent. An updated and sufficiently robust methodology could then be used for the identification and appraisal of levers to encourage greater regional air connectivity.

Scope

We would like a note to provide answers to two key questions:

- 1) How relevant are wider economic impacts in the appraisal of government support for regional air connectivity?
- 2) Do these impacts vary by the type of government support?

This note will be restricted to market-based tools to influence regional connectivity outcomes, identifying the specific market failures that affect the UK aviation market and how government intervention can mitigate these. This would discount regulatory measures such as slot restrictions at constrained airports. Measures could include (but should not be limited to): public service obligations (PSOs)¹, reductions in air passenger duty (APD), regional airport start-up aid and air discount schemes².

It is expected that this note will focus on the identification of 'wider economic impacts' of regional connectivity, be that the benefits already included in WebTAG (employment, productivity and induced investment impacts) or otherwise³. Scheme promoters often make reference to wider 'strategic benefits' of regional connectivity schemes such as trade, FDI and tourism – we are particularly interested in whether existing appraisal methods employed by DfT adequately capture these benefits, and to what extent targeted policies could influence these. The approach to identifying these impacts could be either qualitative or quantitative in nature.

Output

The required output will be in the form of a short note, no more than 10 pages in length, answering the questions set out above. The supplier will be required to share a draft of the note with DfT upon completion, for any clarification questions prior to sign-off.

¹ Subsidised air routes to less connected regions, which are vital to their economic and social development.

² Air fare discounts for residents of less connected communities to facilitate accessibility and social inclusion

³ Pre-existing literature exists on the quantification of WEIs for aviation, such as that commissioned by the Airports Commission
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/439681/economy-wider-economic-impacts-assessment.pdf

Annex A – Bid Matrix

QUESTIONNAIRE 1 – QUALITY				Weighting – 70%	
All Potential Providers MUST answer ALL the following questions					
Question Number	Question	Minimum Acceptable Score	Maximum Available Score	Weighting [X]%	
1.	Please detail your proposal for undertaking the Authority's requirements in investigating the wider economic impacts of regional connectivity schemes.	50	100	50%	
2.	Please detail how your experience made you suitable a suitable candidate to undertake this work.	50	100	50%	

Response Guidance

Your response should include the following:

- Your approach to answering each of the key questions outlined in the 'scope' section, through identification of theoretical mechanisms behind transport market failures and how regional air connectivity schemes can (or cannot) act to address these
- Your past experience researching this field (research papers, notes workshops etc), and how this is applicable to the project in question.

Please submit 1 attachment for these questions with a total page limit of 1 side of A4.

QUESTIONNAIRE 2 – PRICE		Weighting – 30%	
GUIDANCE	Potential Providers must upload the price schedule at the question level on the e-Sourcing event. Prices should be submitted in pounds Sterling inclusive of any expenses but exclusive of VAT. Potential Providers will be marked in accordance with the marking scheme in Annex B.		
Question Number	Question	Max Score	
3.	Please confirm, by selecting 'YES' that you have or attached a completed Price Schedule to the response to this question. In so doing, you are also confirming that prices offered are inclusive of any expenses, exclusive of	100	

	VAT and firm for a period of 90 days following the Deadline for Submission.	
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Annex B – Price Evaluation Process

Prices submitted by Potential Providers' in the Price Schedule will be recorded and evaluated in accordance with the following process.

Potential Providers' are required to provide a completed pricing schedule against the 'Price' Questionnaire within the e-Sourcing event.

Prices offered will be evaluated against the range of prices submitted by all Potential Providers for that item.

The Potential Provider with the lowest price for the requirement shall be awarded the Maximum Score Available. The remaining Potential Providers shall be awarded a percentage of the Maximum Score Available equal to their price, relative to the lowest price submitted.

The calculation used is the following:

$$\frac{\text{Lowest Price Tendered}}{\text{Tender price}} \times \text{Maximum Score Available}$$

Potential Provider	Price Submitted	Score Calculation	Maximum Score Available	Score Awarded
Potential Provider A	£1,000	$\frac{£1,000}{£1,000} \times 100$	100	100
Potential Provider B	£2,000	$\frac{£1,000}{£2,000} \times 100$	100	50
Potential Provider C	£2,500	$\frac{£1,000}{£2,500} \times 100$	100	40

The Quality Score will be added to the Price Score to determine the final score for each Potential Provider ("Final Score").

Annex C – Procurement Timetable

Description	Date
Publication of the ITT	13/06/2018
Clarification Period starts	20/06/2018
Clarification Period closes	25/06/2018
Deadline for a response to the clarification questions	29/06/2018
Deadline for submission of a Tender	02/07/2018
Bid Evaluation Period	04/07/2018
Notification of intent to award to suppliers	09/07/2018
Standstill Period Begins	09/07/2018
Standstill Period Ends	19/07/2018
Anticipated Award Date of Contract	20/07/2018
Anticipated completion of report	28/09/2018