

## **17 Socio-Economics**

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## 17 Socio-Economics

### 17.1 *Introduction*

This chapter provides an assessment of the key socio-economic impacts of Eastside. Additionally, the chapter presents a brief summary of other current developments of beach and coast protection works at Catalan Bay and the Both Worlds development at Sandy Bay.

### 17.2 *Approach*

Good practice set out in the United Kingdom (UK) and wider international guidance (including Her Majesty's Treasury's Green Book, OffPAT's<sup>1</sup> Single Programme Appraisal Guidance, DCLG's<sup>2</sup> three R's Guidance and European Union's (EU) guidance on independent economic appraisals) highlight the added value in undertaking a balanced approach to impact assessments of development for informed decision making. In particular, national and international guidance emphasise the significance of appraising both quantitative and qualitative impacts of the development in order to assess the value of a development to the local economy and society.

Quantitative impacts are tangible outputs of a development such as new jobs and dwellings created. However, research undertaken by national and European policy makers increasingly calls for attention to the inclusion of an assessment of intangible benefits such as contribution to local policy, economic development / regenerative outcomes and the subsequent strategic added value in appraising the 'real' value of any development proposals. Such research highlights that the latter factors are equally important because the value of the proposals will extend beyond simple quantifiable outputs and potentially contribute strongly to wider socio-economic objectives that combine to improve the contribution towards the area's economy.

There are only limited sources of information available at present against which to appraise the strategic policy and economic development / regenerative benefits of the development proposals for Eastside in detail. Due to the limited availability of current existing information, this section presents a brief review of the prevailing socio-economic conditions and policy context.

This sets out the framework within which the ex-ante evaluation of the quantifiable impacts of the Eastside development is set. The quantifiable impacts of the development are appraised for both the construction and operational phases of the development. This assessment also adopts the estimates for development costs and the detailed yield summary for Eastside. It is also worth noting that this impact assessment is based on assumptions derived from the prevailing socio-economic conditions and policy in Gibraltar. At instances where localised information is limited, the assumptions adopted for appraising the impacts are based on UK best practice. International experience suggests that these assumptions are appropriate for similar operations in Europe. Uncertainty is also addressed in Section 17.8.

### 17.3 *Policy Context*

Unlike the UK and most European countries, there is a lack of independent economic policy for Gibraltar. However, the planning regime gives due consideration to employment, tourism and other local socio-economic drivers for Gibraltar's economy. The current planning policy for Gibraltar is set out in the Gibraltar Development Plan 1991, produced by the Government of Gibraltar, Department of Trade and Industry. The new policy is due to be

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<sup>1</sup> Office of Project Appraisal and Training, UK

<sup>2</sup> Department of Communities and Local Government, formerly known as Office of Deputy Prime Minister (ODPM)

released for public consultation sometime in July 2007, however it should also be noted that there will be a considerable time delay before such a document is formally adopted.

The development plan acknowledges that Gibraltar has a service-based economy, which includes a strong representation of the commercial port, the banking and financial industry, and the Ministry of Defence. The plan also recognises the significance of retail, tourism and leisure sectors as drivers for the local economy.

The plan states the Government of Gibraltar's prime economic objective is to attain self-sufficiency, and that this can be achieved through making best use of land, labour and capital resources and encouraging private sector involvement in new projects. Furthermore the plan recognises that the number of jobs within Gibraltar exceeds the number of residents, with considerable level of in-commuting from Spain to access employment opportunities.

Specific *employment* policies outlined in the development plan include Policy E1, which encourages development to help maintain, strengthen and diversify Gibraltar's economic base. The development proposals for Eastside will help the Government achieve the strengthening of Gibraltar's economy and attaining self sufficiency, not least by creating conditions to facilitate economic and demographic growth.

With regard to the retail sector, the plan observes that there has been considerable growth within the industry since the opening of the Spanish border. Relevant *retail* policies presented in the plan include Policy S1. This seeks to protect and maintain the Old Town as the principle retail centre. Although it must be acknowledged that the Eastside proposals contain the provision of a large area of retail floor space, the proposals will not detract from the role of the Old Town as being the principal shopping centre within Gibraltar.

The *tourism* section of the plan acknowledges that tourism industry is a key sector of the economy in Gibraltar and that it represents a major source of income for Gibraltar. The plan suggests that both visitor numbers and spend has considerably increased following the full opening of the border with Spain. The proposed hotels and retail floorspace will support a continuation of such trends.

In relation to *housing*, the development plan suggests that Gibraltar's market can be categorised into four sectors: MOD housing, Government rented, privately rented accommodation and owner-occupied. The plan states that historically, owner-occupancy levels in Gibraltar have been considerably low. Hence Policy HI of the development plan, which encourages increasing home ownership. Increasing home ownership can also support the expansion of the local population base and workforce, key ingredients for facilitating self-sufficiency.

## 17.4 ***Economic Baseline***

This assessment draws on published reports and analysis covering the context area for the development site, which in this instance includes the whole of Gibraltar, focusing on some key demographic and economic indicators. Such an assessment will allow us to examine the current socio-economic characteristics for Gibraltar, vital to establish the context within which the impacts of the development can be appraised.

### 17.4.1 *Demographics: Population Base*

The *Key Indicators 2001 – 2005* suggests that in 2005 the population of Gibraltar stood at 28,779. The table overleaf indicates that between 2001 and 2005 the population of Gibraltar has grown steadily, increasing by 1.9% over the 5 year period up to 2005. In addition, the *Census 2001* suggests that Gibraltar's population base grew by 2.9% between 1991 and 2001. This population increase is below the population growth experienced in the UK over the same period.

**Table 17.1: Local Population Base: Gibraltar**

Year	2001	2002	2003	2004	2005
Population	28,240	28,520	28,605	28,759	28,779

Data source: Key Indicators 2001-2005 (Gibraltar)

Table 17.2 below shows Gibraltar's age structure as percentages of total population. The table demonstrates that in 2001 children aged 0-14 outnumbered those aged 65 and over by 3% of the total population. Nevertheless the table demonstrates that the numbers of 0-14 year olds is decreasing whilst numbers of those aged 65 and older are increasing considerably, suggesting an ageing demographic structure. Additionally, the working age population defined as 15-64 year olds remained fairly consistent throughout the ten year period of analysis. Such trends are similar to those witnessed across Europe.

**Table 17.2: Local Population Base: Age Structure of Gibraltar's Population**

% of population	0-14 year olds	15-64 year olds	65 years and above	Total
2001	18.4%	66.0%	15.5%	100.0%
1991	20.4%	66.2%	13.4%	100.0%
% change: 1991 – 2001	-6.8%	2.7%	19.2%	2.9%

Data source: Census 2001

Table 17.3 below demonstrates clearly how few people live in the Eastside area of Gibraltar compared to elsewhere in the country. Within Gibraltar, the area with the largest concentration of population is the Reclamation Area, containing 36% of all residents. Additionally, South and North District, Town and Upper Town areas appear to be well populated.

**Table 17.3: Local Population by Area of Residence**

Area	Percentage of population
East Side	2%
North District	15%
Reclamation Area	36%
Town Area	13%
Upper Town	10%
Sandpits Area	8%
South District	16%

Data source: Census 2001

#### 17.4.2 Demographics: Household Structure

Table 17.4 shows that in 2001 the majority of Gibraltar households (44%) rented Government-owned accommodation. At 26%, the second largest type of household tenure is owner-occupied.

**Table 17.4: Gibraltar Household Structure and Dwelling Stock**

Accommodation type	Total number of households	% of households	Average Person per household
Gov. Rented House/Flat	4,276	44%	2.7
Private Rented House/Flat	1,338	14%	2.3
Owner Occupied House/Flat	2,366	24%	3.0
Co-ownership	1,655	17%	3.1
Other	65	1%	3.6
Boats	17	0%	1.9
Total	9,717	100%	2.8

Data source: Census 2001

Owner-occupied housing also contains the greatest density of people per household, averaging 3 persons in each home. Of the on-shore homes, those rented privately contained the fewest people per household, averaging 2.3 people. The table also suggests that in 2001 the average household size of Gibraltar was 2.8. This is comparatively higher than the British average of 2.4 for the same period.

#### 17.4.3

##### *Economy: Labour Market*

Table 17.5 below reveals that the number of jobs within Gibraltar has grown considerably, by some 21% over the 5 year period from 2001-2005. In comparison, England's economy has grown by 5% in terms of job numbers over the same period. Furthermore, the percentage of total jobs per resident population at 58% is considerably higher than the British average.

The census results presented in tables 17.5 and 17.2 suggest that the total number of jobs in Gibraltar is nearly as much as the number of 15-64 year olds. Additionally, data presented in tables 17.5 and 17.6 suggests that the total number of jobs in Gibraltar is greater than the number of local residents in full-time or part-time employment. Such trends highlight the significance of temporary workers (e.g. British MoD) and cross-border commuting in terms of Gibraltar's economic output.

**Table 17.5: Employment Rate as a % of Total Population**

Year	2001	2002	2003	2004	2005
Total number of Jobs	13,931	14,266	15,419	15,994	16,874
Employee Jobs as % of Total Population	49.30%	50%	53.90%	55.60%	58.60%

Data source: Key Indicators 2001-2005 (Gibraltar)

The Census 2001 data also presents information on the skills base of Gibraltar. The data reveals that 13% of employees in Gibraltar had a degree or higher qualification. This is almost half the British average. Also worth noting is that more than half of the people in employment have a NVQ Level 2 (or equivalent) or higher qualification.

**Table 17.6: Skills Base**

Qualifications	GCSE 1-4 / NVQ1	GCSE 5+ / NVQ2	A Levels / NVQ3	Degree Level / NVQ4/5	Other	Total
Numbers in full-time or part-time employment	2,729	3,812	2,200	1,831	3,601	14,173
% of full time and part time employees	19%	27%	16%	13%	25%	100%

Data source: Census 2001

Despite the low levels of people in employment with a degree or equivalent, more than half of the employees in Gibraltar engage in value-adding occupations including managers and senior officials, professionals and associate professionals. This is considerably higher than the British average. On a similar note, very few people in Gibraltar seem to engage in low value-adding occupations including process and machine operatives and elementary jobs. In comparison, nearly 20% of England's workforce in employment is from occupations at the lower end of the value chain.

**Table 17.7: Occupational Structure**

Occupational Classification	% of total employees in Gibraltar
Managers and Senior Officials	17%
Professionals	21%
Associate Professionals	14%
Administrative and Secretarial	28%
Skilled Trades	7%
Personal Service	3%
Sales and Customer Service	4%
Process and Machine Operatives	2%
Elementary	4%
Total	100%

Data source: Census 2001

#### 17.4.4

##### *Economy: Sector Profile*

As highlighted in the 1991 Plan, the local economy is driven by the service industries. The 2005 Employment Survey for Gibraltar suggests that together the service industries account for nearly 80% of all jobs locally. The survey findings also suggest that the local service sector is very diverse. The financial and business services sectors account for nearly 20% of the local employment. Wholesale and retail trades alone provide some 16% of the employment opportunities. Service sectors with social objectives (e.g. public administration and defence, education and health and social work) offer approximately 25% of all jobs in Gibraltar. Also worth noting is the level of employment offered by the other services (12%) and hotels and restaurants (6%) sectors.

**Table 17.8: Occupational Structure**

Sectors	% of total employment in 2005	% change in employment between 2002 - 2005
Shipbuilding	1.5%	-7%
Other manufacturing	1.0%	23%
Electricity and water supply	1.6%	15%
Construction	11.0%	13%
Wholesale and retail trade	16.0%	6%
Hotels and restaurants	6.1%	12%
Transport and communication	5.7%	7%
Financial intermediation	8.5%	18%
Real estate and business activities	10.9%	28%
Public administration and defence	12.8%	-3%
Education	4.6%	9%
Health and social work	8.0%	33%
Other services	12.1%	107%
Total	100%	18%

Source: *Employment Surveys 2005 and 2002*

Assessing change in employment between 2002 and 2005 in Gibraltar suggests that the local economy has achieved a healthy employment growth rate in the recent years. The other services sector followed by financial and business activities and health and social work have been the biggest drivers of this growth. In addition, wholesale and retail, hotels and restaurants, transport and communication and education sectors have contributed through a more stable growth. In comparison, public administration and defence and other manufacturing sectors have witnessed a decline over the same period.

The Statistics Department estimated Gibraltar's GDP at £600 million in 2005. The *2003 Input Output Study for Gibraltar* analysed the distribution of economic output by various industrial sectors. The results are presented in the table overleaf. At first glance, the financial intermediation and government sectors seem to be the largest contributors to Gibraltar's GDP. However, the study suggests that some activities such as tourism draw upon a wide range of sectors e.g. hotel, restaurant, retail, wholesale, transport and communication as well as financial services.

**Table 17.9: Output Contribution of Sectors in Gibraltar**

<b>Sector</b>	<b>GDP as % With MOD</b>
<b>Manufacturing</b>	1.87
<b>Electricity &amp; Water</b>	1.86
<b>Construction</b>	8.81
<b>Wholesale</b>	10.11
<b>Retail</b>	10.15
<b>Hotels</b>	0.99
<b>Restaurants</b>	1.22
<b>Transport</b>	5.74
<b>Communications</b>	3.11
<b>Financial Intermediation</b>	21.02
<b>Real Estate &amp; Business Activities</b>	10.67
<b>Govt &amp; Welfare Services</b>	18.74
<b>Other services</b>	1.94
<b>Ministry of Defence</b>	3.77
<b>Total.</b>	<b>100.00</b>

*Source: Input Output Study for Gibraltar, 2003*

The 2003 *Input Output Study for Gibraltar* also analysed the multiplier effects for Gibraltar's sectors of economic activity. These multipliers demonstrate the ability of any sector to generate income, employment, economic output and government revenue for change in demand for its outputs. The document reviews three core types of multipliers:

- *Direct effects:* impacts brought about directly in those sectors that are subject to change in final demand e.g. change in visitor numbers will directly effect upon the hotels, restaurant and retail sectors, which directly receive visitor spending;
- *Indirect effects:* impacts brought about in a sector's supply chain as a result of a change in its demand e.g. change in demand for hotels will impact directly on the outputs of the food and beverages sector and cleaning services;
- *Induced effects:* impacts resulting from the re-spending of accrued income (wages, profit, rent or interest) as a result of initial change in demand e.g. an increase in demand for a hotel may result in increased wages and profits; the increased wages could result in increased spending on consumer commodities and higher profits may result in increased demand for food and beverages.

The document presents composite multiplier values for the broad sectors of Gibraltar's economy. These are presented in Table 17.10. The document shows that these multiplier values can be used to assess the impact on Gibraltar's economy as a result of any changes in demands for goods and services.



**Table 17.10: Composite Indirect and Induced Multiplier (output) for Gibraltar**

Sectors	Composite Direct, Induced and Indirect Multipliers	Composite Induced and Indirect Multipliers
Manufacturing	1.53	0.53
Electricity and Water	2.10	1.10
Construction	1.54	0.54
Wholesale	1.44	0.44
Retail	1.67	0.67
Hotels	2.12	1.12
Restaurants	2.03	1.03
Transport	1.37	0.37
Communications	1.74	0.74
Financial Services	1.32	0.32
Real Estate and Business Services	1.78	0.78
Govt and Welfare Services	2.18	1.18
Other Services	1.74	0.74
Financial and Business Services	1.55	0.55

Source: *Input Output Study for Gibraltar, 2003 (and Halcrow's analysis)*

#### 17.4.5

##### *Economy: Tourism*

The *2005 Tourist Survey for Gibraltar* suggests that some 7.8 million visitors came to Gibraltar in 2005. This relates to a 7% increase in visitor numbers between 2000 and 2005. More than 95% of these visitors used land transport as mode of travel. As highlighted in the document, these are generally day visitors from Spain.

**Table 17.11: Visitor Numbers to Gibraltar**

Mode of travel	Visitor numbers in 2005	Visitor numbers in 2000	% change between 2000 and 2005
By air	150,303	85,255	76.3%
By sea	206,030	159,097	29.5%
By land	7,434,420	7,031,221	5.7%
Total visitors	7,790,753	7,275,573	7.1%

Source: *Tourist Survey for Gibraltar, 2005*

The survey findings also show that visitor expenditure in Gibraltar was nearly £210 million in 2005. Assuming that this is an estimate for output of Gibraltar's visitor economy, it is evident that the tourism sector accounted for some 35% of Gibraltar's GDP.

Excursionists from Spain accounted for 80% of the visitor spend in Gibraltar in 2005, followed by visitor arrivals to hotels and in-transit visitors. Predominance of day visitors to Gibraltar relates to an average visitor spend of just under £27.

**Table 17.12: Visitor Numbers to Gibraltar**

Visitor categories	Expenditure in 2005
Visitor arrivals at Hotels	£18,516,000
Excursionists from Morocco	n/a
Excursionists from Cruises	£7,440,000
Visitors on Yachts	£354,000
In-Transit Visitors	£14,309,000
Excursionists from Spain	£168,579,000
Total Visitor Expenditure	£209,198,000
Spend per visitor	£26.85

Source: *Tourist Survey for Gibraltar, 2005*

This over-dominance of cross-frontier traffic is also reflected in the average length of stay in visitors to Gibraltar, which is estimated at 1.2 days in the *2003 Input Output Study for Gibraltar*. In comparison, the *2005 Tourist Survey* suggests that the average length of stay of air-only arrivals to Gibraltar was 3.8 days. Additionally, the *Hotel Occupancy Survey 2005* for Gibraltar suggests an average length of stay of 3.3 days at local hotels.

## 17.5 Predicted Impacts (Quantitative)

### 17.5.1 Construction Phase

The core impact at this stage is likely to be the development-related employment. Given the scope of the proposals, the development will lead to the creation of new full-time and part-time construction jobs. However, considering the nature of the proposals and capacity of Gibraltar's workforce, including the local construction sector, it is likely that a significant proportion of these jobs will need to be sourced from the wider European labour market.

The effect of construction-related employment is a factor of the scheme's expenditure for site works and development works. The client suggests that the total construction cost of Eastside may be in the order of £1 billion. The forecast construction costs are shown in Table 17.13.

**Table 17.13: Estimated Construction Expenditure for Eastside**

Expenditure on Site Works incl. reclamation, on site utility & services infrastructure, roads and all hard and soft landscaping	£90,000,000
Expenditure on above ground building works (Development Works)	£910,000,000
Total Forecast Construction Expenditure	£1,000,000,000

These estimates are then applied to the estimated cost per construction jobs per person year<sup>3</sup>, prepared by English Partnerships<sup>4</sup>. In addition, good practice suggests that the

<sup>3</sup> Calculating Cost Per Job - Best Practice Note No. 4: English Partnerships, March 1999: £55,555 for site works and £31,250 for construction works (per person year).

estimation of construction jobs is normally completed on the basis of the number of permanent 'full-time equivalent' (FTE) jobs, where a permanent FTE is an employment opportunity for at least ten years. Adopting these best practice assumptions, Table 17.14 suggests that Eastside will create 3,074 gross<sup>5</sup> new 'construction' employment opportunities in the local economy during the construction phase of the scheme.

**Table 17.14: Employment Impacts: Construction Phase**

Cost per FTE: Site Works	£555,555
Cost per FTE: Development Works	£312,500
Gross New Jobs: Site Works	162 FTEs
Gross New Jobs: Development Works	2,912 FTEs
Total Gross New Jobs: Construction Phase	3,074FTEs

### 17.5.2 Operation Phase

The delivery of the development proposals, as set out in Chapter 4, will have an impact on the local economy by increasing the demand for local workforce and leisure facilities. These are measured in terms of gross new jobs created and visitor numbers respectively. Additionally, the development will also increase the housing supply, which subsequently can support an increase in the local population base and visitor numbers. The following paragraphs present an appraisal of such quantifiable impacts for various elements of the development.

### 17.5.3 Operation Phase: Residential

The area schedule prepared for Eastside by Fender Katsalidis indicates that the development could increase the housing supply by circa 2,567 new apartments. Halcrow's socio-economic experience in the development sector suggests that owner-occupancy of dwellings in tourist and commercial destinations is low. A typical example includes Jersey, where only 43.5% of privately owned dwellings are owner-occupied<sup>6</sup>. In comparison, the 2001 Census data for Gibraltar suggests an owner-occupancy level of only 24%.

However, with an objective to improve self sufficiency of Gibraltar's economy, not least by balancing the supply and demand of labour through resident workforce, the 1991 Development Plan seeks to achieve much higher owner occupancy levels locally. Keeping these aspirations in mind, it has been assumed in the impact assessment that 40% of the dwellings at Eastside will be owner-occupied and the remaining 60% will be second homes with potential for private rental.

The Census 2001 for Gibraltar suggests an average household size of 2.8. There are no forward projections for household sizes in Gibraltar. However, research on the size of households in the UK and wider Europe suggests a diminishing number of residents per household. Indeed, the household size is envisaged to reduce from 2.4 residents per household in 2001 to 2.1 by 2022 in Great Britain<sup>7</sup>. Considering that all development at Eastside is expected to be complete by the 4<sup>th</sup> quarter of 2021, the projected 10% decline in the size of households for Great Britain has been adopted to establish the average household

<sup>4</sup> English Partnerships is the national regeneration agency helping the British Government to support high quality sustainable growth in England.

<sup>5</sup> All gross estimates of impacts, presented in this document, don't take into account any factors of non-additionality e.g. leakage, deadweight and displacement.

<sup>6</sup> Source: Jersey's Housing Requirements 2005 – 2009, States of Jersey – Statistics Unit

<sup>7</sup> Source: TEMPRO – Planning Data, Department for Transport

size for Gibraltar by 2022, as an assumption for estimating the resultant increase in population.

Based on the assumptions stated above, the analysis presented in Table 17.15 suggests that the residential element of Eastside has the capacity to support a gross increase of circa 2,567 new residents to Gibraltar's population base.

**Table 17.15: Demographic Impacts: Residential**

New Dwellings	2,567 new dwellings
% of Owner Occupied Properties	40% of total dwellings
Residents per Household	2.5 per household
Increase in Population by 2022	2,567 gross new residents

As mentioned above, 60% of the dwellings are assumed to be second homes. Such properties in the UK are either let to local residents or tourists. However, the Category 2 status (as set out in *Income Tax Ordinance Qualifying (Category 2) Individuals Rules 2004 (Legal Notice No. 70 of 2004)*) of the residential element of Eastside will limit owners from renting out the dwellings for any longer than 5 months per annum. Such a regulation is unlikely to support a further demographic impact.

However, it is still expected that a proportion of these second homes could be let to visitors travelling to Gibraltar. The scale of business and leisure tourism in Gibraltar suggests that it is possible that these new apartments could be occupied by tourists for more than 50% of the lettable period. Hence, despite the restricted availability of these new apartments for rental purposes, it is appropriate to assume an occupancy level of 25%<sup>8</sup> over a calendar year for these properties in order to appraise their visitor impact.

Applying the assumed occupancy level and an average of 2 visitors per apartment to the number of second / visitor homes, it is appropriate to infer that this element of the development could attract 281,087 gross new visitor days per annum to Gibraltar. Assuming that each visitor spends approximately 3.3 days<sup>9</sup> in Gibraltar, it is estimated that the assumed number of apartments let for tourism purposes will attract 85,178 gross new visitors to Gibraltar annually.

<sup>8</sup> The Hotel Occupancy Survey 2005 for Gibraltar suggests an average achieved room occupancy rate of 65% at hotels in Gibraltar between 2000 and 2005. In the absence of any specific visitor occupancy levels for dwellings, this estimate for hotel room occupancy level has been used as a proxy to prepare an informed assumption for dwelling occupancy rates. A cumulative occupancy level of 65% over a 12 month period of availability associates to a pro-rata average of 5.4% per month or 27% for a 5 month period; hence the assumption of 25%.

<sup>9</sup> Source: Hotel Occupancy Survey 2005, Government of Gibraltar, Statistics Office

**Table 17.16: Visitor Impacts: Residential**

New Dwellings	2,567
% of Second / Visitor Homes	60%
Assumed Occupancy Level	25%
Assumed Number of Visitors per Apartment	2 visitors
Visitor Days - per Day (Gross)	770 days
Visitor Days – Annually	281,087 days
Assumed Number of Days Spent by Each Visitor in Gibraltar	3.3 days
Annual Visitors (Gross)	85,178 visitors

**17.5.4***Operation Phase: Hotel*

The proposals also support the development of new hotels (including apart-hotels) accounting for a total of 480 double or twin bedrooms. This will also attract new visitors to Gibraltar. Table 17.17 sets out the assumptions adopted in analysing the visitor impact of this element of the development on Gibraltar. In particular, it is estimated that the proposed hotel will attract more than 51,764 gross visitors to Gibraltar annually.

**Table 17.17: Visitor Impacts: Hotel**

Number of Rooms	480 rooms
Assumed Occupancy Level	65% <sup>10</sup>
Visitors per Room	1.5
Visitor Days - per Day (Gross)	468 days
Visitor Days - Annually (Gross)	170,820 days
Assumed Number of Days Spent by Each Visitor in Gibraltar	3.3 days
Annual Visitors (Gross)	51,764 visitors

The proposed hotels will also lead to the creation of new employment for the local economy. For the purpose of assessing the operational employment impact, it is assumed that the hotel will be of 4/5 star standards. In the absence of any local statistics on employment densities, we have referred to English Partnerships' guidance, which states that employment density of a 4/5 star hotel in England equates to 0.8 employee per bedroom. This is likely to be similar for a hotel elsewhere in Europe. Adopting this assumption, it is estimated that the development of the hotel will create 384 gross new jobs during its operation stage.

**17.5.5***Operation Phase: Commercial and Retail*

The provision of new floorspace will lead to the creation of new jobs for the local economy. The total area of employment (commercial and retail) floorspace created as a result of Eastside is drawn from the detailed development schedule prepared by Fender Katsalidis and is presented in Table 17.18. Although the end use of the commercial space is yet to be

<sup>10</sup> The Hotel Occupancy Survey 2005 for Gibraltar suggests an average achieved room occupancy rate of 65% at hotels in Gibraltar between 2000 and 2005.

confirmed, the Town Planner's Scoping Opinion (see Appendix A) suggests that it is likely to be high quality office space.

English Partnerships' guidance on employment density suggests that city centre type retail premises in England operate at 20 m<sup>2</sup> per employee. The document also states that employment densities at high quality business centres have an employment density of 20 – 25 m<sup>2</sup> per employee, with newer serviced premises generally operating on lower densities. The achieved employment densities for city centre retail and new serviced office space are likely to be similar elsewhere in Europe.

Applying these estimates of average employment densities for office and retail employment activity envisaged for Eastside, Table 17.18 sets out the gross employment estimated to be generated from the planned quantum of floorspace. This demonstrates that in total, the employment activity on the developed floorspace could lead to the creation of 2,018 gross new jobs.

**Table 17.18: Employment Impacts: Commercial and Retail**

Land Use Type	Total Floorspace	Employment Density	Employment Impact
Retail	25,000 m <sup>2</sup>	20 m <sup>2</sup> per employee	1,250 gross jobs
Commercial: Office	19,190 m <sup>2</sup>	25 m <sup>2</sup> per employee	768 gross jobs
TOTAL	44,190 m <sup>2</sup>	-	2,018 gross jobs

#### 17.5.6 Operational Phase: Multiplier effects

The above paragraphs demonstrate the direct effects of the Eastside proposals on the local economy. However, as highlighted in the *Input Output Study for Gibraltar (2003)*, any direct changes in demand will result in further indirect and induced multiplier effects.

Assuming that a change output correlates to an equivalent change in employment (and vice versa) the table below demonstrates the scale of further jobs likely to be created for Gibraltar's economy as a result of the operation of Eastside proposals.

**Table 17.19: Induced and Indirect Multiplier Effects of Eastside Proposals**

Sectors	Direct effects of the Eastside proposals (FTEs)	Indirect & Induced Composite Multiplier Value (Output)	Indirect & Induced Multiplier Effect in terms of FTEs
Retail	1,250 gross jobs	0.67	835 gross jobs
Office	768 gross jobs	0.55	421 gross jobs
Hotel	384 gross jobs	1.12	431 gross jobs
TOTAL JOBS	2,402 gross jobs	-	1,687 gross jobs

#### 17.5.7 Construction and Operation Phases: Quantitative Impacts

Summarising the analysis presented in the paragraphs above, the development proposals for Eastside can facilitate:

- The creation of 3,074 gross new construction jobs as a result of the site-related and development works for Eastside;
- The creation of 2,402 gross new jobs for the local economy as a direct result of the operation of hotel, retail and commercial (office) developments;

- Generation of further 1,687 gross new jobs for the local economy as indirect and induced multiplier effects;
- A gross increase of 2,567 new residents in the local population base as a result of the housing development; and
- The attraction of 136,941 gross new visitors to Gibraltar as a result of the operation of the hotel and residential elements of Eastside.

### **17.6 Cumulative Effects**

The GoG's proposed Beach and Coast Protection Works at Catalan Bay will create construction employment in Gibraltar. However, in the absence of a confirmed design and programme and any estimates for development costs, it has not been possible to assess the scale of this impact.

The Both Worlds development at Sandy Bay comprises land reclamation and coast protection works in order to facilitate the construction of 65 two-, three- and four-bed apartments, a swimming pool and 170 car parking spaces. This development will also create construction jobs in Gibraltar. However, in the absence of any estimates for development costs, it is not possible to assess the scale of this impact.

Like the residential element of Eastside, the Both Worlds development in its operation phase can provide the capacity to facilitate an increase in the local population base, as well as attracting new visitors to Gibraltar. Adopting the same assumptions as those considered for appraising the impacts of the residential element of Eastside, it is estimated that the Both Worlds development offers the capacity to support a gross increase of some 65 new residents in Gibraltar's population. Additionally, it is estimated that development could attract some 2,157 gross visitors to Gibraltar. These are positive impacts for the local economy and will not require any mitigation.

### **17.7 Transboundary Effects**

As stated earlier, Eastside can attract up to 137,000 gross new visitors to Gibraltar annually.

Considering the nature of the proposals and capacity of Gibraltar's workforce, it is likely that a significant proportion of the construction and operation jobs created as a result of the development will need to be sourced from the wider European labour market.

The housing element will provide the capacity to expand the local population base. However, in the absence of any intelligence on population projections for Gibraltar, it is not possible to assess what proportion of the additional population (if any) will be immigrants to Gibraltar.

Any increase in Gibraltar's population base as a result of immigration will assist in balancing the supply and demand of labour locally. This will further support the achievement of the economic self sufficiency objective set out in the 1991 Development Plan. Hence, the development could reduce the level of cross-border commuting, reducing pressures particularly on Spanish transport infrastructure.

### **17.8 Uncertainty**

The scale and nature of the Eastside proposals are a key factor for assessing the impacts of the development. Hence, any uncertainty on the proposals, both in terms of the mix of uses and delivery, will affect the magnitude and type of impacts.

In addition, the appraisal of impacts presented in this chapter is reflective of the development's capacity rather than the 'net' additionality generated by the Eastside proposals. For example, due to lack of local intelligence it has not been possible to assess the scale of similar existing operations in Gibraltar that may simply be displaced by new activity facilitated by the development, nor the level of new employment opportunities that may happen even in the absence of the Eastside proposals. Such factors of non-additionality are

another uncertainty, and may impact on the overall magnitude of the 'net' additional impacts of the development.

### **17.9 Summary**

The assessment of socio-economic impacts suggests that the delivery of the development proposals will have a range of beneficial impacts on Gibraltar's economy, both during construction and operational phases.

In the first instance, the scheme will create construction jobs during the development phase. The operational phase will assist in attracting nearly 137,000 visitors per annum to Gibraltar and directly create some 2,400 new hotel, office and retail type jobs for the local economy. Additionally, the residential element of the development will also provide the capacity to facilitate a population increase of at least 2,500 residents.

These direct benefits of the development are likely to result in both positive and negative indirect impacts. In particular, the economic activities resulting from the development will generate positive externalities for the local economy in terms of income and supply chain overspill effects. On the other hand, any potential increase in the local population base could place pressures on Gibraltar's community infrastructure.

The positive income and supply chain overspill effects are estimated at approximately a further 1,700 jobs for the local economy during the operational phase of the proposals. However, due to lack of information available on the local dynamics, it has not been possible to estimate the exact scale of other indirect impacts. Delivery agencies and local stakeholders should work in partnership to ensure that economic opportunities are materialised and negative impacts are mitigated.