

SEPTEMBER 2018

THE CHINA DIVIDEND

TWO YEARS IN



曼彻斯特
英中协会
Manchester
China Forum

i A R
国际航空研究院
INSTITUTE FOR AVIATION RESEARCH

steer economic
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CTRI 中国出境游研究所
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FOREWORD



**ANDY
BURNHAM**

MAYOR OF GREATER
MANCHESTER

Greater Manchester is well-known for its forward-thinking and visionary approach to economic and cultural development.

There are many examples to point to - too many to mention - but one that has really borne fruit in recent years has been the strategic decision to forge closer ties with China.

That led to the formation of the Manchester China Forum five years ago, which set out a number of ways in which our city region's relationship with one of the world's fastest growing economies could be strengthened.

A central objective was securing direct flight services, in recognition of the fact that good transport connectivity is not just about the practicalities of getting people and things from A to B, but everything that goes with it.

That means trade, investment and the exchange of knowledge and expertise in both directions. It was recognised that having direct

connectivity removes a barrier to the free flow of all these things, which are critical to delivering sustainable growth in a diverse and culturally rich society.

That is why it is extremely pleasing to see that, not only was the objective of securing direct flight services achieved, with routes to both Hong Kong and Beijing now operating, but the benefits it was anticipated would follow have indeed done so.

This study demonstrates clearly that Greater Manchester has more than grasped the opportunity presented by nurturing a closer relationship with China. It also indicates the positive impacts being delivered are sustainable and likely to amplify in volume and value in the years ahead.

Another pleasing aspect of this research is the evidence that all parts of the North are benefitting from this strategically important link to China, underlining the point that, with the right interventions, the Northern economy has the potential to be one of the world's most productive and internationally competitive.



**ZHENG
XIYUAN**

CONSUL GENERAL
PEOPLE'S REPUBLIC OF
CHINA IN MANCHESTER

It is an exciting time of opportunity in the golden era of China-UK relations.

I am delighted to have recently taken up the post of the Consul General for the People's Republic of China in Manchester. Over the past two years since the establishment of the direct flight to Beijing, the North of England has continued to experience rapid growth in trade and communication with China.

Each year there are more students, tourists, and businesses coming to Manchester to experience the unique charm, culture and opportunity that the North of England has to offer. With our ever-closer social, economic, and cultural links, the North of England is well placed to collaborate with China on major strategic opportunities spearheaded by the Belt and Road Initiative. I look forward to seeing a closer China-UK relationship bringing prosperity to the people of both nations.



INTRODUCTION

In June 2016, the first ever direct flight service between the North of **England** and mainland **China** launched, with Hainan Airlines.

As the first service of its kind, this presented a unique opportunity to capture the positive impact direct connectivity with a high-growth market can have on a region, in terms of trade, cultural and knowledge exchange. This time last year, a ground-breaking study, *The China Dividend: One Year In*, attempted to do just that, by measuring increases in the flow of goods, money and people between Manchester and China in the first full year of the Hainan route.

Since the study was published, there have been a number of key developments in terms of the relationship between Manchester, the wider North of England and China. These have been felt in the worlds of infrastructure, tourism, academia and business, while a landmark deal between the UK and Chinese Governments paves the way for further direct flight services to be established.

The China Dividend: Two Years In chronicles those developments, as well as capturing how the economic impact of the Manchester-Beijing route has grown in its second year of operation and spread further into the Northern Powerhouse. This second edition builds on one of the key recommendations from the first report, which was to 'develop an improved understanding of the China outbound market.' This report has, therefore, been produced in collaboration with leading consultants in both the UK and China, with specialisms in a range of different fields, in order to better understand the dividends that continue to be delivered to the North and the potential for them to be enhanced further.

The China Dividend: Two Years In has been compiled by the Manchester China Forum using insight from:

Steer-Economic Development:

Part of Steer Group, an international consultancy with a focus on cities, infrastructure and transport. Steer Economic Development was established to enhance the service offer of Steer in policy areas such as enterprise, science and knowledge and innovation, skills and employment and wider infrastructures, helping clients to improve the competitiveness and potential of their places, sectors and markets. It was commissioned last year to produce the 'China Dividend: One Year In' due to their expertise in how the transport industry can impact local economies across multiple domains. This year, the Steer Economic Development team has updated the key findings from the previous report and further identified developments that have occurred between China, Manchester and the wider North over the two-year period.

China Outbound Tourism Institute (COTRI):

Established in 2004 by Professor Dr. Wolfgang Arlt, COTRI provides consulting, market research and strategy development services for public and private organisations, helping them to tailor their engagement with the Chinese tourism market. Based in both Germany and Beijing, COTRI works internationally and is often quoted in global media. This report includes insights from COTRI on Chinese visitor trends, forecasted growth and insight into Manchester and the wider North's appeal to inbound tourists.

Institute of Aviation Research (IAR):

The Institute for Aviation Research is an independent think tank dedicated to aviation research with a specific focus on China. Headed up by Dr Zheng Lei, IAR consists of senior industry professionals and leading academics based in the UK, China and other major markets. IAR have provided intelligence into the performance of the Manchester-Beijing route compared to European competitors. They have also provided an outlook of how developments in infrastructure and policies in China are impacting the developing Chinese aviation market and demand for long haul travel.

EXECUTIVE SUMMARY

The North of England is reaping the economic and social rewards of its ever-stronger ties with China.

A key factor in this mutually-beneficial relationship is the existence of direct flight connectivity, which continues to facilitate enhanced flows of people, goods and services and, as a result, increased levels of trade, tourism, investment and knowledge exchange in both directions.

In many cases, since the introduction of non-stop flights – in the form of Hainan Airlines' Manchester-Beijing service – growth in these areas is outstripping national averages, highlighting the transformative impact that direct connectivity can have.

Importantly, in the second full year of the route's operation, a clear "ripple effect" is evident. Positive impacts are widening in both scope – touching new people, businesses and organisations – and reach – spreading into new geographies. The stimulation of further direct routes

– through a combination of policy-making, civic, business and political engagement and further collaboration between the North and China – would have an important role to play in creating an

economically balanced and outward-facing UK, as it prepares to exit the European Union. The direct flight service between Manchester and Beijing was launched in June 2016 by Hainan, having been announced during an historic state visit to the UK by President Xi Jinping in October 2015.

Its launch presented a unique opportunity to capture the economic and social benefits that are delivered when a brand new connection with a high-growth market like China is established.

The China Dividend: One Year In, was published in September 2017 by the Manchester-China Forum, with independent research carried out by Steer Economic Development.

Findings of that ground-breaking study included significant increases in inward investment enquiries, Chinese student numbers, exports to China via Manchester Airport and tourism spend in the North in the

first 12 months after the Hainan service began. The report also forecast that the benefits felt by Manchester – and wider North – would become more pronounced over time, as the various impacts interacted with each other to create a richer and longer-lasting relationship with China.

A year on, this study has returned to many of the same themes as the first report, to explore whether the benefits realised by the North, across a range of fields, have continued to increase in significance. At the same time, however, it has sought to capture the economic and social impacts that have been felt in year two in a number of additional ways.

Firstly, more detailed consultations have been carried out with people and organisations of relevance across the whole of the North.

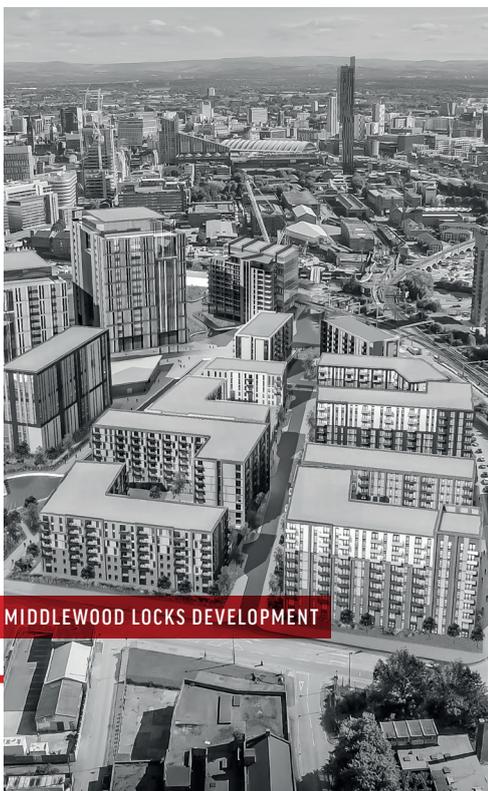
This has helped gauge the extent to which all parts of Manchester Airport's catchment area have benefited from the existence of direct flight connectivity.

Secondly, it has looked to China itself for insights into how Manchester and the North are viewed from a trade, tourism, investment and knowledge exchange perspective.

In doing so, this study has not just explored what has contributed to positive impacts being felt historically but has looked to the future. This has involved analysis of economic development projections in China and forecast trends in outbound travel, to provide an understanding of where opportunities lie for further economic and social benefits to be realised in the years ahead.

Consequently, The China Dividend: Two Years In has brought together world-leading research from three separate consultancies in both the UK and China, in what is understood to be the first report of its kind. Its findings have been grouped under a series of themes and can be summarised as follows:

Growth is outstripping national averages



MIDDLEWOOD LOCKS DEVELOPMENT

The Manchester-Beijing Route

- The number of people travelling between Manchester and Beijing has increased by **80%** in the two years since the route launched.
- Manchester-Beijing has **grown faster** than any other UK-China route that has been in operation for more than 12 months.
- Manchester-Beijing is the **third most successful route** in terms of seats on sale, passengers flown and aircraft load factors of all top 20 EU-China routes launched in the past five years.
- Year two saw the monthly **record total** for passengers flown between Manchester and Beijing broken twice.

Trade & Investment

- Export values from Manchester Airport to China grew **41%** to **£1.29bn** in the two years after route launch, while national values fell **30%**.
- Manchester Airport's share of UK exports to China doubled to **11.5%** when compared to the two years prior to route launch.
- Inward investment enquiries to Greater Manchester have more than **trebled** in the two years since Manchester-Beijing launched.
- **11** different Chinese inward investment projects have been converted in the two years since flights began, creating **115** jobs.

Visitor Economy

- There has been a **38%** increase in the number of Chinese visitors to the North since 2015 – a growth rate higher than both London and the UK average.
- The average spend per visit in the North West increased by **94%** to **£2,167** and is now **5%** higher than the national average.
- Northern attractions are reporting a **200%+** uplift in bookings from Chinese tourists.
- The total boost to the visitor economy has broken the **£260m** barrier – beating the pre-route 10-year economic benefit projection in just 24 months.

Knowledge Exchange

- The number of Chinese students in Greater Manchester has grown **9%** in two years vs national growth of **4%**.
 - Growth in Chinese students at all N8 Research Partnership universities is **6%**.
 - There has been a **114%** increase in Northern students gaining Chinese internships, with more than **70%** from low income backgrounds.
 - Post-graduate research new entrants from China are up **37.6%** at the University of Manchester vs a Russell Group average of **20.1%**.
 - Northern universities now have more than **20 collaborations** with Chinese institutions.
- As well as the headline statistics that demonstrate the impact the direct route has had, there are a number of highlights to point to. Many exporters have reported a surge in orders from China, with some trading overseas for the first time since the Manchester-Beijing route launched. Others report productivity improvements as a result of access to a direct, non-stop service. On the investment side, there have continued to be a number of flagship deals in relation to big infrastructure, including further deals involving BCEGI in both Manchester and

Liverpool. In the last 12 months, there have been a number of important academic and research partnerships also signed, none more so than the Infrastructure Alliance Academy, a prestigious joint-venture between the UK and Chinese Governments to attract investment to the Northern Powerhouse.



This is just one example of where synergies have been found between China's Belt and Road Initiative (BRI) and the Northern Powerhouse as a result of widening the scope of this year's report.

“Average spend per visit in the North West increased by 94%”

Another is the establishment of a University Silk Road Alliance with 132 universities across Eurasia, including the University of Liverpool. Furthermore, targeted BRI sectors like advanced manufacturing, technology, energy, health innovation and infrastructure align with the “prime capabilities” of the North as identified by the Northern Powerhouse Independent Economic Review. Direct flight connectivity will enable these synergies to be

EXECUTIVE SUMMARY

exploited in the years ahead, which in turn has the potential to contribute to new services being established.

Crucially, these findings demonstrate the benefits being delivered by direct connectivity have widened in scope and reach in year



two. For example, while last year's trend of increased student numbers has continued, new developments include a surge in post-graduate research new entrants, meaning the North is being able to attract some of the world's best talent. Similarly, year two has seen a pronounced increase in Northern students being given the opportunity to take internships in China, with a large proportion being from low income backgrounds. Last year, a significant rise in inward investment enquiries from China was noted. Again, this continued, but a key development is that 11 schemes have been converted, demonstrating how economic impacts can mature over time.

The findings contained in this report are

timely for a number of reasons.

Firstly, looking at aviation, they present clear evidence of the significant impact direct connectivity can have on an economic region – in this case the Northern Powerhouse – and on the rebalancing of the UK generally.

The focus of this report has been on direct flights from Manchester Airport, serving a catchment area of 22m people from North Wales to Humberside and the Scottish Border to the Midlands.

The airport is investing £1bn in a transformation of its terminals, which will unlock circa 30mppa (million passengers per annum) of spare capacity on its existing two runways, at a time when the UK's other primary "hub" is full and will remain so for at least another decade.

A landmark bilateral deal between the UK and China has

paved the way for an increase in the number of permitted weekly flights in both directions, from 100 to 150, on the condition these services travel in and out of non-London airports.

Against this backdrop, the UK Government is consulting on a new national Aviation Strategy and has already made clear its support for making best use of runway capacity across the country. The significance of this process is heightened by the UK's imminent departure from the European Union, at which point its

relationships with – and connections to – the world's most important economies will be more crucial than ever before.

This study demonstrates that the UK – and within it, the North – is currently faring well in terms of its economic and social relationship with China. Direct flight connectivity and factors such as a welcoming visa policy are cited as drivers of this.

At the same time, however, many other nations within Western Europe are experiencing similar, if not greater benefits, underlining the importance of the UK maintaining a competitive and "open for business" environment when it comes to travel, tourism, trade and investment. Looking at the visitor economy alone, it is interesting to note that despite a record number of visits by Chinese tourists in 2017, Switzerland received three times as many, while the most visited country was Italy, with seven times as many arrivals as the UK.

There is, therefore, a significant opportunity in the Aviation Strategy for Government to commit to measures that will encourage the stimulation of further direct links to high growth markets like China from airports with spare capacity.

Studies like this one provide the justification

and evidence base for identifying key gateways like Manchester as critical strategic assets, given their particular potential to facilitate this connectivity. Secondly, key decisions are soon to be made about projects with the potential to significantly amplify the benefits realised from direct air routes.

For example, an important finding of this report is that all parts of Manchester Airport's

There are synergies between the Belt and Road Initiative and Northern Powerhouse

catchment area - which is broadly consistent with the area known as the "Northern Powerhouse" - have benefitted from the existence of direct connectivity.

However, there is both qualitative and quantitative evidence to suggest that onward connectivity from Manchester Airport to other parts of the North is not of a standard

that encourages these impacts to spread as freely as they otherwise could.

Better surface access to and from Manchester Airport, both in terms of speed and quality of journey, would, in the eyes of business and civic leaders consulted for this study ensure the geographical reach of these positive impacts was more pronounced and commensurate with that seen in the world's most productive and competitive economic regions.

Chinese visitors, especially those classed as "free independent travellers", (those travelling without an organised agenda) would find it easier and more comfortable to experience visitor attractions in all constituent regions of the Northern Powerhouse, with universities benefitting in a similar way.

These connectivity improvements would aid inward investment efforts and contribute to generally improved perceptions in China of the North as a single economic area that is productive, easy to get around and open for business.

Looking at schemes that would significantly improve connectivity within the North, including to and from Manchester Airport, Transport for the North (TfN) has developed proposals for Northern Powerhouse Rail (NPR), which it says would contribute towards the

creation of an additional 850,000 jobs being created in the North.

Manchester Airport has been identified as a key transport hub/interchange on the NPR/High Speed 2 network and, if delivered in full, the scheme would dramatically improve journey times between Newcastle, Leeds, Liverpool, Sheffield, Manchester and the airport, in turn trebling the number of people who live within two hours by public transport of it.

This would not only have the effect of improving connectivity to the airport for people and businesses in the North, but would have a significant impact on the commercial performance of additional direct flight services due to the major uplift in the number of people able to access them.

Again, while not in line with conventional Government approaches to modelling economic benefits, studies like this should be taken into account when advancing the business cases for such schemes. The Strategic Outline Business Case for NPR is due to be published later this year. Looking to China, there are a number of trends to watch, both in terms of economic development and infrastructure investment, and the travel patterns of Chinese people. China as a nation is viewed as having cities in "tiers", in terms of their economic and social development, which in turn influences the propensity to fly of their populations, both within Greater China and to the rest of the world.

Despite record volumes of foreign visits by Chinese nationals, overseas travel remains an activity reserved for the wealthiest members

of its society, with only around 10% of the population possessing a passport.

This would indicate the potential for an "explosion" in demand for travel in the years to come but it is important for destination markets, including the North and wider UK, to understand the way in which this will materialise. That is both in terms of the emergence of second and third tier cities as places with growing middle classes with an appetite for travel and the likely sequencing of their development.

In addition, monitoring the changing nature of outbound travel from China, taking account of demand from cities in different tiers will be key.

It is clear technology is of paramount importance to all Chinese tourists, which is why Manchester's development of digital products and services for this market is welcome.

As repeats visits from wealthy travellers in first tier cities grow, analysis in this report

indicates there will be an increasing need to adapt the visitor "offer" accordingly, to incorporate more personalised and "local experiences". At the same time, those travelling overseas for the first time from second tier cities will continue to be interested in traditional sightseeing activities, football and luxury retail.

The North has an abundance of assets that would appeal to both cohorts of tourists and so is well placed to capitalise on the opportunity ahead of it.

Further collaboration between organisations across the North will help to maximise the potential dividends to be realised.

The North is attracting the world's best talent

There is potential for an explosion in demand for travel from China



CARL EMERY

HARRIS & HOWARD
BESPOKE TAILORS
ALDERLEY EDGE
CHESHIRE

PROBABLY THE BEST EXAMPLE OF HOW THE ROUTE HAS BENEFITED US IS IN TERMS OF PRODUCTIVITY.

We had a problem with a supplier, with the distance between our headquarters and theirs exacerbating the situation. I made a decision to pay the firm a visit in person and, from leaving my desk in Alderley Edge at 9am on Monday, I was able to spend 18 hours on the ground resolving our issue, while also visiting several other suppliers, before being back in Cheshire before we opened on Wednesday morning. China is an amazing place and I feel its economy is bubbling, which has led me to conclude the time is right to launch ourselves there. We will open our first store in Shenyang and will use the Manchester-Beijing route as the fastest and best value way of getting there. Hopefully, we will open a further branch in Beijing in 2019!



THE MANCHESTER BEIJING ROUTE



THE MANCHESTER BEIJING ROUTE



The number of people who fly between Manchester and Beijing has **increased by 80%** two years after the route commenced.



Manchester-Beijing is the **third most successful route** in terms of seats on sale, passengers flown and aircraft load factors of all top 20 EU-China routes launched in the past **five years**.



Year two saw the **monthly record** total for passengers flown between Manchester-Beijing broken **twice**.



Manchester-Beijing has **grown faster** than any other UK-China service that has been in operation for **12 months** or more.

The Manchester-Beijing route continued to exceed market expectations in its second year of operation, with 175,005 passengers using the service in the 24 months after its launch.

Such was its popularity, Hainan Airlines increased the frequency on the route for three months, making it daily between July-September 2017. This resulted in load factors of 83% in peak months.

Consequently, it achieved record passenger volumes in two consecutive months, with the highest being 12,117 in August 2017.

Despite being the only service from a

European city that doesn't operate from a so-called "hub" airport, the Manchester-Beijing service has one of the highest load factors of any route launched between Europe and China in the past three years.

This includes new services between the likes of Barcelona and Shanghai, Frankfurt and Shenzhen, and Paris and Chengdu.

It has grown faster in the last year than any UK service to China that has been in existence

for at least 12 months.

As with the previously launched Manchester-Hong Kong service, passengers are drawn from across Manchester Airport's catchment area, which spans from North Wales to East Yorkshire and from the Midlands to the Scottish Borders.

For example, of the near 700,000 passengers to have used both routes since they were launched, around 224,000 came from the Yorkshire region. In a UK context, the market for travel has grown by 14%, faster than from any other EU country.

There were around 250,000 extra passengers who travelled from the UK to China, but only an additional 139,000 new seats were added. UK capacity is less than half that of other EU markets.

Coupled with the fact the Manchester service has thrived, while routes from other European airports – including some capital cities – have not survived, this would suggest there is an opportunity for further connections from Manchester Airport to be established.

Manchester-Beijing now makes up 16% of all UK flights to Beijing, up from 15% in year one.

58% of all passengers using this service were travelling directly between the two cities, with 42% travelling beyond Manchester or Beijing.

Manchester-Beijing now makes up 16% of all UK flights to Beijing



Total number of passengers across the two years

175,005

Total number of MAN-PEK flights

868

MAN-PEK now makes up 16% of all UK flights to Beijing

16%

Passengers carried July to September 2017

33,685

Stimulation break-out

One of the primary benefits of direct flight connectivity – as opposed to via a connecting airport – is that it unlocks latent demand for travel between two places, as cost, time and general awareness barriers are removed. This, in turn, encourages new trade links between those locations, drives up levels of tourism in both directions and facilitates cultural and knowledge exchange.

From cities such as Manchester-Beijing, the levels of new market stimulation have been significant.

According to IAR, the levels of market stimulation that have been achieved between Manchester and Beijing since the launch of scheduled services are higher than any other new route launched from Europe to China in their first year.

This exceeds the rate achieved by other new

services from cities such as Madrid, Paris, Barcelona, Frankfurt and Vienna.

Two years on, the Manchester - Beijing market is now 80% larger than one year before the route launched. According to analysis of IATA Airport IS data, the year before the Manchester-Beijing route launched, more than 54,000 people travelled between the two cities, but indirectly.

After year one, that grew to 91,040, with 49,109 using the Hainan service. In year two, the grand total increased further to 97,476, with 51,670 flying with Hainan.

That means, over the course of the two years, the market for travel between Manchester and Beijing has nearly doubled, driven by a combination of factors (business links, heightened awareness of both locations, better connectivity etc).

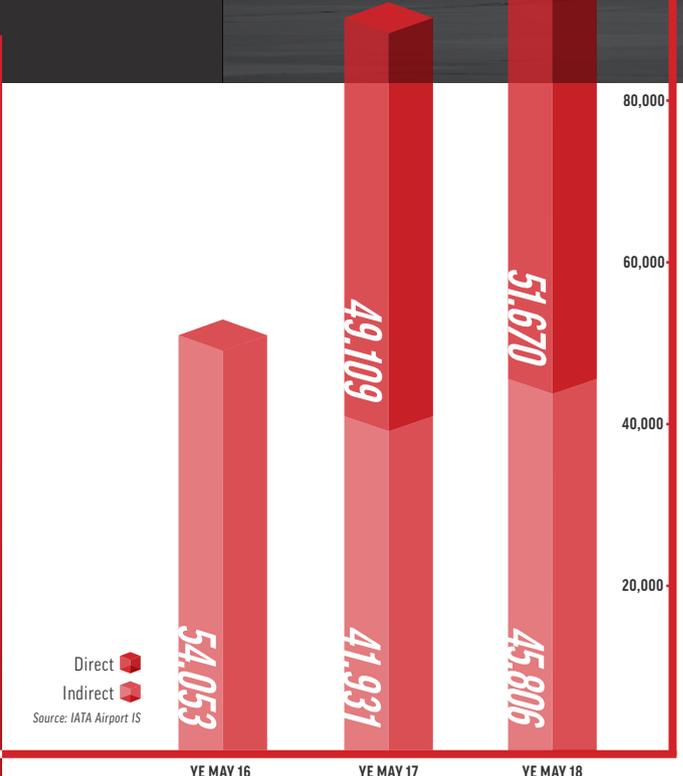


100,000



From 12 months pre-launch to 12 months post-launch from 100-180. Length of curve represents increase in passengers travelling between the two destinations since the launch of a direct flight. Source: IATA Airport IS

- FRA: Frankfurt Airport
- TAO: Qingdao Liuting Airport
- BON: Bonaire Airport
- PVG: Shanghai Pudong Airport
- MAD: Madrid Barajas Airport
- CDG: Charles de Gaulle Airport
- CTU: Chengdu Shuangliu Airport
- VIE: Vienna Airport
- PEK: Beijing Capital Airport





**BARRY
LEAHEY**
MANAGING DIRECTOR OF
PLAYDALE PLAYGROUNDS
ULVERSTON, CUMBRIA

PLAYDALE NOW EXPORTS TO 49 COUNTRIES AROUND THE WORLD.

Despite having no orders from China prior to the direct route launch, it is now a major market for us, with a tenth of all exports going to China.

We have seen a 30% increase in exports to China this year and our work includes the Olympic Park Playground in Beijing which has been featured by CCTV and China Weekly.



TRADE & INVESTMENT



TRADE & INVESTMENT

The heightened awareness of the “Northern Powerhouse” concept in China has contributed to a significant increase in **investment** activity in recent years.

This has been enhanced by the existence of direct flight connectivity between the North and China, which makes it significantly easier for potential investors to access all parts of the region. As deals have been done, the publicity surrounding them heightens awareness further, increasing the likelihood of follow-on investment and/or the stimulation of fresh investment leads. As described in The China Dividend: One Year In report, the development of investment pipelines is aided by the other ways in which the North has benefited from having direct air routes. For example, investors spending time in the North as tourists - or when visiting family members studying there - develop a greater appreciation of its strengths as an investment proposition. They are more likely to develop an emotional attachment to the area. This trend appears to have played out in the two years since direct flights between Manchester

and Beijing have been in operation, and indeed since the Cathay Pacific service to Hong Kong launched 18 months earlier.

Greater Manchester's inward investment agency MIDAS received just four enquiries from Chinese businesses thinking of setting up operations in the city region in the 2013/14 financial year. In the year the Hainan Airlines service began (2015/16), that increased to 10, rising to 20 a year later and 31 in 2017/18.

That means the number of enquiries received has trebled in the two financial years since the route launched. Importantly, in those 24 months, 11 projects have been converted, leading to the creation of 115 jobs.

These have been in sectors ranging from textiles and food and drink to e-commerce and property development, with the city region securing the investment ahead of the likes of London and Dortmund in some cases. If converted, the current pipeline would result in 813 new jobs being created as a result of Chinese businesses establishing bases in Greater Manchester. Private companies that handle property investment enquiries from China have confirmed a trend of increased interest since the launch of direct flights, reporting that the “brand recognition”

and “practicality” of the North of England has been reinforced as a result of this connectivity. Another key trend to emerge over the past two years has been Chinese investment in large-scale infrastructure projects in the North. That has continued, despite Government restrictions on outbound capital flow from China. Examples include the £66m New Era City Development, in Sheffield, backed by several Chinese investors.

More than £85m has been invested in Lancashire in the same time frame, with talks underway with potential Chinese investors in relation to its Hillhouse International Enterprise Zone. Meanwhile, investors BCEGi has continued to back key schemes in the Northern Powerhouse. Already a joint-venture partner in the Airport City mixed-use development at Manchester Airport, it has been appointed main contractor on the £1bn Middlewood Locks scheme, Salford, as well as becoming part owner in the £200m St Michael's project in Manchester city centre. Collaboration in the world of infrastructure is also being encouraged through the UK-China Infrastructure Alliance Academy - hosted by the University of Manchester since 2018. See page 30 for more.

FAR EAST CONSORTIUM

Far East Consortium has made a strong development partnership in the North of England including regeneration projects such as Northern Gateway and MeadowSide - estimated £5bn GDV and 15,000 new homes. Their investments are expected to create around 2000 new jobs in the region to support their business expansion.

Gavin Taylor, Regional General Manager, said: “This long-term partnership allows us to meet the strong demand for new homes in the region whilst supporting the city's excellent economic potential.”

ALLIANCE INVESTMENTS

As we work with hundreds of clients in China, additional connectivity with major Chinese cities would be hugely important for us. Manchester is becoming the best place to invest in property and we have seen a notable increase in interest from China since the Beijing route launch. These routes further the brand recognition and practicality of the North of England, bringing great benefits for many industries across the region.

LANCASHIRE COUNTY COUNCIL

In recent years, we have seen over £85m of investment from China in the Lancashire LEP area. This looks set to continue, for example Hillhouse International Enterprise Zone, which specialises in the energy industry, has recently been in talks with potential investors from China.

Direct connectivity can play an important role in stimulating international trade in a number of ways.

Firstly, the existence of a direct flight service can be key to encouraging businesses to export for the first time, as practical barriers to visiting a new market - where new relationships are forged and deals done - are removed. Secondly, there can be cost and time savings associated with new air services launching from airports in different parts of the UK. Businesses may find it cheaper and/or easier to ship cargo on such services, which can, in turn, increase the volume and value of goods exported to a particular market. Finally, the more subtle impact of cultural and knowledge exchange between two places can enhance the appetite for trade between them, as awareness grows of the quality of goods and services originating in each location. The trends described above appear to have played out positively in the case of the Manchester-Beijing route. In the two years prior to the service existing, the value of exports to China via Manchester

Airport was £0.92bn, with the national total being £16.15bn. In the two years after the route launching, the national total has reduced by 30% to £11.62bn, while the value of goods shipped out of Manchester has grown 41% to £1.29bn. Manchester Airport's share of UK export values to China has more than doubled from 5.7% to 11.5% during that period. Following the launch of the Government's new Export Strategy, with a target of increasing from 30-35% the value of exports as a proportion of GDP, this would indicate the Manchester-Beijing route, along with its other key long haul services, have a critical role to play in achieving that goal. Consultations carried out for this study indicated there remain some barriers to exporting for businesses. They include a general lack of motivation for overseas trade, concerns around language barriers and fears about sharing information with international partners. At the same time, there are a number of success stories to point to, with an encouraging trend being that businesses demonstrating export growth come from a wide range of places within the "Northern Powerhouse."

Export values from Manchester Airport to China grew **41%** to **£1.29bn** in the two years after route launch, while national values fell **30%**.

Manchester Airport's share of UK exports to China doubled to **11.5%** when compared to the two years prior to route launch.

Inward investment enquiries to Greater Manchester have more than **trebled** in the two years since Manchester-Beijing launched.

11 different Chinese inward investment projects have been converted in the two years since flights began, creating **115** jobs.

SHEFFIELD CITY REGION

A number of firms in the Sheffield City Region area have seen success in trading with China. These businesses make the most of the niche opportunities China's maturing market is presenting, focusing on high end manufacturing and innovative technology. There tends to be particular success in the region by developing links with Chinese cities which are lesser known in the UK, where these opportunities are otherwise undiscovered.

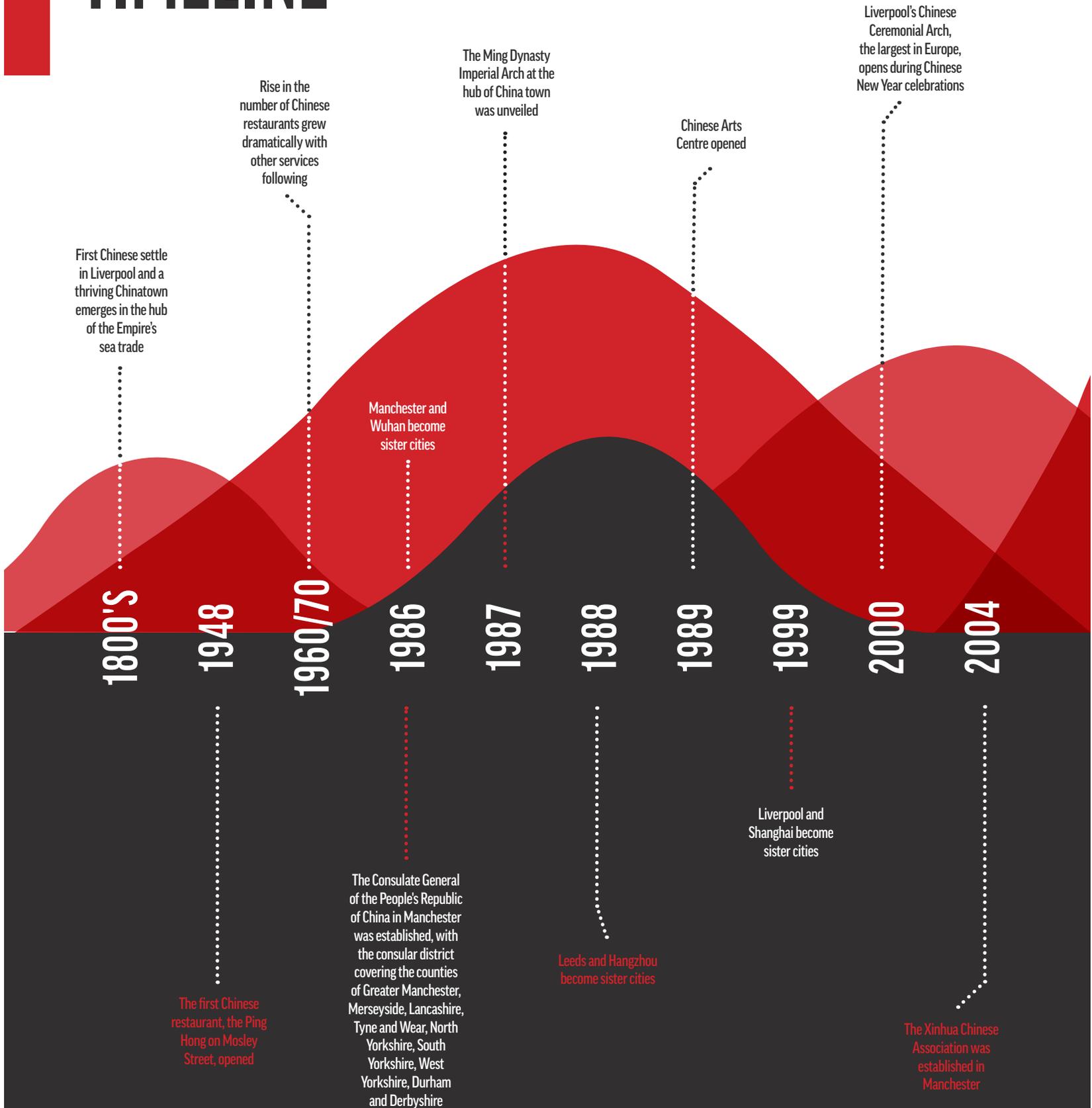
FORT VALE ENGINEERING

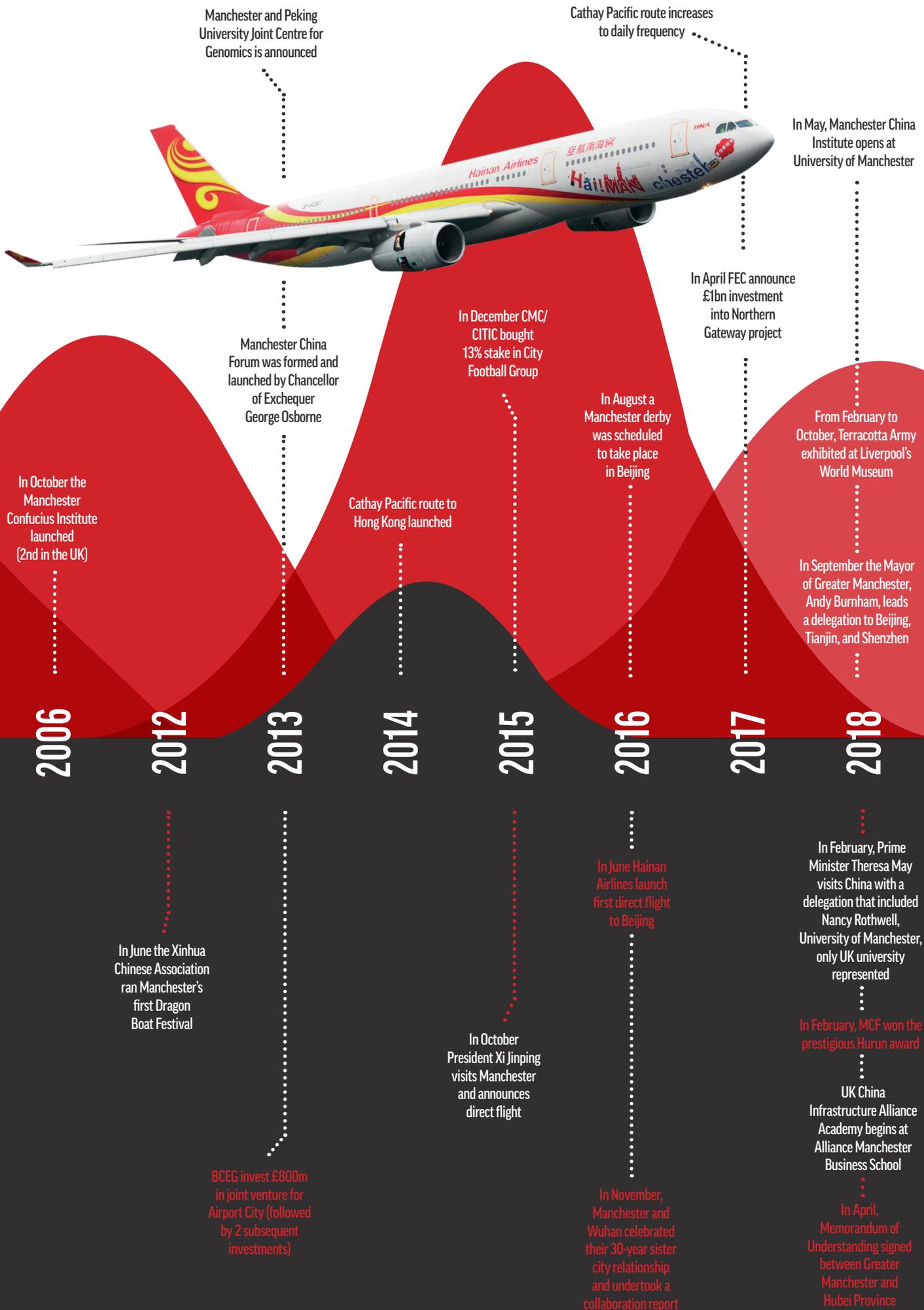
Fort Vale Engineering, in Burnley, Lancashire, has boosted trade and created jobs as a result of improved links with China. Its Chinese market has grown 4.8% in 2017, with a further 6.7% forecast this year. David Thornley, Group Credit Controller, said: "To accommodate the growth of our business in China, Fort Vale Engineering has been able to invest heavily in new facilities and equipment, creating over 50 jobs in Lancashire since 2016. The Chinese market now accounts for 75% of our total revenue, up from 60% in 2016. The strong regional links to China have benefitted our ability to trade with China and we hope for this to continue.

EDM

Manchester-based flight simulation experts EDM are one of the region's export success stories. In the first half of 2018 it has delivered an A330 cabin evacuation trainer to China Southern Airlines, two B787 door trainers to China Eastern Airlines, and is working with Xian Feibao Technology Co. Ltd on an A380 door trainer project for China Southern Airlines. Director of Sales and Business Development, Mick Bonney said: "China remains our number one priority with potential future business over the next 2-3 years of between £10m-£15m.

TIMELINE





2006

2012

2013

2014

2015

2016

2017

2018



YU
DONGWEN
LEAD DIRECTOR
BCEGI, UK

**AT BCEGI WE
HAVE DEVELOPED
A STRONG
RELATIONSHIP
WITH MANCHESTER.**

Since the announcement of Manchester-Beijing direct flights, BCEGI has been involved with £2.6 bn of projects in the region including Airport City Manchester and the Middlewood Locks development in Salford. We are delighted to help maintain close ties with Greater Manchester and the wider region as it looks to develop and realise the Northern Powerhouse vision.



THE VISITOR ECONOMY



THE VISITOR ECONOMY

Total visits to the North and spend by Chinese tourists has **grown** more than both London and the total UK between 2015 and 2017

The amount spent in the North by each Chinese visitor is now **5%** higher than the national average

The average visitor spend per tourist in the North West is **94%** up vs last year

Some Northern attractions reporting **200+%** increase in bookings from Chinese visitors

Total spend has broken the **£260m** barrier over the 24 months of the Manchester-Beijing route – breaking the **10 year** forecast in **two** years

THE LAKE DISTRICT

The World Heritage Site is one of the areas of the North that has felt most benefit from the existence of direct flights between Manchester and China. The connectivity has led to a significant increase in awareness among Chinese people of the Lakes as a place to visit.

"The Lake District has seen **incredible growth in the number of tourists** from China since 2016, creating jobs and bringing success to our local businesses," said Jennifer McCormack, sales and marketing director at the Lake District China Forum. "Having a direct flight from Beijing into Manchester has **opened an entirely new itinerary for Chinese visitors**, as we see more independent travellers, students and group tours wanting to experience The Lake District during their stay in the UK." This heightened awareness has driven an increase in followers on Chinese social media platforms, which in turn has delivered further bookings and sales. Weibo and WeChat followers **grew by 67%** in the first half of 2018, with a **reach of 1.5m people**. Individual attractions have also reported a boost. Windemere Lake Cruises has seen an increase in Chinese tour group bookings of **286%** since June 2016. English Lakes Hotels Resorts and Venues has reported an **85% increase** in Chinese visitors across the hotel group so far in 2018. Stacey McShane, general manager at the World of Beatrix Potter Attraction, said: "On our first Visit Britain mission to Beijing, most tour operators didn't know about Beatrix Potter and only knew a little about Peter Rabbit. The **awareness has really grown** and now the World of Beatrix Potter Attraction is a must see for groups and free independent travellers from China. With the **increasing visitor numbers** we have added Union Pay in our shops and have seen a noticeable increase in customer spend per head."

CHINESE HISTORY IN LIVERPOOL

Liverpool's Chinese community can be traced back to the 1800's. Liverpool shares historic links with Shanghai, and the two cities are looking forward to celebrating the **20th sister city anniversary** in 2019. In the past two years, from August 2016 to August 2018, Invest Liverpool has hosted **72 Chinese civic and business delegations**, which shows the city's strong links with China, and interests in Liverpool from Chinese businesses.

SHOPPING & THE SPORT OF KINGS, CHESHIRE

Cheshire's cultural connection with China is growing. Cheshire's shopping outlet Cheshire Oaks is **very popular with Chinese tourists** and students in the area. Cheshire West and Chester Council also recently **won Visit England Discover England funding** to promote the area's world famous race-courses to visitors from China and the Middle East, to share the area's 'Sport of Kings' culture and heritage.

The visitor economy is one of the biggest beneficiaries of direct flight connectivity between Manchester and Beijing with all parts of the North seeing a positive impact.

The existence of a direct service has broken down a barrier to Chinese tourists travelling to the North, as opposed to visits focussing primarily on London and the South East. Coupled with high profile marketing campaigns in China to raise awareness of Northern attractions – and the North as a holistic "offer" – this has led to a substantial

increase in the number of visits. Northern attractions are increasingly featuring in tours organised by Chinese operators, and both of Manchester Airport's direct routes to China are encouraging visitors to consider the North as their main entry point into the UK, even if their visit incorporates time in the capital.

There are a wide range of things within Manchester Airport's catchment area that appeal to Chinese visitors, ranging from sporting and leisure attractions to retail sites and areas of natural beauty. President Xi Jinping's state visit to the North in 2015 continues to be a draw.

As covered later in this report, the high



DURHAM MUSEUM PARTNERSHIP

"Durham University is the only English University to work in partnership with the highly prestigious Palace Museum in Beijing. This relationship is based on Durham University Department of Archaeology's collaboration with experts at the Palace on areas such as distribution of artefacts. Durham is also host to the Oriental Museum, which displays a large collection of Chinese ceramics."
Prof. Claire O'Malley, Pro-Vice-Chancellor (Global), Durham University.

YORKSHIRE

Yorkshire is another area that has reaped the rewards of direct connectivity with China. In the city of York, China soared from being the city's 15th biggest visitor market five years ago to fourth last year and second now. Following the Chinese President's visit to the North during his state visit, a noticeable boost to the number of Chinese visitors has been seen, with one chip shop in the city translating its menu to Mandarin due to the volume of tourists arriving on organised trips. China now accounts for 14% of overseas visits, up from 9% 12 months earlier, and some hotels have reported bookings doubling in the past year. One-quarter of visitors to York Minster are now Chinese and the Castle Howard attraction has seen a 50% increase in Chinese visitors. Other parts of Yorkshire are also benefitting. "As Leeds and Hangzhou approach their 30 year sister city anniversary in 2018, another newer partnership is also developing in Yorkshire. The city of Bradford is building links with Qingdao, a relationship built on both area's specialism in film. In 2017, Bradford opened a film office in Qingdao, and Qingdao joined Bradford as a UNESCO City of Film." Roger Marsh, OBE, Leeds City Region Enterprise Partnership.

WECHAT, MANCHESTER

In 2017, Greater Manchester challenged itself to become a leading city in terms of the use of Chinese social media to support the digital needs of visitors and students. As part of this, it became one of the only city regions in the world to launch a dedicated visitor guide application on WeChat. The Manchester China Forum, Marketing Manchester and tech firm ThoughtWorks joined forces to build 'Discover Manchester'. This fully WeChat integrated visitor guide pilot launched during the summer of 2018.

It supports Chinese visitors and students with navigating their way around Manchester, providing them with information of the region's main attractions, restaurants, bars and local hot spots all held together on a point of interest map with travel tips and transport information. This pilot launch is phase one of Manchester's WeChat development strategy which in the future will enable the visitor to pay and book through WeChat across the city. Rhys Whalley, Executive Director of the Manchester China Forum, said: "The application is a great example of Manchester working hand in hand with key industry players across the region to help shape the future digital landscape for engaging with China."

concentration of universities in the North also contributes to the visitor economy, with the friends and families of Chinese students travelling to spend time with them during the period of their studies.

The growth in both the number of visits by Chinese tourists and the amount spent per visit has continued in the second year of the Manchester-Beijing route.

Comparing the year before the direct flight was established (2015) to the year after (2017), there has been a 38% increase in numbers of Chinese tourists in the North of England. In terms of visitor spending, this has increased disproportionately to visitor numbers, by 120% between 2015 and 2017.

It was noted by consultees that schemes such as Visit Britain's GREAT China Welcome campaign, as well as types of digital infrastructure such as the WeChat and Weibo apps, help to encourage Chinese tourism in the wider region, rather than solely traditional tourist destinations.

In 2017, there were 58,000 visits from China to the North West, and 87,578 to the wider North, according to Visit Britain.

The average spend per visit to the North West increased by 94% to £2,167, which is 5% higher than the national average (£2,057).

Across the wider North, the average spend stood at £2,093, still 2% ahead of the national average.

Over the course of the two years the Hainan Airlines service has been in operation, the benefit to the visitor economy now stands at £262m, based on the number of passengers carried, the percentage of those that were of Chinese origin and the average spend of those travellers.

Prior to the route launching, it was estimated a total economic impact of £250m would be realised over the course of the first 10 years of its operation, meaning this milestone has been reached eight years sooner than anticipated, reinforcing the huge economic opportunity presented by further air connectivity into other regions of the mainland.

CHINA INBOUND TOURISM

It is valuable to understand the context in which the benefits felt by the North from increased **Chinese tourism** sits.

The China Outbound Tourism Research Institute (COTRI) has provided insight into macro trends in Chinese travel patterns, including over the two years since direct flight services have operated between Manchester and Beijing.

In addition, it has developed intelligence on the UK's attractiveness to Chinese travellers as an end destination and how Manchester – and the wider North – sits within that.

China Outbound Tourism Trends

Demand for outbound travel has grown exponentially over the past 15-20 years, making it now one of the most important “source markets” for many global destinations, including the UK.

In 2017, the overall number of border crossings reached a new high of 145m, compared to just 20m 15 years ago, representing 6% year-on-year growth. Crucially, 2016 was the first year that there were more journeys to destinations outside of Greater China than within it and that trend continued last year. COTRI forecasts the total

number of outbound journeys in 2018 will reach 160m. This would represent year-on-year growth of 16.4%. According to the UN World Tourism Organisation, China was the world's top spender for overseas travel over the past five years, with \$258bn USD (£198m) spent in 2017.

Despite this increase in total spending, the growth in average spend per trip actually reduced over the past 12 months. Analysis indicates this is a result of Chinese tourists increasingly preferring trips that last longer when travelling long haul, while their desire to experience things “like a local” makes money go further.

This trend makes it even more impressive that the average spend of Chinese visitors to the North West increased by more than 94% during the same period. It remains the case only around the top 10% of Chinese society, in wealth terms, can afford overseas travel, meaning they are largely immune to macro-economic fluctuations. Technological advances are aiding this growth in outbound tourism. The availability of translation devices and digital applications codes, such as the Manchester's WeChat mini app, are making it easier for Chinese tourists

to navigate new places. Some 65% of Chinese tourists now use online payment as part of their visit, with solutions like Alipay and WeChat pay now expected.

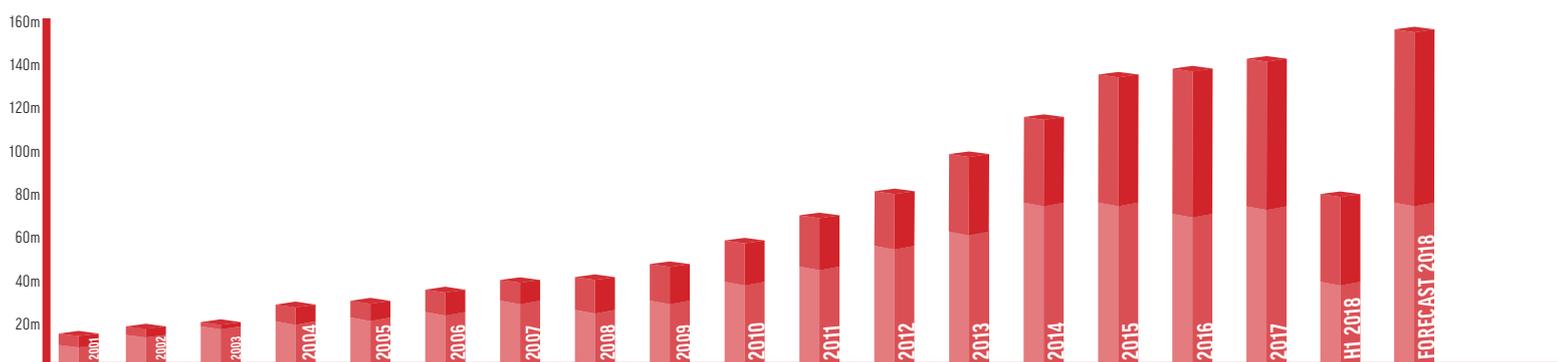
Travel to the UK

Chinese visits to the UK have grown steadily since 2011, with COTRI research showing total arrivals reached an historic high of 337,000 in 2017, up 29% on the previous year. Total expenditure by Chinese travellers increased 35% to £694m. Factors that have contributed to the UK's increase in popularity among Chinese tourists include a series of newly-launched direct flights, including the services between Manchester and Hong Kong and Beijing. Importantly, in December 2017, the UK Government signed a bilateral deal with China, increasing the number of permitted weekly flights from 100 to 150, on the condition this growth came outside of London. The UK has trialled measures to streamline its visa policies for Chinese tourists in a number of ways, fuelling this growth. Other measures have included the enabling of online visa application submissions and a lower fee scheme for two-year visas (£89 for Chinese vs £327 for other nationalities). In terms of the appeal of the UK, Chinese visitors reportedly

Average spend of Chinese visitors has increased by more than 94%

BORDER CROSSING FROM MAINLAND CHINA

Greater China Rest of the World
Source: COTRI



China accounts for one fifth of global tourism spend



In 2017, 69.4m border crossings were to Greater China (48%)



Vs 75.6m (52%) to the rest of the world



2017 marked 20 years of Chinese outbound travel



65% of Chinese tourists use online payments overseas



14% is the growth rate of customised travel



want to understand the country's history, culture and traditions through immersive experiences such as visiting museums, galleries and theatres and undertaking traditional activities.

Examples of such activities that have been included on organised trips are having a class with a professor at Oxford University, learning to horse ride, taking private tours of British luxury shopping stores and encouraged by Xi Jinping's state visit, travelling to places he went to.

This demand for customised travel is mostly from those more experienced and wealthy tourists travelling from "first tier" cities in China. It is expected that, as the demand from second or third tier cities grows, they will initially pursue traditional sightseeing and shopping activities when visiting the UK, progressing to customised tours on future visits.

The UK now ranks number one in terms of delivering customised travel of this nature, which has grown by 14% in 2017.

This is despite the fact it is not actually in the top 10 most visited countries by Chinese tourists. For context, Switzerland received nearly three times as many visits from Chinese tourists than the UK, at 974,700, with Iceland (328,300) and Sweden (371,00) receiving a similar number. Italy topped the charts, with 2,079,900, followed by France (2,000,000).

Set in this context, it is clear the UK will need to retain a competitive position, in terms of the stimulation of direct flight connectivity and visa policies, if it is to grow in share of the Chinese outbound market.

The UK now ranks number one in delivering customised travel

Manchester and the North as a tourism destination

Manchester provides an alternative entry point to the UK than London, with Chinese package groups preferring to travel without entering and exiting the UK from the same city. Manchester as a destination tends to sit in the middle of group tours, alongside other Northern cities such as Liverpool and York. With the increasing trend in "free independent travellers" (FIT), Manchester is being recognised as a more convenient option to London for passengers flying into the UK, due to its geographical location and proximity to a range of places of interest, from Scotland to the Lake District and Yorkshire to

Durham. One visitor told COTRI: "[It is] One of the major airports in the UK, with more international flights and convenient travel. It's about 10 minutes to the city centre by train. The train to Leeds and Sheffield are one and a half hours to an hour." Aifei.com.

As a city, COTRI identified football as one of the key "tags" for Manchester, with Old Trafford high on visitors' must-see list, as well as the Museum of Science and Industry. Manchester is also promoted in China as a meeting, incentive, conference and events travel (MICE) destination. Package trips on sale in China, including on popular platforms such as CTRIP, also include visits to Manchester town hall, the University of Manchester and Chinatown. It is interesting to note that while for FIT travellers, the fact Liverpool and York are close to Manchester Airport is a significant positive factor, tour operators compiling packages in China will often include only one of these locations. This would indicate an opportunity to continue with efforts to create a holistic "Northern" tour offer, ensuring spend within the North is maximised.

Chinese visitor perceptions of Manchester and wider North

Manchester

"Manchester's Chinatown is very large and well managed. It's clean and tidy meanwhile very lively. There are a lot of Chinese restaurants and souvenir shops. You can feel the strong Chinese atmosphere, especially the tall archway at the entrance, which brings us closer at once." Ctrip

"At Three Rivers Gin in Manchester, visitors can first learn about the intriguing history of gin, visit the distillery, taste free cocktail drinks, and finally let loose on the mini copper pot stills where you will create your very own personalised bottle of gin to take home! Isn't this interesting?" Mafengwo

"With the rise of the industrial revolution and the development of the science and culture, Great Britain has built many top-notch universities. University of Manchester is the top one. The campus is huge and the buildings are unique. It is worth a visit." Ctrip

"It's my favourite city in the world. As a football fan, Britpop fan, movie fan, this city can fulfil most of my needs and ideas. I'd been dreaming of coming here since I was a teenager. And later I came here for my overseas study and left. I think Manchester will always be on my mind and I will be back some day." Qyer

North of England

"Liverpool is a small city. There are many places to go and it has a lot to offer in terms of culture. Attractions are relatively close by. Both cities have football field and library. Liverpool itself is located by the river, but beach is not far, about 30 minutes by train or bus." Qyer

"York is very good. They have the best Cathedrals." Qyer



**KENNY
MURRAY**

**CENTRE DIRECTOR
CHESHIRE OAKS
DESIGNER OUTLET**

**CHINESE VISITORS
ARE A SIGNIFICANT
MARKET FOR
CHESHIRE OAKS
DESIGNER OUTLET,
COMPRISING OVER
50% OF OUR
TAX-FREE SALES.**

Since the launch of direct flights from Hong Kong and China, our tax-free sale volumes from these markets have grown over 165%, supported by our in-market sales and marketing teams, and close cooperation with Marketing Cheshire and Marketing Manchester to leverage the increased flight capacity into the region.



KNOWLEDGE EXCHANGE



KNOWLEDGE EXCHANGE

Universities have a pivotal role to play in maximising the economic and cultural benefits realised from closer links between the North and China, and in ensuring these impacts have longevity and are amplified over time.

Those studying at Northern universities typically reside in the region for a prolonged period of time, during which they attract multiple visits from friends and family, delivering a further boost to tourism in the process.

In addition, as alumni, they become “brand advocates” for the North, promoting its holistic “offer” in their homeland, encouraging others to consider studying there or visiting on holiday.

Research collaborations, particularly in relation to high-growth, high-value sectors, are also key to maximising the North’s economic potential.

They attract talent to the North, encourage knowledge exchange and can result in “spin-out” businesses forming in clusters around universities, creating high value jobs in the process.

At the same time, higher education is an important feature of the North’s exporting profile, with world famous academic institutions increasingly establishing bases in fast-growing economies, such as China.

All these trends are facilitated and made significantly easier by direct flight connectivity, with more than 40 universities located within Manchester Airport’s two hour catchment area.

Looking at the UK as a whole, Chinese student numbers increased by 4% between the 2015/16 and 2016/17 academic years. By comparison, the number of Chinese students coming to study within Greater Manchester, covering the universities of Manchester, Manchester Metropolitan, Salford and Bolton, grew by 9%.

Growth in Chinese student numbers at the N8 group of Universities across the North (Liverpool, York, Leeds, Sheffield, Durham, Newcastle, Manchester, Lancaster) was 6% over the same period.

The People’s Republic of China Consulate estimates approximately

70,000 mainland Chinese students studying in educational establishments across their consulate districts, which cover the entire North of England. Of these, HESA stats show 26,600 are at undergraduate or postgraduate level. In 2006, Manchester University became only the second in the UK to have a Confucius Institute and there are now 10 across the North.

One of the recommendations from last year’s report was to ‘explore joint UK-China initiatives to identify and progress collaboration and confidence building opportunities between the Northern Powerhouse and Belt and Road initiatives’. There have been a number of examples of that playing out in the past 12 months, including a partnership between Chevening and the N8 Research Partnership. Chevening is working with the N8 to provide expanded

“**There are now an estimated 70,000 Chinese students in the North**”



opportunities for Chinese scholars to study in the North of England. From 2017/2018, there will be an increased number of Chevening Scholarship places offered to Chinese students at N8 institutions. In terms of the North's academic export "story", Northern universities now have more than 20 partnerships with Chinese institutions, across a range of subjects, from plant sciences, archaeology and geology to energy, chemistry, computer science and maths. These align well with priority sectors identified by Northern LEPs, including aerospace, advanced manufacturing, life sciences and digital and creative, among others. The

More than **20 partnerships** with Chinese institutions

fact many of these partnerships, including some physical campuses run by Northern universities, exist in cities across the whole of China indicates a good level of demand for additional direct flight services already exists. The establishment of the Manchester-Beijing route has also opened up opportunities for Northern students to experience studying in China. Students from the North of England participating in InternChina programmes have increased 114% year-on-year (2018 vs 2017), nearly three-quarters of whom came from low income families. 78% of UK participants in 2018 were funded through government and university partnerships. 73% of these came from low income families. Some regions within the North experienced an even higher growth rate, such as Yorkshire and Humber (220%).



The number of Chinese students in Greater Manchester has grown **9%** year-on-year vs **4%** nationally

Growth in the Chinese student population at N8 Research Partnership universities has increased **6%** in the same period

Universities in Manchester Airport's catchment have partnerships with more than **20** Chinese universities

Post Graduate Research New Entrants are up **37.6%** at the University of Manchester vs a Russell Group average of 20.1%

There has been a **114%** increase in Northern students getting internships in China.



KNOWLEDGE EXCHANGE

University of Liverpool

"The University of Liverpool's main Chinese partnership is with the Xi'an Jiaotong Liverpool University (XJTLU) joint school in Suzhou. XJTLU is an independent university established via a joint venture between the University of Liverpool and Xi'an Jiaotong University (one of China's top universities). Students at XJTLU are awarded dual degrees from both the University of Liverpool and XJTLU and have the option to complete all four years in China or articulate to Liverpool for their final two years. XJTLU is also expanding to a new campus in Taicang, the Chinese area twinned with the Wirral. It is hoped that this may bring with it more interest from Chinese students in the wider region of Liverpool.

Additionally, the University of Liverpool School of Medicine collaborates with one of the largest research hospitals in China, Sichuan University at West China Hospital. This arrangement works well for both partners by bringing together expertise from each and the vast Chinese database of information.

There are also even commercial partnerships underway between China and the University of Liverpool. For example, the £2m Newton Fund project for hydrogen vehicle production in collaboration with Wuhan based company and Huazhong University of Science and Technology." **John Tasker, International Partnerships Manager, East Asia, University of Liverpool**

University of Manchester case study:

The University of Manchester has led the way in terms of forging closer ties between the city and China in many ways. As a result, its relationship with the establishment of direct flight services has been symbiotic.

The large number of Chinese students enrolled at the University was key to demonstrating sufficient demand for a direct service in the first place, with the institution having long recognised the value in Anglo-Sino collaboration. For example, as long ago as October 2006, it became only the second UK institution to open a Confucius Institute, which aims to further the understanding of Chinese culture in the city and encourage the learning of the Chinese language.

At the same time, the existence of a direct route to China has stimulated a significant uplift in international student applications and encouraged a series of high-profile research partnerships.

Prof Dame Nancy Rothwell, Vice-Chancellor of the University, said: "*China is a major market for us with nearly 5,000 Chinese students studying at the University of Manchester, overseas centres in Shanghai and Hong Kong, and partnerships with many of China's leading academic institutions.*

"The direct flight is important for both promoting Manchester and for our broader student experience, enabling us to attract top talent to our international research and

development programmes."

In terms of student numbers, the University has seen a 55% increase since 2013.

The most popular courses for Chinese students at the university this year are within the Alliance Manchester Business School (AMBS) and School of Materials, reflecting the excellent global reputation of AMBS and the materials expertise in Graphene and other 2D materials the University is now famous for. These fields, along with other University specialisms in healthcare, aerospace and communications, align to sectoral priorities identified by the Chinese government through the Made in China 2025 initiative and President Xi Jinping's Belt and Road vision. Crucially, the University of Manchester is attracting some of the best, most sought-after talent from China. Since the Hainan route

launch, it has seen a 37.6% increase in post-graduate researchers from China, compared to a 20.1% average for the Russell Group of universities. The University's long-standing appeal to Chinese students is paying dividends in terms of the activities of its alumni.

Its China Alumni Association has eight chapters, in Beijing, Shanghai, Guangdong, Hubei, Jiangsu, Sichuan, Tianjin, and Zhejiang and each year, Prof Dame Rothwell hosts at least one alumni reception in China.

In 2018, it opened the Manchester China Institute following a £5m gift from honorary alumnus Lee Kai Hung. It is dedicated to cultural and learning exchange.

In terms of other key partnerships, the Infrastructure Alliance Academy at AMBS was also launched in 2018 and is a prestigious

“**University has seen a 55% increase in Chinese students since 2013**”

joint-venture between the UK and Chinese Governments, helping to attract investment to the Northern Powerhouse. The academy runs programmes for senior Chinese businesses and government officials and has so far delivered two cohorts of UKCIA programmes, with eight more expected in the next

two fiscal years. Alongside other China executive programmes, more than 500 delegates come to AMBS each year for development training; of those, many executives benefit from the direct route between Manchester and Beijing.

Alan Wu, Director, China Programmes, Executive Education, AMBS, said: "The last two years have been unprecedented for AMBS in terms of its engagement with China, and particularly in the development and expansion of our executive training offering for Chinese clients.

"We also recognise that the Hainan Airlines direct route to Manchester, along with future connectivity to China, will be crucial in driving and maintaining success in the Chinese market and the future growth aspirations for our programmes – whether it be for senior executives, government officials or undergraduate and postgraduate students from China attending courses at the School." Student exchange programmes have also benefitted from direct connectivity, with 200 involved in various exchange programmes since the Hainan route launched, including medical placements, summer programmes and lab placements. The University has developed several partnerships with Chinese

businesses and institutions in areas from aerospace and advanced materials to communication and healthcare. Direct flight connectivity is cited as key to reducing travel time between the two locations for officials and researchers. Examples of key partnerships launched since the introduction of direct flights are:

37.6% increase in post-graduate researchers from China

July 2017 Partnership with the Aero Engine Corporation of China – Beijing Institute for Advanced Materials (BIAM)-UoM University Technology Centre. Both sides

can now work collaboratively on tackling key challenges facing the developing and fabricating of advanced aeronautical materials.

January 2018 Tsinghua University collaboration focussing on health research, materials and engineering.

February 2018 Healthcare partnership with Peking University to establish a Joint Technological Platform for 'Omics Study.

February 2018 Clinical Research Methods Centre established to support research interests of UoM and Shanghai Jiao Tong University.

May 2018 Joint training agreements in physics, chemistry, and environmental engineering, signed with Huazhong University of Science and Technology (HUST) – one of China's top universities – strengthening the friendship between the two institutions.

June 2018 Collaborative agreement with China Electronics Technology Corporation (CETC) – one of the largest electronics companies in China – led to the formation of joint research laboratory for Radio Astronomy Advanced Instrumentation Research (RAAIR).

University of Central Lancashire and InternChina

"A key milestone in the University of Central Lancashire's relationship with China is the development of a research company in Shenzhen, UCLan Technology (Shenzhen) Limited. Originally focused on nanotechnologies relevant to medicine and engineering, the company has evolved with the support of the Shenzhen Municipal Government. The company works with both UK and Chinese start-up firms who are looking to establish a presence in China and the UK, providing support to secure funding, advice on intellectual property, and has proposed the provision of incubator facilities in both Shenzhen and the North West of England." **Deputy Vice-Chancellor Liz Bromley, University of Central Lancashire**

"I am delighted that the direct air route has contributed to our recent success and we have seen 114% year-on-year growth in students from the North of England taking internships in China since 2016. This year our student numbers from the North West and Yorkshire regions have increased at more than three-times the rate of that in London and our growth is expected to continue during 2019. The direct route makes return flights to our destinations in China far more convenient, and we hope that additional routes will continue to connect young people from the North West with China". **Jamie Bettles, Managing Director, InternChina**

LOOKING TO THE FUTURE

Research carried out for this study has not just identified where benefits have been delivered since direct **Manchester-Beijing** flights began, but also areas that warrant attention and/or intervention from decision makers to maximise the value of potential opportunities in the future.

Air Connectivity:

This report presents clear evidence that new direct air routes between the UK and China have the potential to be more successful than those to other European countries.

Indeed, the Manchester-Beijing service has **outperformed the majority** of new services started between China and the EU over the past five years, including many connecting to capital cities.

Furthermore, it has demonstrated that a wide range of economic and social benefits flow in both directions when new routes become operational, because of the connections that are made possible between people, regions and companies.

The stimulation of further direct services would make a **significant contribution to driving growth** and productivity. In the case of routes in and out of Manchester Airport, that would apply to the economy of the North, or the “Northern Powerhouse” as it has become known.

Driving faster growth in the North will rebalance the wider UK economy, a stated Government priority.

In many ways, the foundations have been laid for further direct

air links to be established. The UK’s bilateral deal with China has **increased the number of permitted weekly flights** in both directions, on the condition the extra capacity serves non-London airports.

Meanwhile, Manchester Airport is investing in expanding its facilities, in order to unlock the spare capacity on its existing two runways.

In the policy arena, the UK Government is working towards a new national Aviation Strategy and has already made clear its support for making best use of runway capacity across the country. Linked to this, Ministers have made public statements on Manchester Airport’s role as a **nationally-important global gateway**, serving a distinct Northern market with a growing

network of long haul services.

There is, therefore, a significant opportunity in the Aviation Strategy for Government to commit to measures that will encourage the stimulation of **further direct links to high growth markets** like China from airports with spare capacity.

Studies like this one provide the justification and evidence base for identifying key gateways like Manchester as critical strategic assets, given their particular potential to facilitate this connectivity.

This is especially pertinent as the UK prepares to leave the European Union and, consequently, its links to key long haul markets are of critical importance and at a time when runway capacity in the South East is at a premium.

Besides the clear ‘wins’ for Government that this report outlines, there are a range of measures that would do more to encourage the stimulation of additional routes between the UK – and specifically Manchester – and China.

For example, Air Passenger Duty is regularly cited by airlines as a factor that leads them to establish connections with European cities before UK destinations, because other countries do not have anywhere near the level of aviation taxes that the UK does.

Research from IAR revealed that demand for travel between the UK and China has **grown faster (at 14%) than any other EU country** over the past year, with 250,000 new passengers travelling in both directions. However, available capacity only increased by 139,000 seats.

Total UK capacity to China is less than half that of other key EU countries, indicating there are indeed factors that lead to services being launched in these markets despite lesser demand existing. An important finding of this report is that all parts of Manchester Airport’s catchment – which is broadly consistent with the area known as the “Northern Powerhouse” – have **benefitted from the existence of direct connectivity**. However, there is both

qualitative and quantitative evidence to suggest that onward connectivity from Manchester Airport to other parts of the North is not of a standard that encourages these impacts to spread as freely as they otherwise could.

Ground Connectivity:

Better surface access to and from Manchester Airport, both in terms of speed and quality of journey, would, in the eyes of business groups and civic leaders consulted for this study, ensure that the geographical reach of these positive impacts was more pronounced and commensurate with that seen in the world’s most productive and competitive economic regions. Chinese visitors, especially those classed as “free independent travellers,” would find it easier and more comfortable to experience visitors attractions in all constituent regions of the Northern Powerhouse, with universities benefitting in a similar way.

These connectivity improvements would aid inward investment efforts and contribute to generally improved perceptions in China of the North as a single economic area that is productive, easy to get around and open for business.

Looking at schemes that would significantly improve connectivity within the North, including to and from Manchester Airport, Transport for the North has developed proposals for Northern Powerhouse Rail (NPR), which it says would contribute towards the creation of an additional **850,000 jobs** in the North.

Manchester Airport has been identified as a key node on the proposed NPR network and, if delivered in full, the scheme would **dramatically improve journey times** between Newcastle, Leeds, Liverpool, Sheffield, Manchester and the airport, in turn trebling the number of people who live within two hours by public transport of it. This would not only have the effect of improving connectivity to the airport for people and businesses in the North, but would also significantly **strengthen the commercial**

250,000 new passengers travelling in both directions

performance of additional direct flight services due to the major uplift in the number of customers that would be able to access them. Again, studies like this, which capture the benefits of direct routes to markets like China, should be taken into account when advancing the business cases for such schemes. The Strategic Outline Business Case for NPR is due to be published later this year. Interestingly, research carried out for this report has indicated that large-scale investment in high speed rail infrastructure has had a major impact on widening the catchment areas of Chinese airports. Indeed, Manchester's sister-city Wuhan has seen its passenger numbers **rise from five million annually five years ago, to 22 million last year**. It is anticipated that this figure will **hit 40 million** by the end of the decade. This investment has helped drive-up passenger numbers in general at the airport but, crucially, it has also contributed to the trend of higher levels of long haul travel out of China. According to IAR: "In 2017, High Speed Rail (HSR) in China was connecting 550 cities with 25,000km of routes. This will increase to 38,000km by 2025 with 80% of routes competing with air services. "By 2020 High Speed Rail services will connect all of China's provincial capitals and cities. Airports with HSR services can expand their catchment area but airlines, facing increased competition on short-haul routes, are increasingly focusing on long haul routes and international routes."

“**resulted in a significant uplift in visitor numbers**”

Visas:

The number of visits from China to the UK are currently at a **historic high**. Recent streamlining of tourist visa policies, paired with the drop in the pound, has overcome what was previously identified by COTRI as a notable barrier to Chinese visitor arrival numbers. According to the UK China Visitor Alliance (UKCVA), the number of

visitor visas issued in China rose from 210,000 in 2012 to over 530,000 in 2017. This **150% increase** outstrips the 104% increase in Schengen area visa numbers over the same period. Whilst UK Government has made steps forward with China visa policies, there are still measures that can be taken to maintain this growth trajectory and maintain a competitive stance within Europe as the China inbound market continues to grow. As noted in this report, there are a number of European countries that are comparatively smaller in size to the UK which are attracting a large number of Chinese visitors annually. These countries benefit from their inclusion in the Schengen visa scheme which grants access to a larger market of available tourists from which they can pull from. Sitting outside of the Schengen zone the UK does not have these same benefits. The UKCVA has found more than 90% of Chinese visitors only go through the visa application process once when they visit Europe, making multiple entry and exit points more favourable. It is lobbying for a permanent 'One Stop Shop' system in partnership with other European countries where visitors can apply for both visas in the same place. The UK Government has also recognised the **potential value of a 10-year multiple entry visa** albeit that this is still to be trialled. The US on the other hand introduced a similar 10-year scheme in 2014 which has resulted in a significant uplift in visitor numbers. The strength of the North's Chinese student population has been identified in this report as something that is delivering long-lasting benefits to the region. Universities UK has recently called for extended visas for International Students, a measure that would allow the North to continue to work with its **growing alumni network** and to harness longer lasting research and business partnerships once these students have left university.

“**Record volumes of foreign visits by Chinese nationals**”

The Visitor Offer:

China as a nation is viewed as having cities in multiple tiers, in terms of their economic and social development, which in turn influences the propensity to fly of their populations, both within Greater China and to the rest of the world. Despite **record volumes of foreign visits** by Chinese nationals, overseas travel remains an activity reserved for the wealthiest members of its society, with only around 10% of the population possessing a passport. This would indicate the potential for an **"explosion" in demand** for travel in the years to come but it is important for destination markets, including the North and wider UK, to understand the way in which this will materialise. That is both in terms of the emergence of second and third tier cities as places with growing middle classes with an appetite for travel and the likely sequencing of their development. In addition, monitoring the changing nature of outbound travel from China, taking account of demand from both first and second tier cities, will be key. It is clear that **technology is of paramount importance** to all Chinese tourists, which is why Manchester's development of digital products and services for this market is important and welcome. As repeat visits from wealthy travellers in first tier cities grow, analysis in this report indicates there will be an increasing need to adapt the visitor "offer" accordingly, to incorporate more personalised and "local experiences." At the same time, those travelling overseas for the first time from second and third tier cities will continue to be interested in traditional sightseeing activities, football and luxury retail. The North has an **abundance of assets** that would appeal to both cohorts of tourists and so is well placed to capitalise on the opportunity ahead of it. Further collaboration between organisations across the North will help maximise the potential dividends to be realised.

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