



**AIRPORTS COMMISSION DISCUSSION PAPER 02  
AVIATION CONNECTIVITY AND THE ECONOMY**

**A response submitted by the Aviation Foundation**

**April 2013**

## **Response to the Airports Commission Discussion Paper 02 Aviation Connectivity and the Economy**

### **Introduction**

1. This is a response to the Airports Commission discussion paper about how aviation connectivity may contribute to the UK's economy. The relationship between aviation connectivity and economic growth, particularly how connectivity supports trade, tourism and investment, is central to the Aviation Foundation's remit to promote the economic and social benefits of aviation to the UK.
2. The Aviation Foundation is a non-profit organisation, established by British Airways, Virgin Atlantic, Heathrow Airport Holdings and M.A.G. It is supported by the British Air Transport Association, the Airport Operators Association, ADS Group, BAR-UK and the Baltic Air Charter Association, between them representing the entire sector.
3. Set up in 2011, the Aviation Foundation has so far received the backing of more than 170 organisations and businesses, including trade organisations, FTSE 100 companies, universities, car manufacturers and football clubs. These supporters represent hundreds of thousands of businesses and millions of employees across the UK. All have signed the Aviation Foundation pledge to demonstrate how a successful aviation industry is vital to their work at home and abroad in light of the government review. (See Annex A for the pledge and current list of signatories).
4. This paper primarily responds to four of the five questions set out in paragraph 5.5 of the Airports Commission paper relating to the assessment of how aviation connectivity supports:
  - Trade in goods
  - Trade in services
  - Tourism
  - Business investment and innovation.We look at these issues focusing particularly on the impact in every local authority across the UK. We show that, throughout the whole country - even the town which is farthest from a major international airport - reliance on the goods and services which aviation provides is widespread.

### **Aviation – an essential contributor to UK economic growth**

5. Fundamental to the Aviation Foundation's work is the belief that aviation connectivity is an essential contributor to the UK's economic growth, and that the extent of this contribution is widely overlooked or not properly taken into account. In fact aviation collectively creates over £50 billion of wealth for the UK each year and protects almost one million British jobs.<sup>1</sup>

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<sup>1</sup> Oxford Economics, Economic Benefits from Air Transport in UK, 2011

6. Nor should aviation be treated as an abstract concept whether at a personal level or in the national policy debate – it has real meaning in the lives of the vast majority of the UK population. Being able to travel is essential to doing business, enjoying a holiday and keeping up with family and friends, making the world smaller, more open and accessible.
7. The figures speak for themselves:
  - i. More than 210 million passengers pass through UK airports each year.<sup>2</sup>
  - ii. UK residents make over 43 million visits abroad by air each year.<sup>3</sup> These include more than five million visits by people on business.
  - iii. Nearly nine million trips are made by low to middle income families, shattering the myth that air travel is the preserve of the rich.<sup>4</sup>
  - iv. 22 million international tourists visit the UK by air each year, generating around £14 billion annually across the economy.<sup>5</sup>
  - v. When it comes to friends and family:
    - UK nationals made around 10 million visits to see friends or relatives abroad in 2010, keeping family and friends in touch.
    - While in the opposite direction, 8.4 million people visited friends or relatives in the UK, the vast majority travelling by air. Of these, two million were UK nationals who live overseas.<sup>6</sup>
8. The Government has said that one of its main objectives is to ensure that the UK's air links continue to make it one of the best connected countries in the world.<sup>7</sup> We very much support this, but connectivity cannot be viewed in isolation. If we continue to ignore what is happening elsewhere in the world, the meaning and value of UK connectivity will decline dramatically. This was underlined by Simon Walker, Director General of the Institute of Directors (one of our 170 pledge signatories): "Aviation is vital to UK trade and investment, but we are already falling behind our competitors in Europe."
9. While leading trading nations across the globe have quickly recognised that a thriving aviation industry is vital to future economic growth, British politicians have debated this point for almost fifty years without effective action (as clearly demonstrated in the timeline diagram at Annex B). As a result Britain is falling behind as an economic powerhouse at the worst possible time.
10. We know that UK businesses trade 20 times as much with emerging market countries that have a direct daily flight to the UK compared to those countries that do not.<sup>8</sup> Whether addressing capacity needs, a prohibitive visa regime or uncompetitive taxes, now is the time to make sure our island nation really is 'open for business' in the coming years. This is particularly important if the government wants to capitalise on trade and tourism opportunities stimulated by the Olympics.

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<sup>2</sup> UK Civil Aviation Airport Statistics, 2011

<sup>3</sup> Travel Trends, International Passenger Survey, ONS 2010

<sup>4</sup> CAA Passenger Surveys 1996-2009

<sup>5</sup> HM Treasury consultation paper on Air Passenger Duty, 2011

<sup>6</sup> Visit Britain, VFR facts and figures, 2011

<sup>7</sup> Aviation Policy Framework, Cm 8584, DfT, March 2013

<sup>8</sup> Frontier Economics, Connecting for Growth, September 2011

## **Aviation benefiting local communities throughout the country**

11. The effect of connectivity on economic growth can be clearly demonstrated by examining the considerable impact aviation has on everyday lives throughout the country. This is especially important because, as we have said, this aspect is most often overlooked - connectivity benefits are taken for granted without questioning how the benefits arise or how being deprived of them would impact on our lives. While this is a function of the very penetration, strength and importance of aviation which permeates so many strands of our lives, it runs the risk that aviation becomes insufficiently nurtured because the roles it plays, for example in many supply chains and in providing or supporting jobs, are largely invisible.
12. This misunderstanding of the ubiquity of aviation benefits is true even among MPs. A poll conducted for the Aviation Foundation towards the end of 2012 showed that the vast majority of MPs were generally supportive of aviation's importance to the UK economy, but far fewer understood how their local patch benefits: a third did not know whether many businesses in their constituency depended on good air links to be able to trade and attract customers. They also tended to think that it was the South East of England, more than other regions, that stood to benefit.<sup>9</sup>
13. Aviation brings goods to our shops, performers to our festivals, sports stars to our stadiums, art to our galleries, tourists to our attractions and friends and family together. Also delivered by plane are the electrical components which make our computers and IT gadgets work, the car parts that keep us on the road, life-saving medicines, international aid and letters to our armed forces. The desktop, laptop or tablet you are probably reading this on and the smartphone in your pocket, like so many everyday necessities, were almost certainly also brought to you by plane.
14. To demonstrate that the benefits of the aviation industry are widespread, impacting on so many lives across the country at a very local level, we have undertaken two important areas of research:
  - i. For our Great British Flying Test campaign ([www.greatbritishflyingtest.co.uk](http://www.greatbritishflyingtest.co.uk)) we have demonstrated that, in every corner of Britain, there is an irrefutable reliance on air links. We have done this by showing the considerable impact on goods, services and jobs which aviation has on a town furthest away from a major international airport, not a hypothetical case but a very real one examining the impact on the daily lives of the people of Carlisle. We have turned this part of our research into a short film available at the Great British Flying Test website. This film is also now being shown on British Airways and Virgin Atlantic long haul routes across the world.
  - ii. Alongside the qualitative research done in Carlisle, we have undertaken some quantitative desktop research showing the connectivity impact across the whole of the UK. Using Office for National Statistics figures at local authority level, we have analysed three important sectors which are crucial contributors to our economy and are dependent on aviation for their continuing success. These are:

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<sup>9</sup> The Aviation Industry, A Survey of MPs, ComRes, December 2012

- Tourism
- Inward investment
- Exports.

15. Our quantitative research, the results of which we discuss further below, has produced tourism employment and inward investment (foreign owned units) totals for every local authority in the UK, and export figures for every region. These can be found at <http://www.greatbritishflyingtest.org/Jobs/JobsLA/index.asp>. Figures by region and country for these sectors are at Annex C.

#### 1) Employment in the tourism industry

16. Aviation plays an essential part in the continuing success of the tourism industry, punching above its weight since those arriving by plane spend more than those arriving by other means. 75% of the 30 million visits to the UK by overseas residents in 2010 were by air but they spent 83% of the £17 billion earned from all such visits.<sup>10</sup> This is a significant contribution to the tourist infrastructure which helps to establish its viability for all tourists both foreign and domestic.
17. What this means for vital jobs at the local level becomes evident by our analysis of the impact on each local authority. In England, for example, where there are around 2.5 million tourist industry jobs, around one fifth of local authorities in broad terms rely on tourism for more than 10,000 jobs (many of them well over 10,000). Of the remaining local authorities in England, around half have 5,000-10,000 tourism jobs and the other half 1,500-5,000.
18. Our research in Carlisle shows very clearly the everyday impact which statistics cannot always convey. When the owner of the Crossroads House Bed and Breakfast in Carlisle was asked what impact it would have if foreign guests who arrived by air were no longer able to come, she said “It would have a big impact because it’s not just the bed and breakfasts and hotels in Carlisle, it’s the shops, the restaurants, the attractions. It brings money to all of them.”

#### 2) Employment in foreign-owned companies

19. Inward investment has always played an essential role in the economy of the UK where 3.7 million jobs can be directly attributed to foreign-owned companies.<sup>11</sup> More than 112,000 jobs were created and protected in 2011 by foreign direct investment,<sup>12</sup> and research showed that transport links and easy access to markets are absolutely essential for more than half of global companies deciding where to locate their businesses.<sup>13</sup> This contribution by the aviation sector is acknowledged by the Government’s Aviation Policy Framework which makes clear that aviation in the UK enables productivity and growth by facilitating inward investment<sup>14</sup>. Aviation is a crucial

<sup>10</sup> Travel Trends, International Passenger Survey, ONS 2010

<sup>11</sup> Oxford Economics, The Value of Aviation Connectivity to the UK, 2011

<sup>12</sup> Department for Business, Innovation and Skills press release, July 2012

<sup>13</sup> European Cities Monitor 2010, Cushman and Wakefield

<sup>14</sup> Aviation Policy Framework, Cm 8584, DfT, March 2013, para 1.13

factor in providing the right kind of environment which encourages foreign companies to invest in the UK.

20. Our own quantitative research shows that:
- Over a quarter of local authorities in England each relies on inward investment for more than 10,000 jobs.
  - For more than half of these, the total rises to over 20,000 jobs.
  - Foreign owned companies provide 5,000-10,000 jobs in half the remaining local authorities, with the other half falling in the 500-5,000 jobs range.
  - The tourism industry and foreign owned companies taken together account for employment in the tens of thousands in nearly two-thirds of local authorities in England.
  - This is the case for nearly half of local authorities in Scotland, rising to almost 60% of local authorities in Wales.
  - In Northern Ireland, more than 60% of local authorities rely on tourism and foreign owned companies for more than 3,000 jobs, with Belfast peaking at 44,000 jobs.
21. The importance of aviation to the UK's inward investment is reflected in our town farthest away from a major international airport. Take Pirelli, for example, one of the leading manufacturers of high-end and performance tyres. They are the world's fifth largest tyre manufacturer with a presence in over 160 countries, employing some 34,000 people. They have 22 tyre manufacturing facilities around the world, one of which is in Carlisle. As one of their Carlisle managers told us:
- "Pirelli is led by a very mobile group of managers in Milan who actually come to the factory to see how their investment is performing. And without air travel they wouldn't be able to visit us, they wouldn't be able to look at how we're performing and basically we wouldn't be here if we weren't able to accept those types of visits."

### 3) Exports by air

22. The aviation industry plays a crucial role in boosting UK exports. In 2010, goods worth £60.3 billion were exported by air, 28% of all goods exported.<sup>15</sup> Dr Neil Bentley, Deputy Director-General of the CBI, another Aviation Foundation supporter, said: "Aviation is important, particularly for an export-led recovery."
23. The table in Annex C shows the importance of exports by air for Scotland, Wales, Northern Ireland and each English region. Just over one-third (£20 billion) of total exports by air from England (£54 billion) were from London and the South East. The remaining two-thirds came from the other seven English regions ranging from £3.3 billion in Yorkshire and the Humber to £7.3 billion in the North West. Scotland, Wales and Northern Ireland together accounted for another £6.7 billion.
24. Air freight is essential for high value or time critical goods. Many sectors in the Government's Plan for Growth cannot function without this crucial link in the supply chain. During a keynote speech in September 2012, the Secretary of State for Business, Innovation and Skills said: "We must get behind successful British-based firms in vehicles, aerospace, life sciences and creative industries and our world-class scientists and universities." These sectors almost all depend on air freight. The

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<sup>15</sup> Oxford Economics, The Value of Aviation Connectivity to the UK, 2011

majority also rely on air links to export knowledge and conduct effective business through their global networks.

25. The aerospace industry is a key part of the advance manufacturing sector, which relies on good air links and air freight. In Wales, for example, there are according to Paul Lindsay MBE of Aerospace Wales Forum, approximately 160 companies in aerospace and defence. This £5 billion industry that directly employs 23,500 people in Wales provides yet another example of aviation keeping Britain moving.

## Conclusion

26. That aviation benefits the UK's economy is widely accepted. In the Department for Transport's Summary of Responses to its Draft Aviation Policy Framework, it concluded that "On the balance of evidence ... it was considered that there is a strong case for the argument that aviation brings direct and indirect economic benefits, both at the local and national level."<sup>16</sup> This was recognised by the White Paper which the Government published following this consultation which concluded:  
"Aviation benefits the UK economy through its direct contribution to gross domestic product and employment, and by facilitating trade and investment, manufacturing supply chains, skills development and tourism."<sup>17</sup>
27. What we have shown in this paper is that the benefits of aviation are not restricted to larger cities or catchment areas around airports. Our quantitative analysis demonstrates clearly that what we have called 'irrefutable reliance on air links' is evident in every local authority in the UK through businesses, exports and tourism. This is illustrated by our qualitative research in Carlisle showing the extent of its reliance on the wide range of goods and services aviation provides, despite its distance from a major international airport. Finally, the benefits are bigger even than those revealed by the extensive information we have provided. This is because there are substantial additional benefits to be found including direct jobs in aviation, aviation supply chains or less tangible benefits brought about by the vast numbers of people travelling each year to the UK.

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<sup>16</sup> Draft Aviation Policy Framework Consultation, Summary of Responses, DfT, March 2013, p4

<sup>17</sup> Aviation Policy Framework, Cm 8584, DfT, March 2013, para 7



The following 170 organisations have signed the Aviation Foundation pledge:

**“We support a successful UK aviation industry because  
it is vital to our work at home and abroad”**

5plus Architects  
Aberdeen & Grampian Chamber of Commerce  
Aberdeen Business School, Robert Gordon University  
ABTA  
ADS Group Ltd  
ADT Workplace  
Advantage Worldwide (UK) Ltd  
AEGIS  
Aerocomm Ltd  
Aerospace Wales Forum  
ALG-Europraxis Consulting Ltd.  
Ashley Riley Communications  
Asian Business Association  
Assembly Studios  
Association of Event Organisers  
Association of Event Venues  
Association of International Accountants  
Association of International Courier and Express Services  
Association of Leading Visitor Attractions  
Atlas Infrastructure Management Limited  
AviaSolutions  
  
Ball Packaging Europe UK  
Baltic Air Charter Association  
Board of Airline Representatives in the UK  
Beamish Associates  
Bentley Motors  
Best of the Best  
Bird & Bird  
Boeing UK  
Brazilian Chamber of Commerce  
Bridge the World  
British Chambers of Commerce  
British Hospitality Association  
British International Freight Association  
British Vehicle Rental and Leasing Association  
BritishAmerican Business  
Brodericks Love Coffee  
Bruntwood  
BT



Burges Salmon  
Business to Business  
Business Visits and Events Partnership

Cambridgeshire Chambers of Commerce  
CBI  
CBRE Ltd  
Chelsea FC  
Cheshire and Warrington Local Enterprise Partnership  
China-Britain Business Council  
CMS Cameron McKenna  
Confederation of Passenger Transport UK  
Creative Solutions  
Critical Divide

Daisy Group  
Demys Limited  
Dorset Local Enterprise Partnership  
DWF LLP

Event Supplier and Services Association  
Eversheds  
EYE

Flower Import Trade Association  
Flower Wholesale Trade Association  
Free The Children  
Freight Transport Association

G4S  
GE  
GMB  
GTMC  
Grant Applied Sciences

Harbottle & Lewis  
Harrods Aviation  
Herbert Smith  
Hounslow Chamber of Commerce

ICAP  
Institute of Directors  
Institute of Travel & Meetings  
International Export Supplies Ltd  
IPI Solutions Ltd

JAB Business Services  
Jaguar Land Rover  
James Aviation  
JP Morgan Cazenove

Kia Motors UK  
Kier Infrastructure & Overseas Ltd

KKR

L.E.K Consulting  
Leeds, York & North Yorkshire Chamber of Commerce  
LeighFisher  
Liverpool FC  
Lloyds Bank  
London Chambers of Commerce  
London First  
London Stock Exchange Group

M2

Macfarlanes  
Management Consultancies Association  
Manchester Central Convention Complex  
Manchester City Council  
Manchester Science Parks  
Manchester Vending Services  
MAPP IT & Business Management Recruitment Specialists  
Marketing Kinetics  
Marsh  
Micro Nav Ltd  
Middle East Association  
MLG Aviation Ltd  
MWH

Nathaniel Lichfield & Partners  
National Private Hire Association  
National Taxi Association  
Newport Business Association  
Norfolk Chamber of Commerce  
NSG Group  
Nuance

Optimise4 Ltd  
ORBIS

p3 property consultants  
Pannone LLP  
PAPR  
Pascall+Watson Architects  
Petroplastics and Chemicals Ltd  
Planit-ie Ltd  
Polymorph

RDC Aviation  
Renault UK  
Rexam  
Road Haulage Association  
Robertson Group  
Rolls-Royce  
Russo-British Chamber of Commerce

Salans  
Scottish Chambers of Commerce  
Scottish Council for Development and Industry  
Seasons Catering  
Simpson Thacher & Bartlett  
SNR Denton UK  
Spiroflow Ltd  
STA Travel  
Stansted Airport Chamber of Commerce  
Stork & May  
Suffolk Chamber of Commerce  
Swordpoint Advisors Ltd

T2 Impact  
The Caribbean Council  
The Licensed Private Hire Car Association  
The Loadstar  
The Meetings Industry Association  
The Monarch Travel Group  
The Original Factory Shop  
TheCityUK  
Tie Rack  
TIGA  
Timeshare Association (TATOC)  
Tourism Alliance  
Tower Hill Merchants  
Transport for Greater Manchester  
TUI Education  
TUI Travel

UK Inbound  
United Utilities  
University of Glamorgan  
University of Salford  
Urban Futures

Virgin Money

Warren Partners  
West of England Local Enterprise Partnership  
Whitbread  
WHR Property Consultants  
World Duty Free  
Wright Property Associates  
WPP Group

Interdepartmental Committee reports shortlist of 18 sites for major new airport, recommending Stansted as the best option. Stansted's runway first became operational in 1943.

**Plan to develop six runway airport on the Isle of Sheppey to replace Heathrow**

**Government sets up a Second Interdepartmental Committee to revisit case for Stansted**

## Ministerial statement announcing decision to develop Stansted

**Government sets up the Roskill Commission to recommend a new London airport**

Government selects Maplin Sands, Foulness to be London's new hub airport  
Roskill Commission recommends Cublington, Oxfordshire as new airport for London

Maplin Sands proposal abandoned by the Government  
Paris opens its new four-runway Charles De Gaulle Airport  
BOAC and BEA combine to create British Airways

**Government's Aviation White Paper identifies Heathrow capacity as "restricted"**

'Gatwick Agreement' between BAA and West Sussex County Council that there would be no operational second runway at the airport before 2019  
New Government says "Heathrow capacity is virtually exhausted..."

Frankfurt Airport opens its third runway  
Virgin Atlantic's maiden flight

Government commissions a new study on airport capacity  
(RUCATSE – Runway Capacity in the South East Study)  
CAA advises Government that air traffic in the South East would reach saturation point by 2005

RUCATSE concludes that expanding Heathrow "would afford the greatest benefits"

## Planning permission granted for second runway at Manchester Airport

Government's Transport White Paper says it will "prepare a UK airports policy looking some 30 years ahead"

## Second runway at Manchester Airport completed

Government publishes SERAS (South East of England Regional Air Services Study) with options for new runway capacity in the South East

Future of Air Transport White Paper supports a third runway at Heathrow and a second runway at Stansted  
Amsterdam Schiphol opens its fifth runway

## Madrid Barajas Airport opens its third and fourth runways

Birmingham Airport rejects Government suggestion that it would need a second runway by 2030. Makes the Government's additional suggestion of extending its existing runway its main priority.

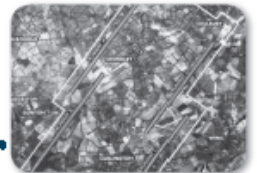
## Dubai International Airport opens its third terminal

## Government backs a third runway at Heathrow but rules out greater use of existing runways

## Coalition Government reverses third runway decision and rules out new runways at Gatwick or Stansted

Government publishes "scoping document" on a "sustainable framework for UK aviation"  
Frankfurt opens its fourth runway  
"Thames Hub" report recommends construction of a new airport on the Isle of Grain

Government publishes draft aviation policy framework for further consultation



# Aviation Foundation

**Overall totals from Great British Flying Test campaign.** Regional and local authority information available at [www.greatbritishflyingtest.co.uk](http://www.greatbritishflyingtest.co.uk)

Region/Country	Exports by Region <sup>18</sup>			Tourist industries <sup>19</sup>	Inward investment	
	Total	By Air			Foreign Owned Local Units <sup>20</sup>	
	£m	£m	%	Employment	Units	Employment
East Midlands	15,210	4,759	31	195,900	5,625	249,565
East of England	22,732	6,299	28	241,400	8,215	301,305
London	28,446	7,287	26	519,000	19,140	737,077
North East	11,924	3,559	30	105,300	3,190	143,179
North West	24,659	7,262	29	323,600	9,910	375,866
South East	41,956	12,198	29	408,200	15,260	583,502
South West	11,100	3,530	32	287,400	7,535	256,507
West Midlands	17,450	5,410	31	226,300	7,695	314,345
Yorkshire and The Humber	14,039	3,294	23	229,200	6,960	255,706
Total England	187,516	53,598	29	2,536,300	83,530	3,217,052
Scotland	14,658	2,932	20	273,100	7,770	270,509
Wales	11,800	2,775	24	128,800	3,250	139,438
Northern Ireland	3,234	995	31	59,700	2,310	79,039
TOTAL	217,208	60,300	28	2,997,900	96,860	3,706,038

<sup>18</sup> Oxford Economics, 2010

<sup>19</sup> Business Register and Employment Survey, ONS, 2009, except for Northern Ireland which the Northern Ireland Statistics and Research Agency kindly provided (based on Census 2009 figures)

<sup>20</sup> ONS, Count and Employment of VAT and/or PAYE based Foreign Owned Local Units by Region and Country of the UK by employment size band for 2010