

Airports Commission

Discussion Paper 02: Aviation Connectivity and the Economy

**Response from the British Air Transport Association (BATA)
April 2013**

Introduction

The British Air Transport Association (BATA) welcomes the opportunity to submit a response to this discussion paper on “Aviation Connectivity and the Economy” from the Airports’ Commission.

BATA is the trade body for UK-registered airlines, with members representing all sectors of the industry. In 2011, BATA members employed 73,000 people, operated four-fifths of the UK commercial aircraft fleet and were responsible for some 96% of UK airline output, carrying 129 million passengers and 1.1 million tonnes of cargo. The eleven BATA member airlines are: British Airways, DHL, easyJet, Flybe, Jet2.com, Monarch, RVL Group, Titan Airways, Thomas Cook, Thomson Airways and Virgin Atlantic.

The broader UK aviation industry employs 234,000 staff, contributes £ 18.4 billion to the UK Gross National Product and £7.8 billion in taxation to the Exchequer. Aviation pays more tax than the national average. Air Passenger Duty (APD), paid by departing passengers, is a virtually unique national tax and acts as a trade barrier to the development of the UK aviation industry and the wider UK economy.

Nine out of ten air journeys from UK airports are international. Air transport is the public transport network of the global economy and vital to the UK’s performance as a trading nation. Aviation supports business through international connectivity, the movement of goods and people and attracting inward investment. The UK also benefits from having a strong airline industry offering consumer choice both in terms of operator services from a wide range of local airports.

Almost 40% by value of UK trade with non-EU countries is transported by air.

It is vital for the UK’s economic prosperity that we have an aviation policy that addresses the needs of all the UK, without continuing delay. BATA supports the work of the Davies Commission to achieve that end. It is critical that the conclusions of the Davies Commission attract cross party support to prevent the continuation of the see-saw of aviation policy we have experienced over recent decades.

As an island nation, the UK relies on a vibrant aviation sector to facilitate international connectivity.

UK business is increasingly strident in its calls for the UK to develop its international connectivity in order to attract inward investment, thus boosting economic prosperity and creating new jobs. If we are to capitalise on our emergence from recession, the Government must show willingness to unlock

and encourage private investment in infrastructure at airports to allow capacity expansion where it is most urgently needed.

As the Government recognises, the UK's economy needs to compete in both established and emerging markets. This requires excellent aviation connectivity right across the country, ensuring the UK has both vibrant point to point airports and sufficient world class hub capacity that meets the needs of the entire aviation sector. This means prioritising a favourable planning and regulatory regime and developing a bold aviation policy. To ensure there is no further erosion of the UK's competitive position, the Government must set a clear timetable for action and seek cross-party support.

Aviation responds to and meets the demands of the globalised 'just in time' economy and the expectations of customers. The reliance on aviation by business and the public was clearly demonstrated during the disruption to services caused by the Icelandic ash cloud and the knock-on effects to the wider economy and people's travel arrangements. Without aviation services, some manufacturing all but ground to a halt when vital but perhaps low value components failed and could not be replaced "just in time" due to non-availability. There was a similar threat to the availability of essential pharmaceutical and medical supplies.

Aviation and the services our member airlines provide are crucial in delivering and sustaining links to emerging markets, inward tourism and foreign direct investment to UK.

We agree with the following statement contained in the APF consultation document:

"Aviation connectivity is a combination of destinations served and frequency of flights: the broader the range of destinations served and the higher the frequency of flights to and from those destinations, the better connected an airport, city or country is. The value of connectivity is affected by other characteristics, such as the relative importance of the destinations served, the cost of accessing them, which is the end-to-end journey time and cost including the price of air travel, and the reliability of the services".

To that end, BATA supports the findings of the recent CBI report "Trading Places" (see http://www.cbi.org.uk/media/1976885/cbi_trading_places_report_mar_2013.pdf). The report found that restraints on capacity and demand in recent years have impeded the UK's ability to grow new routes and that a new daily flight to the eight largest high-growth economies could generate £1bn of additional trade a year

We also note the recognition in the consultation document that the "UK must be able to connect with the countries and locations that are of most benefit to our economy". However, we question the completeness of the analysis in a number of places in the consultation document and the absence of any recognition that UK policy objectives are also met by supporting developing economies overseas through the provision of routes to market. Air links provide a development route and support over 1 million livelihoods in African rural farming economies (source ATAG: Aviation Benefits Beyond Borders).

Paragraph 2.11 and later paragraphs from 3.38 onwards undervalue the contribution to the economy from outbound tourism and VFR (visiting friends and relatives) traffic. ABTA states:

UK residents spend in excess of £31 billion annually within the UK in preparation for a holiday abroad. Including industries supplying the sector, outbound travel generates £54 billion within the

UK economy, contributing over £6 billion to HM Treasury in taxes, and supporting 1.26 million jobs in the wider economy.

See <http://abta.com/news-and-views/policy-zone/more/tourism-mix>

Outbound tourism also supports Government objectives of Overseas Aid by providing much needed revenue to many developing countries.

Paragraph 2.13-15 concludes that growth in long haul services is taking place from Gatwick to China and Indonesia. However, this may only be the case because Heathrow is full and opportunities for an even greater expansion of services are in fact being wasted through a lack of capacity at the hub airport. It was noteworthy that Vietnam Airlines launched operations from Gatwick rather than Heathrow only under strong protest and after diplomatic representation. Long haul services are also being lost at Gatwick, for example the recent move of a North American service to Heathrow.

Conclusion

It is essential for an island, trading nation like the UK to have a thriving aviation industry able to provide comprehensive and competitively priced airlinks with other trading partners around the world. The UK stands to lose out if we do not have adequate airport capacity to meet growing demand for flying and to provide routes to market. As other hub airports around Europe grow their links with the rest of the world at our expense, this potentially places the UK at a disadvantage both in attracting new investment and being able to win new business with emerging world economies. We lose out on this at the expense of economic prosperity and jobs.

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