

Written evidence from the Aviation Foundation (AS 33)

A successful aviation industry means a successful Britain

- Introduction
- Why aviation is a popular and essential industry
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- Four key tests to secure a credible and lasting aviation policy

Introduction

1. The Aviation Foundation is a non-profit organisation, established by British Airways, Virgin Atlantic, BAA and Manchester Airports Group. 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. **The main purpose of the Aviation Foundation is to promote the economic and social benefits of aviation to the UK.**
2. Set up last year, the **Aviation Foundation has so far received the backing of more than 150 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).
3. This Aviation Foundation paper focuses on the terms of reference which cover international connectivity and the benefits of aviation. Sustainable Aviation will submit a detailed response focusing on the excellent progress made by the industry's campaign to tackle environmental issues head-on. **The Aviation Foundation is submitting this summary to make three key points.** We think it is important to:
 - a) Highlight the **strength and depth of support** for aviation in Britain
 - b) Demonstrate aviation's **positive impact on everyday life in local communities**
 - c) Set out **four tests that Government must adopt** to deliver a policy that works.

Why aviation is a popular and essential industry

4. **Aviation collectively creates over £50 billion of wealth for the UK each year and protects almost one million British jobs.**¹ In addition, the 150 supporters of the Aviation Foundation offer a powerful insight into how many more jobs and businesses rely on air travel. Despite this, the aviation industry and its supporters are often taken for granted.
5. **Aviation is not an abstract concept and nor should it be treated as such in the national 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. **More than 210 million passengers pass through UK airports each year.**²
6. **UK residents make over 43 million visits abroad by air each year.**³ These include more than five million visits by people on business. Also, nearly nine million trips are made by low to middle income families, shattering the myth that air travel is the preserve of the rich.⁴ **22 million international tourists visit the UK by air each year, generating around £14 billion annually across the economy.**⁵
7. Aviation keeps friends and family in touch. In 2010, UK nationals made around 10 million visits to see friends or relatives abroad. Heading 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.**⁶
8. **We agree with the government that the priority should be to ensure that the UK's air links continue to make it one of the best connected countries in the world. Yet the meaning and value of UK connectivity will decline dramatically if we continue to ignore what is happening elsewhere in the world.** The Institute of Directors is one of our 150 pledge signatories. The IoD's director-general Simon Walker said: "Aviation is vital to UK trade and investment, but we are already falling behind our competitors in Europe. We urge the Government to be bold when drawing up its final framework".
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 (for an example using a timeline, see Annex B). As a result **Britain is falling behind as an economic powerhouse at the worst possible time.**

¹ Oxford Economics, Economic Benefits from Air Transport in UK, 2011

² UK Civil Aviation Airport Statistics, 2011

³ Travel Trends, International Passenger Survey, ONS 2010

⁴ CAA Passenger Surveys 1996-2009

⁵ HM Treasury consultation paper on Air Passenger Duty, 2011

⁶ Visit Britain, VFR facts and figures, 2011

10. **We know that UK businesses trade 20 times as much with emerging market countries that have a direct daily flight to the UK as they do with those countries that do not.**⁷ 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 presented in the post-Olympic glow.

How aviation benefits local communities where you live

11. There is considerable scope for understanding better the sheer scope of aviation's impact on the everyday lives of us all. Despite being integrated into so many aspects of our lives, by and large the benefits of aviation are taken wholly for granted. **While this demonstrates the penetration, strength and fundamental importance of aviation to our society, 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.** This contrasts sharply with, say, a small but visible protest outside an airport.
12. **Aviation brings goods to our shops, performers to our festivals, sports stars to our stadiums, art to our galleries, tourists to our attractions and most importantly friends and family together. The electrical components which make our computers and IT gadgets work, the car parts that keep us on the road, the life-saving medicines, international aid and letters to our armed forces are all delivered by plane.** The computer you may well be reading this on and the smartphone in your pocket, like so many everyday necessities, were almost certainly brought to you by plane.
13. We have argued that the **benefits of the aviation industry are widespread, impacting on so many lives across the country at a very local level. To demonstrate this, we have analysed three important sectors which are crucial contributors to our economy** and are dependent on aviation for their continuing success. These are tourism, inward investment and exports. We have concentrated on England, Scotland and Wales, where all sets of figures were readily available at local authority or regional level (see Annex C for region and country figures).
 - i. *Employment in the tourism industry*

⁷ Frontier Economics, Connecting for Growth, September 2011

- 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.⁸ **This is a significant contribution to the tourist infrastructure which helps to establish its viability for all tourists both foreign and domestic.**
- **What this means for vital jobs at the local level becomes evident by analysing the impact on each local authority.** Using England as an example where there are around 2.5 million tourist industry jobs, in broad terms around one fifth of local authorities 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.
- The Aviation Foundation is currently researching local populations at considerable distance from a major international airport to demonstrate that in every corner of Britain there is an irrefutable reliance on air links. Sue and Warren Holt run the Crossroads House B&B in Carlisle. Whilst many of their guests are from Britain, **they are typical of thousands of B&B owners who depend on international visitors to run a viable business.** Mr Holt said: "If foreign visitors who travel by air found it difficult to do so, it would have a big impact on us. It's the difference between being comfortable and getting by."

ii. *Employment in foreign-owned companies*

- 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.**⁹ Last year more than 112,000 jobs were created and protected in the UK by foreign direct investment.¹⁰ **Transport links and easy access to markets are absolutely essential for more than half of global companies deciding where to locate their businesses.**¹¹
- **Aviation is a crucial factor in providing the right kind of environment which encourages foreign companies to invest in the UK.** As the Secretary of State for Transport said in his written statement to Parliament on 7 September 2012, the aviation industry "provides this

⁸ Travel Trends, International Passenger Survey, ONS 2010

⁹ Oxford Economics, The Value of Aviation Connectivity to the UK, 2011

¹⁰ Department for Business, Innovation and Skills press release, July 2012

¹¹ European Cities Monitor 2010, Cushman and Wakefield

country with the global connections which our businesses need to sell their products abroad and which inward investors to the UK demand.”

- **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. **That is the case for nearly half of local authorities in Scotland, rising to nearly 60% of local authorities in Wales.**

iii. *Exports by air*

- 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.**¹² Dr Neil Bentley, Deputy Director-General of the CBI, another Aviation Foundation supporter, said: “Aviation is important, particularly for an export-led recovery.”
- The table in Annex C shows **the importance of exports by air for Scotland, Wales 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.
- **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 majority also rely on air links to export knowledge and conduct effective business through their global networks.
- The aerospace industry is a key part of the advanced manufacturing sector, which relies on good air links and air freight. According to Paul Lindsay MBE of Aerospace Wales Forum, there are approximately 160 companies in

¹² Oxford Economics, The Value of Aviation Connectivity to the UK, 2011

aerospace and defence in Wales. This £5bn industry that directly employs 23,500 people in Wales provides yet another example of aviation keeping Britain moving.

Four key tests to secure a credible and lasting aviation policy

14. Unlike the majority of the transport network, the aviation industry is funded through private investment at limited cost to the taxpayer. However, it still requires the **long-term certainty** that can only come through a credible and lasting aviation policy from Government. **If this is in place, the aviation industry can play a full and proper part in boosting economic growth.**

15. **This was at the heart of a call made by aviation, business and trades union leaders in the lead up to the announcements of the consultation and the independent Commission.** Chief Executives of the companies which established the Aviation Foundation - BAA, British Airways, Manchester Airports Group and Virgin Atlantic - along with heads of the British Chambers of Commerce and the TUC, called on the Government to adopt four key tests:

*i. **Deliver a clear policy conclusion that can be progressed without further delay.***

With years of government inactivity on aviation policy, the draft framework and the Commission's work must result in a plan of action and the commitment to see it through - "not another fudge", as Willie Walsh, CEO, International Airlines Group, put it.

*ii. **Aim for cross-party consensus and a commitment that lasts beyond the term of one Parliament and ensures the policy will be implemented.***

Whatever decisions emerge from the latest policy process, history shows they will not be implemented without real leadership by all political parties. It is time for narrow political interest to be put to one side and for our political leaders to grasp the nettle and work together for the good of the UK as a whole.

*iii. **Achieve cross-departmental consensus and support Britain's economic growth, consistent with our trade, tourism, transport, environmental and climate change strategies.***

In the past decade, there have been eight Transport Secretaries, six Business Secretaries, six Home Secretaries and nine Tourism Ministers, but not a single strategic aviation policy that has met the country's needs. Different Government departments promote policies on air passenger duty, visas and planning that actively work against boosting trade and tourism. If aviation is to play its full part in getting this economy moving, Treasury, BIS, DCMS, DCLG, Home Office and DECC should be working together on a long-term aviation policy to help growth.

iv. ***Be based on a policy process that has considered all options rationally and objectively on their merits.***

UK aviation is a hugely significant creator of wealth and employment in its own right. However, its importance goes much further than that, which is why this country should have an aviation policy that truly addresses the needs of all, whether it is business or leisure, passengers or freight, hub or point to point. In areas of the UK where recession has hit particularly hard, economic growth driven by aviation is needed more than ever.

16. **There is wide support for these tests with both the British Chambers of Commerce and the TUC solidly behind the Aviation Foundation's drive for a successful aviation policy.** Brendan Barber, TUC General Secretary, said: "Trade unions have pushed the Government for a meaningful growth strategy and the aviation sector clearly has a central role to play. **Aviation provides hundreds of thousands of skilled, well-paid jobs** for our members. In these difficult times, such jobs are at a premium. Of course, it is vital that our environmental and climate change commitments are taken into account as we develop the sector, but I am confident that that can be done."
17. John Longworth, Director-General, British Chambers of Commerce said: "British businesses are busting a gut to increase their exports to new and growing markets across the globe. If we want them to succeed, we urgently require an aviation strategy that delivers capacity and connectivity for today, for tomorrow, and for the long term. **The government must stop tip-toeing around on aviation because of short-term political considerations. Unless politicians grasp the nettle and make some tough decisions, both our export and inward investment potential will suffer.** My message to Westminster is clear: don't condemn Britain to second-class status as a trading nation. Deliver an aviation strategy that's actually worth the paper it's written on."
18. The four key tests are the benchmark against which the aviation industry, businesses and unions will judge the outcome of this policy process. **The Secretary of State has already acknowledged that "the aviation industry in the UK is extremely successful". This is no historical accident but a result of world-beating innovation during the past 100 years. Now is not the time to stagnate whilst our competitors race ahead.** It is essential that Government delivers a successful aviation policy in the national interest for the benefit of the UK in the decades ahead.

18 October 2012

The following 154 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
AEGIS
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
Burgess Salmon
Business to Business
Business Visits and Events Partnership

Cambridgeshire Chambers of Commerce
CBI
CBRE Ltd

Chelsea FC
China-Britain Business Council
CMS Cameron McKenna
Confederation of Passenger Transport UK
Creative Solutions
Critical Divide

Daisy Group
Demys Limited

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

Harbottle & Lewis
Harrods Aviation
Herbert Smith
Hounslow Chamber of Commerce

ICAP
Institute of Directors
Institute of Travel & Meetings
International Export Supplies 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
Middle East Association
MWH

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

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
Simpson Thacher & Bartlett
SNR Denton UK
STA Travel
Stansted Airport Chamber of Commerce
Stork & May

Suffolk Chamber of Commerce
Swordpoint Advisors Ltd

T2 Impact
T2 Impact Ltd
The Caribbean Council
The Licensed Private Hire Car Association
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

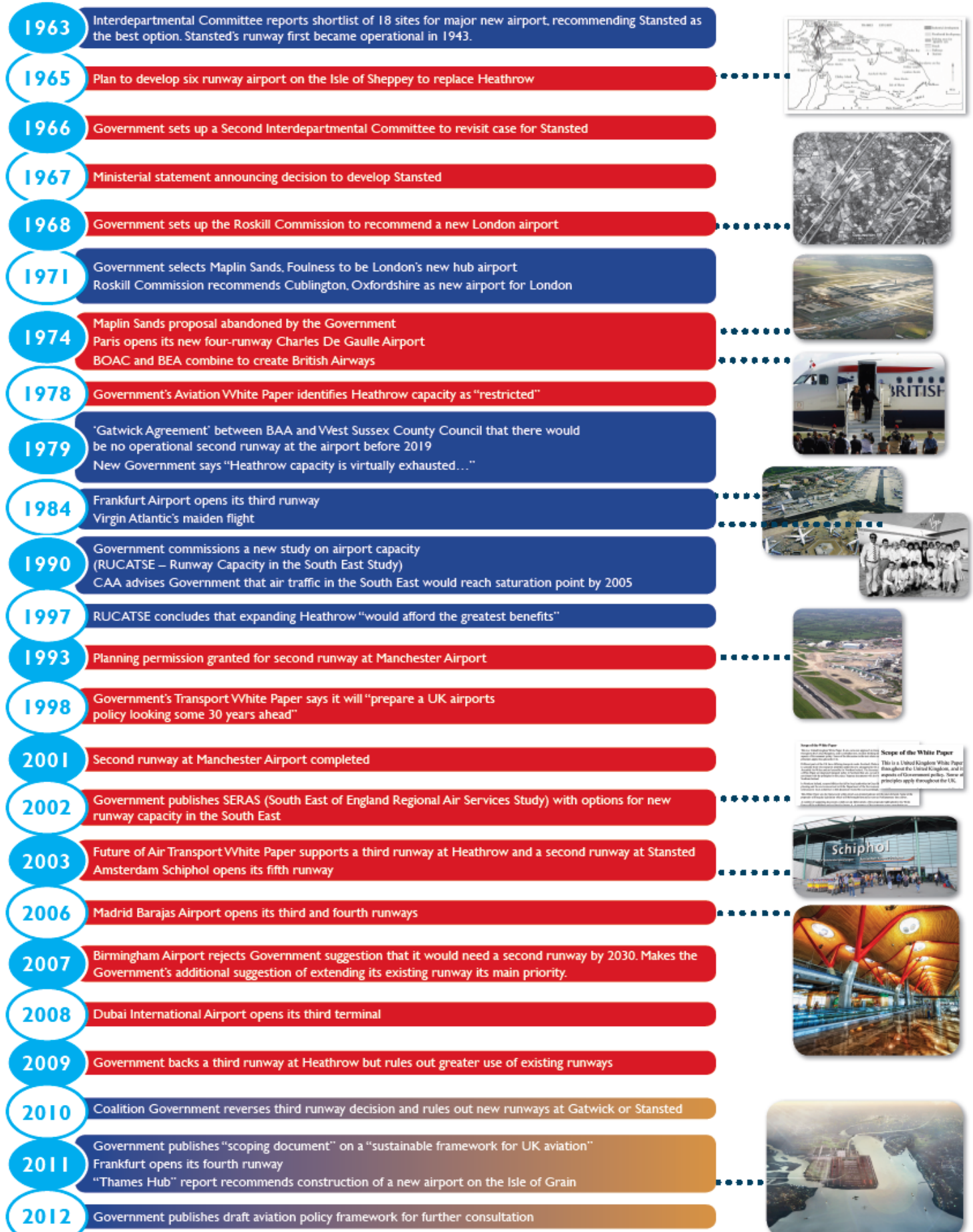
UK Inbound
United Utilities
University of Glamorgan
University of Salford
Urban Futures

Virgin Money

Warren Partners
Whitbread
WHR Property Consultants
World Duty Free
WPP Group

Fifty Years of Indecision – a timeline of UK aviation policy

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Region/Country	Exports by Region ¹³ 2010			Tourist industries ¹⁴	Inward investment		Tourist industries & inward investment
	Total	By Air			Foreign Owned Local Units ¹⁵		
	£m	£m	%	Employment	Units	Employment	Employment
East Midlands	15,210	4,759	31	195,600	5,625	249,565	445,165
East of England	22,732	6,299	28	241,300	8,215	301,305	542,605
London	28,446	7,287	26	518,800	19,140	737,077	1,255,877
North East	11,924	3,559	30	105,300	3,190	143,179	248,479
North West	24,659	7,262	29	323,900	9,910	375,866	699,766
South East	41,956	12,198	29	408,300	15,260	583,502	991,802
South West	11,100	3,530	32	287,100	7,535	256,507	543,607
West Midlands	17,450	5,410	31	226,400	7,695	314,345	540,745
Yorkshire and The Humber	14,039	3,294	23	229,400	6,960	255,706	485,106
Total England	187,516	53,598	29	2,536,100	83,530	3,217,052	5,753,152
Scotland	14,658	2,932	20	273,100	7,770	270,509	543,609
Wales	11,800	2,775	24	128,900	3,250	139,438	268,338
TOTAL	213,974	59,305	28	2,938,100	94,550	3,626,999	6,565,099

¹³ Oxford Economics, 2010

¹⁴ Business Register and Employment Survey, ONS, 2009

¹⁵ 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