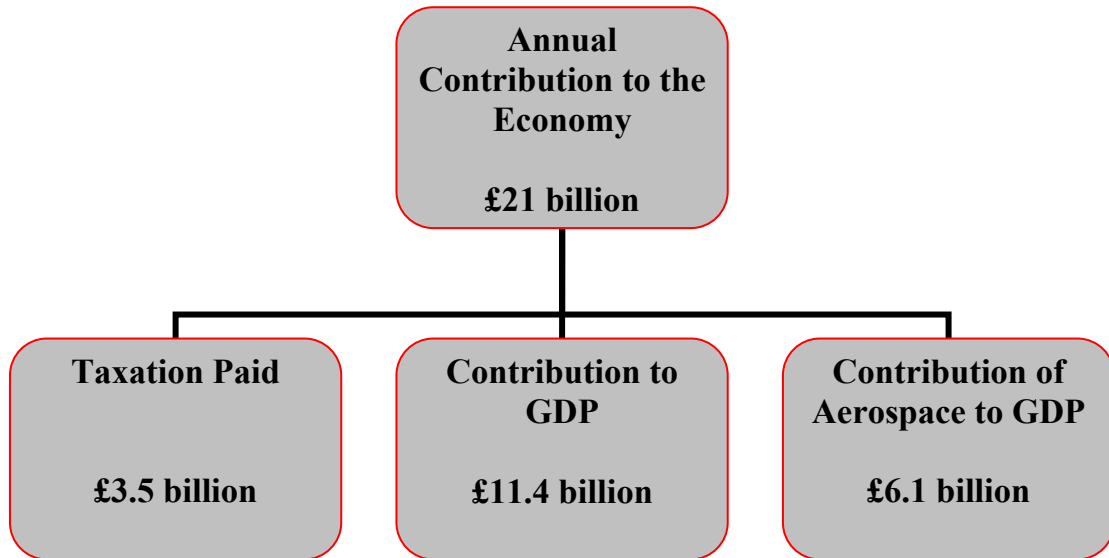


# Aviation and the Economy

## The benefits of aviation are overstated

**Big claims are made about the economic benefits of aviation:**

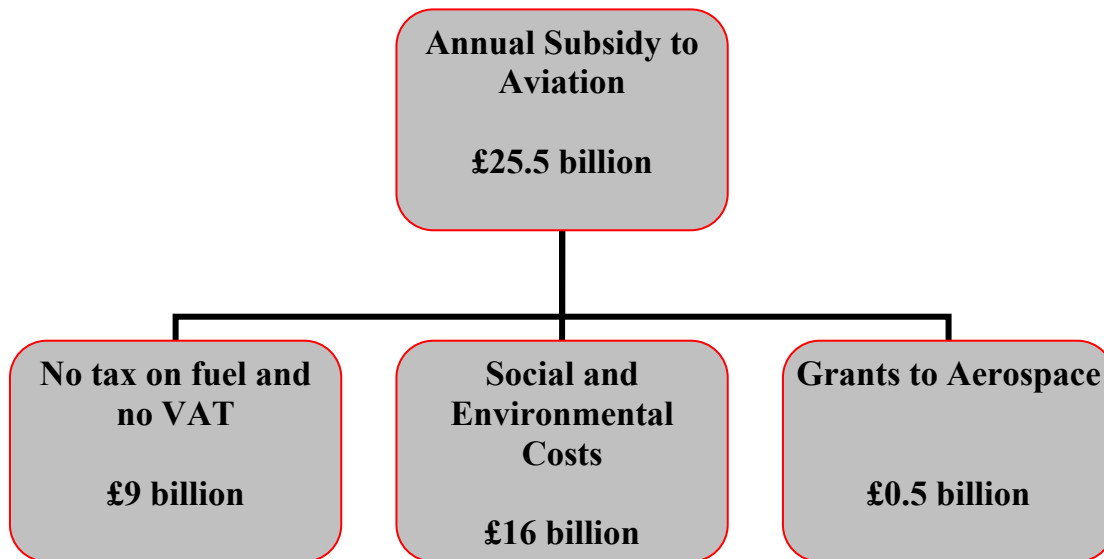


- Contribution of aviation to the national economy (Gross Domestic Product): **£11.4 billion** per year (1).
- Contribution of aerospace to GDP: **£6.1 billion** (about half of that is from the manufacture of civilian aircraft)
- Taxation paid, the normal taxes, such as Corporation Tax, which the aviation industry pay: **£3.5 billion** (1)
- Contribution of mixed-mode\* at Heathrow would be **£2.5 billion** a year or £35 billion by 2030 (2).
- Contribution of a 3<sup>rd</sup> Runway at Heathrow would be **£7 billion** a year or £27 billion by 2030 (3).

The figures for aviation's contribution to the national economy come from a report from Oxford Economic Forecasting (a firm of consultants with no connection with Oxford University). The report, published in 1999, was commissioned by the Department for Transport, but was largely paid for by the aviation industry. Nevertheless, it is this report on which the Government has built its aviation policy. The figures in the two Heathrow bullet points above are also derived from this report.

The Oxford Economic Forecasting report also claims that **£41 billion** worth of goods and services are exported by airlines each year. What the report doesn't mention is that, even with these exports, the UK runs an annual of around **£60 billion** in goods and services transported by air each year (4).

## The industry figures exclude key factors



- **£9 billion** a year in tax subsidies given to the aviation industry - it is zero-rated for VAT and it does not pay on fuel (5).
- The **£16 billion** social and environmental costs the country pays each year to cover the noise, air pollution, and climate change impacts of aviation (6). This figure is not universally accepted. The dispute is about the costs of climate change. Some economists put the figure higher; others lower.

and

- The **£15 - £17 billion** difference in the amount tourists flying to the UK spend here compared with what UK tourists flying overseas spend there (7)

**The huge claims made for the economic benefits of Heathrow expansion - £2.5 billion a year for mixed-mode and £7 billion a year for the 3<sup>rd</sup> runway - do not take account of all these subsidies the aviation industry receives.**

**Very often the aviation industry's subsidy comes at the expense of other industries.** The UK tourist industry, for example, is badly losing out because of the tax breaks aviation receives. This means that from being essential to the health of the economy, the expansion of Heathrow may well harm the wider UK economy.

**And**, it is a basic economic fact that, if the growth of aviation is limited through a cap on airport expansion or higher fares, people would simply spend their money elsewhere, thus benefiting other areas of the economy. The consultants Berkeley Hanover wrote: "If constraints are imposed on the level of airport capacity, the nation's resources will simply be deployed in another way (8)."

**References:** 1 The Contribution of the Aviation Industry to the UK Economy, Oxford Economic Forecasting, 1999. A revised version was published in 2006. 2 Report on BAA website 3 As two. 4 World Investment 2002: Transnational Corporations and Export Competitiveness, UNCTAD 2002. 5 The Hidden Cost of Flying, Sewill, published by Aviation Environment Federation, 2003. 6 Fly Now, Grieve Later, Sewill, published by the Aviation Environment Federation, 2005. 7 Why airport expansion is bad for regional economies, Friends of the Earth, 2005. 8 The Impacts of Future Aviation Growth in the UK, Berkeley Hanover, 2000