

Aviation growth strategy fundamental to the UK's economic future, concludes think tank

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- **Ahead of the 2017 Budget, the ITC think tank report examines the economic contribution of aviation and the importance of excellent airport connectivity to drive a highly productive economy post-Brexit. It makes the case for fiscal and regulatory regime change to create an aviation framework fit for a 21st century economic growth strategy.**

Following a comprehensive survey of transport authorities, aviation and aerospace sectors, the **Independent Transport Commission (ITC)** has released an in-depth analysis of the acute challenges facing the UK government in aviation policy and air connectivity as it seeks to create the conditions for economic growth in a highly charged global arena.

The ITC-commissioned report was authored by former Bank of England economist, Dr Rebecca Driver of Analytically Driven Ltd, and builds upon the ITC's expertise by looking at the economic impact, environmental issues and connectivity associated with airport capacity growth in the south east of England.

In response to the Government's support for expansion at Heathrow and the recently published draft National Policy Statement on Aviation, as well as the ongoing negotiations over the UK exit from the European Union, the report concludes that:

- **Improvements in air connectivity bring major economic benefits** – the introduction of direct flights, increase in flights, and increased competition from low cost airlines – changes the structure of economies and the benefits that flow from it. Within the same aviation spending envelope, firms can operate and trade more effectively in multiple locations; and global supply chains can develop and grow by improved management of time sensitivities. This connectivity supports the most productive firms in the UK economy.
- **To maintain the same level of air connectivity post-Brexit, the UK (and the EU) will need urgently to renegotiate its international air service agreements (ASAs) with third countries.** Any changes to ASAs could positively or negatively impact route choices and competition.

"Decisions made in the next 24 months will be critical for Britain's economic future. To maintain our global standing, we cannot afford to choose a path that impedes economic progress for generations," commented **Dr Matthew Niblett, Director of the ITC.**

He added: *"As a medium-size nation operating in a highly competitive global marketplace, the UK needs to be bold in its decisions over airport capacity, negotiating afresh international agreements with trading partners and growth areas, while promoting a domestic tax regime that encourages greater international travel while rewarding reductions in the environmental impact of aviation."*

"The most productive businesses and sectors are typically those which operate internationally. Better global connectivity is a key enabler if the UK is going successfully to raise productivity, improve living standards and boost economic growth."

The report calls for a renewed aviation strategy post-Brexit in order to maximise the economic benefits for the UK, and urges policymakers to address the following challenges:

- **Air Passenger Duty (APD) is a blunt tool for managing emissions and is likely to damage global air**

connectivity post-Brexit. It should be reformed, with alternative fiscal measures or removed.

- **The UK aviation industry is substantial and better regulation and fiscal incentives should be devised to encourage innovation.**
- **We need to strengthen our planning regime to allow the necessary aviation infrastructure to be built that will allow good connectivity to all parts of the UK. At present, the industry is discouraged from bringing forward proposals due to the difficulties associated with the process. At the same time incentives should be created that encourage our airports and their local communities to become better neighbours.**

The ITC will now be sharing the results with Government, sub-national transport bodies and the industry. Building upon these conclusions, the ITC is exploring further research work in the aviation arena.

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Media enquiries:

If you have a media query about the report or would like to set up an interview, please contact John Stevenson on john@ti-communications.co.uk or 07824 621756.

Notes to editors:

- **Dr Rebecca Driver** is Director of the research consultancy Analytically Driven Ltd. Before starting Analytically Driven Ltd, Dr Driver spent six years as Director of Research and Chief Economist at the Association of British Insurers. Dr Driver joined the Association of British Insurers from the Bank of England where she worked for nearly eight years, latterly as Research Adviser to the External Members of the Monetary Policy Committee. She has also been member of the Secretary of State's Panel for Monitoring the Economy at the Department for Business, Innovation and Skills; and a Council Member of the Society of Business Economists. She holds a PhD from the University of Exeter. For more information about Dr Driver's research and expertise, see: www.analytically-driven.com
- **The analysis builds upon previous ITC aviation reports, including:** "Flying into the Future" (May 2013), "The optimal size of a UK hub airport" (February 2014), "Surface Connectivity: assessing the merits of the Airports" (October 2014), "Delivering improved airport capacity: The cost and impact of the Airports Commission's short-listed options" (March 2015) and "Time to act: the economic consequences of failing to expand airport capacity" (June 2015). The ITC's aviation work is overseen by a steering group, chaired by ITC Commissioner Dr Stephen Hickey and including Professor Peter Jones OBE.
- The **Independent Transport Commission** is Britain's foremost independent land use and transport think tank. The ITC is a research charity providing insight and analysis of the most pressing long-term strategic issues in the fields of transport and land use. Founded in 1999, it is run by a small directorate led by Dr Matthew Niblett with an advisory team of 12 voluntary commissioners. It is based at Cowcross Street in central London. The patrons of the ITC include Lord Adonis, Lord Freeman, Sir Peter Hendy, Sir Patrick Brown, Simon Linnett and Sir Terry Farrell. For more information, please see the ITC website: www.theitc.org.uk. The charity has no endowment and is supported by donations from a wide range of organisations (for a full list of supporters see: www.theitc.org.uk/5_funding.html). However, the ITC retains strict editorial independence from all our funding partners.

