



INDEPENDENT TRANSPORT COMMISSION

Britain's independent research charity for transport and land use policy

www.independenttransportcommission.org.uk

MEDIA RELEASE

EMBARGOED UNTIL 01:00 BST, MONDAY 22nd JUNE

Think Tank calls on the Government to act swiftly on the Airports Commission's recommendations

An Independent Transport Commission (ITC) report, "Time to act: the economic consequences of failing to expand airport capacity", has established the macro-economic consequences - including significant productivity and inward investment benefits foregone - of the Government not acting upon the Airports Commission's forthcoming recommendations.

Using Airports Commission data and existing academic literature, the ITC-commissioned former Bank of England economist, Dr Rebecca Driver of Analytically Driven Ltd, to produce research analysis exploring why better air connectivity matters so much to the UK economy. The report does not comment on where expansion should take place (whether at Heathrow or Gatwick) but looks at the consequences of doing nothing for the UK economy.

The Airports Commission is expected to announce shortly its recommendations for airport expansion. The challenge then falls to Government to balance local worries with the broader national needs of the UK – including jobs, trade, investment and productivity – to make a clear decision, and act.

Headline findings

The report uses existing academic and policy literature to explore the economic consequences of failing to act on airport expansion and demonstrates the 'opportunity cost' to the UK economy of continued indecision. Some of the key points of interest are:

- **Improved connectivity delivers positive economic gains** - A new direct airline route between two metropolitan areas leads to a 4.6% increase in venture capital investments; and a 10% increase in intercontinental flights leads to a 4% increase in the number of head offices situated in a nation.
- **Good international connectivity is key to productivity growth** - Failure to improve air connectivity will hamper the Government's objective of improving UK productivity (a key part of next month's Budget), since the most productive companies and businesses are also those that trade and benefit the most from international connections.
- **High value sectors need improved connectivity** - Exporters and those involved with international trade have contributed 60% of UK productivity growth in recent years. Failure to provide sufficient direct air connectivity to new markets is therefore likely to act as a brake on these sectors.
- **Big gains for cargo and freight** - A direct flight between two international cities on

The Independent Transport Commission

Registered Charity: 1080134

www.theitc.org.uk

average compensates for about 10% of the negative effects on trade associated with the typical international border. Transport costs are by far the highest aspect of the costs of goods crossing an international border.

- **Scale of Opportunity Costs.** The report agrees with the Airports Commission's estimates that failure to expand airport capacity could result in an opportunity cost of between 0.2 and 1% of GDP by 2050, or between £42 billion and £214 billion (over a 60 year appraisal period) depending on which site is chosen for expansion.

"The most productive firms and sectors are typically those which operate internationally. Better global connectivity is a key enabler if the UK is to meet the challenges of raising productivity, improving living standards and boosting growth," commented **ITC Commissioner Dr Stephen Hickey ahead of the Budget, Productivity Plan and imminent publication of the Airports Commission's report.**

Dr Hickey added: *"The conclusions of our analysis are clear: further indecision, or worse still, no decision in favour of increasing airport capacity in the South-East by the Government will lead to a loss of foreign direct investment, harm the chances of a more balanced export-led recovery and act as a drag on the key area of productivity.*

"As a medium-size nation operating in a highly competitive global marketplace, can Britain afford to choose a path that impedes economic progress for generations?"

The analysis builds upon previous ITC reports "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) and "Delivering improved airport capacity: The cost and impact of the Airports Commission's short-listed options" (March 2015). The ITC's research indicates that improved long-haul connectivity would be best achieved through investment in a hub airport.

- ENDS -

Media enquiries:

If you have a media query about the report or would like to set up an interview with the Author (Dr Rebecca Driver) or ITC Project Chairman (Dr Stephen Hickey), please contact John Stevenson on john@ti-communications.co.uk or 07824 621756. If you would like more information on the research programme or the ITC, please contact the ITC Director Dr Matthew Niblett on matthew.niblett@keble.oxon.org or 07813 174582.

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, please visit Analytically Driven's website - www.analytically-driven.com

- **ITC Commissioner Dr Stephen Hickey** was a Director General at the Department for Work and Pensions and latterly at the Department for Transport where he had responsibility for the DVLA, DSA and VOSA. He was also Chief Executive Officer of the Civil Service College and is currently Chairman of the Community Transport Association.
- The **Independent Transport Commission** is Britain's foremost independent land use and transport think tank. The ITC is a research charity committed to providing insight and analysis of the most pressing long-term strategic issues in the fields of transport and land use. The ITC explores the long-term consequences of current policy, considers new approaches and makes recommendations on the way forward. For more information, please see our website: www.theitc.org.uk
- The ITC, founded in 1999, comprises a small secretariat, an advisory team of 12 voluntary commissioners, and has a base at Cowcross Street in central London. Simon Linnett, Executive Vice-Chairman of Rothschild, is the current ITC Chairman and Dr Matthew Niblett of the University of Oxford is the Director.
- The charity has no endowment and is supported by charitable donations from a wide range of leading organisations (for a full list please see the ITC website www.theitc.org.uk/5_funding.html). The ITC retains strict editorial independence from all our supporters.
- The patrons of the ITC are: Lord Adonis, Lord Freeman, Sir Patrick Brown and Sir Terry Farrell.