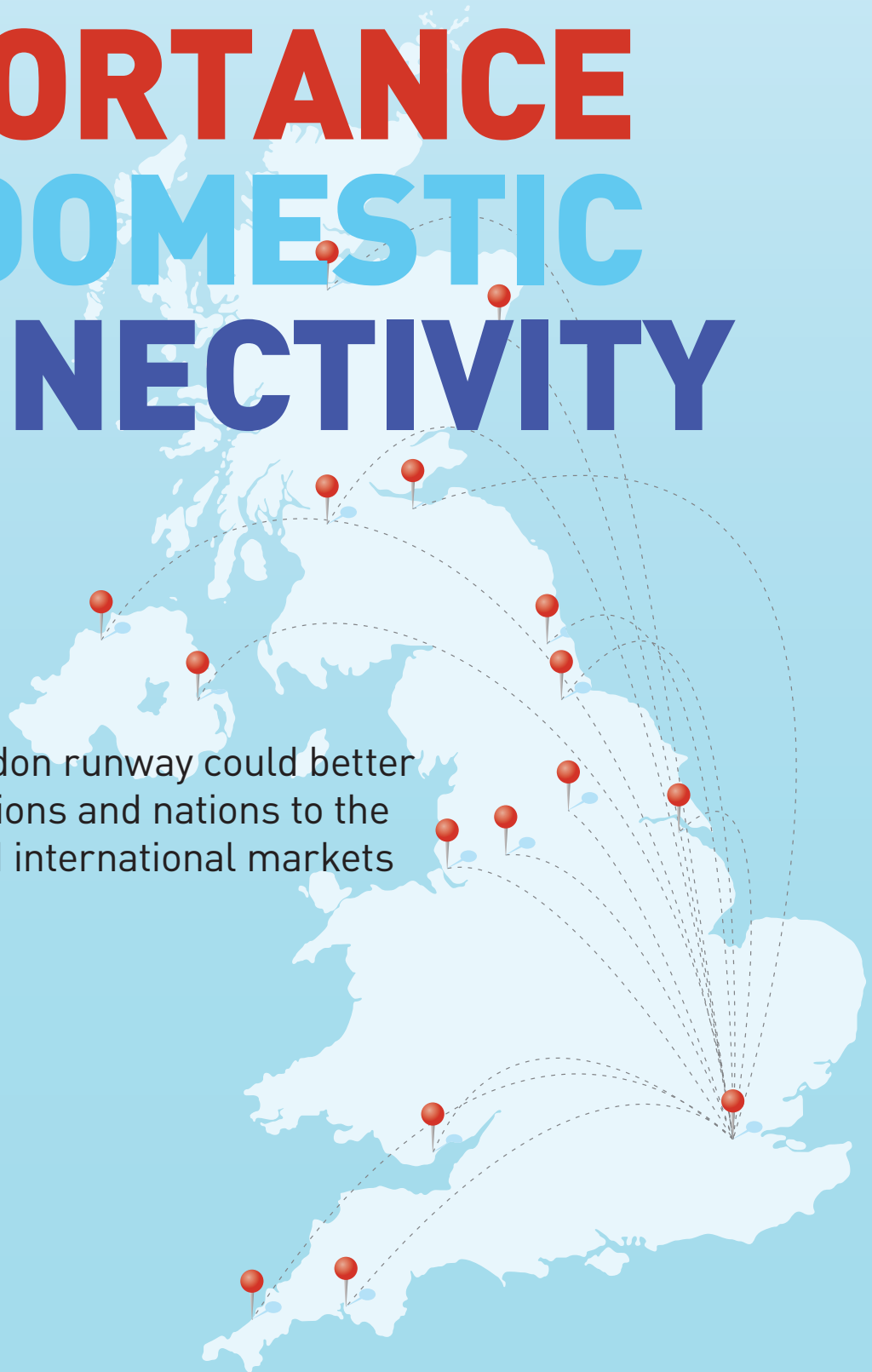




Let Britain Fly

THE IMPORTANCE OF DOMESTIC CONNECTIVITY

How a new London runway could better connect the regions and nations to the UK's capital and international markets



Let Britain Fly is the campaign to build cross-party political support to expand airport capacity in London and the South East. It is an independent campaign coalition whose founding statement has support from more than 100 senior business leaders from Britain's top companies, trade and professional associations, unions and educational institutions, along with business organisations including the British Chambers of Commerce, London Chamber of Commerce and Industry, London First, Institute of Directors, Federation of Small Businesses and the British Hospitality Association. For more information visit letbritainfly.com

@LetBritainFly

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FOREWORD

In the eighteen months since it launched, the Let Britain Fly campaign has visited cities all over the country and heard from a wide range of stakeholders about the case for better air links between London and their local airports.

The debate around airport expansion in the South East often focuses on access from London to global markets, but it is about much more than that. Excellent domestic air links are a vital part of keeping our country going, moving people and goods from place to place, while also ensuring that the whole country has access to our capital and the global connections it provides.

As the Government-established Airports Commission has made clear, domestic airports have a ‘crucial national role’ to play in the UK’s overall transport infrastructure. It is in this context that Let Britain Fly has chosen to examine how improved air connectivity between London and the nations and regions could benefit the entire country.

Speaking to stakeholders at Let Britain Fly events in Leeds, Newcastle, Belfast, Edinburgh, Cardiff and Liverpool, it was obvious that there is support from around the regions and nations of the UK for additional runway capacity in London. However, it was also clear that the quid pro quo of this support is that new slots generated by expansion should be used to improve and enhance the UK’s domestic connectivity through more flights from London to regional airports, as well as supporting additional international routes to key markets.

Let Britain Fly’s engagement with local stakeholders has demonstrated the importance of working together to deliver a solution to the UK’s airport capacity problem. These stakeholders’ thoughts on how improved air links with London could benefit their cities are shared throughout this document. They make clear that support for expansion must come from across the political spectrum and from all corners of the country to be a success.

The Airports Commission will soon be publishing its Final Report which will recommend the location of a new London runway. It is essential to ensure that the ensuing political decision is one which works for the whole country. This paper gives a snapshot of how additional runways in the South East could bring economic prosperity to the whole country and so “let Britain fly”.



Gavin Hayes
Director, *Let Britain Fly*

INTRODUCTION

The future of connectivity

London's airports are approaching their capacity limits, with Heathrow already at capacity, Gatwick 85 per cent full at peak times, and most of the capital's airports predicted to be full by 2030. A major impact of slot constraints at London airports has been to limit the number of flights airlines and airport operators are able to run, resulting in a trade-off between higher paying long-haul flights and less profitable short-haul routes.

The result is as predictable as it is damaging: the number of domestic flights from key cities within the UK to London has dwindled in order to free up space for international routes. Among the range of factors contributing to the decline in domestic connectivity, limited capacity is one that our policymakers could directly address if they pledged to build more runways in London and the South East.

The ways in which the regions and nations of the UK could benefit from improved connectivity with London include growth in tourism, exports, and investment, as well as increased competitiveness from our higher education and events sectors. In this report we examine these factors and make a compelling case for airport expansion to deliver jobs and growth across the country.

It is vital that the debate on airport capacity – both its benefits and its challenges – is not perceived as a problem exclusive to London and the South East, but one which affects the future of the UK as a whole.

Connections between local airports and the UK's capital form important economic and social links that must be preserved and strengthened into the future. But at the same time, it is important to acknowledge the nature of Britain's air capacity needs. Although regional airports are critical in delivering domestic connectivity, in many cases they are unable to support the direct international flights the UK needs to destinations such as South America and the Far East.

Regional airports often have both the facilities and the spare capacity to support long-haul flights to high-growth markets, but do not have a local market to support them. Currently, it is not realistic to attempt a transfer of demand away from the densely-populated South East. Rather, London must work in partnership with the regions and nations of the UK to deliver a solution that suits the entire country.

Many of the cities mentioned in this report do indeed have their own international air links. These are not only flights to short-haul holiday destinations, but also to Amsterdam, Paris,

**London's airports
are approaching
their capacity
limits**

Frankfurt, and other major European cities which offer onward connections to the rest of the world. With such easy access to hubs across Europe, it may not seem as if domestic connectivity within the UK should be a priority.

Yet as the National Connectivity Taskforce recently highlighted, with Amsterdam predicted to reach capacity as soon as 2017, and Frankfurt and Paris Charles de Gaulle both forecast to be full by 2030, it is by no means guaranteed that these links with UK airports will remain in years to come.

The routes the Taskforce identified as most vulnerable to being 'squeezed out' of Amsterdam Schiphol in the near future due to limited capacity included Norwich, Humberside, Durham Tees Valley and Cardiff. These airports currently have no direct air links with London.

A long-term, holistic vision for the UK's airports infrastructure is essential in securing jobs and growth, protecting local airports and the livelihoods they support both on site and across their region. Improving and strengthening their connectivity with London and thus to the rest of the world should be a priority for anyone considering the future of connectivity.

ONE

The connectivity challenge facing the UK regions and nations

The view from Newcastle

James Ramsbotham, Chief Executive, North East Chamber of Commerce:

'The North East of England is justifiably proud of its exporting prowess: being the only region with a positive balance of trade and exporting nearly 80% more of everything it makes and does than the rest of the county. Access to global markets is, therefore, crucial to our continued growth and contribution to UK PLC. We need access to global airport hubs in order to gain this connectivity and we need these hubs to be supremely well connected to every corner of the globe. The lack of action on UK hub airport expansion risks damaging both the North East and the rest of the UK. We urge the Government to accelerate this vital investment.'

1.1 The role of regional airports

Across the UK, local airports 'allow businesses and people to transport themselves, visitors, customers and products nationally and internationally, which facilitates both exports and internal investment'.¹

These airports are significant contributors to their areas' employment. Aberdeen Airport supports 2,000 jobs on site and a further 4,000 across Scotland; Newcastle Airport contributes £650m to the North East, with 3,200 jobs supported on site and 8,000 across the region; while Newquay Airport and its Aerohub Enterprise Zone supports over 550 jobs and contributes more than £22m to the local economy.²

While many airports across the country benefit from connections with a variety of European and long-haul destinations, one of the most vital services a local airport can provide is a direct air link with London. These routes offer important economic and social links, not only with the South East market

1 House of Commons Transport Committee, 'Smaller Airports: Ninth Report of Session 2014-2015' (2015).

2 Airport Operators Association, 'Airports in the Community: The Story of how UK Airports help their Local Communities' (2014); Newquay Cornwall Airport Aerohub, 'Businesses take off at Aerohub at Newquay Cornwall Airport' (2014).

but also providing access to valuable international long-haul services which can only be accessed from the capital.

Regional stakeholders who responded to a recent Department for Transport consultation ‘stressed strongly that continued connectivity to London airports is essential to their regional economies and to national cohesion’.³ Domestic air links are essential in keeping the whole country moving, and an increase in their quality and frequency could boost both jobs and connectivity at local airports.

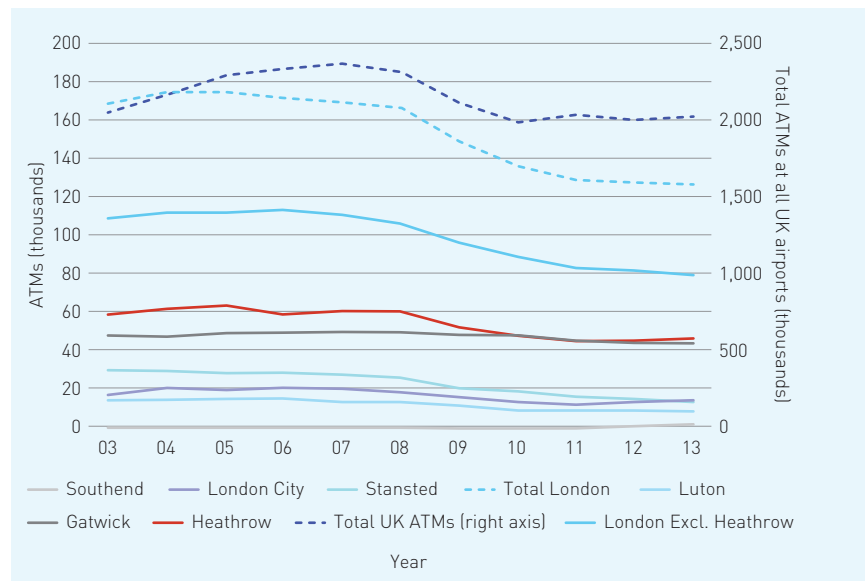
1.2 Domestic connectivity

Despite its importance, the availability of air connectivity between the regions and London has seen drastic variations over the past two decades. In the late 1990s and early 2000s the rise of low-cost airlines triggered a rapid increase in the number of direct flights from the UK regions to both London and international destinations. Between 2000 and 2006, passenger numbers at regional airports grew at an average of 7 per cent annually, compared to an average of 3 per cent at London airports.⁴

However, this high level of connectivity has since declined. The number of domestic destinations served ‘at least weekly’ from Heathrow, for example, fell from nineteen to eight between 1990 and 2012.⁵ This same pattern can be observed across London airports, which have all witnessed a decline in domestic traffic in the past decade.

The number of domestic destinations served ‘at least weekly’ from Heathrow fell from nineteen to eight between 1990 and 2012

[Figure 1.1] Air Transport Movements between regional airports and the South East airports system, 2003–2013



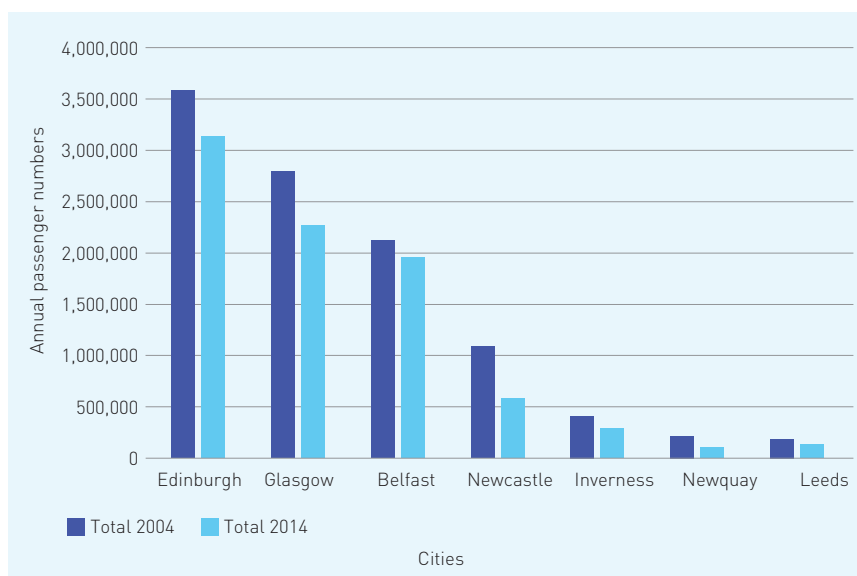
Source: Airports Commission

3 Department for Transport, ‘Aviation Policy Framework’ (2013).
 4 Civil Aviation Authority, ‘Air Services at UK Regional Airports’ (2007).
 5 Airports Commission, ‘Discussion Paper 06: Utilisation of the UK’s Existing Airport Capacity’ (2014).

CAA figures show that in 2014 there were 51.7 per cent fewer flights between Newquay and London; 46.3 per cent fewer flights between Newcastle and London; and 29.2 per cent fewer flights between Inverness and London than a decade previously. Other key UK cities such as Edinburgh, Glasgow, Belfast and Leeds also saw their levels of connectivity with London decline over this period. [See figure 1.2]

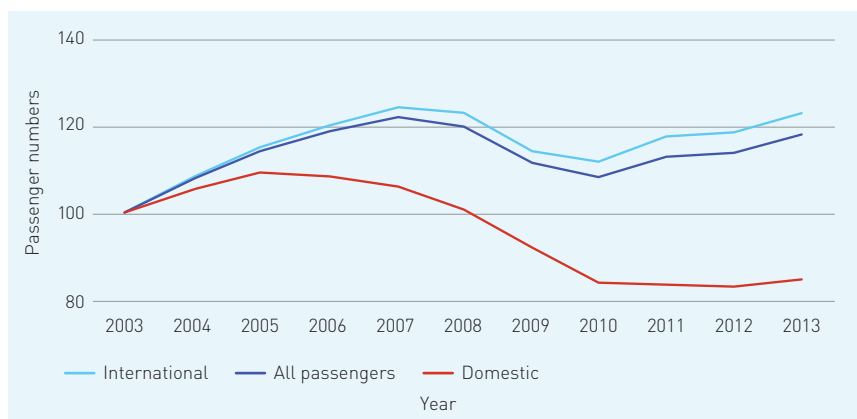
Yet as these services have shrunk and domestic traffic has entered a steep decline, passenger numbers at London airports have returned to growth. In 2013 London airports served 61 per cent of all UK passengers and over half of all UK commercial passenger flights. This trend is set to continue, with London’s airports growing at a faster rate than those in other areas of the country.⁶ [See figure 1.3]

[Figure 1.2] Decline in passenger numbers between UK cities and London airports, 2004–2014



Source: CAA

[Figure 1.3] Passengers on domestic vs all UK flights, indexed trend, 2003–2013



Source: Airports Commission

6 Civil Aviation Authority, 'Aviation Trends Q1 2014' (2014).

1.3 Factors behind the connectivity decline

A wide range of factors could be considered to have contributed to the decline in regional connectivity, including:

- **Economic factors:** regional business and tourist travel has been slower to recover from the economic recession, in part because London has emerged from the downturn faster than the rest of the UK.
- **Rail connections:** improvements in domestic rail travel have made several inter-city journeys easier and quicker.
- **Air Passenger Duty:** Air Passenger Duty is charged in both directions on return flights from London to airports in England, Wales and Northern Ireland and so pushes up the cost of flying within the UK.

Alongside these factors, capacity constraints in the South East of England have played a key role, by 'squeezing out' domestic connections in favour of more lucrative international routes served by larger aircraft.

1.4 Capacity constraints and slot limitations

London's airports are constrained by their lack of capacity. Heathrow has been full for a decade, while Gatwick operates at more than 85 per cent of capacity and is at its maximum at peak times.⁷ These limitations on space have distorted the market, forcing airlines to make decisions about their routes based on an either/or formula in which an existing route must be sacrificed to make way for a new or expanded route.

In this context, decisions are made on the basis of the comparative profitability of a route, rather than an assessment of its individual merit. This encourages airlines to prioritise larger aircraft. These benefit from high passenger demand, creating a bias towards international, and particularly long-haul, destinations over domestic connections.⁸

There is an emerging agreement that aviation capacity constraints in the South East have impacted on domestic flights. A 2014 consultation document by the Airports Commission stated:

'[Regional] routes, which have been constrained in recent years due to lack of capacity, are vital for the businesses they serve, who wish to travel to existing and new potential markets around the world. There is no questioning the importance that Scotland, Northern Ireland and the UK's more peripheral cities place on expanding aviation capacity in London and the South East.'⁹

Aviation capacity constraints in the South East have impacted on domestic flights

⁷ Airports Commission, 'Interim Report' (2013).

⁸ The Smith Institute, 'Making Global Connections: The Potential of UK's Regional Airports' (2014).

⁹ Airports Commission, 'Consultation Document: Gatwick Airport Second Runway; Heathrow Airport Extended Northern Runway; Heathrow Airport North West Runway' (2014).

A recent economic study supported this view, arguing:

‘The erosion of access for the regions to the hub has resulted in poorer connectivity to London overall but, perhaps more importantly, their connectivity to destinations globally has also suffered. This has negative implications for regional economic performance.’¹⁰

As recently as October 2014, Virgin Atlantic President Sir Richard Branson announced the closure of Little Red, his short haul domestic service, less than 18 months after its launch. The airline attributed the decision to an ‘inadequate number of slots’, adding that the pressure on airport capacity in London meant that the ‘odds were stacked against’ the service from its inception.¹¹

1.5 Capacity and demand

The lack of capacity at London airports is often contrasted with the availability of landing slots at other airports around the country, with the suggestion frequently raised that flights should be transferred to regional airports, away from the crowded London system. Yet despite the spare capacity and excellent facilities available at a number of UK airports, transferring demand for flights away from the South East to other areas of the country is not a viable solution.

Every airport requires adequate demand in its catchment area to support the flights to the destinations it serves.¹² For many destinations which are served by London airports, especially long-haul flights to emerging markets, there is not adequate demand in other areas of the country to support these routes. These flights become viable when the catchment area of the densely-populated South East is combined with ‘pooled’ demand from across the country, and indeed the rest of the world, and enables new destinations to become viable.

1.6 Conclusion

Domestic air links between the UK regions and London are highly valued by local stakeholders and play a vital social and economic role. Despite this, these routes have been significantly reduced in recent years, having been ‘squeezed out’ by a lack of capacity at London airports.

¹⁰ York Aviation, ‘UK Domestic Aviation Connectivity: The Impact of a New Four-Runway Hub’ (2014).

¹¹ Virgin Atlantic, ‘Virgin Atlantic announces plans to stop its short-haul service, Little Red, in 2015’ (2014).

¹² In some cases, demand can be supplemented by a Public Service Obligation (PSO).

TWO

Inbound and outbound tourism

The view from Belfast

Michael Graham, Director of Corporate Real Estate, Titanic Quarter:

'Improving the frequency and quality of its air links with London would allow Northern Ireland to attract more tourists from both traditional markets in the USA and Europe, as well as visitors from further-flung destinations such as China and the Middle East. Quick, direct air access would enable passengers from all over the world to encounter the unique experiences, attractions and culture that Northern Ireland has to offer.'

2.1 The UK tourism industry

The UK is the world's eighth most popular tourist destination. It hosted 32.8 million international visitors in 2013, a 6.4 per cent increase on 2012.¹³ The same year, UK residents made 58 million trips abroad on holiday, business, or to visit family and friends around the globe.¹⁴ Both inbound visitors to Britain and UK residents who are embarking on trips overseas overwhelmingly use air transport to reach their destination.

These inbound and outbound visitors are a vital part of the UK economy. The travel and tourism sector comprises 9 per cent of UK GDP and is a major economic driver, creating a third of all new employment in the UK since 2010 and supporting 3.1 million jobs in 2013, equivalent to 9.6 per cent of the workforce.¹⁵

2.2 Inbound tourism as an economic driver

Almost three-quarters of international visitors to the UK arrive by air, and account for 84 per cent of total tourist spend. Long-haul inbound visitors are particularly valuable. Of the nations whose outbound tourists spend the most on visits to Britain,

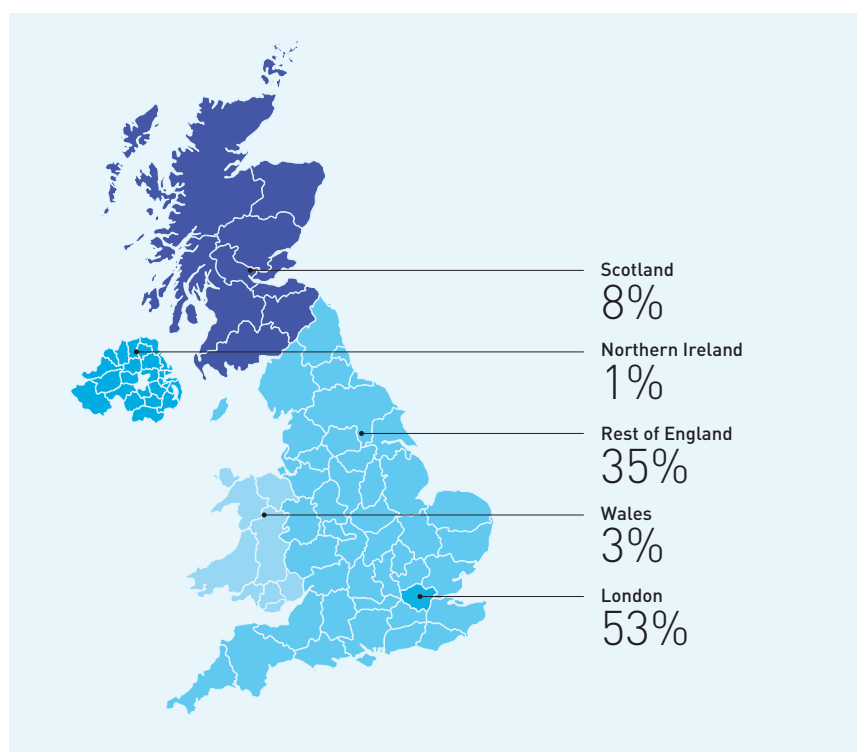
¹³ World Tourism Organisation, 'UNWTO Tourism Highlights' (2014).

¹⁴ Office for National Statistics, 'Travel Trends - 2013', (2014).

¹⁵ Deloitte, 'Tourism: Jobs and Growth' (2013).

four of the top five are outside Europe.¹⁶ The growing consumer class in emerging nations is expected to accelerate this trend, with management consultants McKinsey predicting that the rapid growth of 'mega-cities' such as Shanghai or Sao Paulo will be accompanied by the emergence of a significant consumer class in 400 'middleweight' cities across the globe.¹⁷

[Figure 2.1] Percentage international tourism spend by region



Source: Deloitte

Currently international trips to the UK are predominantly focused on London, with the capital attracting two thirds of the country's total international visitors and 53 per cent of total international tourism spend in 2013.^{18,19} It seems likely that the South East benefits from its proximity to London's excellent international air links, as this region sees the highest percentage of total international tourism spend outside of London, at 10 per cent of the UK total.²⁰ [See figure 2.1]

Tourism is an important industry across the regions and nations of the UK, with Scotland, the North West and Wales relying particularly heavily on tourism-related employment.^{21,22} But this performance could be further bolstered by strengthening domestic air links. Improved connectivity to all regions and nations of the UK would facilitate quicker and easier travel for international visitors to reach these destinations, a move that

¹⁶ ONS, 'Travel Trends', (2014).

¹⁷ McKinsey Global Institute, 'Urban World: Cities and the rise of the consuming class' (2012).

¹⁸ Visit Britain, 'Inbound tourism to Britain's nations and regions: Profile and activities of international visitors' (2013).

¹⁹ Deloitte, 'Tourism' (2013).

²⁰ ONS, 'Travel Trends', (2014).

²¹ ONS, 'Travel Trends', (2014).

²² ABTA, 'A manifesto for jobs and growth in tourism' (2014).

could boost local economies, protecting existing jobs and provide opportunities for further employment.

2.3 The importance of outbound tourism

Often neglected in analyses of UK tourism, the importance of outbound tourists from the UK must not be underestimated. In addition to the vital social function of travel, including widening cultural horizons, improving quality of life and providing vital links between friends and family members scattered across the globe, outbound tourism has a significant economic impact across the UK.²³

Almost 80 per cent of outbound tourists from the UK leave by air,²⁴ with their pre-departure spend in this country estimated at £24.2bn.²⁵ This sum includes consumer products such as clothing, electrical items, and pharmaceuticals, purchased in local areas and airports, as well as bookings with UK companies and holiday firms, all of which drives local businesses and contributes to tax revenues.

Comprising almost a quarter of the total UK tourism sector, the outbound travel industry accounted for 1.6 per cent of UK GDP in 2009, with its total GVA impact estimated at over £50bn. A study by ABTA revealed that the absolute direct contribution to the regional GVA of outbound tourism was most pronounced in the South West of England, with the North West, Scotland, South East and East of England regions also receiving significant benefits from outbound tourism in their area.²⁶

2.4 Tourism and connectivity

From booking a family holiday overseas through a travel agent, to international visitors travelling to world-famous attractions across the British Isles, the tourism industry plays a vital role in the UK economy.

Any opportunity to improve domestic connectivity is a chance to boost the UK's inbound and outbound tourism industries. Air links with London airports would make many areas of the UK more accessible to international visitors while simultaneously increasing the number of destinations which could be easily reached from local airports across the UK.

Looking to the future, international and domestic tourist spending is expected to continue to grow, with a recent study forecasting that by 2017 the total expenditure of domestic and overseas tourists in the UK will have increased by 27 per cent to more than £135.5bn.²⁷ Improving connectivity within the UK would allow better access to outbound air services from across the

23 Oxford Economics, 'The Economic Value of International Connectivity' (2013).

24 ONS, 'Travel Trends', (2014).

25 Tourism Alliance, 'UK Tourism Statistics 2014' (2014).

26 ABTA, 'Driving Growth: The Economic Value of Outbound Travel' (2012).

27 Barclays, 'UK Tourism Dynamics' (2014).

country, as well as opening up cities across the UK to international visitors. This could have a significant impact on inbound and outbound tourism spend.

2.5 Conclusion

The UK has a thriving tourism industry that is vital for both London and the regions alike. Improved domestic connectivity could boost both inbound and outbound tourism, driving growth across the country.

THREE

Trade and exports

The view from Cardiff

Mark Hegarty, National Sales Manager Wales, Goodrem Nicholson:

'London's airports facilitate more than three quarters of the UK's air cargo, which means that air freight from all over the country travels through the capital on its way to and from the rest of the world. Ensuring that London – and therefore the rest of the UK – is well connected to international markets must go hand in hand with ensuring excellent domestic connectivity.'

By value, 40 per cent of the UK's exports travel by air freight

3.1 The importance of air freight

As well as carrying passengers, air travel plays a critical role in the UK's import and export infrastructure. By value, 40 per cent of the UK's exports travel by air freight, the majority in the belly holds of passenger planes. London plays a key role as a centre of consolidation, with 76 per cent of all UK air freight traveling through the city's airports.²⁸

A 2012 study estimated that the manufacture of goods for export by air accounted for around £28 billion of UK GDP,²⁹ while the exports industry is estimated to support 39,000 jobs in the UK.³⁰

Typically, air freight comprises lightweight, high-value, specialised or perishable goods, such as electronics, medicines or high-quality foodstuffs. A notable example is farmed salmon, which accounts for around 40 per cent of all Scottish food exports. Over the course of five years, the value of salmon exports to China has risen from virtually zero to £64 million in 2014, while demand for the product from the Middle East is also growing.³¹ Improving connectivity between Scotland and these markets would allow this rising demand to be met.

An increase of 1,000 passengers a year flying between two countries can see trade increase by as much as £920,000.³² With this figure in mind, any increase in domestic capacity which

28 Oxford Economics, 'Impacts on the Air Freight Industry, Customers, and Associated Business Sectors' (2013).

29 Oxford Economics, 'International Connectivity' (2013).

30 Freight Transport Association, 'Sky-high Value: The importance of air freight to the UK economy' (2014).

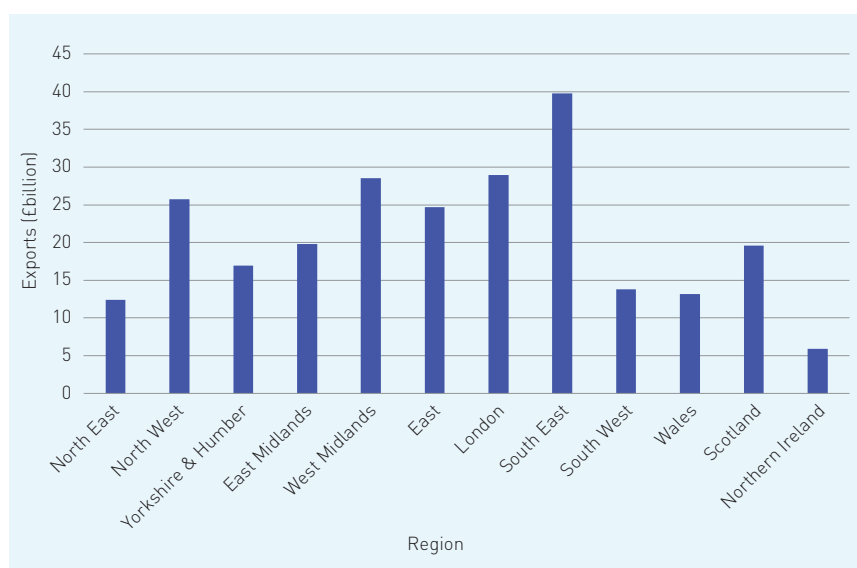
31 Scottish Salmon Producers Organisation, 'Exports' (2014).

32 CBI, 'Trading Places: Unlocking export opportunities through better air links to new markets' (2013).

enabled further flights to high-growth economies could see a knock-on effect in terms of trade across the UK.

A domestic air link with London would provide firms from across the country the opportunity to access to a wider range of long-haul routes to both established and emerging markets. Not only would an increase in the volume of air freight travelling from local airports play its part in shrinking the UK's trade deficit, it could also work to rebalance regional disparities in export trends. In Northern Ireland, the North East, the South West and Wales in particular, there is significant potential for the value of exports to grow.

[Figure 3.1] UK 2014 exports by region



Source: HM Revenue & Customs

3.2 Human resources

Domestic links with the London airports system and its onward connections also allow British companies the benefit of easily accessing both existing and potential clients abroad. This is particularly pertinent for business meetings and transactions which yield their best results when conducted in person. When surveyed, 65 per cent of companies said that passenger services are either vital or very important for their marketing.³³

While video conferencing tools are useful for maintaining relationships with clients, face-to-face meetings are often more fruitful and appropriate, especially in cultures which value personal relationships as the basis of doing business.

In looking to establish new trading partnerships in countries such as China it is essential to have access to air links to transport not only goods but also individuals to these destinations, so they can establish personal connections. In advising on the

33 Oxford Economics, 'The Economic Contribution of the Aviation Industry in the UK' (2006).

cultural aspects of doing business in China, Asia House, a centre of expertise on the region, recommends:

'Face to face meetings are often considered the only way of judging trustworthiness as the Chinese set great store on building personal relationships before entering into a business partnership.'³⁴

Improving domestic connections between local airports and London can not only improve the viability of flights to cities where new trade links need to be established, such as China, but allows both freight and business people to travel on these routes and improve exports across the UK.

3.3 Trade and connectivity

In order to strengthen the UK's existing trade links, and ensure new international partners are found, it is essential to ensure that businesses across the UK have quick and convenient access to both established and emerging markets. Improved air links with London would strengthen links to existing markets as well as facilitating new trade and export links, enabling the movement of goods and people to be consolidated through the London airports network.

3.4 Conclusion

The movement of exports and individuals quickly and easily around the globe can play a vital part in enabling UK industries to thrive. Improved air connectivity with London would provide the whole of the UK with stronger links to international markets.

³⁴ Asia House, 'Navigating Asian Markets: A Quick Guide to Doing Business in China' [2013].

FOUR

Foreign direct investment

The view from Liverpool

Jenny Stewart, Chief Executive, Liverpool and Sefton Chambers of Commerce:

‘Liverpool has always been prominent on the world stage. In the nineteenth century, forty per cent of the world’s trade passed through the city, while its recent successes as European Capital of Culture and host city for the International Festival of Business demonstrate its continuing relevance and resilience. With this in mind, it is all the more astonishing that there is currently no direct air-link from Liverpool to London. Visibility is essential to attract foreign direct investment to a city, and Liverpool’s lack of connection to a London hub airport is a serious impediment to our city’s long-term prospects for growth.’

4.1 International access

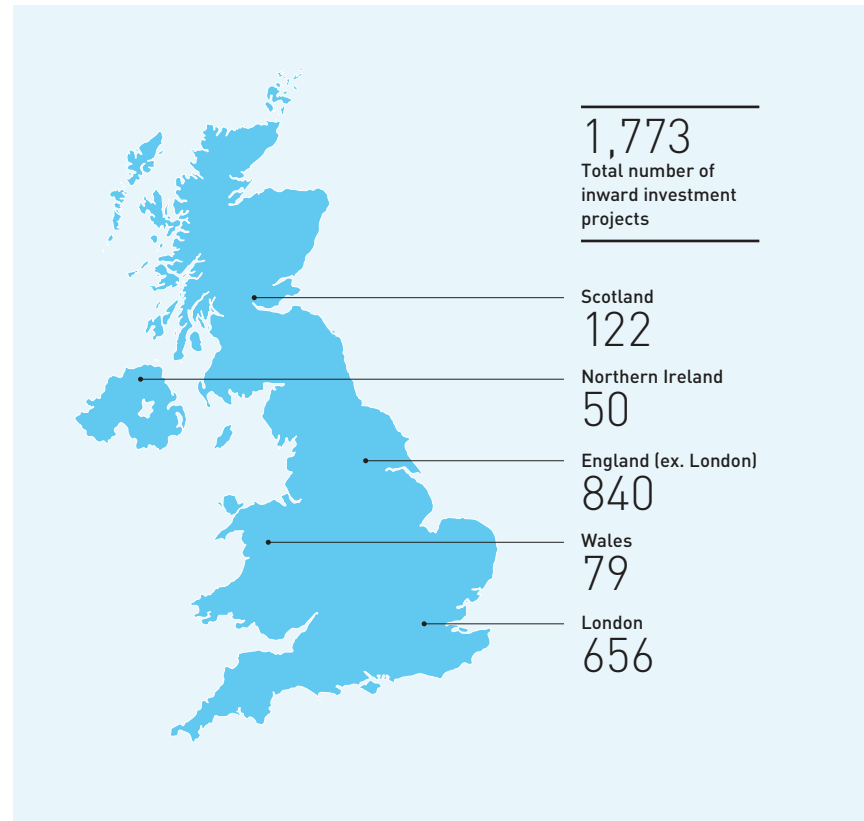
Not only are excellent international air links essential for UK trade, quick and convenient air access is critical to attract foreign direct investment into cities all over the UK. According to the Cushman and Wakefield European Cities Monitor the most important factor for businesses in deciding where to locate is ‘easy access to markets, customers or clients’ with 60 per cent of businesses surveyed believing that this is essential.³⁵ The relative ease with which a city can be accessed from overseas may affect its international reputation and the willingness of overseas partners to initiate trade.

A recent report by The Smith Institute found that ‘regional stakeholders believe that connectivity value is gained through their local airport’s visibility on global distribution systems... Where airports don’t have hub connections with network airlines, such as Liverpool John Lennon, the city can become in effect invisible to those seeking to do business’.³⁶ This evidence is not purely anecdotal: a 2010 NERA study concluded that ‘the further

³⁵ Cushman and Wakefield, ‘European Cities Monitor 2010’ (2010).
³⁶ The Smith Institute, ‘Making Global Connections’ (2014).

away and more costly markets are to reach, the less bilateral trade' will occur between them.³⁷

[Figure 4.1] Distribution of new Foreign Direct Investment Projects across the UK in 2013



Source: UKTI

4.2 The benefits of foreign direct investment

The UK is currently a European leader in foreign direct investment (FDI), with more than 1,700 projects set up in the country last year, a total which is estimated to have created 66,390 new jobs. An increasing proportion of these projects originated in Asia, with the total value of investment in the UK from the region estimated at £72bn a year.³⁸ Encouragingly, investment from emerging markets across the world showed continued growth in 2013, with a 25 per cent increase in new projects from China.

While the UK's current FDI outlook is positive, more than one third of new FDI projects (656) set up in the country in 2013 were located in London. By contrast, the number of new FDI projects across all of Northern Ireland, Wales, and Scotland combined accounted for less than 15 per cent of the UK's total.³⁹ [See Figure 4.1] Improved air links with London and with the rest of the world

³⁷ Oxford Economics, 'International Connectivity' (2013).

³⁸ UKTI, 'Inward Investment Report 2013/2014' (2014).

³⁹ UKTI, 'Inward Investment' (2014).

would allow UK regions and nations to build on their current success and could help to attract new investment.

4.3 Encouraging 'visibility' and investment

Local stakeholders have emphasised the importance of air links with London in improving their 'visibility' on the radar of international investors. A study by Oxford Economics demonstrated the close relationship between a country's international connectivity and the foreign direct investment it receives.⁴⁰

While the UK is currently performing well in terms of attracting new foreign direct investment projects, it is clear that there is potential for regions outside London to draw a higher number of projects. London's excellent international connectivity is likely to be a key reason for its attractiveness to foreign investors. Improving connectivity with the London network for all areas of the UK would provide these areas with opportunities to secure more investment projects.

4.4 Conclusion

Foreign direct investment is vital for cities all over the UK to thrive. With improved air connectivity and more 'visibility' on the world map, there will be further opportunities for UK cities to attract projects.

⁴⁰ Oxford Economics, 'Economic Benefits from Air Transport in the UK' [2011].

FIVE

Education and events

The view from the North East

Lucy Winksell, Pro Vice-Chancellor, Northumbria University:

'With individuals from over 100 countries choosing to study at Northumbria, air links with London and the rest of the world are crucial in ensuring the university stays connected with its student body and academics from around the globe. The UK's world-leading educational institutions must retain their global connections to attract the best talent and maintain the high quality of their research.'

5.1 Universities and higher education

Any discussion of the impact excellent internal connectivity has on UK imports, exports and investment must not neglect the impact of one of Britain's biggest exports: higher education. Students from across the globe study in the UK's universities and contribute £14bn a year to the economy, a figure which is estimated to rise to £26bn by 2025.⁴¹ Foreign students are also valuable in that they 'help sustain the UK's research base especially in science, technology, engineering and mathematics: they account for over 40 per cent of postgraduate students, 50 per cent of those doing full-time research degrees'.⁴²

The excellence of the UK university system was recently illustrated by the Times Higher Education World University Rankings 2014, which placed 12 UK universities in the world's top 100 in terms of international university brand.⁴³ However, to attract and retain talented students and academics from around the world, and ensure their investment in facilities and quality of education remains world-class, universities across the UK require quick and convenient access to both London and the onward connections it provides. An air link with London and its wide variety of destinations enables UK universities and their wider areas to improve their international profile and visibility.

⁴¹ Department for Business Innovation & Skills, 'Research Paper Number 46: Estimating the value to the UK of education exports' (June 2011).

⁴² UK Council for International Student Affairs, 'Impact of International Students' (2014).

⁴³ Times Higher Education, 'World Reputation Rankings' (2015).

In addition to transporting students and academics into the UK, improved domestic air connectivity allows academics from British universities to travel to international seminars and teach and research overseas. Sharing knowledge between universities not only allows for research breakthroughs, but strengthens the UK's soft power and standing on the international stage.

5.2 Conferences and events

Events and conferences hosted in the UK account for 35 per cent of the country's visitor economy. The direct spend generated by the sector is £39.1 billion, with a further £7.7 billion spent by those accompanying event attendees. The sector is served by 25,000 businesses employing a total of 530,000 people.⁴⁴

Events are occasions to showcase a country's culture, achievements and opportunities for business and investment. They 'attract international audiences to the UK, who buy our products and services and, in many cases, return with their families boosting and complementing the UK tourism industry'.⁴⁵

However, the competitive nature of the international events sector means that hosting conferences in world-class venues is not enough to attract prestigious events. Quick and convenient air access from across the globe is also necessary, according to those involved in the business. 'The capacity of our airports is one of a series of barriers to growth in the UK winning more events business',⁴⁶ commented Simon Hughes of the Business Visits and Events Partnership.

With improved domestic links with London, and more routes supported from an expanded London airports network, both the capital and cities across the UK would benefit from an increased number of destinations. With this would come the opportunity to attract more international conferences and the benefits that the events and their delegates bring to a city's economy and international profile.

5.3 Conclusion

Improved domestic connectivity would provide the UK's higher education and events sectors with more opportunities to grow and reach new markets, in turn protecting and strengthening their impressive international reputations.

⁴⁴ Business Visits and Events Partnership, 'Events are Great Britain' (2014).

⁴⁵ Business Visits and Events Partnership, 'Events' (2014).

⁴⁶ Conference News, 'Improving UK Connectivity for Events' (2014).

SIX

Achieving improved domestic connectivity

6.1 The benefits of improved connectivity

This paper has examined the various ways in which the entire UK could benefit from increased airport capacity in London and the South East. The growth of traffic between local airports and London would provide more jobs on site and in addition have the potential to stimulate increased employment in travel and tourism; trade and exports; foreign direct investment; education; and events and conferences. This could translate into jobs, growth and economic prosperity across the country.

6.2 Voices from the regions and nations

From Let Britain Fly's conversations with regional stakeholders, as well as work carried out by the Airports Commission⁴⁷ and London airports themselves,^{48,49} it is clear that there is appetite for improved connectivity with the South East from stakeholders across the country.

It is also clear that this support for airport expansion in London is predicated on the delivery of improved regional connections when new slots become available through expansion. Fortunately, the shortlisted options at both Heathrow and Gatwick have both openly stated their commitments to maintaining and strengthening their regional links if they are chosen to expand.^{50,51} These assurances demonstrate the progress that has been made in achieving buy-in for protecting local airport connections to London and the rest of the world.

However, without the political will to make these aspirations a reality, airport expansion in London and the South East will not be achieved.

47 Airports Commission, 'Utilisation of the UK's Existing Airport Capacity' (2014).

48 Heathrow Airport, '32 UK Chambers of Commerce support Heathrow expansion' (2015).

49 Gatwick Obviously, 'Growing Support and Momentum' (2015).

50 Heathrow Airport, 'Heathrow announces new measures to connect UK nations and regions to global growth' (2015).

51 Gatwick Airport, 'Gatwick to launch £20 million fund to support and incentivise new domestic and regional air services', (2015).

A 2014 survey by the Office for National Statistics found that more than half of the British public are in favour of the construction of new runways.⁵² Furthermore, issues which have traditionally been barriers to expansion at any airport such as noise and carbon emissions have been countered by innovative improvements in technology and mechanisms through which local communities can express their concerns. These advances, combined with the Committee on Climate Change's recent conclusion that a 60 per cent increase in flights is compatible with the UK's overall carbon reduction targets, are compelling reasons for politicians to support airport expansion to boost domestic and international connectivity.⁵³

It is vital that the debate on airport capacity – both its benefits and its challenges – is not perceived as a problem exclusive to London and the South East, but one which affects the future of the UK as a whole.

Improved air connectivity between local airports and London offers the opportunity to boost the capital, the regions, and nations of the UK. It is now up to politicians to make bold choices if they want to seize this chance to move the UK on from 50 years of political inertia and missed opportunities.

More than half of the British public are in favour of the construction of new runways

⁵² ONS, 'Public experiences of and attitudes towards air travel: 2014' (2014).

⁵³ Committee on Climate Change, 'Meeting Carbon Budgets – 2014 Progress Report to Parliament' (2014).

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