Costs and Benefits of Aviation-based Tourism: Information Paper for LLACC

ICAO frequently stresses the importance of their "Balanced Approach" on aviation matters, yet when expansion of airports is discussed it is only the economic and social benefits which are headlined – rarely is an attempt made to consider the possible disadvantages to those local economies. This unbalanced approach has given rise to the widely held view that airport expansion is good for local economies.

This may well be true in the case of the popular destinations in continental Europe and beyond, but it does not hold for most regions of the UK. In fact the UK runs a massive overall economic deficit from air travel. According to the Office of National Statistics (ONS), while foreign visitors arriving by air spent nearly £11 billion in the UK in 2004, UK residents flying out spent £26 billion abroad – a loss to the UK economy of £15 billion pounds in that year.

This result arises from analysis of the bare facts, and is in no sense a moral judgement. It is not necessary to say that people 'ought' to take holidays in this country rather than going abroad or that no-one should have a holiday in the sun. But if the jobs created by aviation are to be counted as benefits of aviation, then the jobs lost from their local economies by aviation must also be included.

ONS had been asked to break the 2004 data down on a Regional basis, and their subsequent analysis showed that at a regional level these figures are even more stark. For example the East of England region (home to two airports with substantial low-cost flight operations) earned £517 million from overseas visitors in 2004, but East of England residents flying abroad spent £2430 million – nearly five times as much, resulting in a deficit to the regional economy of £1913 million in 2004.[1] All UK regions except London run a substantial economic deficit as a result of aviation-based tourism.

Region	Inward	Visitors	Outward	Visitors	Balance (£M)
	Visits (000's)	Spending (£M)	Visits (000's)	Spending (£M)	
London	10416	5538	9776	5102	+436
North East	403	177	1861	938	-781
North West	1307	495	5055	2707	-2212
Yorkshire and Humber	778	295	3736	1905	-1610
West Midlands	1219	485	4299	2165	-1860
East Midlands	770	388	3592	1727	-1339
East of England	**1492**	**517**	**4720**	**2430**	**-1913**
South West	1402	575	3509	1815	-1240
South East	2696	1206	7588	3977	-2771
Scotland	1542	866	3996	2157	-1291
Wales	594	240	1977	996	-756
Northern Ireland	100	39	215	153	-114
UK Total	20002	10822	50435	26072	-15250

No comparable Regional breakdown is yet available for 2008 though we have asked ONS whether one could be made. The national totals are however available and make uncomfortable reading from the viewpoint of UK plc and all but one of its Regions – it is only London which obtains a net benefit from tourism.

[1] ONS Travel & Tourism tables MQ6

The net tourist spending deficit as a result of travel by air is, according to ONS, now around £17.8 billion – an increase over 2004 of 19%, which suggests that East of England's deficit has now risen to about £2.3 billion a year.[2] And that may well still be an understatement, because the cost of journey fares is excluded from the ONS expenditure totals – thus a proportion of any fares paid to a foreign-based carrier (e.g. Ryanair; Wizzair) represent a further leakage from the UK and the regional economy. It also excludes the substantial capital sums transferred outside the UK economy to fund the purchase, furnishing and maintenance of second homes, the continuing commitment to which is itself a generator of multiple trips by air.

Visitor data published by East of England Tourism (EET) show that both UK and overseas tourist visits to East of England Regions have been substantially flat since 2006[3]: this contrasts with the increase in overseas visits by UK tourists during the same period: reinforcing the background to the steadily-growing balance of spending gap.

Turning these deficits accurately into the equivalent number of jobs is not a straightforward matter, but if one simply divided the deficits by the average wage, for East of England a fair "order of magnitude" estimate of the lost jobs is around 92,000. Many of them would have been in the travel and tourism businesses which are often the mainstay of the more rural areas of the region and in which jobs are less easy to find. Further, these numbers ignore the "indirect" unemployment caused (the obverse of the popular "indirectly-created" jobs which often figure in airport expansion proposals): if the same multiplier were used, the lost jobs would total around 120,000 for the Region. With two airports specialising in low-cost flights in the East of England region, it would not be unreasonable to suggest that, along with each low-cost flight from these airports, a full-time or full-time equivalent UK job is also flying out. The following promotional puff typifies the case:

"Poprad, situated in the north of Slovakia is an administrative, economic, and cultural delight. This beautiful region is known for its close location to the High Tatras Mountains with plentiful ski and spa, and enticing walks and hiking available. Simon Harley, Airline Manager, London Luton Airport, said, "We are delighted to announce the arrival of Danubewings at the Airport. Low fares flying continues to make business and leisure travel increasingly accessible to millions of Europeans and the launch of this new service to Poprad provides yet more choice for our passengers."[4]

The sole emphasis is on outbound tourism – no attempt is made to extol the administrative, economic and cultural delights of Bedfordshire – which county enjoys the lowest levels (7%)[5] of inward foreign tourism in the East of England Region

A further expansion of UK airports on the scale indicated by the Government in the Air Transport White Paper will have a multi-billion pound negative effect on regional economies, because the main impact of airport expansion is to fuel the continuing growth in overseas leisure travel by UK residents. Air travel is forecast by Government to double by 2020. By 2020, if airports expand at that rate then the East of England economy, for example, will be losing around £4 billion a year. This is £4 billion a year that would otherwise have been spent on regional goods, services and with regional businesses.

There is a clear need for regional decision makers to recognise, when considering plans for airport expansion that, set alongside the oft-claimed benefits, the expansion will be accompanied by a significant net economic loss for their region. Airport expansion will substantially increase the net outflow for every region in the country except London, and will undoubtedly damage regional tourism.

LLATVCC, November 2009

---

[2] ONS Travel & Tourism tables MQ6
[3] East of England Tourism Compendia of Statistics 2006 - 2008
[4] London Luton Airport WEB site, November 2009
[5] East of England Tourism Compendia of Statistics