



Tourism and aviation

How flights to, from, and within the UK underpin a growing tourism industry

Foreword



The UK's tourism and aviation industries are economic success stories. This report is an exploration of the interconnectivity of these industries, and an analysis of how flights to, from, and within the UK underpin the success of one of the UK's largest and most vibrant industries.

As an island nation, it is of little surprise that the majority of the UK's tourists enter or leave the country by air, and a significant number of domestic flights are also taken for holiday purposes. ONS figures highlight that in 2014, 73% of inbound leisure tourists to the UK arrived by air; for UK holidaymakers going abroad, more than 80 per cent departed on a plane.

In 2013, the Centre for Economic and Business Research (Cebr), in a study commissioned by ABTA¹, found that the vast majority of the UK's air routes (96 per cent) saw 50% of passengers travelling for leisure tourism² purposes. On half of these routes, over nine in ten passengers were leisure tourists. This demonstrates the importance of leisure tourism in sustaining the world-class air connectivity that the UK benefits from.

In this report, ABTA – The Travel Association, the Airport Operators Association, Tourism Alliance, and UKinbound have brought together a vast body of data, research, and living examples to tell a compelling story of the important link between leisure tourism and the thriving aviation sector.

There is a powerful case to be made as to the importance of aviation and leisure tourism as a wealth and job creator. I believe that this report is essential reading for my Westminster colleagues, and I am certain that it will help to shape their views on the policy challenges and opportunities facing the UK's tourism industry – and hopefully, the Government's future policy making process.

MARK PRITCHARD MP

Chair, All Party Parliamentary Group – Tourism

Economic and employment contribution

A recent study by Deloitte and Oxford Economics for VisitBritain shows that tourism is one of the UK's largest economic contributors, worth an estimated £127 billion in 2013³. In total, tourism supports around 3.1 million jobs across the UK.

Cebr's 2013 report found that leisure tourists travelling by air directly contributed £14.1 billion in Gross Value Added (GVA) to the UK economy. This equates to 1.1% of UK GDP. When the supply chain supporting this type of tourism is taken into account, the total economic impact is £36.1 billion (2.8% of UK GDP³).

The Cebr report also looked in detail at employment generated in aviation as a direct result of leisure tourism, where 289,000 full time jobs, equating to 1.2% of the UK workforce, are sustained annually. When the demands placed on other industries in the supply chain are taken into account, a total of 684,000 jobs are supported, equal to 2.8% of UK employment.

Leisure tourists travelling by air are responsible for significant economic activity in each of the English regions and UK nations. Wales and the North East, in particular, were found to be the main beneficiaries. Wales ranks highest in terms of relative GVA contribution at 1.5% of total economic activity, with the North East, at 1.4%, in second place. These ranking positions are then reversed for employment, with the industry supplying 1.4% of all jobs in the North East and 1.3% in Wales. Northern Ireland, the Midlands (East and West) and Yorkshire and Humber also perform well on both measures.

¹The UK's leisure aviation economy, Cebr 2013 - https://c0e31a7ad92e875f8eaa-5facf23e658215b1771a91c2df41e9fe.ssl.cf3.rackcdn.com/publications/Value_of_Leisure_Aviation.pdf

² Leisure tourism equates to Holiday and VFR travellers in the ONS's International Passenger Survey

³ Tourism jobs and growth: the economic contribution of the tourism economy in the UK, Deloitte and Oxford Economics 2013

⁴ The UK's leisure aviation economy, Cebr 2013

⁵ ONS, HMRC, Cebr analysis, The UK's leisure aviation economy, Cebr 2013

⁶ ONS Travel Trends 2014

FIGURE 1: DIRECT ECONOMIC AND EMPLOYMENT IMPACT – THE UK AT A GLANCE

	Direct value of leisure aviation (GVA in £m)	GVA contribution as % of economy	Direct employment in leisure aviation (000s)
United Kingdom	£14,128	1.1%	289.0
England	£11,866	1.1%	242.7
Northern Ireland	£404	1.4%	8.3
Scotland	£1,174	1.1%	24.0
Wales	£685	1.5%	14.0
East Midlands	£1,014	1.3%	20.7
East of England	£1,310	1.2%	26.8
London	£1,833	0.7%	37.5
North East	£580	1.4%	11.9
North West	£1,576	1.3%	32.2
South East	£1,933	1.0%	39.5
South West	£1,184	1.2%	24.2
West Midlands	£1,253	1.3%	25.6
Yorkshire & Humber	£1,182	1.3%	24.2

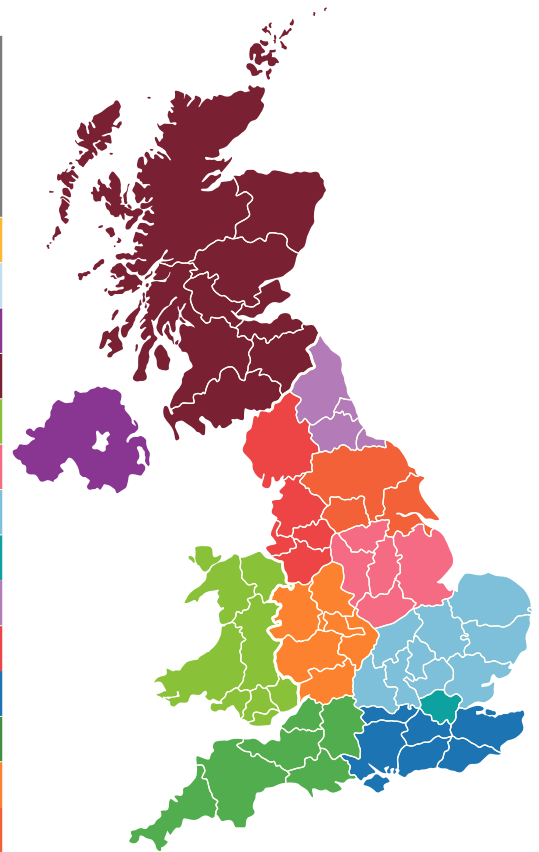


FIGURE 2: DIRECT ECONOMIC AND EMPLOYMENT IMPACT OF INBOUND, OUTBOUND, AND DOMESTIC LEISURE TOURISTS TRAVELLING BY AIR

Direct Economic Contribution (GVA – £m)
Direct Employment Contribution (000s)



IMPACT ON TAX AND SPENDING

Leisure tourists travelling by plane make a significant contribution each year to the UK Exchequer, worth £7.1 billion. The majority of this figure is accounted for by indirect taxes, including Air Passenger Duty; and employment taxes, including Income Tax and National Insurance. In addition, the wider tourism industry also contributes around £20 billion through VAT receipts⁵.

FIGURE 3: LEISURE TOURISTS SPENDING IN THE UK⁶

Visitors travelling by air spend **£728** per person in the UK

Visitors travelling by sea spend **£353** per person in the UK

Visitors travelling by tunnel spend **£376** per person in the UK

Leisure tourists travelling to the UK by air contribute **112% more tax** than visitors travelling by sea or the Channel Tunnel and provide **85%** of the tax that the Government gains from inbound tourism

Tourism and aviation in action

NEWCASTLE AIRPORT - INTERNATIONAL GATEWAY TO THE NORTH EAST

Since the launch of the Emirates non-stop daily service between Dubai and Newcastle in 2007, Newcastle Airport has seen significant growth in international passenger numbers on the route. In 2012, Emirates increased capacity – introducing a Boeing 777 – and each year since has seen record passenger numbers.

Last summer, holidaymakers travelling from abroad to the North East region increased by 22% and international visitor numbers reached their highest level since 2008 – with Australian visitors making up the highest proportion.

Latest tourism data shows that international visitor numbers to the North East continue to grow year on year with 473,000 visitors in 2014 spending 3.9m nights (+2% vs 2013) and generating £216m worth of expenditure. The success of key routes, such as Dubai, Heathrow, Amsterdam and Paris have contributed to this growth trend.

“*Newcastle International Airport is key gateway for the North East of England and plays a critical role in providing direct routes and improved connectivity to support inbound leisure and business tourism, and the wider visitor economy – the region’s fourth largest sector contributing £3.9bn annually.*”

“*With greater national funding available for international marketing this year – and in the year that we will host the Rugby World Cup – we are working closely with the Airport to grow visitor numbers from a range of markets, including the US, through the new United Airlines service.*”

SARAH STEWART – Chief Executive of destination management and marketing agency NewcastleGateshead Initiative

CHINA’S NEW GATEWAY TO THE MIDLANDS – BIRMINGHAM AIRPORT

In 2014 a total of six flights operated between Beijing and Birmingham airport. These were the first ever charter flights from China to the UK, and the first flights to an airport outside London.

The flights, which established Birmingham as an alternative gateway to the UK for Chinese visitors and which were heavily supported by both VisitBritain and UKTI, generated around £2.4 million in economic output.

They were so successful that a total of 34 flights, twice weekly in high season, have been announced for 2015, with the potential to contribute £19 million to the economy and support tourism businesses and destinations across the region.

“*Birmingham is proactively targeting the Chinese market to support the growth of UK tourism and for the benefit of the wider economy. We are determined to make our region the first choice for Chinese visitors looking to enter the country and we are seeing significant results. More than twice as many visits were made from China to the area in the past year, while the size of our overall global visitor market has increased by a third since 2012*”

EMMA GRAY – Director of Marketing and Communications, Marketing Birmingham

GATWICK COMPETES TO GROW LONG HAUL, LOW COST ROUTES

For the first time in more than 30 years, low cost travel direct to the UK is available to passengers from the USA.

Since its launch in July 2014, Norwegian now has regular flights from Fort Lauderdale, Los Angeles International, New York JFK, and Orlando to Gatwick Airport. In the first 10 months of operation, a total of 163,000 passengers have flown to these destinations using the Dreamliner, with load factors and half of customers originating in the US exceeding all expectations.

Norwegian has taken advantage of new airplane technology, easier point to point connectivity and more competition between airports to offer customers choice, and the option to buy into a high quality, low fare products that will help to grow tourism.

“*Gatwick Airport is integral to the continued growth of tourism in Brighton, bringing overseas visitors to the local area. New routes, such as Norwegian’s low-cost flights to the US are delivering a new type of tourist direct to our local economy. We would like to see Gatwick continue to grow, attracting more direct routes from emerging markets such as China and India.*”

SOOZIE CAMPBELL – Chair, Brighton and Hove Tourism Alliance

HEATHROW: ‘THE UK’S FRONT DOOR TO GLOBAL TOURISM’

As the global economy changes, so too does tourism. Outbound UK tourists want to explore the world beyond Europe and the growing middle class in Asia and the Americas increasingly want to visit the United Kingdom.

As the UK’s hub airport, Heathrow is essential for tourism

across the country with 75 destinations not served by any other UK airport. Every day, more than 5,000 passengers start or end their journeys at another UK airport and transfer at Heathrow to and from cities across the globe.

In the future the UK will need to be as well connected to emerging markets as we are to North America today – 708 weekly flights from Heathrow each week carrying 145,000 passengers. Heathrow is already the gateway for China with 105 weekly flights. It is these connections that make the UK more attractive to foreign tourists and investors.

Referring to Heathrow's advertising and GREAT campaign support, then Scotland Office Minister DAVID MUNDELL MP, said

“Heathrow is a gateway to the globe and a hub for businesses and tourists from across the world and this latest GREAT campaign will showcase the very best of Scotland, from our food and drink to our heritage at the UK's busiest airport. Through the UK's extensive diplomatic, trade and consular network GREAT has been a tremendous success across the world and I have no doubt this latest campaign will enhance Scotland's outstanding international profile even further.”

MANCHESTER AIRPORT - THE GLOBAL GATEWAY TO AND FROM THE NORTH OF ENGLAND

Manchester is the only airport outside London with direct scheduled flights to China, with Cathay Pacific operating four services a week between Manchester and Hong Kong. Chinese visitors represent 50% of Manchester's income from tax-free shopping, spending on average £677 per transaction, and the city attracts around 5,000 Chinese students per year. Tourism overall contributes £7 billion to the economy of Greater Manchester and £3.7 billion to the economy of Manchester.

“Greater Manchester has recently set out ambitious growth targets for the visitor economy, and inbound tourism is set to play an increasingly important role in these. Manchester Airport's role as Gateway to the North of England is widely recognised and the future success of Manchester Airport will have a direct impact on the region's tourism economy. It is vital that Manchester Airport continues to grow its connectivity, particularly from important, high spending, long haul markets in the US and Far East, if the tourism industry across the North of England is to grow and achieve its potential.”

NICK BROOKS-SYKES – Director of Tourism,
Visit Manchester



Policies to grow tourism and aviation

1. AIRPORT CAPACITY AND CONNECTIVITY

The UK's performance in terms of aviation connectivity could be stronger. While the UK enjoys a strong position in transatlantic routes and to traditional markets such as India, it is linked to relatively fewer destinations in emerging markets such as Brazil, Russia and mainland China. This is important, given that the UN World Tourism Organisation (UNWTO) forecasts that global tourism will grow by 60% by 2030 and that almost half this growth will come from just four countries—China, India, Russia and Brazil.

We believe that in order to prosper in this globalised economy, the UK needs to compete in both established and emerging markets. This requires excellent aviation connectivity right across the country, ensuring the UK has both vibrant point to point airports and world-class hub capacity. We support all airports that wish to grow and believe in making best use of existing capacity.

We are calling on the Government to:

- Support airport expansion by acting urgently in response to the recommendations of the Airports Commission led by Sir Howard Davies.
- Make best use of existing capacity at airports across the UK in order to support new long-haul routes to emerging markets and facilitate an increase in tourism and investment in our regions.
- Invest in route development by backing the Regional Air Connectivity Fund and promoting effective international marketing of new air links to, from, and within the UK.

2. PASSENGER EXPERIENCE

Merely attracting inbound visitors to the UK is not enough if we want them to make repeat trips or recommend this country to friends and colleagues. Once here, we need to make their journeys and travel experiences as simple and as comfortable as possible. What's more, outbound visitors also require a seamless travel experience to build confidence in travel products. Airports, airlines and travel companies are all investing huge sums of money on improving the passenger experience. The Government should demonstrate a similar level of commitment.

We are calling on the Government to:

- Ensure that aviation security is aligned with the nature of threats.
- Work towards securing seamless border controls for inbound and returning passengers.
- Improve surface access – both road and rail – to airports by investing in the infrastructure connecting the UK's airports and identifying where there are gaps in present and future demand. Both rail capacity assessments and Highways Agency route studies should include airport access.
- Integrating tourism into transport planning, ensuring that there is investment in tourism-related routes and that such services are given as much prominence within Whitehall as commuter and business-focussed transport. Such a move will allow visitors to the UK to transit more freely around the country, and promote travel beyond London and the South East.
- Integrate tourism tickets into the national transport system so that visitors are offered a simpler, more user-friendly way of travelling across the country, encompassing all modes of transit.
- Ensure that the impact of planned engineering works is considered not only for the commuter, but the leisure traveller also.

3. AIR PASSENGER DUTY

The World Economic Forum has found that the UK has the highest level of aviation tax in the world. This is a considerable barrier to trade, investment and tourism. While the Treasury has recognised this fact by making a number of welcome reforms to APD on long-haul travel and for passengers with children, the fact remains that at a time when our international competitors are either freezing or abolishing their air taxes, overall rates of APD in the UK are increasing every year, and now stand at record levels.

We are calling on the Government to:

- Review and cut overall levels of APD so that the UK can better compete with our European competitors with respect to trade, investment and tourism.
- Ensure that there is a consistent rate of APD across the UK, and in the event of the Scottish Government reducing the tax by 50%, promise to match this across the whole of the country, so that passengers across the country are treated fairly.

4. VISAS

There have been a number of improvements to the visa processing service, especially in China where the processing time has been reduced, the range of visa products increased, and visa processing centres have been refurbished. However, despite these improvements, the number of visitors from mainland China, and the UK's share of visitors from visa-national countries, has decreased due to other countries having also improved their visa offering. Therefore the UK needs to work with the tourism and aviation industries to develop and implement a coherent strategy for further improving our visa offering.

We are calling on the Government to:

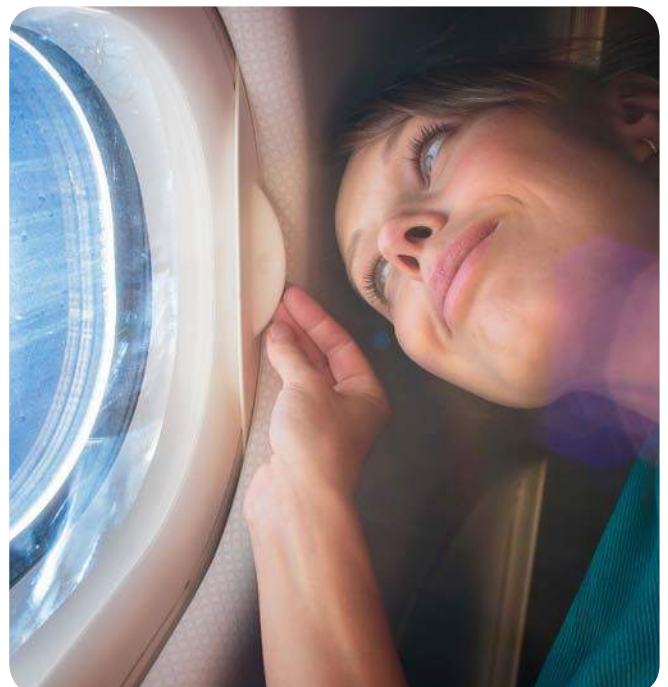
- Establish a working group with the industry tasked with developing a co-ordinated programme of improvements that will regain the UK's market share from visa-national markets.
- Reduce the cost of five year and ten year visitor visas to encourage more visitors to purchase these products. This would save the Government money and encourage visitors to make multiple trips to the UK.
- Share visa application centres with Schengen countries, thereby allowing visitors to apply for both a UK and Schengen visa at the same time and place using the same form. This "one-stop shop" approach would be a win-win for the UK and the Schengen countries while also reducing Home Office costs.
- Develop a more commercial approach to visitor visas that encourages visitors to come to the UK in the off-season or which targets lucrative leisure markets.
- Reduce the cost of transit visas to enhance the UK's position as a major international aviation and tourism hub.
- Give all applicants the opportunity to complete their applications in their own language.
- Increase the roll-out of on-demand Visa Application Services.
- Ensure that Visa applications are "Digital by Default" by greatly increasing the ability of on-line applications.

5. TOURISM POLICY

Tourism has been at the forefront of the UK's economic recovery with inbound tourism related export earnings increasing by 26.5% to £24 billion between 2009 and 2014. To further increase the benefits generated by tourism, the Government must continue to invest in tourism promotion and to work with the tourism and aviation industries to remove barriers to its competitiveness.

We are calling on the Government to:

- Work with the industry to prioritise and implement the recommendations of the 2015 Select Committee inquiry on tourism.
- Retain and support the GREAT campaign, which has done much to provide the UK with a coherent and recognisable brand to market itself domestically, and overseas.
- Ensure adequate funding for VisitBritain so that it is able to maintain a network of overseas offices and undertake marketing activities in countries not covered by the GREAT campaign.
- Retain and reform the Tourism Council so that it provides closer and more effective co-ordination between Whitehall departments on tourism issues.
- Work with the industry to attract more young people into this industry and to boost skills and customer service.





This report was developed collaboratively by ABTA – The Travel Association, the Airport Operators Association, the Tourism Alliance, and UKinbound in summer 2015. Further information on each organisation, including contact information, is available below.

ABTA – THE TRAVEL ASSOCIATION

ABTA is the UK's largest travel association, representing travel agents and tour operators that sell £32 billion of holidays and other travel arrangements each year.

We have been a trusted travel brand for more than 65 years offering advice and guidance to the travelling public, as well as leading the travel industry in supporting high service standards, working with our Members on health and safety, and promoting responsible tourism at home and abroad.

Find out more by visiting abta.com or by emailing sdalfonso@abta.co.uk.

AIRPORT OPERATORS ASSOCIATION

The Airport Operators Association (AOA) is the trade association that represents over 50 UK airports. Our mission is to see UK airports grow sustainably, and we represent their views to Government, Parliament and Regulators to secure policy outcomes that help deliver a thriving airports sector across all parts of the country.

Find out more by visiting aoa.org.uk or by emailing timalderslade@aoa.org.uk.

TOURISM ALLIANCE

The Tourism Alliance is the voice of the tourism industry, comprising 55 tourism industry organisations that together represent some 200,000 businesses of all sizes throughout the UK.

The purpose of the Tourism Alliance is to identify and develop policies and strategies to raise standards and promote quality within the industry and work with and lobby government on all key issues relevant to the growth and development of tourism, to maximise its contribution to the economy.

Find out more by visiting tourismalliance.com or by emailing kurt.janson@tourismalliance.com.

UKINBOUND

UKinbound is the trade association for the inbound tourism sector. Striving to remove the barriers to growth and ensuring a more competitive environment for inbound tourism in which the industry can flourish, UKinbound addresses and engages with Government, the media, travel trade and the general public to raise awareness of the importance of inbound tourism to the UK economy.

For over 30 years, UKinbound has been representing the interests and uniting more than 300 of the UK's inbound tourism businesses, providing business and networking opportunities for our membership, whilst maintaining best practice and the highest standards of operation in the industry.

Find our more by visiting ukinbound.org or by emailing deirdrewells@ukinbound.org.