

Written evidence submitted by the British Aviation Group (BAG) (AAS0044)

Introduction

The British Aviation Group is the leading representative body for British companies involved in aviation and airport development and operations. We represent over 200 member companies from across the supply chain, generating over £2.5bn in revenue in and from the UK associated with aviation related activities in the year pre COVID. Our members range in scale from specialist niche businesses employing 1-2 people to UK PLCs – with over 65% being classed as SMEs. They work and employ staff across all nations and regions of the UK – and export goods and services to over 150 countries.

BAG operates as an autonomous, non-political body under the umbrella of the ADS Group – and is funded solely by member subscriptions and income from events. www.britishaviationgroup.co.uk

Overview of UK Aviation Sector

The UK is a world leader in aviation – spanning every aspect of the sector – with globally respected airports, airlines and regulator, supported by exceptional aerospace and infrastructure supply chains. Our position in the sector underpins the agenda for Global Britain through international connectivity, direct export opportunities and wider global influence.

In the development of airport infrastructure and systems, the UK has a unique global position – with UK companies involved in the planning, design, delivery and ongoing operations of airports in almost every corner of the world. These range from small regional airports that provide essential connectivity for remote communities to the major transport hubs serving the worlds megacities. UK companies have for example been working with support from the Prosperity Fund to establish sustainable development plans for airport infrastructure enabling enables social and economic development of the Café region of Colombia. At the other end of the spectrum, UK designers, contractors and equipment suppliers are central to the development of the 3 runway system for Hong Kong International Airport, developing solutions for a world class airport that protect a sensitive marine environment.

Our global market position is built on, and supports the continued success of, a strong, resilient and sustainable UK aviation industry – with UK airports and

airlines providing direct connectivity to our global markets and a showcase for UK products, services and innovation.

Recovery of UK Aviation Sector

The COVID-19 pandemic has hit the aviation sector harder than most. At the peak of the pandemic, aviation traffic in Europe was reduced by 90% compared to equivalent 2019 levels; aviation will also likely be one of the last sectors to recover to 2019 levels from the impact of the pandemic, and in September 2021 traffic in Europe is still operating 30% below 2019 levels.

The UK market has been slower to recover than many of our European and global competitors. Eurocontrol data for September 2021 showed that UK flight numbers were 45% below September 2019, with only Finland, Israel and the Republic of Ireland being more significantly affected. In the US, TSA checkpoint data showed passenger numbers with 25% of 2019 figures – reflecting the strength of their domestic market.

Whilst headline traffic numbers are now increasing, the recovery is primarily on short haul routes, and our connectivity to long haul markets remains limited. This includes all of the targets for free trade deals.

Speed of recovery is a challenge for the UK aviation sector and our supply chain on two counts:

Connectivity to export markets.

Whilst some business activity has taken place over the last 18 months and will continue online, many activities – including the development of business relationships, stakeholder engagement and collaborative creative process – are more effective face to face. Other tasks – such as installation of physical products – can only be done in person and are critically dependent on cost effective, safe and reliable international travel.

UK Airport Investment.

Capital investment in UK airports, which pre-pandemic was estimated to be running at over £1bn per annum, reduced to a negligible level during COVID, and has yet to recover to any meaningful extent. Without a recovery of traffic, many UK airports and airlines will be unable to afford the investment needed to deliver future capacity, continued

improvements in customer service, and most critically decarbonisation of infrastructure and operations.

Sustainability

The aviation sector delivers significant social and economic benefits at both a national and global level, but delivering these benefits needs to be achieved in a way that is economically, socially and environmentally sustainable.

Sustainable aviation is an area in which the UK can and should lead the world. Existing government and industry commitments to achieving net zero in UK aviation by 2050 (Jet Zero) are underpinned by a clear and credible plan to decarbonisation. This will support future of domestic and international air connectivity, whilst providing opportunities for UK business across the sector.

Much publicised developments in aerospace – including continued development of existing aircraft and engine technology; increased adoption of sustainable aviation fuels; and development of third generation zero emission aircraft and propulsion systems – will be enabled and complemented by changes to aviation infrastructure. These include, for example, modernisation of air navigation systems and procedures; decarbonisation of ground infrastructure and operations; and development of energy infrastructure to support zero-emission aircraft. These are all areas in which UK companies demonstrate world leadership – whether in airspace management, design of green infrastructure, supply of cleaner building equipment and energy systems, or the digital technologies needed to manage and control them.

Many of the developments needed to aviation infrastructure to support the pathway to Jet Zero, and to deliver wider environmental and social benefit, were in train before the pandemic, and could be accelerated if policy and funding mechanisms allowed. For example, there would appear to be no technical reason why most UK airports could not achieve the zero-emission target for scope 1 and 2 earlier than 2040, the date suggested in the recent consultation on Fly Zero. The real challenge in this example is likely to be financial – particularly at a stage when both airports and airlines have been heavily impacted by COVID, and may be challenged both to write down existing assets and invest in new. Unlike surface transport modes, aviation infrastructure in the UK is predominantly reliant on private investment. Whilst this has benefited the sector significantly over the last 20 years with step

change improvement in the quality of assets and passenger service, it may make it harder for the industry to respond now.

By enabling greater investment in sustainable aviation infrastructure in the UK, government could both accelerate UK transition to a net zero aviation sector, and reinforce the UK position as the supplier of choice in sustainable aviation solutions for world airports.

Regional and global connectivity

Connectivity between the nations and regions of the UK and with our global trading partners is of course of vital import to the aviation supply chain – as for other professional services and manufacturing sectors.

From a domestic perspective, whilst some domestic connectivity can and should be provided by rail, there are many routes that remain more effectively served by air (beyond those where for reasons of geography air is the only option). With the move towards zero emission flight, whether using sustainable aviation fuel or alternative fuels, there is scope for greater use of domestic aviation. Developments in zero emission regional flight and advanced air mobility have the potential to open up new opportunities for connectivity between communities – which will rely on existing and new regional airport infrastructure. To make appropriate use of domestic aviation as part of an integrated national transport strategy it is essential that policy and public debate are informed by complete and consistent data across modes.

Internationally, we are reliant on rapid reinstatement of an international route network that provides access to key global trading partners (for example the US) – that is accessible from all parts of the UK. This requires a combination of well-connected regional airports **and** UK hub capacity. Whilst there will always be options for passengers to travel to long haul destination via hubs in Europe and the Middle East, connecting via a UK hub helps the wider economy by maximising the number and frequency of direct connections to key markets.

Government support measures

The government has the opportunity to support the aviation sector as whole, including the infrastructure supply chain, through a combination of financial and policy measures, including those summarised below. These will help the sector in achieving Jet Zero whilst maximising the social and economic benefit

of air travel, and maintaining UK position of global influence and market leadership.

Financial

To achieve UK objectives for Jet Zero and capitalise on this in global markets, industry is proposing step-change in investment through the Aerospace Technology Institute (ATI) – through partnership between government and industry. This would both support reduction of total carbon emissions through UK developed technology, and support creation of green jobs in aerospace across the UK.

Alongside this investment in ATI, we would encourage greater ambition and government support in regard to Sustainable Aviation Fuel – ensuring that the UK is not left behind by our European and US competitors. This could include a combination of investment support, policy and regulatory measures to facilitate the development of volume SAF production in the UK.

Continued government support for the airspace modernisation programme will make air routes over the UK quicker, cleaner and cheaper – and ensuring that UK expertise and technology continues to be sought by others globally.

Financial measures – whether hypothecation of funds from Air Passenger Duty, or other forms of grant or tax break – could be adopted to accelerate investment in low / zero carbon airport infrastructure; and to promote R&D into energy infrastructure needed to support Zero emission flight.

Policy

The UK aviation policy framework is in need of refresh to reflect government commitments under the Paris accord, and developing thinking around transport decarbonisation. The recent Jet Zero consultation should be a key step in this process.

A clear vision for UK aviation, fully aligned with our commitment to Jet Zero, will provide a secure framework for UK airports and supply chain to update long term development plans, and unlock investment in infrastructure and skills. A vision for sustainable aviation sector that delivers social and economic benefit across the UK will also help in

attracting, developing and retaining the diverse and inclusive workforce needed for the long-term success of a critical sector.

It is essential that this policy for UK aviation sector be seen as part of an integrated transport policy – that allows informed choice on modal split and adapts to the opportunities of emerging technology.

Concluding remarks

Aviation is a sector in which the UK has enjoyed a position of global leadership – allowing us to help shape international policy; providing us with exceptional national and global connectivity; and delivering high value jobs across the union.

The aviation sector globally has been disproportionately affected by the pandemic – but aviation in the UK has been slower than in many of our global competitors – and this presents a risk to our market position and connectivity.

UK capability across the sector – including airlines, airports, aerospace and supporting infrastructure should give us a position from which we can rebuild strongly around the theme of Jet Zero – delivering the social and economic benefits of aviation whilst protecting planet and people.

Through policy and targeted financial support, government can help support this rebuilding – working as part of a global partnership.

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