



# Backing business air travel

## How business air travel can support the UK's recovery



June 2022

A WPI Economics Report for London City Airport

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## About WPI Economics

WPI Economics is an economics, data insight and public policy consultancy that specialises in conducting research, analysis and modelling that makes an impact on important social and economic policy debates, such as health and wellbeing, poverty and the recovery from the pandemic. We are driven by a desire to make a difference, both through the work we undertake and by taking our responsibilities as a business seriously. We work with a range of organisations – from FTSE 100/250 companies to SMEs and charities and Central and Local Government.



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## About this report

Unless otherwise stated, all business leader polling results in this report were conducted by Survation on behalf of WPI. Fieldwork was conducted 22nd to 31st March 2022. 1018 business leaders in the UK were polled. The survey was conducted via online panel. Invitations to complete the survey were sent out to members of the panel.



# Executive Summary

## Why business air travel is critical to the economic recovery from Covid-19

Before the pandemic, activity in the aviation sector related to business air travel contributed some £20bn to the economy each year and was forecast to grow.<sup>1</sup> Business air travel directly created jobs and boosted living standards right across the country. And this is just the tip of the iceberg. Ultimately, businesses are travelling for a reason; that is to build links, develop clients and drive productivity and growth. All of these benefits are the core contribution of business air travel and they accrue to businesses and the overall economy.

Over 60% of parliamentary constituencies had more than 500 residents with jobs supported by the aviation sector.<sup>2</sup> Business air travel provided vital demand for the UK's hospitality, leisure and retail sectors, as passengers stayed over and enjoyed visiting the UK. Business passengers arriving into the UK spent £911 on average on retail, leisure and hospitality during their stay.<sup>3</sup> Perhaps most importantly it was the lifeblood of businesses small and large looking to bring investors and clients to the UK and their goods and services to foreign markets.

In future, innovation and joint working to develop Sustainable Aviation Fuels were estimated to provide a further £1bn a year boost to the UK economy with 6,500 new jobs, mainly located in areas in need of levelling up.<sup>4</sup> Further, with strong growth in emerging sectors located around airports like London City, airports stand to play a really significant role in driving long-term productivity and economic growth.

London airports were the driving force of this, collectively providing more than half (£11.5bn) of the benefits.

The pandemic fundamentally changed that situation. While passenger numbers have bounced back strongly in recent months, they have done so from a very low base, with passenger numbers in February 2022 remaining nearly half the level of those in February 2019. As the country continues to recover from the economic and social impacts of the pandemic, this report argues that business air travel has an important role to play in the recovery.

The reasons are clear. Despite significant changes in working practices during the pandemic, with many more people working remotely and flexibly than ever before, the demand and need for world class connectivity and business air travel has never been stronger. Research with businesses and interviews with business leaders conducted as part of this research reveal the scale of the need.

- 98% of those business leaders whose businesses used air travel before the pandemic say that they will continue to need to do so.
- Nearly seven in ten (67%) said that they would lose clients or contracts if their team was unable to fly.

This research also demonstrates the fact that, whilst there are many benefits to technological advances in working practices, current technology simply cannot replace the face-to-face interaction that business air travel facilitates. This means that virtual working acts as a complement to the face-to-face interactions that business travel facilitates, rather than a replacement.

There are also good reasons to assume that demand for business air travel will increase in future.

- Nearly half (47%) of those businesses who did not use air travel before the pandemic, say that they will be likely to over the next two years.
- One in five (20%) of business leaders expect hybrid working to increase their use of business air travel in future.
- Many businesses are also seeing air travel and potential "add-on" time spent for leisure as being an important part of their employee package.<sup>5</sup> As the dispersion of employees continues, and the UK's sights fall on more and more new opportunities, this "Bleisure" market could be an important growth area for UK businesses in terms of their global reach and attracting talent, and the UK overall as a chance to bring more business and investment to the UK.

“...it’s just not the same as being on Zoom. It is those serendipitous moments that happen that can stimulate different types of conversations than you might have in an online meeting environment.”

Senior business leader

“Face to face meetings are essential for our business - people need to meet because we’ve got deals to do, Governments to meet, negotiations to do and customers to see.”

Senior business leader

“Face to face meetings enable relationships. Relationship-building and chatting over a coffee is not the same as using virtual options. You don’t always pick up the tone or the body language. We know that business is an enabler for travel, so going out there and having people reengaging on those relationships is essential for us.”

Senior business leader

### The value of a speedy return to business air travel

All of this means that the return of business travel is going to be important for securing the speed and nature of the economic recovery. Of course, a speedy return is not a given and will depend on the policy and economic choices that we make over the coming years. To understand the scale of the impacts from different speeds of return to business air travel, this report considered three scenarios:

1. **Slow return:** passenger levels returning to pre-pandemic levels in 2025, then growing at half the rate as pre-pandemic (2015-2019), to 2030.
2. **Steady return:** mid-point of slow return and growth scenarios.
3. **Growth:** passenger levels returning to pre-pandemic levels in 2023, then increasing by a growth rate 50% higher than the slow return scenario, to 2030.

Compared to a steady return to business air travel, the quick return scenario would boost the UK economy by £17.5bn between now and 2030. £10bn of these benefits would come from London airports.

In fact, the benefits are even greater than this. These figures only capture the value related directly to the aviation sector, its supply chain and employee and tourist spending. The true value of business aviation also needs to include the wider economic, growth and societal value driven by businesses building links, developing clients, expanding into new markets and building globally competitive industries. A slow return risks missing all of these opportunities and allowing our competitors to take the lead.

This is also not just about the overall UK economy. Growing business air travel post-covid will be vital to the Government's levelling up agenda, which aims to build globally competitive industries and cities across the UK and drive faster growth and improved living standards in places that have historically been left behind. A wide range of evidence shows that regional connectivity, both to a country's major city and onwards or directly to international markets, that is focussed on business travellers can have very significant economic benefits. Businesses outside of London clearly recognise this importance:

- Nearly half (44%) of business leaders in the North of England said that they would lose clients or contracts if they were unable to fly.
- Half or more of business leaders in Scotland (54%), Northern Ireland (64%) and Wales (48%) said that flying is essential for them to do business face-to-face.
- Half or more of business leaders in every nation and region of the UK said that flying helps their business to win new contracts, sale or investment.

"The connection to London City Airport is critical. The ability to fly and be straight in the centre of London with so many businesses within a stone's throw of the airport means that people can travel for business much more easily... in order to see companies outside of London to succeed, we need connections to the City."

Senior business leader

## Looking to the future: backing business air travel

The good news is that, with so many benefits associated with it, business leaders already say that they are hoping for and expecting a speedy return to business air travel.

Of those business leaders who say they will travel by air, when asked about their expected use a year from now:

- Nearly half (45%) expect their business to increase their use of air travel compared to prior to the pandemic.
- One in five (19%) said that their businesses' use would increase by more than 25% compared to pre pandemic.

However, there are also barriers to this becoming a reality. Business leaders polled as part of this research highlighted Covid-19 (41%) and the potential environmental impact of flying (26%) as being two of the most significant barriers. Three in ten (29%) said that a more comfortable journey through the airport would make it more likely that their business increased its use of air travel.

These findings provide tangible insights into the value of business air travel and the remaining barriers to the return to, and growth of, sustainable air travel. Now airports, airlines, business and the Government must work together to ensure that business air travel plays the role it needs to in supporting the economy as it rebounds from the pandemic and grows in the future.



“We’ve got a huge focus on sustainability – not least because of the industry we operate in and we are in the middle of a massive energy transition...the aviation industry is already doing a lot surrounding sustainability – there are discussions around SAF and many airlines have already committed to using it.”

Senior business leader



# Introduction

Prior to the pandemic, the aviation sector contributed £100bn to the economy.<sup>6</sup> But more than this, through point-to-point and connecting services, it connected all of the UK to each other and to the rest of the world. Beyond the economic and business benefits that this brought, the value of the connections, opportunities and experiences that the UK's globally competitive aviation sector brought was significant.

All that was supported by a thriving market for business passengers.

**In 2019, one in five passengers across UK airports were travelling for business. At London City, nearly half of all passengers are travelling for business - the highest proportion of business passengers of all UK airports.**

This report shows the very strong benefits that business travel provides to businesses who fly. It also shows that business travel supports the economy and aviation sector more generally. Without business passengers, the existing markets and routes would not have been viable and connectivity would have been lost.

Nowhere is that more true than in the capital. Some 46% of passengers at London City Airport and 25% of passengers at Heathrow are on business.<sup>7</sup>

All this changed in 2020, with the global pandemic putting the brakes on air travel. Now, more than two years later, while Britain is fully open for business, some countries are only just beginning open up their skies.

As we look to the recovery from the pandemic, this report shows why promoting and supporting sustainable business air travel should be at the heart of the economic recovery from the pandemic. Supporting businesses to consolidate existing markets and build into new ones will drive growth right across the country. And a thriving UK aviation market will support the Government and industry's drive towards sustainable aviation and, in particular, the push for Sustainable Aviation Fuel (SAF). This means that, in the longer term, business air travel should also be central to the Government's Global Britain and levelling up agendas.

"The connection to London City Airport is critical. The ability to fly and be straight in the centre of London with so many businesses within a stone's throw of the airport means that people can travel for business much more easily... in order to see companies outside of London to succeed, we need connections to the City."

Senior business leader



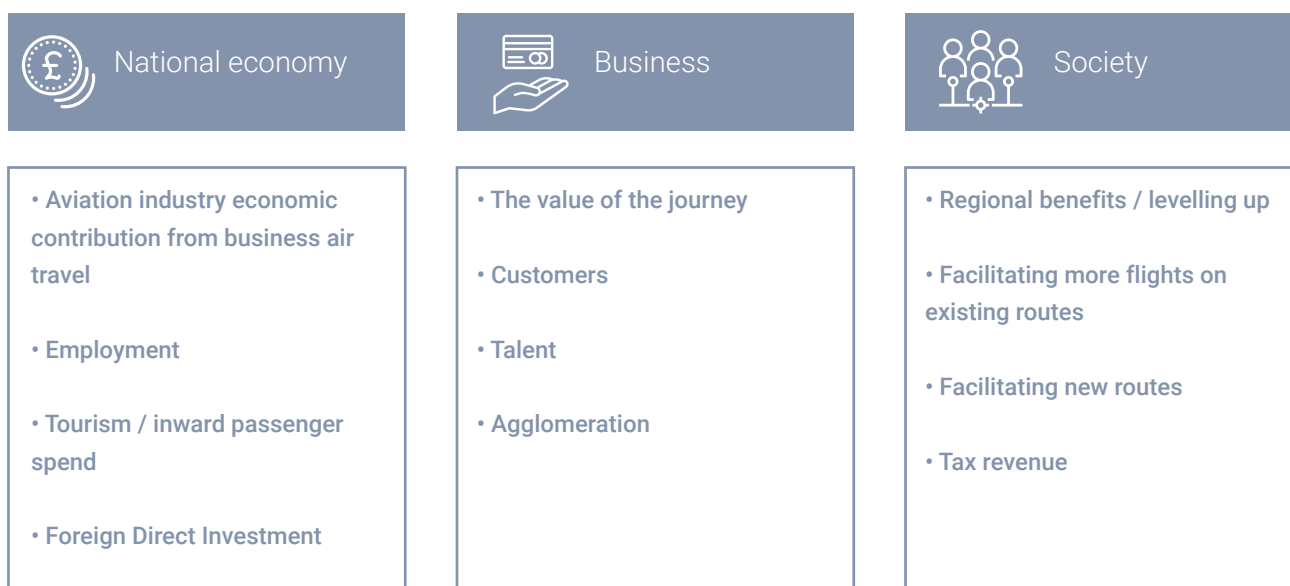
# The economic and social benefits of business air travel.

Business air travel comes with a range of significant benefits. The most obvious benefits are those that accrue to passengers, airlines themselves and the aviation sector. But these are dwarfed by the significant benefits that are felt by the businesses themselves and right across the economy. These include:

- Direct and supply chain jobs associated with business air travel.
- Bringing businesses and investors to the UK, boosting UK businesses they are meeting and more broadly with spending on hospitality, leisure and retail while visiting.
- Taking UK businesses to the rest of the world, helping them to grow and build new markets and opportunities.
- Supporting innovators and investors looking to create more sustainable travel and, in doing so, contributing to a burgeoning green economy in the UK.
- Contributing tax revenues to the Exchequer to support public services and social policy goals.
- Ensuring that businesses right across the UK have the links with each other and the rest of the world, which they need to create a thriving economy.

These wide-ranging benefits can be summarised across a number of key categories, including benefits to businesses themselves, the national economy and to society.

## The economic and social benefits of business air travel

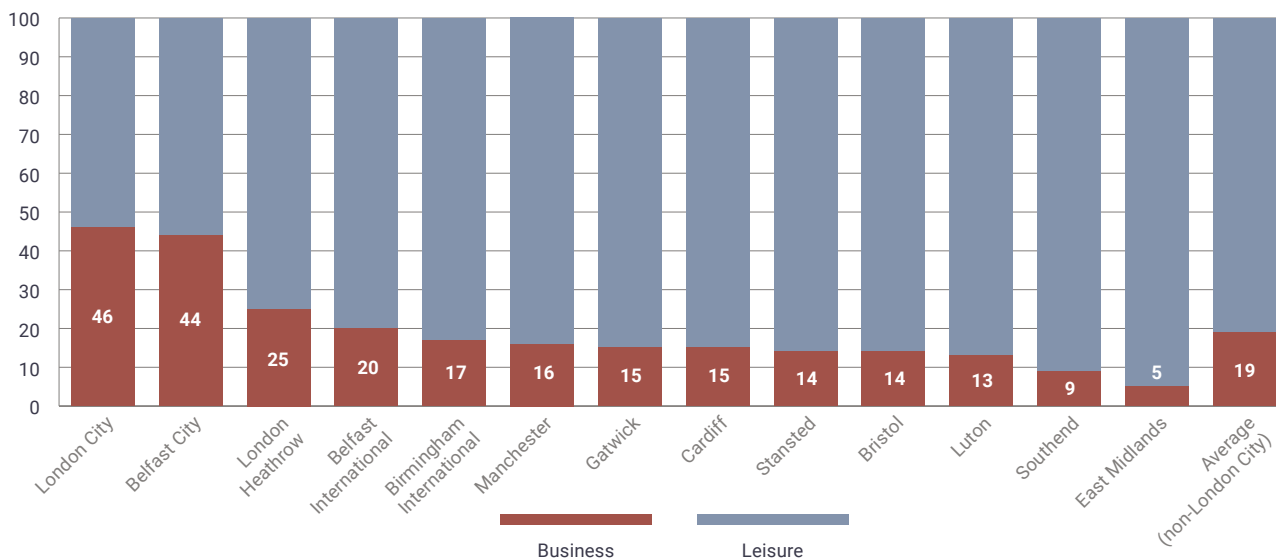


# The economic value of business air travel prior to the pandemic

The aviation sector’s £100bn contribution to the UK economy prior to the pandemic covers the sector’s direct contribution as well as its contribution through its domestic supply chain and spending by employees and international tourists arriving by plane.

Business aviation played an important role in this value. Overall, some 19% of flights in and out of UK airports were taken by passengers on business travel.<sup>9</sup> For London City Airport, close to half (46%) of all passengers were on business travel. On average, international business passengers spend £911 on retail, hospitality and leisure during their stay, considerably more than holidaymakers (average of £739). Total spending by business passengers arriving into London City Airport alone amounted to close to £220m.

Figure 1: Share of business travellers, by airport



Source: WPI Economics analysis of CAA Passenger surveys<sup>9</sup>

Bringing these factors together, we can get a sense of the potential contribution of business-related part of aviation industry to the economy.

**Overall, we expect business-related aviation to have contributed £20bn annually to the economy prior to the pandemic.**

However, it is important to realise that this is just the tip of the iceberg in terms of the contribution of business air travel to the economy. Ultimately, businesses are travelling for a reason; that is to build links, develop clients and drive productivity and growth. All of these benefits are the core contribution of business air travel and they accrue to businesses and the overall economy.

One estimate of these benefits suggests that a 10% improvement in the UK’s connectivity would increase long-run economic output by around £1bn a year.<sup>10</sup>

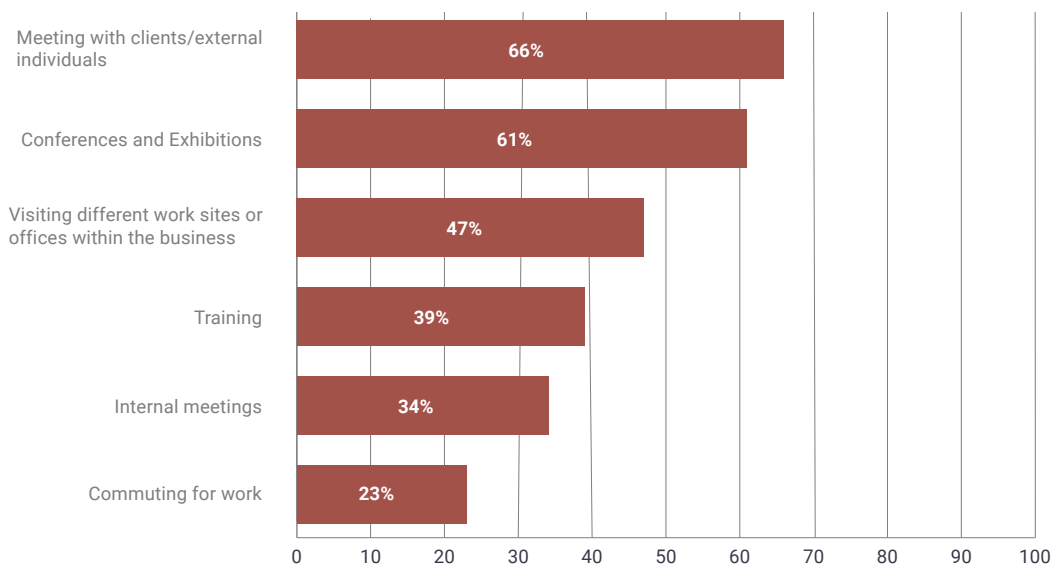
CHAPTER 4

# The value of air travel to businesses

Whether it is clinching a deal in a foreign country, building relationships with staff in other parts of the UK or maintaining contacts and supply chains across the world, the message is clear that the face-to-face interaction that business air travel facilitates is essential for UK businesses.

Research conducted for this report shows that more than half (52%) of UK business leaders said their business used air travel to meet business needs prior to the pandemic. Businesses choosing air travel did so for a range of reasons central to effective operation of their business (figure 2).

Figure 2 : Reasons for taking flights prior to the pandemic



Source: Survation on behalf of WPI. Base: all business leaders whose businesses used air travel prior to the pandemic.

These benefits mean that 67% of business leaders whose businesses used air travel prior to the pandemic say that they would lose clients or contracts if people in their business were unable to fly. Given this, it is no surprise that the Government is placing such a strong emphasis on the role of Global Britain in driving the recovery and putting connectivity at the heart of this.

“When people are able to come together [by flying] - it drives business performance.”

Senior business leader



## Case study: James Hutton Institute

The James Hutton Institute turns transformative science into new technological and management solutions and strategies for people, communities, government and businesses in the fields of sustainable management of land, crop and natural resources. It was founded in 2011 and employs 500 scientists and support staff across multiple sites, including two main ones in Scotland at Aberdeen and Dundee. It is one of the biggest research centres in the UK.<sup>11</sup>

Prime examples of this research and innovation are:

**The Advanced Plant Growth Centre (APGC):** The centre will develop technologies such as vertical farming, speed breeding and develop adapted crops that can tolerate climate change and evolving pest and disease risks. £28m of initial investment will generate 800 jobs and £330m of economic value to the food and drink industry.<sup>12</sup>

**The International Barley Hub:** Barley is one of Scotland's most important crops and is pivotal to brewing and distilling. The Hub will house over 100 researchers and create a unique, integrated, open platform for the translation of barley research into economic, social, environmental and commercial impacts benefiting breeding, farming, malting, brewing, feed, food, health and related industries.<sup>13</sup>

Fast connections to London are important to the James Hutton Institute for a range of reasons. Access to international embassies is important; the Institute has an international outlook and engages, in particular, with China and many countries in Africa. The Headquarters of many companies that the Institute works and partners with are in London. Engagement with central Government is also important – either visiting Ministers and officials in London or hosting visits in Scotland.

The ability to travel there and back in a day is important for all of these reasons, as is arriving at central London destinations in time for morning meetings. London City offers this much faster access, allowing the Institute to continue to build its links with companies, UK and international governments that are crucial to its work.



Lettuce grown in indoor vertical farming system. This photo is used under the Creative Commons Attribution-Share Alike 3.0 Unported license.

CHAPTER 5

# London airports are the powerhouse of these benefits

These benefits are spread across individual businesses and national and regional economies up and down the whole of the country. However, with significantly more flights and business travellers than any other part of the UK, London airports provide the majority of these benefits for the UK.

Figure 3: Economic contribution of business-related aviation sector activity from airports in London, Devolved Nations and the rest of the England

Airport location	Annual value of output related to business air travel
London	£11.5bn
Rest of England	£5bn
the Devolved Nations	£3.5bn
UK	£20bn

Source: WPI Economics modelling of various sources

Note: these are approximately apportioned based on the proportion of overall UK business passengers using airports in each region / nation..

Looking in more detail, we can also analyse the distinct benefits that specific airports provide to their surrounding areas.

Box 1 does this for London City Airport.

## Box 1: London City Airport case study

In 2019, London City Airport provided:

	Newham	London
Additional economic output	£170m	£935m
Jobs	2,050	7,000
Journey time savings for travellers worth	£25m	£190m

Source: York Aviation for London City Airport

Again, the benefits are much wider and deeper than this. Previous research has already highlighted that air connectivity to the economic core of a country, particularly when driven by business travel, increases population, employment, tourism and foreign direct investment in a region which has good connectivity.<sup>14,15</sup>

These are benefits that add to the more direct economic contribution of the aviation sector itself. For example:

- A 10% increase in air passengers to regional airports causes a 1% increase in service sector employment;<sup>16</sup>
- Air connectivity can **increase tourist related activities**, and improved regional air connectivity **supports manufacturing to disperse from central areas of a country towards the regions**;<sup>17</sup>
- **Foreign Direct Investments increased by 50.3% in the two years following the opening of new air routes** in Italy from 2000-2010 (they found a 33.7% increase for places with a new route compared to a decrease in a control group of 16.6%).<sup>18</sup>

What is clear is that regional air connectivity can drive significant business benefits and, in doing so, can be supportive of the Government's levelling up agenda.

More broadly, given that business passengers take up a significant proportion of travellers in many airports and on many routes, they support the operation and frequency of regional and international routes. These provide significant additional benefits, in terms of economic and cultural opportunities and quality of life for non-business travellers.

"The connection to London City Airport is critical. The ability to fly and be straight in the centre of London with so many businesses within a stone's throw of the airport means that people can travel for business much more easily. All the corporate centres for oil, gas and alternative energy are all in London, the FTSE is still in London, in order to see companies outside of London to succeed, we need connections to the City."

Senior business leader





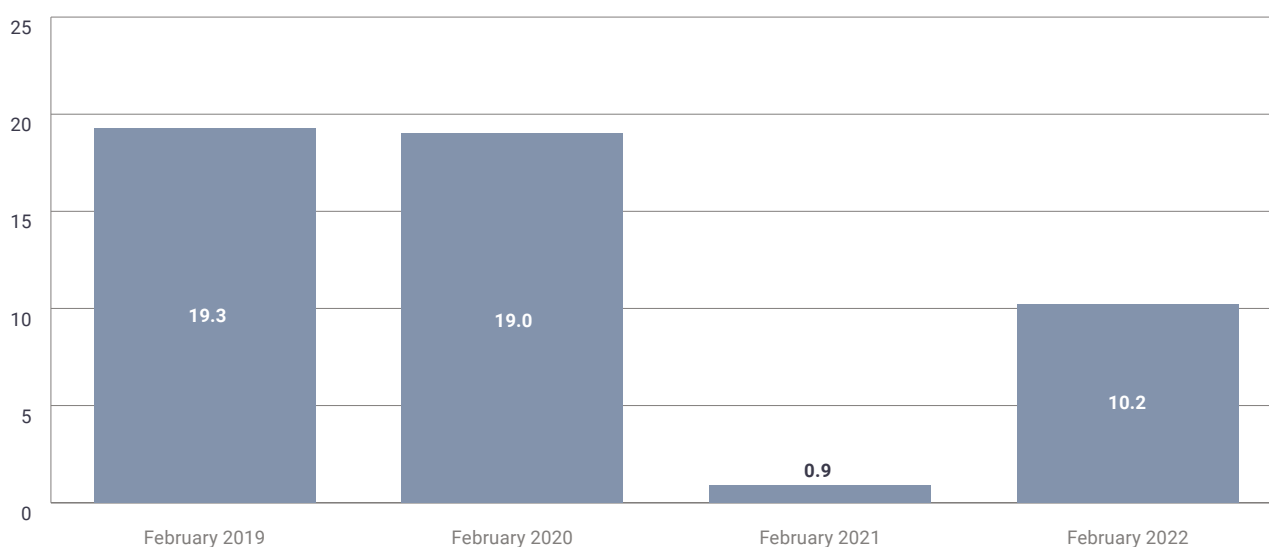
## CHAPTER 6

# The impact of the pandemic and prospects for business air travel

The global response to the pandemic had a profound impact on the aviation industry. At less than one million, the number of passengers using UK airports in February 2021 was just 5% of the level it was in February 2019.

Recent months have seen a significant rebound in activity, with passenger numbers rising to more than half their pre-pandemic levels in February 2022, and rising significantly since then.

Figure 4: Millions of passengers using UK airports



Source: WPI Economics of CAA

These trends have hit business travellers as much as they have leisure travellers and lockdowns, enforced periods of home working and travel restrictions have fundamentally changed how we do business. For example, the last two years have seen significant changes:<sup>19</sup>

- The proportion of people reporting to have worked from home in Spring 2022 increased to 38% from 12% prior to the pandemic.
- Of those already working from home in Spring 2022, 84% planned to use a hybrid approach in future.
- 23% of business already use or intend to include homeworking as a permanent part of their business model, with rates in some industries as high as 54% (Information and Communication industry).

The question is then the extent to which these trends will impact on business air travel going forward. Some have used the observed changes in business practices to argue that the pandemic will mark a change in businesses approach and a permanent reduction in air travel.

However, this report highlights a range of reasons why we believe that this will not be the case and why, despite current passenger numbers being understandably below pre-pandemic levels, prospects for the future appear to be strong.

## Demand is already returning and should increase

IATA's most recent data suggests that capacity across the global aviation industry is increasing, and load factors (a measure of how full planes are when they fly) are moving back towards 2019 levels.<sup>20</sup> They note a particularly strong rebound in European markets, with passenger numbers expected to meet and then exceed pre-pandemic levels from 2024.

This positive outlook also chimes with the views of business leaders interviewed for this research. Many highlighted the intention to return to travel, emphasising the significant value they place on the face-to-face interaction that air travel facilitated for their business.

In fact, of those business leaders whose businesses use air travel:

- Two thirds (65%) say that their use will be the same or higher than before the pandemic over the next three months.
- For those in the North of England, this rises to 69%.
- In every English region and in Scotland and Wales, significantly more say that their use will increase over the next three months, than said that it will reduce.

Looking to the longer term, driven by growing businesses, clusters and productivity around the UK's airports, there are clear reasons to believe that demand for business air travel could increase. London City is a prime example here, where forecasts for population and economic growth around the airport are significantly higher than in other parts of London and the rest of the UK. In part this is driven by three key growth sectors, which all require strong connectivity with the rest of the world:

- **UK's biotech sector** is a global leader and expected to see a significant increase in capital investment. London as a leading biotech hub is likely to benefit significantly from this.
- **Media and technology**, where a third of all Europe's tech giants are based in London.
- **Financial Services & Fintech** where fintech firms secured more venture capital investment than any other year in just six months of 2021.

This means that strengthening the role of the airport and sustainable aviation, could play a central part in securing long-term growth and international competitiveness for the UK economy.

"Face to face meetings enable relationships. Relationship-building and chatting over a coffee is not the same as using virtual options. You don't always pick up the tone or the body language. We know that business is an enabler for travel, so going out there and having people reengaging on those relationships is essential for us."

Senior business leader

"People will come to London because it is such a powerful business magnet and such a good place to be because it's so important. London will absolutely thrive – I am absolutely convinced of that."

Senior business leader

## Face-to-face interactions are key

This potential growth in demand for business air travel should come as no surprise given the clear benefits that business leaders say air travel brings to their business and the risks associated with a loss or reduction of business air travel.

	All business leaders	Business leaders in firms using flights
Flying is essential for allowing me to do business face-to-face	53%	75%
Flying helps my business make and maintain important business relationships	58%	81%
Flying helps my business win new contracts or make sales and/or investment	57%	79%
Flying helps my business attend important meetings and conferences	61%	83%
If people in my business were unable to fly, we would lose clients or contracts	46%	67%
If people in my business were unable to fly, it would be harder to maintain relationships between different parts of the business	49%	70%

Source: Survation for WPI

“We see travel as a huge business enabler - we simply have to see our clients.”

Senior business leader

“Face to face interaction is much better than virtual, and so travel is invaluable to our business.”

Senior business leader

“Face to face meetings are essential for our business - people need to meet because we’ve got deals to do, Governments to meet, negotiations to do and customers to see.”

Senior business leader

## Changing business practices could actually increase the need for air travel

As well placing value on existing use of business air travel, there are also strong arguments that suggest that the need for travel will increase over the coming years. With hybrid working becoming more normal, and teams distributed over wider areas of countries and the world, the need to bring teams together and meet face to face will become even more important.



When asked about the impact of hybrid working, one in five (20%) of business leaders said that they expected it to increase the number of flights that their business needed to take. For others, changing working practices meant that employees were valuing time at home more and asking more of their business travel, when they needed to use it. This highlights the need for quality of experience, and not just availability and frequency of routes for business travelers. In this respect, it shows the value of point-to-point travel, and the premium that businesses travellers place on speed and convenience of their journey, including routes that deliver them as close as possible to their final destination.

“Flexibility of work means that people are going to want to travel more, to gather and meet with clients and colleagues more face to face.”

Senior business leader

“People work in different places now, so that will affect how they travel.”

Senior business leader

## Currently technology cannot replace face-to-face interactions

Research undertaken with businesses for this report also reveals that, rather than replacing them, technological advances in working practices are complementary to the need for business travel and face-to-face interaction. It is also easy to over-emphasise the shift in working practices that has taken place. Government statistics on the future of home working show that the majority of businesses still expect employees to be working for the majority of the time from their usual place of work.<sup>21</sup>

Two fifths (38%) of business expect more than 75% of their workforce to work from their normal place of work in future.

Another 16.5% expect between 50% and 75% of their workforce to do this.

While job adverts including terms related to homeworking have increase significantly over the last 2 years (being 300% of their February 2020 level in September 2021), they still only account for 8% of total job adverts.

“Online meeting software cannot compete with face to face contact, instead it’s complementary. An online conference is painful, there’s no emotional connection and it’s nothing like being face to face.”

Senior business leader

“...it’s just not the same as being on Zoom. It is those serendipitous moments that happen that can stimulate different types of conversations than you might have in an online meeting environment.”

Senior business leader

"I'm very confident that business travel is here to stay, and Zoom and other online platforms will not mean the end of business travel."

Senior business leader

London City Airport is a clear example of why. Our business interviews highlighted how travellers place significant value on being able to complete a return trip to London in a day, and equally the importance of senior representatives of business and Government to reach them without the need for an overnight stay. The time of day of flights is also crucial, with the ability to arrive for a morning meeting an important factor.

This makes the onward travel time from the airport key. Figure 5 shows how London City has significantly faster public transport connections to a range of business and tourist locations than any other London area airport, even when taking in to account the Heathrow and Stansted Express which come at a significant extra cost.

Figure 5 : Illustrative travel times and costs between London area airports and central London locations by public transport (minutes)

	Heathrow (Terminal 5)	Gatwick	Luton	Stansted	London City
<b>Total peak time cost One-way journeys only</b>	<b>£27.50-£28.20</b>	<b>£19-£22.30</b>	<b>£18.90</b>	<b>£12.50-£29.10</b>	<b>£1.60-£3.60</b>
<b>Canary Wharf</b>	51	42	59	72	21
<b>Oxford Circus</b>	35	39	38	38	38
<b>Westminster</b>	39	38	45	45	33
<b>Stratford</b>	55	52	50	50	18
<b>Shoreditch</b>	48	51	58	58	30

Source: Travel time figures taken from Citymapper<sup>22</sup> searches carried out to arrive at 10am on Tuesday 31st May, fares calculated using information from Heathrow Express<sup>23</sup>, National Rail Enquiries<sup>24</sup> and Transport For London.<sup>25</sup>

For these locations, London City is an average of over 30 minutes quicker, or an hour on a return trip. For many people travelling on business this is likely to make the difference between a trip being worthwhile or not.

Considering a wider measure of time savings (assessing the difference in time between travel using London City and the next fastest alternative), *York Aviation put the value of time savings from passengers using London City at some £190m a year.*

"...people are being careful and valuing time at home with their families more."

Senior business leader

"We are definitely seeing a desire to get back to travelling - but it's not like before, peoples' expectations have been raised, they want better-curated experiences."

Senior business leader

## Air travel supports the Government's ambitions to increase investment and boost connectivity

The importance of business air travel also goes beyond the benefits provided to individual businesses. This is because, at the heart of the Government's economic and social agenda, and particularly levelling up, is a need to increase investment and support and build the UK's connectivity, internally and with the rest of the world. This makes business air travel crucial for the Government in delivering on its objectives.

The reasons are clear:

- **Connecting all of the UK to all of the world:** The nations and regions of the UK have a wide range of dynamic, growing economies. Whether it is the advanced manufacturing of the Tees Valley, life sciences in Dundee or the aerospace cluster in South-West England every region has real economic strengths. To thrive, and build truly globally competitive industries and cities, these businesses need connections to the rest of the UK and the rest of the world.
- **Connecting all of the UK to the UK's only global city:** Direct access to the UK's most powerful regional economy, London is crucial. Accounting for 23% of the UK's GDP,<sup>26</sup> London's economic success should help the whole of the country succeed, whether that is by providing access to a wide range of public and private partners, specialist financial services, major industry events and conferences, and access to foreign embassies and investors for growing their business internationally or attracting foreign investment. And for those travelling on business, the ability to arrive in time for a morning meeting and travel to and from London within a day is often essential.
- **Attracting tourists:** Tourism around the country also benefits from high quality connections to London. In 2018, 19 million of the total 38 million international visitors to the UK visited London.<sup>27</sup> With fast, high quality connections to the rest of the country they will be more likely to travel outside London and boost the economies of the areas they travel to.
- **Attracting talent and investment:** More broadly, we need to attract the best minds, skills, businesses and investors to the UK. This is vital for attracting FDI, as well as ensuring that UK businesses have access to the skills, finance and expertise they need. This can only be facilitated through world-class connectivity.





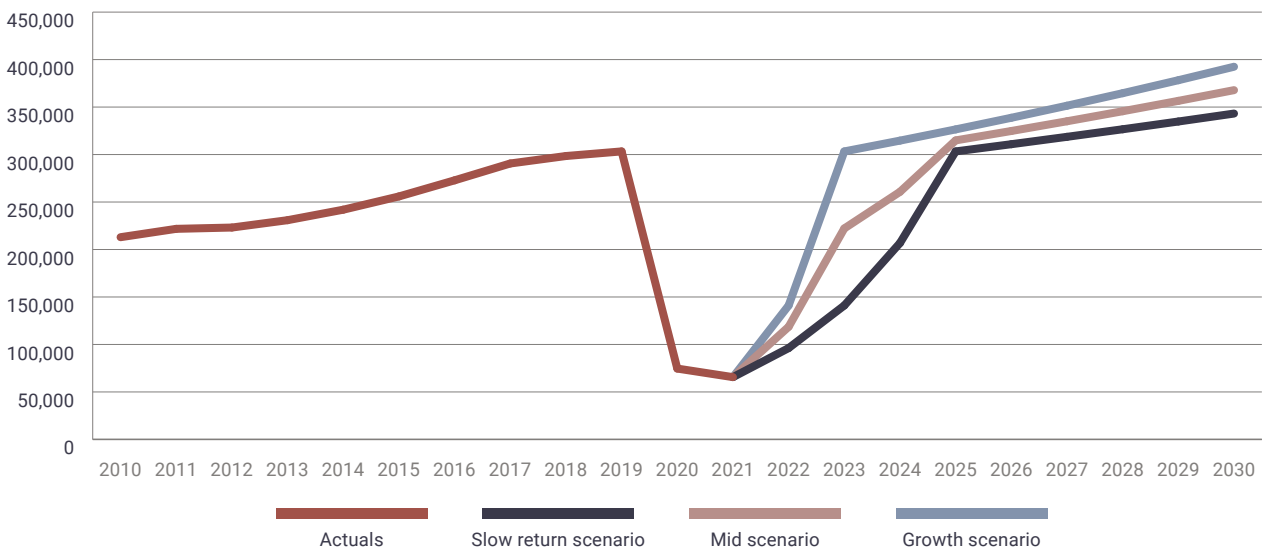
CHAPTER 7

# The economic benefits of a quick return to business air travel

Given the large potential benefits associated with business air travel, with passenger levels in February 2022 close to half the level seen in February 2019, it is vital to understand how the speed of return of business air travel might impact on the economy and how it could contribute to the recovery from the pandemic. We do this by assessing the difference in economic contribution that would result from three different scenarios:

1. **Slow return:** where passenger numbers return to 2019 levels in 2025 and then grow at around half the rate at which they were prior to the pandemic.
2. **Growth:** where passenger numbers return to 2019 levels in 2023 and then see growth 50% higher than the slow return scenario.
3. **Central:** the mid-point between the slow return and growth scenarios.

Figure 6 : Scenarios for return in total air passengers (,000s)



Airport location	Difference in output between steady return and growth scenarios for business air travel
London	£10bn
Rest of England	£4.5bn
Devolved Nations	£3bn
UK	£17.5bn

Source: WPI Economics analysis, CAA, DfT.

Note: these are approximately apportioned based on the proportion of overall UK business passengers using airports in each region / nation.

Compared to a steady return to business air travel, the quick return scenario would boost the UK economy by £17.5bn between now and 2030. £10bn of these are driven by London airports.

Again, it is important to remember that these are figures are just the tip of the iceberg, as they do not pick up the value of “new connections” and relationships built that many interviewees highlighted as being the key driver of business air travel.

“The biggest challenge with not being able to travel is missing out on making new connections. Convincing someone that you’re the right bank to use when you haven’t met them face to face is very difficult.”

Senior business leader

“We see travel as a huge business enabler - we simply have to see our clients.”

Senior business leader



CHAPTER 8

# So what are the chances of a quick return?

With the very significant benefits associated with business air travel overall, and the contribution it could make to the economy recover from the pandemic, the obvious question is then over the speed with which business travellers might return to the air. A speedy return will be essential for the Government achieving its Global Britain and levelling up agendas.

In this respect, there is positive news from our research with business leaders.

### Use of air travel

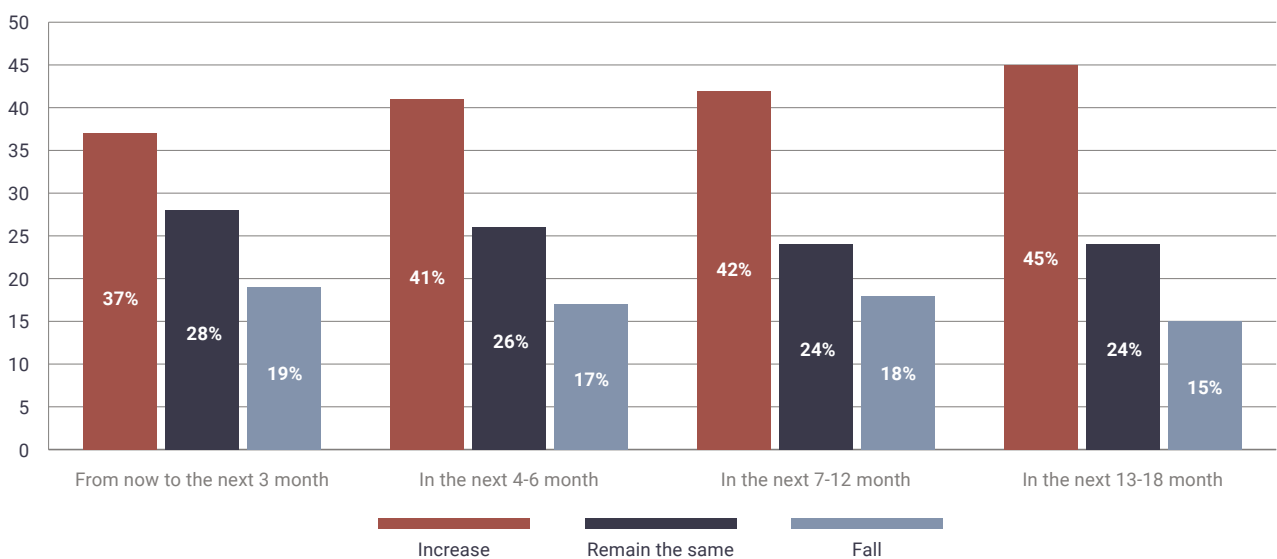
- Overall, 73% of business leaders believe that their business will use air travel in the next two years. This rose to nine in ten (89%) of business leaders in London.
- For those who used air travel prior to the pandemic, 98% would also use air travel in the next two years.
- 47% of those whose businesses did not use air travel prior to the pandemic, said that they expected to in the next two years.

### Frequency of air travel

Of those who say they will travel by air, when asked about their expected use a year from now:

- Nearly half (45%) of business leaders expect their business to increase their use of air travel compared to prior to the pandemic.
- One in five (19%) said that their businesses' use would increase by more than 25% compared to pre-pandemic.
- Three times as many business leaders say that they will increase their use of air travel compared to pre-pandemic levels, than say they will reduce it.

Figure 7 : Business leaders' views on air travel within their business, compared to pre-pandemic



Source: Survation on behalf of WPI. Base: All those expecting to use air travel over the next two years.

## CHAPTER 9

# How can we back business air travel?

It is encouraging that so many businesses see the value in business air travel and are anticipating a return to, and potential increases in, sustainable air travel. However, there are also barriers to this becoming a reality and factors which would support businesses to return more quickly to air travel.

- 41% of business leaders surveyed in research for this report suggested Covid restrictions present a barrier to their business taking more flights for work.
- More than one in four (26%) said that the potential environmental impact of flying was a barrier.
- 29% said that a quicker and more comfortable journey through the airport (e.g. check-in, security) would make it more likely for them to fly.
- One in four (24%) said that increased ease of getting to and from the airport would make it more likely.

Together these aspects show that policy choices and joint working between Government, the aviation sector and businesses could ensure a speedy and sustainable return to air travel and a boost to the UK economy. A prime example of this is the Jet Zero Council that has been set up to drive forward the development of fuels and technologies in the UK to deliver low and zero carbon aviation. This collaboration supports sustainable aviation, whilst seeking to ensure that the UK can grow an internationally competitive industry in Sustainable Aviation Fuel and zero emission aircraft.<sup>28</sup>

This sort of approach could provide a blueprint for how airports, airlines, business and the Government can work effectively together. Doing so would ensure the speedy return of business air travel that is both needed to support the recovery from the pandemic and is delivered in a way that supports sustainability.

We've got a huge focus on sustainability – not least because of the industry we operate in and we are in the middle of a massive energy transition...the aviation industry is already doing a lot surrounding sustainability – there are discussions around SAF and many airlines have already committed to using it."

Senior business leader

# Endnotes

- 1 WPI Economics analysis updating previous Oxford Economics analysis (Oxford Economics, 'Economic Benefits from Air Transport in the UK', November 2014, p. 8, Table 1.1, <https://airlinesuk.org/wp-content/uploads/2015/03/Oxford-Economics-2014.pdf>), for passenger numbers and calculating 2022 prices. Business share calculated assuming that each flight type provides equal value to the economy. In practice, this is likely to be an underestimate of the true value and business passengers tend to spend more and are associated with higher cost flights.
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