

Public Consultation: Aviation 2050 – The future of UK aviation

To: The Department for Transport

By: The Intergenerational Foundation

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The Intergenerational Foundation (www.if.org.uk) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

Introduction

IF is pleased to have been given the opportunity to provide its views on the government's plans for expanding the UK's aviation capacity in the future.

As an organisation which exists to represent the interests of younger and future generations, we are deeply concerned that the further expansion of the UK's aviation capacity will come at a steep cost to future generations as it will accelerate the degradation of the Earth's environment and increase the likelihood of irreversible damage being caused by global warming.

Given that the UK government has recently committed itself to reducing net UK carbon emissions to zero by 2050, we need to be moving towards a more sustainable economy which is not compatible with the UK having a large and rapidly expanding aviation sector.

Projections of continued growth in the aviation sector have been used to legitimise the argument that the UK needs to build more runways in order to satisfy this ever-increasing demand. This perspective appears to pay no attention to the phenomenon of "induced demand" – extra air traffic which is generated by the provision of airport infrastructure, because investments in air transport make it cheaper and more convenient for consumers than alternative modes of travel would be.

Instead of assuming that the pattern of demand will follow an upward trajectory in the future and then attempting to provide a level of airport infrastructure which is deemed sufficient to accommodate this growth, it would be far more sustainable if UK aviation policy was aimed at attempting to reduce demand for air travel in favour of alternative modes of transport.

IF published a research study in 2012 entitled [*Flying in the Face of Fairness*](#), written by Peter Lockley of Ubina Environmental Consulting and Simon Dresner of the Policy Studies Institute, which argued that the UK currently subsidises air transport in a way that generates artificial demand by making flying cheaper than it otherwise would be

compared to alternative modes of travel. This report argued that if the current range of subsidies was dismantled then it would have the effect of lowering future demand for air travel, which would make it unnecessary to increase the UK's airport capacity to the levels that are currently forecast.

The report quantified the value of the following range of subsidies which the aviation industry was receiving each year in 2012 prices:

- The exemption of aviation fuel from VAT and duty – £10.4 billion per year
- The zero-rating of airline tickets for VAT – £2.6 billion per year
- The net financial gain received by the airline industry from reclaiming VAT on their inputs – £0.6 billion per year
- The taxes lost to the exchequer through allowing airports to provide duty-free retail – £0.6 billion

The overall quantifiable “effective subsidy” enjoyed by the aviation industry amounted to £11.4 billion (net of taxes collected from the aviation industry, which includes around £2.6 billion a year in Air Passenger Duty) (all in 2012 prices). The report also identified a range of indirect subsidies that encourage people to fly which it is much harder to put a direct value on, such as Route Development Funds, government support for surface access schemes, rules that allow aircraft to be leased through offshore structures based in low-tax jurisdictions, and arrangements which mean airlines don't have to pay the full market price for using the radio bandwidth devoted to air traffic control. This report used forecasts from the Department of Transport which projected that, with current aviation infrastructure in place, demand by the year 2050 would be for 470 million passenger journeys, but this would rise to 520 million passenger journeys if the UK's airports were allowed to expand, which would increase the carbon dioxide emissions created by aviation from 49 MtCO₂ to 55 MtCO₂.

However, the report's authors argued that – based on their calculations – phasing out the array of tax subsidies which are currently given to air travel would remove the need for new airport capacity. They also emphasised that there is a body of evidence to suggest that business travel is significantly less price sensitive than tourism, so even if altering the aviation subsidy regime results in higher ticket prices for travellers, this would be unlikely to harm the UK economy by deterring businesspeople from travelling.

IF believes that the whole aim of this consultation on increasing aviation capacity is misguided because pursuing any of the options which have been proposed will artificially induce demand for more air travel in the future, which will make it almost impossible for the UK to fulfil its climate change reduction targets. It would be far more sustainable if the UK government looked instead at dismantling the range of subsidies that currently benefit the aviation industry as, if the cost of aviation could be priced in a way which accurately reflects the damage that flying does to the environment for future generations, this would make it easier for less environmentally harmful modes of travel to compete on a level playing field.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

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