

## **The Gatwick master plan**

### **An economic critique**

The Gatwick master plan, published on 19 July, has a whole chapter extolling the contribution Gatwick makes to the national and local economy.<sup>1</sup> Some of the claims appear open to question.

#### **More jobs ?**

The master plan shows that at present direct on-airport employment is 21,000, a big reduction from 25,600 in 1997. [Fig 8.1]. It is suggested, however, that the projected growth of Gatwick to 40 million passengers a year will provide 1,200 extra jobs [8.1.10]. That is obviously a good headline figure designed to make the airport popular. All airports across the UK tend to exaggerate the extra jobs to be created by expansion.<sup>2</sup>

It seems unlikely that an extra 7 million passengers in the next ten years will result in 1,200 more jobs, when the master plan also shows that the similar increase of 7 million passengers from 1997 to 2012 has been matched by a reduction of 4,600 jobs. [Fig 8.1]

#### **Indirect jobs**

Indirect employment at present is given as 2,900 [Fig 8.2]. It is defined as *people employed in firms in the South East and London supplying goods and services to the airport or to businesses at the airport*. Thus if clothing company in London supplies uniforms for airport staff, the workers in the clothing company are counted as part of airport employment.

Similarly if a brewery in, say the Loddon brewery in Reading, supplies beer to one of the airport bars, then the workers in the brewery are counted as part of Gatwick airport employment.

That is understandable but is not a concept normally used in national statistics. Obviously the clothing workers are counted as part of the clothing industry and the brewery workers are classified under drink and tobacco; to count them also as part of the airport would lead to double counting. Indeed that is also true in reverse: when the brewery workers go on holiday, and fly out of Gatwick, the airport staff might be counted as indirectly employed by the brewery. So everyone gets double-counted twice over.

#### **Induced rubbish**

To that is added 15,600 ‘induced’ employment [Fig 8.2]. That is described as *‘employment created by the spending, in the South East and London, of people employed directly or indirectly by the airport.’* [8.1.4]

So when an airport cleaner buys a loaf of bread in the local Tesco, the man who baked the bread, perhaps at Allied Bakeries in Orpington, is counted as part of the employment provided by Gatwick.

Similarly when the brewery worker in Reading buys a lettuce grown at Chichester, the farmer in Chichester is counted as employed by Gatwick airport.

That is obvious rubbish.

### **Gross value added**

The master plan states that *The aviation sector directly accounts for £53 billion (3.8%) of UK GDP.* [8.2.1] That is a surprisingly large figure.

The master plan continues *Of this, £24 billion is generated directly through the activity of airlines, airports and ground services and the aerospace sector ...* That also seems on the high side. The Government's Draft Aviation Policy Framework published on 12 July 2012 states that 'the aviation industry ... generated around £17 billion of economic output.'<sup>3</sup>

That figure includes aerospace: it is more relevant to look at the net output of the air transport sector (airlines and airports). That is given by the Department for Transport as £9 billion.<sup>4</sup>

GACC has pointed out that this figure is for the gross value added but it makes no allowance for depreciation (eg replacement of old aircraft). Other figures show that depreciation of airlines and airports is around £9 billion.<sup>5</sup> So the net value added is very low.

The master plan gives a further explanation of the figure of £53 billion: *An additional £25.4 billion is provided through 'catalytic' benefits through tourism, only possible through the air links that aviation provides.* So the master plan counts in the whole economic value of the tourist industry! Every hotel in Britain, every bed-and-breakfast, every theatre, every theme park, they are all part of the output of the aviation industry!

Therefore it can be seen that the figure of £53 billion is high quality rubbish.

### **Gatwick value added**

The value added by Gatwick is given as £1,972 million [Fig 8.4]. This figure is provided by consultants Optimal Economics. More than half of this is shown as coming from induced employment. So the economic output of the baker in Orpington who bakes the bread sold in Tesco to an airport cleaner, and the economic output of the farmer who grows the lettuce to sell to the worker in the Loddon brewery in Reading who brews the beer to sell in the airport bar are all counted as part of the economic value of Gatwick.

## **Taxation**

Mention of value added reminds one that the master plan does not refer to taxation. At Gatwick everything airside pays zero VAT. The value added by Gatwick (on-airport) is given in the master plan as £868 million, and we can assume that at least £600 is airside. That implies that if the Gatwick airlines and the airport paid VAT like other firms they would be paying about £120 million a year.

That is equivalent to a subsidy of nearly £4 per passenger.

Nor does the master plan mention that the fuel used by aircraft at Gatwick is all tax-free. Air passenger duty is small by comparison. Local schools and hospitals are starved of funds while comparatively rich people fly out of Gatwick tax-free.<sup>6</sup>

## **Cause and effect**

According to the Gatwick master plan *It has been shown that UK businesses trade 20 times as much with countries where there are daily flights than with those with less frequent or no direct service.* [8.2.14] That looks like a simple muddle of cause and effect. Might the explanation be that airlines choose to put on daily flights to places with which UK businesses trade, but do not schedule flights to places that no one wishes to go to?

## **Conclusion**

Clearly the economic analysis in the Master Plan is intended to show that the expansion of the airport is a good thing. But it does nothing to address the downside of expansion, including those with economic consequences. Extra passengers will lead to extra local traffic congestion, extra noise (damaging to local tourism and quality of life). No one would wish to see the airport disappear - it is important to the local economy. But expansion beyond what is sustainable, in pursuit of exaggerated economic benefits and accompanied by even more noise and pollution, is not in the public interest.

GACC  
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<sup>1</sup> <http://www.gatwickairport.com/masterplan> Chapter 8.

<sup>2</sup> *Airport jobs: false hopes, cruel hoax.* Brendon Sewill. AEF. 2009

<sup>3</sup> Paragraph 1.8

<sup>4</sup> Paragraph 2.2

<sup>5</sup> The Economic Importance of Aviation. [www.gacc.org.uk/aviation-policy](http://www.gacc.org.uk/aviation-policy)

<sup>6</sup> The average household income of Gatwick passengers is over £50,000. CAA statistics.