

## **Budget Submission: February 2023**

### **Summary**

Industry and Government must work together to unleash and deliver the aspiration the Government has for the country. Government must provide the right policy and fiscal framework to enable aviation to help the UK grow further and faster to the benefit of all parts and communities of the UK.

- Aviation is vital to the UK:
  - half of UK's visible exports (by value) beyond the EU go by plane
  - business travel enables British people to sell to the world and manage international investments
  - it underpins our tourism industry, as 75% of visitors to the UK travel by air
  - it supports quality of life as it enables millions of British people to take holidays or visit friends and family abroad every year
  - pre-pandemic it also contributed £92bn to the UK economy, supported more than a million jobs and provided more than £8 billion in tax revenues to the Exchequer
- During Covid the UK's airport industry alone lost £10bn of revenue. UK airports had to support cashflow needs to survive the pandemic by running down capital expenditure funds and taking out commercial loans or securing additional funds from investors.
- This financial impact will affect airports' finances for several years to come.
- Recovery and growth in airports is an internationally competitive development - the UK aviation will need to compete to maintain its position in global connectivity terms
- Government can support airports to improve international trade networks, decarbonise and maximise benefits to British regions and the British workforce by a mixture of efficient taxation, policy reform and targeted fiscal support
- AOA's key policy recommendations include:
  - Policy reform to unlock industry's own efforts and fiscal support to promote investment where priorities align with Governments – such as enabling decarbonisation and collective UK infrastructure improvement.
  - The Government to provide a tax regime aimed at encouraging and enabling economic growth.

## **Introduction**

This response is submitted on behalf of the Airport Operators Association (AOA), the trade association representing the interests of over 40 UK airports. The AOA is the principal body engaging with the UK Government, Parliamentarians and regulatory authorities on airport matters.

## **The role of aviation in the UK economy**

Airports are engines of growth for the whole of the UK as well as individual regions with at least one major airport in every UK region and nation. They are at the heart of communities across the country and are relied on not only for economic growth but also for the wider social benefits they deliver to the communities around them.

Pre-pandemic, aviation contributed more than £92bn to the UK economy, supported more than a million jobs and provided more than £8 billion in tax revenues to the Exchequer. If the UK Government remains committed to its 'Global Britain' trading with the world, then enhanced, efficient aviation connectivity will be vital to delivering that. Studies show that for every 10% connectivity growth, GDP grows by 0.5%<sup>1</sup>.

Aviation provides essential connectivity for UK exporters, businesses relying on imports and inward investors. Whilst air freight is used selectively (only amounting to 1% of our exports *by physical size*) it amounts to half of all UK's non-EU trade *by value*. Predominantly this is carried in the belly-hold of passenger planes.<sup>2</sup> Businesses travel to connect with existing and potential customers, to attend trade fairs and to service their products abroad. In 2019, 10% of UK residents travelling abroad did so for business.<sup>3</sup> On the inbound side, over 20% of visits to the UK by people from other countries were for business purposes (accounting for £5.7bn of spending each year), UK tourism relies on aviation – around 75% of visitors to the UK travel by air.<sup>4</sup> As a result, aviation supports more than half a million jobs in the tourism and travel industry.<sup>5</sup> Not only does aviation enable millions of people to go on holiday, but it is also vital to enable people to connect with family and friends abroad – typically over a quarter of visits abroad by UK residents are to visit friends and relatives<sup>6</sup>.

There is an opportunity to ensure that aviation builds back better and enables a globally trading UK through an improved air connectivity network compared to 2019 but not at 2019 emission levels. This would build on the UK's existing aviation and aerospace strengths, creating green aviation jobs and expertise that the UK could then export. However, it should also be an opportunity to address some of the areas of weakness in the UK's direct aviation connectivity.

It should be noted that pre-pandemic, the UK's direct connectivity declined in 2018 (-0.8%)<sup>7</sup> and 2019 (-0.8%).<sup>8</sup> The UK was the only major economy in Europe to see such a decline. Work was needed even then to strengthen the UK's connectivity.

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<sup>1</sup> Source: ACI EUROPE research

<sup>2</sup> Steer, [Assessment of the value of air freight services to the UK economy](#) (London: Steer, October 2018), p. i

<sup>3</sup> Office for National Statistics, [Travel trend estimates: UK residents visits abroad](#), 2019 ed. (London: ONS, 2020)

<sup>4</sup> In 2019, this peaked at 79%, see: Visit Britain, [2019 Snapshot](#)

<sup>5</sup> IATA, [The importance of air transport to United Kingdom](#) (Madrid: IATA Economics, 2019), p

<sup>6</sup> ONS, [Travel Trends](#)

<sup>7</sup> ACI EUROPE, [Airport Industry Connectivity Report 2018](#) (Brussels: ACI EUROPE, 2018), p. 22

<sup>8</sup> ACI EUROPE, [Airport Industry Connectivity Report 2019](#) (Brussels: ACI EUROPE, 2019), p. 36

### **Current situation of aviation**

#### *o Lasting impact of the pandemic*

The collapse in passenger traffic during Covid resulted in £10bn in lost revenue for UK airports. The reduction in traffic and passengers meant that airports lost their main source of revenue, both aeronautical (airport charges to airlines) as well as non-aeronautical (retail, car parking, etc.)

Throughout this period costs stayed roughly the same: 70-80% of an airports' costs are fixed, such as costs for policing, security, rescue and fire-fighting services and air traffic control. Airports remained open throughout the pandemic with little to no income to support vital services including freight (PPE, Covid-19 tests and vaccines) and government services such as lifeline flights to remote communities and to keep the lights on through support flights for offshore wind, oil and gas.

While this was going on, there was limited sector-specific support and aviation had to rely upon economy-wide support measures. While of some use, particularly furlough, these were not well-targeted to help airports through government-ordered travel restrictions whose impacts were longer and more intense than those of the domestic lockdowns and continued beyond the end of the support measures.

The only airport specific support was some alleviation of business rates. For 2020/21 and 2021/22, £65m per year was awarded to commercial airports in England<sup>9</sup>, but with £10bn in revenue losses through the whole covid period, this was clearly useful but not proportionate to the challenge airports faced.

The long-term impact of these losses is a reduction in available capital expenditure funds and additional debt for airports that they now need to repay. Consequently, the scope to invest in other projects is challenging. This affects the transition to net zero, improving airspace and even restoring routes that have been lost. Research by the business consultancy Steer for the AOA showed that aviation's recovery outside London and the Southeast and in the three devolved nations will be the slowest, having suffered the worst impacts from the decline in traffic and those markets being less attractive for airlines to return to as a priority. This will impact the UK Government's levelling-up agenda.

Due to higher levels of government support, European and US competitor airports are in a better financial position to bounce back post-pandemic and encourage the return of connectivity. Restoring routes is an internationally competitive process which airports need to fund, e.g. by offering financial and non-financial incentives (e.g. (support for) marketing of new destinations) to attract European and global airlines that have a wide choice where they place their aircraft. Previously the UK industry was world leading, now European and US competitors are in a substantially better position to bounce back.

#### *o Recovery*

The sector was pleased to see the uptick in passenger demand last summer after such a prolonged period of effective shutdown. The sector worked hard to recruit the staff needed but this could not gather steam until early 2022 when restrictions were lifted.

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<sup>9</sup> House of Commons, Daily Report (7 July 2021), 26104W

The sector also had to contend with a very tight labour market and the time taken to process recruits through stringent vetting and training requirements took longer than usual (minimum 10-14 weeks). However cooperation amongst airlines and airports as well as the alleviations provided by the Government helped these delays reduce. Airports have responded to the labour shortages by raising wages and looking at improving other working conditions.

The winter saw traffic levels still below pre-Covid norms, with the added difficulties of Border Force strikes creating uncertainty and requiring some demand management by the aviation industry.

Taken together, the hard work from airports and others has been successful, but that will not assuage the medium-to long-term support that is needed for an industry suffering the impacts of the pandemic, coupled with the cost-of-living crisis. This would see a severely damaged, indebted and struggling airports sector unable to be the infrastructure foundation for a major trading power.

### **Immediate and medium-term future for UK aviation**

Airports are concerned that the increase in costs of energy and food along with a higher than anticipated inflation could further damage consumer confidence, hitting travel when it is most needs to have a strong and steady recovery. Rapidly rising aviation fuel costs and energy costs for airports are both expected to place further cost pressure on industry through 2023 and beyond.

Like all UK businesses airports need government to continue to act to ensure that the impact to of rising energy costs on the economy is manageable and that businesses are not priced out of operating. Government must recognise that the effects of Covid, combined with high inflation and energy costs will make it even more difficult for airports to invest in planning and delivering important projects such as airspace modernisation and decarbonisation activities.

### **Policy Recommendations**

Beyond acting generally to help the UK cope with energy cost rises, the Treasury can act to help aviation unlock many of the Government's key priorities. Supporting the UK's aviation industry can:

- Drive economic expansion
- Increase Britain's ability to trade with the world
- Increase regional and local economic health
- Ensure smooth decarbonisation
- Enhance UK critical national infrastructure
- Improve the situation for the UK's workforce in terms of skills and job opportunities

In order to help ensure UK airports remain world-leading and provide a globally competitive passenger experience there should be a combination of measures to sustain and boost investor confidence in UK airport infrastructure.

Government support should take the form of policy reform to unlock industry's efforts, a low tax regime aimed at encouraging economic growth, and fiscal support to promote investment where priorities align with Governments – such as enabling decarbonisation and collective UK infrastructure improvement.

## **Key Measures for Action**

- **Support the development of decarbonised aviation in the UK**

The UK aviation industry is a global leader in sustainable aviation. Through the Sustainable Aviation coalition, the UK aviation industry has committed to net zero by 2050 – a world first such commitment for a national aviation industry. Now should be an opportunity to recover sustainably, returning to 2019 passenger levels but not 2019 carbon emissions and noise impacts.

Sustainable Aviation has set out the industry-wide asks from government, such as the development of a UK Sustainable Aviation Fuels (SAF) industry and the development of future flight power technology – and the AOA supports these. We request Treasury consider the representations from SA on these topics concerning dealing with aeronautical emissions.

An issue of current importance to airports concerns the development of SAF. We need the Government to introduce a price support mechanism alongside a mandate for SAF. SA's analysis shows that a UK SAF industry could create over 20,000 jobs and generate almost £3 billion in GVA by 2035 alone. Moreover, these jobs will be created in areas earmarked for levelling up like Teesside, Humberside. However, in order to reach the Government's target of 5 UK SAF plants under construction by 2025 urgent policy action is needed. What the industry requires from Government is a price support mechanism like a Contract for Difference (CfD), which sets a fixed price, ensuring investors can predict returns and bring the cost of SAF down over the years.

- **Support delivery of airspace modernisation**

UK airspace was designed in the 1960s and advances in aircraft technology since then have not been matched with corresponding modernisation of airspace management. Industry is working through the Airspace Change Organising Group (ACOG) to agree a masterplan for modernisation, a process that started pre-pandemic.

We welcomed Government support of a further £3.7 million towards Airspace Modernisation on top of the £5.5m in Government investment announced last year. This provided airports with some essential support – while balance sheets are recovering from the damage caused by the pandemic - to continue this crucial programme of upgrading the UK's airspace and deliver quicker, quieter and cleaner journeys. This will deliver benefits to passengers and industry, but more importantly has the potential to deliver wider benefits to society and to local communities. It is vital that this work continues but with limited airport capital investment resources, further short-term funding is needed.

We need Government to provide funding so that airports can take forward the necessary airspace change proposals required to deliver the overall modernisation. We understand the funds required would be in the region of £30m. Without this we do not have full confidence that airspace modernisation process will proceed within the desired timescale.

- **Reform the Planning system to attract investment to the UK**

The planning system in the UK is slow and cumbersome for business – but above all for airports it is unpredictable. The frequent use over the years by the Secretary of State with responsibility for planning, of the power to 'call in' and then adjudicate on airports' planning development proposals creates a climate of uncertainty for airports that makes it far more difficult to secure inward private investment in this vital part of the UK transport network. Airports even face long drawn out processes

when making small adjustments without carbon implications – indeed one member has had a significant struggle to get a solar farm approved on site.

We must work together to demonstrate to international investors that the UK is serious about the desirability of privately funded infrastructure improvements – a more efficient and predictable planning system, set against a clear Government policy framework, is a high priority for a high growth Britain.

- **Allow Arrivals Duty Free shopping and reintroduce VAT shopping for international travellers**

We were pleased that the Government had listened and reintroduced VAT free shopping for international visitors. We understand that political considerations required a rethink at this time, however in this case the underlying logic of the tax change was sound – allowing VAT-free shopping for international travellers would drive high-net worth traffic and spending to the UK to the benefit of the UK economy.

The same logic applies to establishing duty-free stores for arriving passengers at UK ports of entry – an opportunity only possible because of the UK’s exit from the European Union. Post-Brexit, the UK Government increased the duty-free allowance that people can bring into the UK. However, this only encourages sales abroad rather than in the UK. Anecdotal evidence shows that on some routes, duty-free sales to people travelling to the UK from abroad have increase by 45%-50%. To counteract this and bring sales to the UK, the UK Government should follow the examples of Norway, Switzerland and many other countries outside EU, and allow arrivals duty-free.

#### **Implementing Duty Free Arrivals Shops: Country Case Studies**

According to a York Aviation economic report created for the UK Travel Retail Forum (attached with this submission) analysing the experience of Norway and Switzerland, the evidence does not suggest that there is any link between the advent of arrivals duty free shops and consumption of relevant goods in domestic markets, and, as a consequence, there has been no discernible impact on government revenues. The evidence from the Norway case study clearly shows that the primary competitive relationship is with departure shops in origin countries.

One question that has raised with us is whether airports could host ADF given that it would need to be provided prior to the customs border. The universal response from our members is that is can. In [Annex 2](#) we set out in detail the operational plans of selected airports to demonstrate a) that this is eminently possible and b) that airports already have prepared the ground for this service, showing the level of interest and that they are ready to move quickly on this topic as soon as the Treasury allows.

The Treasury should commit to re-examine the case for these tax changes as part of work to find workable tax cuts that will drive economic growth.

- **Avoid increases in APD given highly difficult financial situation of the UK aviation industry**

Unlike most sectors of the economy business levels in UK aviation have not yet returned to pre-pandemic levels. Further, to survive the pandemic airports (and airlines) have taken on extensive levels of debt which now must be dealt with. UK APD is already a much higher tax than other European competitor markets face, and UK Emission Trading Scheme will add further cost to our industry in the immediate years ahead. Therefore, the Government should avoid increases to APD for now in order to help UK aviation to recover and not lose out further to EU-based alternative services.

- **Support marginal UK connectivity**

Airports around the UK provide a gateway to destinations across the country, and through this to countries abroad.

A number of PSOs successfully connect regions in England, Scotland and Northern Ireland to London and the Scottish Central Belt. Following Brexit, there is more flexibility for the UK and devolved governments to use PSOs to bring back routes that have disappeared due to COVID-19. These could be open and/or funded PSOs based on criteria, such as connecting important development areas, areas with no suitable transport alternative, or other local and regional priorities. Open PSOs do not cost Government money and they could help develop relatively less connected areas of the UK.

- **Utilise aviation's UK Emissions Trading Scheme contributions to help decarbonise the industry**

The new UK ETS will raise substantial new revenues for the government – we understand in the region of £300m per year. A substantial proportion of this should be focused at helping aviation transition to a net-zero future. This could include support for Sustainable Aviation Fuel and future flight options such as hydrogen and electric. Infrastructure needs as well as aeronautical projects should be included.

There should be funding for innovation, such as trials on how hydrogen aircraft can be refuelled in practice, building on the work of the Connected Places Catapult and the Aerospace Technology Institute who have mapped out potential options for this.

One specific use for funds from aviation ETS would be to help decarbonise airports themselves – this is especially needed if DfT sticks to its current plans to require English airports to absolute zero emission 10 years earlier than other equivalent ground infrastructure. Investments which could potentially qualify for funding could include, but should not be limited to, more sustainable power and heat generation, electric vehicle charging infrastructure airside and landside, on-stand pre-conditioned air and power infrastructure for aircraft, scrappage and conversion grants to grow low-emission or zero-emission airside vehicle fleets.

One model that could be replicated is the European Union's Transport Alternative Fuels Infrastructure Facility which allows the combination of Investment Bank and European Commission grants and financing for alternative fuels infrastructure projects. This offers funding for airport ground operations with a rolling call for current proposals.

- **Invest in airport surface access across the UK**

Surface access to UK airports needs investment to cope with increased demand but also to offer consumers green travel options to the airport. Some schemes have been implemented over the years, but many airports have found projects have stalled due to complex planning and funding decision-making processes. COVID-19 should be an opportunity to build back better. Airports have generally contributed funds in line with the benefit accrued to the airport. Expected lower capital investment should not result in delaying important improvements. The government should provide a fund for improvement schemes that widen airport catchment areas, improve journey times and reduce the climate impact of travel.

Airports are the global gateways through which trade and tourism flow in and out of the United Kingdom. Better rail connections to airports will level up all four nations and deliver for regional economies through clean, green public transport and reduced congestion on the roads. Moreover,

setting the right conditions and frameworks to encourage greater private investment into the rail network will ensure these connectivity benefits are delivered much quickly and efficiently. By setting clear timetables on infrastructure projects that link airports to the national railway network, Government can deliver jobs, deliver growth and secure private investment.

- **Invest in a seamless travel border**

The UK Government's recent 2050 UK Border Strategy was a welcome recognition of the need to improve the UK border. Having once led the digitisation of the border, the UK risks falling behind. Previous efforts to improve the border were generally responses to growing pressure on the border, and while welcome, have not always been part of a coherent strategy. There is an opportunity to put in place the building blocks for a seamless UK border in the coming years, both for freight and passengers. Government should continuously provide funding for the development and trialling of future seamless journey technology that will make the UK border more secure but also reduce waiting times for passengers and freight.

- **Enable UK workers to be upskilled through reformed skills policy and apprenticeship levy**

UK airports offer a world-leading service to passengers, in large part thanks to the excellent skills that airport staff have developed. The main challenge now for airports is to ensure a sufficient pool of UK-eligible workers are available in highly skilled roles such as air traffic control and engineering. To develop the next generation of these high-skill, high-pay roles, the UK Government should allow businesses to spend the Apprenticeship Levy on general skills training to support airports training staff as the recovery gains pace. For example, modular courses allow quicker upskilling and are more flexible to evolving needs.

Businesses across the country are unable to spend the majority of their Levy fund due to the two-to-four-year commitment of apprenticeship courses. The ability to spend this fund on modular courses would transform the apprenticeship programme and would allow airports to upskill their workforce and to do so at pace.

Providing this extra flexibility would allow airports and businesses across the aviation sector to spend more of their own money and to spend it entirely on upskilling employees and future candidates, leading to a significantly more skilled workforce.

Bespoke and accredited modules would ensure teams within a business are able to sign up colleagues and see a return within weeks or months, rather than years. Shorter, modular courses would allow businesses to pick the most relevant training, equipping their workers with skills of the future and skills in demand, and simultaneously make good use of significant amounts of Levy funding currently in stagnation.

- **Consider impacts of Business Rates changes**

A fair and sustainable business rates system is critical to support business investment and growth, and ultimately UK prosperity. Up to 50% of business investment is currently subject to business rates, the highest property tax within the OECD. The UK needs a reliable system which keeps pace with changing business models and the economic environment.

As airports are critical national infrastructure property costs remain a significant proportion of their fixed costs. Airports business rates are currently being revalued, and we are concerned some airports will face exponentially larger bills. Given the Government focus on reducing taxation as a driver of growth it would be regrettable if many operators instead found their tax bills massively increasing at





this difficult time. Airports business rates are currently being revalued, and we are concerned some airports will face exponentially larger bills. We would urge you to consider the matter carefully.

However, those airports facing such increases the Government should have extensive dialogue with those companies to consider the ways in which they can be supported given the adverse implications for investment, building on the problems outlined above.

- **Examine negative effects of pensions taxation**

Further to the above, the sector's skilled staff in specialist, training-intensive careers such as Airport Fire and Rescue, Air Traffic Control and Air Traffic Engineering has seen many leave the job market during the pandemic, making recruitment and retention, which was already hugely stretched, an even greater challenge. One of the reasons that has been cited is that as employees earn more, they exceed the annual pension allowance they get taxed significantly more, or as they approach their retirement age, many decide to leave because carrying on will mean significant tax burdens on their pensions, due to their pension pots exceeding the lifetime allowance. As the industry is going through such a challenging period and the need to have essential staff in such critical roles,

### **Conclusion**

The AOA is calling for the Government to assist the sector with investment priorities that we share as it is vital for the UK economy to reconnect with global markets and investors to help power the country, drive up demand and draw in prosperity for recovering communities throughout the UK. A more efficient and more integrated, sustainable transport strategy can spread the economic and social benefits of improved connectivity via an airport to a wider area and to all parts of the UK.

*Please see Annex 1 to highlight our key policy recommendations*

**Annex 1: Key Policy Recommendations to help aviation unlock many of the Government’s key priorities.**

<b>Issue</b>	<b>Requested Government action</b>	<b>How this helps industry</b>	<b>Wider UK benefit</b>
<b>Addressing aeronautical emissions</b>	Support the development of SAF in the UK and future flight power technologies	Create pathway for the aviation industry to progressively decarbonise	Sustainability  UK as a global leader
<b>Support Delivery of Airspace Modernisation</b>	Support through funding in the region of £30m.	Efficiency of movements, noise impact reduction	Sustainability  Economic growth  Global competitiveness
<b>Planning System</b>	Reform the Planning system to attract investment to the UK	Efficient and predictable environment helps secure international investment in UK	Economic growth  Global competitiveness
<b>APD</b>	Avoid increases in APD rates	Avoids extra tax cost whilst still recovering from the pandemic.	Economic growth  Global competitiveness
<b>VAT and Duty Free</b>	Allow arrivals duty-free shopping and reintroduce VAT shopping for international travellers	Brings travellers and sales to the UK supporting airports and wider UK economic activity	Economic growth  Global competitiveness
<b>Support marginal UK connectivity</b>	Open and/or funded PSOs for connectivity key development areas/desired links/ areas with no suitable transport alternative.	Following Brexit and the invasion of Ukraine by Russia, it is important that we continue to be proactive in our protection of routes around and from the UK.	Economic growth  Domestic connectivity / levelling up
<b>Use ETS contributions to help decarbonise aviation</b>	Use a portion of the £300m aviation’s ETS will raise to drive decarbonisation in the industry.	Enable decarbonisation to kick-start, unlocking further industry investment.	Sustainability  UK as a global leader

<p><b>Create a Green Airports Funds</b></p>	<p>Grant fund decarbonisation projects at airports, helping industry fulfil the idea of absolute zero by 2040.</p>	<p>Offers funding for airport ground operations with a rolling call for current proposals.</p> <p>Address the necessary changes to airports' infrastructure to be ready for the uptake of sustainable aviation fuels and future alternative power sources for flight. There should be funding for innovation.</p>	<p>Economic growth</p> <p>Sustainability</p> <p>Global competitiveness</p>
<p><b>Invest in airport surface access</b></p>	<p>Funds to improve access to airports – including promoting public transport / green transport options.</p>	<p>Expand catchment area / reduce carbon footprint of passenger travel to airport</p>	<p>Economic growth</p> <p>Domestic connectivity / levelling up</p> <p>Sustainability</p>
<p><b>Invest in a seamless travel border</b></p>	<p>Fund research for development and trialling of future seamless journey technology to facilitate improved SLA metrics.</p>	<p>Support positive passenger experience and help secure place in globally competitive elements of air travel</p>	<p>Global competitiveness</p> <p>UK as global leader</p>
<p><b>Enable UK workers to be upskilled through reformed skills policy</b></p>	<p>Allow Apprenticeship Levy funds to be spend on general skills training to support airports re-recruiting staff as the recovery gains pace. For example, modular courses to allow quicker upskilling as the recovery gains pace.</p>	<p>Ensure a sufficient pool of UK-eligible workers are available in highly skilled roles such as air traffic control and engineering.</p>	<p>Economic growth</p>
<p><b>Consider impacts of Rates changes</b></p>	<p>Dialogue should be held with airports negatively affected by change to consider the impacts and way the airports can be supported</p>	<p>Prevent further erosion of airports ability to investment in improvements and decarbonisation.</p>	<p>Economic growth</p> <p>Decarbonisation</p>



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<b>Examine negative effects of pensions taxation</b>	The Government should change the way the annual and lifetime allowances operate currently in order to retain skilled staff.	Retain skilled staff who might decide to leave within an already challenged recruitment market for the sector.	Global competitiveness
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## **Annex 2: UK Airports and Arrivals Duty Free**

UK airports are eager to provide Arrivals Duty Free to their customers. As well as enhancing the travel experience for passengers, it would repatriate spending by travellers from their origin airport abroad to their destination airport here in the UK. This would enhance the commercial operation of Britain's airports, supporting recovery from the losses of the pandemic and investment in route development and the capital projects (eg airspace modernisation, decarbonisation, surface access improvements) that Government wants us to pursue

Airport can and would provide this service before customs. To illustrate this, we asked members to confirm that they would do so and set out what physical feasibility it has. The responses are summarised below:

### **ADF responses**

#### **Bristol**

Duty free arrivals would justify investment from Bristol Airport – we would remodel our terminal to make space. Arrivals duty free stores would be situated between baggage claim and customs, and only available to international arrivals – therefore preventing airports becoming a 'retail destination' for their surrounding area and competing with existing outlets, such as supermarkets.

#### **Heathrow**

The airport can and would provide the facility before customs and would undertake any works necessary to make this happen

#### **Newcastle**

We can and will provide an ADF store before customs, and will undertake the required works in order to make this happen.

#### **Glasgow**

The team has already done work to establish what could be done from ADF. Options we would pursue are:

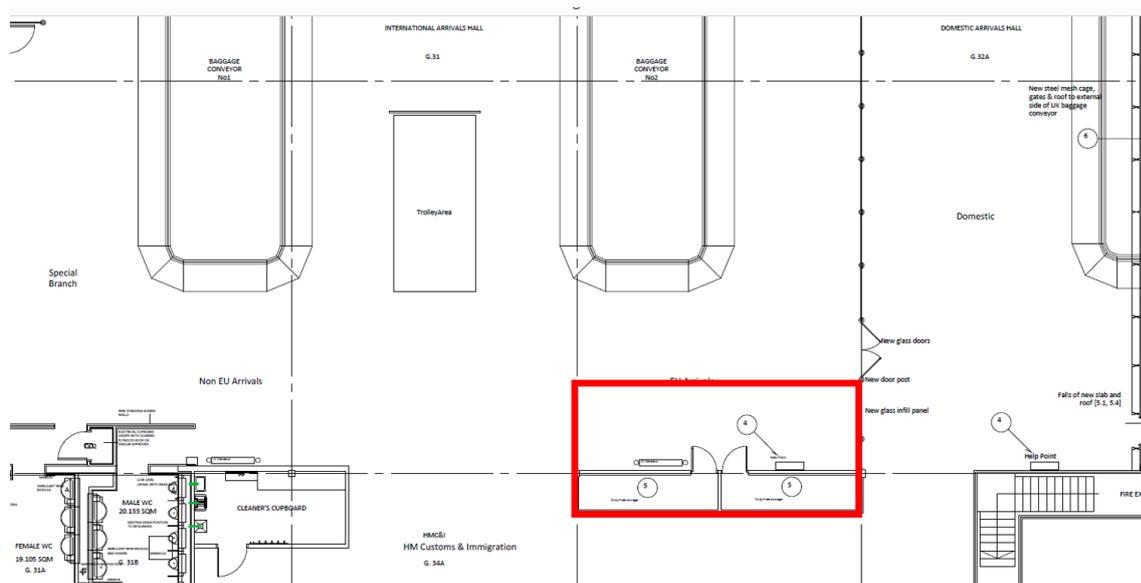
- A debranded old Travelex in international baggage reclaim – before customs, which we could set up almost overnight to set up a Duty Free Arrivals store.
- utilise the existing coaching lounge and passport control point
- to build an extension to the south side of the building.

**Aberdeen and Southampton (both AGS airports)**

Both airports have earmarked capital in budget to invest and turn around a arrival duty free store if this was to be enacted

Aberdeen: We have already earmarked a small space as a potential initial location for the WDF Arrivals store. We would need to think bigger long term but we would turn something around very quickly if we were able to.

Southampton: Area already allocated to potential ADF store:



**Luton**

We, in conjunction with its duty free partner, have already identified a space of circa 35m2 within the baggage reclaim hall for an arrivals duty free unit. Drawings of the unit layout have already been prepared which include the identification of storage requirements, security shutters and relocation of existing services (trolleys, vending machines). The space has been selected so as to be in an area of dwell adjacent to baggage reclaim belts and, importantly, some distance away from the exit / customs channels to ensure passengers have sufficient walk time to be aware of the correct channel to use.

**Birmingham**

If we were able to add duty-free shopping in the Arrivals area at Birmingham Airport, we would. This would result in annual sales of between £1.25m and £2.5m.

This level of sales would build over time as customers become aware of the proposition, and we anticipate may be delivered through a combination of physical stores and digital sales.