Policy-makers must understand that a well-designed aviation network creates huge benefits - for users, and for growth and investment in the wider economy.

Indeed, an extensive air transport network represents one of a country’s essential infrastructure assets - like a banking or telecoms network. It is a vital component for economic development and growth.

Yet the importance of the network is often overlooked. Value is created not just by a new air service, but by the connections this air service can provide to a wider air transport network. Air transport provides the only worldwide passenger and cargo transportation network. It connects people and businesses to the global economy.

NEW EVIDENCE OF AIR TRANSPORT’S WIDER ECONOMIC BENEFITS

IATA commissioned economic consultants Oxford Economic Forecasting (OEF) to undertake a detailed survey of companies in five different countries to examine the impact of the air transport network on their businesses.

The countries chosen - China, Chile, the Czech Republic, France and the US - represent different stages of economic development and different regions.

Separately, OEF has also undertaken a statistical analysis of European countries to examine how a countries connections to the global air transport network impacts upon business investment and productivity, and ultimately economic growth.

The results of this work provide, for the first time, clear evidence of the value of the air transport network.

Results demonstrate that air transport is vital not just for users and for those in the aviation industry value chain, but also for business investment and economic growth throughout each country served by the air transport network.

A GLOBAL REACH: MORE CUSTOMERS, MORE COST-EFFECTIVE SUPPLIERS

Air transport networks allow firms to access larger markets. Nearly 85% of firms report that air services are important for their sales, with around 60% saying that it is vital or very important (see chart 1).

Over 90% of Chinese and US firms say that aviation is important for their sales. In total, companies report that 25% of their overall sales are dependent on the availability of suitable air transport services.

Chart 1: Importance of air services on sales
Air networks also improve efficiency, helping to source inputs on a more cost-effective basis. Over 80% of firms also report that air services are important for the efficiency of their production, with over 65% of firms in China and the US reporting it is vital or very important (see chart 2).

A BOOST TO INVESTMENT AND PRODUCTIVITY ACROSS THE ECONOMY

OEF’s statistical analysis highlights the important contribution of greater connectivity within the network. In other words, the benefit to a country of a new air service is linked to the economic importance of the destination served and the onward connections that are available from that destination.

The analysis finds a significant positive relationship between higher connectivity and higher GDP in the European countries studied. For example, the 25% increase in connectivity for the EU10 accession countries between 2001 and 2004 is estimated to have boosted long-run GDP in those countries by 2.75%.

BUSINESSES RECOGNISE THE ONGOING IMPORTANCE OF THE AIR TRANSPORT NETWORK

Over half of the businesses surveyed believe that their ability to compete internationally would be very badly or moderately affected by constraints on the availability of air transport. Indeed nearly 20% of firms said that past investment decisions had been affected by the absence of good quality air links.

New communication technologies (e.g. video-conferencing) will not diminish the importance of air connections. Over half of the firms surveyed, and over 75% in China, expect to become more dependent on air transport over the next ten years, with only 12% of firms expecting to become less dependent.

Air transport provides the infrastructure that connects people and businesses to global markets. IATA will work with other stakeholders to ensure that this valuable network continues to be enhanced and improved in the future.

Chart 2: Importance of air services for the efficiency of production

[Chart showing the importance of air services for the efficiency of production across Chile, China, Czech Rep, France, and USA]

FULL REPORT
For a copy of the full report and further industry economic analysis, visit: www.iata.org/economics