

Snapshot by:



The cost of doing business:
Foundational Sector Snapshot
Aviation



Key messages

- Airports and airlines generate around **£53bn in GVA** and support, with wider benefits for tourism, international students, freight and aerospace manufacturing¹.
- Cost pressures are intensifying across fuel, labour, taxation and decarbonisation, with jet fuel rising from around **\$75 per barrel in 2019 to just over \$141 in 2026**, and aviation labour costs increasing by **25-35% since 2019**². AirportsUK estimates that changes to the valuation process could increase the **total business rates burden on airports from £225m per annum between 2023-26 to just under £1bn per annum between 2026-29**³.
- **Government can support aviation competitiveness** by addressing the cumulative cost burden, improving business rates treatment, supporting SAF delivery and reducing barriers to skilled labour mobility.

Table 1: Key business tax contribution figures for the aviation industry⁴

	2024/25	2025/26	Difference
Business tax contribution	£4.35bn	£4.77bn	+9.6%
Tax contribution as a share of GVA	30.0%	32.9%	+2.9 ppt
Employers' NICs	£1.05bn	£1.40bn	+33.1%

Strategic importance

Aviation is a foundational enabler of UK economic growth, connecting businesses, people and goods to domestic and international markets. Airports and airlines support business travel, tourism, trade, inward investment and high-value service exports, while air freight plays a critical role in moving time-sensitive and high-value goods. Aviation also supports the UK's position as a globally connected island economy.

The sector's economic footprint extends well beyond airlines and airports. Aviation supports supply chains across tourism, hospitality, retail, logistics, aerospace manufacturing, maintenance, engineering, security, catering and ground handling. Airports and airlines support 671,000 jobs, while aerospace supports a further 443,000 jobs directly⁵.

Connectivity is central to the sector's wider economic value. Research cited by Airlines UK suggests every 10% increase in UK connectivity results in a 0.5% increase in productivity, while sectors particularly reliant on air connectivity, including financial and professional services and the creative industries, collectively contribute £643bn in GVA and support 4.2 million jobs⁶.

Growing cost pressures

Aviation businesses are facing rising costs across labour, fuel, energy, taxation and decarbonisation. ONS data suggests that labour costs in the sector have increased by 25-35% since 2019, with some roles such as pilots, engineers and air traffic controllers seeing increases of 35-50% due to skills shortages and the post-pandemic recovery⁷. Changes to Employer National Insurance Contributions (NICs) are adding further pressure to airlines, airports and ground operations.

Fuel and energy costs remain one of the most significant pressures. Jet fuel has increased from around \$75 per barrel in 2019 to just over \$141 today, while electricity and gas costs for airports, hangars, maintenance facilities and aerospace manufacturers have increased by 50-100%⁸. Recent geopolitical disruption has added further volatility, with European jet fuel prices reported to be 138% higher than the previous year's average in April⁹.

The sector is also managing a growing policy-driven cost base. High aviation taxes, significant business rates liabilities and a more ambitious near-term Sustainable Aviation Fuel (SAF) mandate than many international competitors are increasing operating costs across the sector. In a highly mobile and internationally competitive industry, these pressures can influence investment decisions, route development and the competitiveness of UK aviation relative to other markets.

Improving the operating environment

Aviation's contribution to growth depends on a competitive operating environment that supports connectivity, investment and decarbonisation. However, the sector faces several structural challenges that are increasing costs and weakening the UK's position against international competitors.

1. Aviation taxation and international competitiveness

The UK aviation sector faces a high and growing cost burden relative to international competitors. Air Passenger Duty has increased across several journey types including a 13 – 15% rise from April 2026 for travellers in economy, and remains one of - if not the -

highest equivalent tax in the world. AirportsUK estimates that changes to the valuation process could increase the total business rates burden on airports from £225m per annum between 2023-26 to just under £1bn per annum between 2026-29¹⁰. The UK Aviation Competitiveness Index also identifies the UK as having the highest aviation taxes among its comparator countries, with average taxes of £32 per passenger compared with a £12 comparator average¹¹. Businesses argue that these costs reduce investment capacity, increase the cost of travel and risk weakening the UK's attractiveness as a globally competitive aviation market.

2. Planning, capacity and airport expansion

The aviation sector depends on affordable and commercially viable long-term infrastructure investment to maintain connectivity, support economic growth and meet future passenger demand. However, planning and consenting processes for airport infrastructure can be lengthy, complex and uncertain. Delays to expansion projects, surface access improvements and wider airport development can increase costs, delay investment and reduce the sector's ability to respond to growing demand. For a sector with long investment horizons and significant capital requirements, greater certainty around planning and the affordability of infrastructure delivery is critical to maintaining the UK's international connectivity and competitiveness.

3. Airspace modernisation

Much of the UK's airspace structure was designed decades ago and does not make best use of the most cutting-edge technology designed to maximise route efficiency. Outdated flight paths and airspace constraints can increase delays, reduce operational efficiency and contribute to unnecessary fuel burn and emissions. Modernising airspace is therefore important not only for improving the passenger experience and network resilience, but also for supporting productivity and the sector's decarbonisation ambitions.

Tackling the regulatory burden

Aviation businesses operate within a highly regulated environment covering safety, security, sustainability, border controls, consumer protection, skills and international market access. The challenge facing the sector is not only the direct cost of individual rules, but the cumulative impact of multiple policy and regulatory changes landing at the same time.

Businesses report that regulation is becoming more difficult to manage because of lengthy approval processes, overlapping requirements across departments and regulators, inconsistent policy timelines and repeated consultations. Delays in planning decisions, environmental permitting, workforce approvals and adoption of new technologies can slow investment, increase compliance costs and make long-term capital planning more difficult. In a globally competitive sector, these administrative and procedural burdens can affect route decisions, investment and UK connectivity.

Aviation businesses engage with a wide range of regulations and enforcement bodies across government, including:

Home Office	
Regulation	Regulator
Electronic Travel Authorisations (ETAs)	Home Office
Border security requirements	Border Force
Policing and emergency services costs	Home Office

Department for Transport (DfT)	
Regulation	Regulator
Sustainable Aviation Fuel (SAF) Mandate and Revenue Certainty Mechanism	DfT
Night Flights (designated airports)	DfT
Aviation security	Civil Aviation Authority / DfT
Airspace Modernisation Programme	Civil Aviation Authority / DfT

Department for Environment, Food and Rural Affairs (DEFRA)	
Regulation	Regulator
UK Emissions Trading Scheme (UK ETS)	Environment Agency
Climate change adaptation	Defra
Waste	Defra
Water and air quality	Environment Agency

Ministry of Housing, Communities and Local Government (MHCLG)	
Regulation	Regulator
Planning system and planning consents	MHCLG

UK Government and the European Union	
Regulation	Regulator
Mutual Recognition of Professional Qualifications and Skills	UK Government and European Union

Within this wider regulatory landscape, the following areas have been identified as the most problematic regulatory burdens for the aviation industry:

1. Sustainable Aviation Fuel (SAF) Mandate and Revenue Certainty Mechanism

Challenge: The UK aviation industry remains committed to achieving net zero by 2050 and supports the SAF mandate. However, the UK's SAF mandate requires a 10% SAF blend by 2030, compared with 6% in the EU, while SAF remains significantly more expensive than conventional jet fuel. Airlines are concerned that the pace of implementation is increasing operating costs ahead of sufficient domestic production capacity of advanced SAFs being available, creating a competitiveness challenge for UK carriers relative to international rivals. While the Revenue Certainty Mechanism is intended to support investment in UK advanced SAF production, concerns relate to its current design, which would be funded through a levy on aviation fuel suppliers that will be passed through to airlines, and risks adding a further layer of cost to the sector and consumers.

Airlines UK / Airports UK recommendation: Government should ensure the SAF mandate is accompanied by a credible investment framework that accelerates domestic SAF production and improves fuel availability, and that mandate requirements align with realistic supply forecasts for advanced fuels to avoid costly supplier buy-out of their obligations for no carbon benefit. This should happen alongside effective implementation of the Revenue Certainty Mechanism that keeps costs as low as possible, ongoing support for UK SAF production facilities via the Low Carbon Fuels Fund, and a policy framework that helps narrow the cost differential between SAF and conventional jet fuel.

Expected impact: Greater domestic SAF production would improve fuel availability, support energy security, reduce reliance on imports and help lower the long-term cost of aviation decarbonisation. Cost-effective transition would help maintain the competitiveness of the UK's aviation sector compared to rival hubs and markets.

2. UK Emissions Trading Scheme (UK ETS) and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)

Challenge: The loss of UK ETS free allowances from 2026 and tightening obligations under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) are expected to increase carbon compliance costs across the sector. Businesses are concerned about the cumulative impact of multiple decarbonisation measures being introduced simultaneously, adding to the cost of operating from the UK.

Airlines UK / Airports UK recommendation: Government should ensure that UK ETS and CORSIA obligations are implemented in a coordinated manner, with clear long-term policy visibility and appropriate consideration of international competitiveness. As the UK and EU progress the linking of their emissions trading schemes, government should secure equivalent support for UK aviation including for SAF costs that is comparable to the EU ETS mechanism, which provides additional allowances to offset part of the cost differential between SAF and conventional jet fuel. Without equivalent support, UK airlines face materially higher decarbonisation costs than their EU competitors. The sector is also seeking a more balanced approach to carbon pricing that recognises the interaction between carbon costs, SAF obligations and other aviation-specific charges.

Expected impact: A more balanced carbon pricing framework would provide greater investment certainty for airlines and airports, support fleet modernisation and help maintain the UK's international connectivity and competitiveness.

3. UK-EU Mutual Recognition of Professional Qualifications

Challenge: Several aviation qualifications and approvals are no longer mutually recognised between the UK and EU, including pilot licences, engineering qualifications, maintenance approvals and air traffic controller licences. This creates additional administrative requirements, limits labour mobility and reduces the flexibility with which businesses can deploy specialist skills across international operations.

Airlines UK / Airports UK recommendation: Government should pursue mutual recognition agreements covering:

- Pilot licences
- Part 66 engineer licence
- Part 145 and Part 147 maintenance and training approvals
- Air Traffic Controller (ATCO) qualifications
- Component certification and acceptance of components with an EASA single release

The sector also supports a more flexible visa regime to improve access to qualified aviation personnel from the EU and strengthen workforce resilience across airlines, airports, engineering businesses and supply chains.

Expected impact: Improved recognition arrangements would strengthen workforce resilience, reduce duplication in training and certification, and support growth across the UK's aviation engineering, maintenance and training sectors.

Endnotes

¹ WPI Strategy, UK Aviation Competitiveness Report, 2025

² [IATA fuel prices analysis \(link\)](#) and [ONS labour costs data \(link\)](#)

³ WPI Strategy, UK Aviation Competitiveness Report, 2025

⁴ The CBI used its business tax contribution analysis in which we break down taxes by industry on a 2-digit SIC level. For employers' NICS we used the latest [ASHE](#) and [BRES datasets](#) to distribute ER NICs by industry. To estimate the contribution as a share of GVA, we used the latest [ONS GVA estimates by industry](#) to estimate the sectoral business tax contribution. Where it was not possible to assign the sector firmly to one or multiple 2-digit SICs, we asked TAs to provide data which we used and scaled accordingly. It should be noted that for some sectors there is a larger margin of error in the contribution statistics given 2-digit SICs do not necessarily fully align with the specific activities progressed in certain sectors. For the aviation sector, we used SICs 51 and 52.23 for the tax contribution analysis, but the overall GVA and employment figures refer to the wider activity in airports.

⁵ [Steer, ibid, and Cambridge Industrial Innovation Report, 2023 \(link\)](#)

⁶ [MAG-Report-Web-Version-Final.pdf](#)

⁷ ONS, ibid

⁸ [Department for Energy Security and Net Zero \(DESNZ\), Quarterly Energy Prices data \(link\)](#) and [ONS, Impact of higher energy costs on UK businesses \(link\)](#)

⁹ IATA, ibid

¹⁰ WPI Strategy, UK Aviation Competitiveness Report, 2025

¹¹ [UK-Aviation-Competitiveness-Trifold.pdf](#)



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