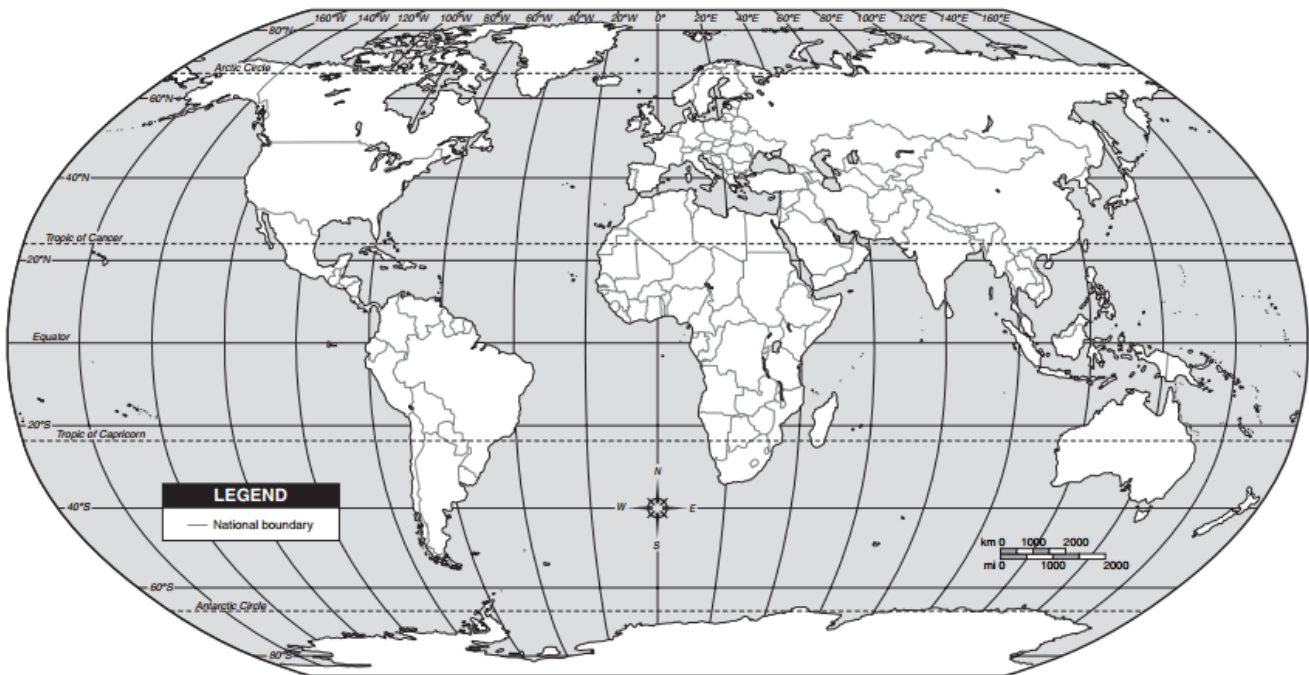


Warm-up Starter

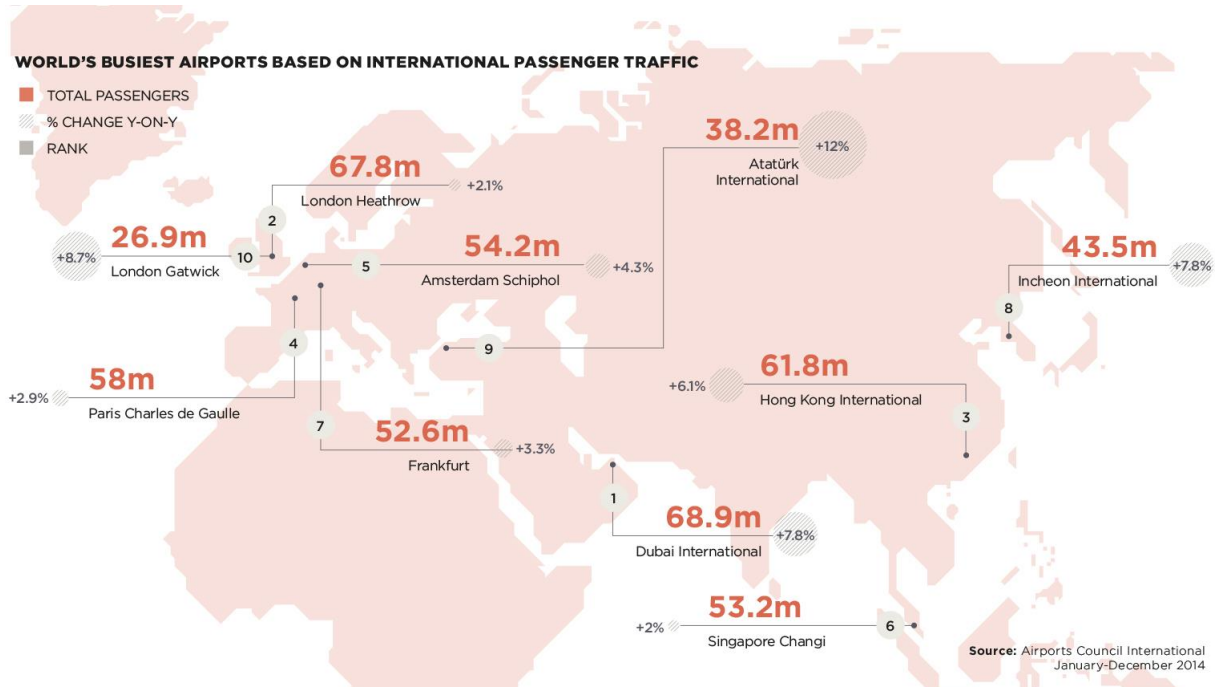
1. On this world map, place dots (and label with the name of the city) where you *think* that the world's 10 busiest airports are located (in terms of number of passengers per year).
2. Check your answers against the map on the next page of this resource – no cheating!



TASK – Data Response

Study the sources overleaf, and then answer the questions that follow.

Source A: world's busiest airports, by passenger number:



Source B: what is a hub airport?

There are over 40,000 airports around the world, and there are two main types:

1. Hub airport
2. Point-to-Point airport

Hub airports often have lots of passengers “in transit” i.e. using the airport between connecting flights, whereas point-to-point airports often have single-journey passengers. Hub airports aim to keep their costs down by benefiting from economies of scale, combining regional demand for flights and destinations. Key benefits of hub airports include:

- Easier access to and from the airport due to more infrastructure surrounding it (e.g. trains, buses and roads);
- A greater choice of holiday and business destinations;
- More frequent flights to destinations;
- Cheaper fares due to competition between airlines.

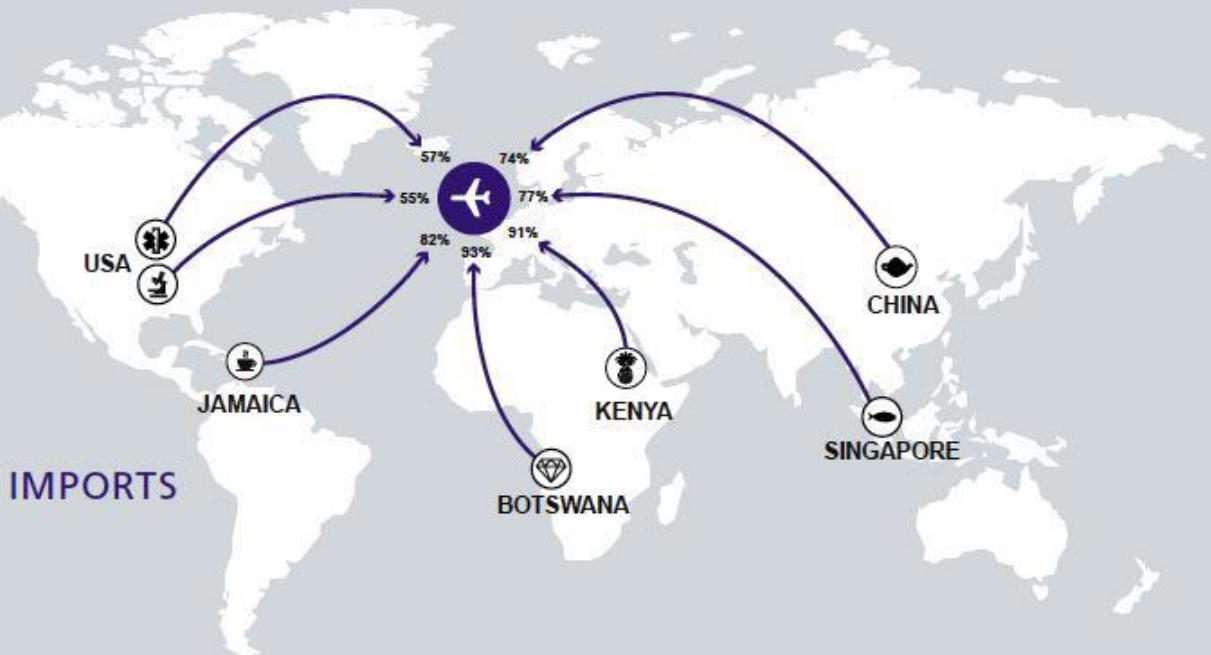
Economic Impact of Airport Hubs

Source C: Heathrow as a hub airport and its impact on trade

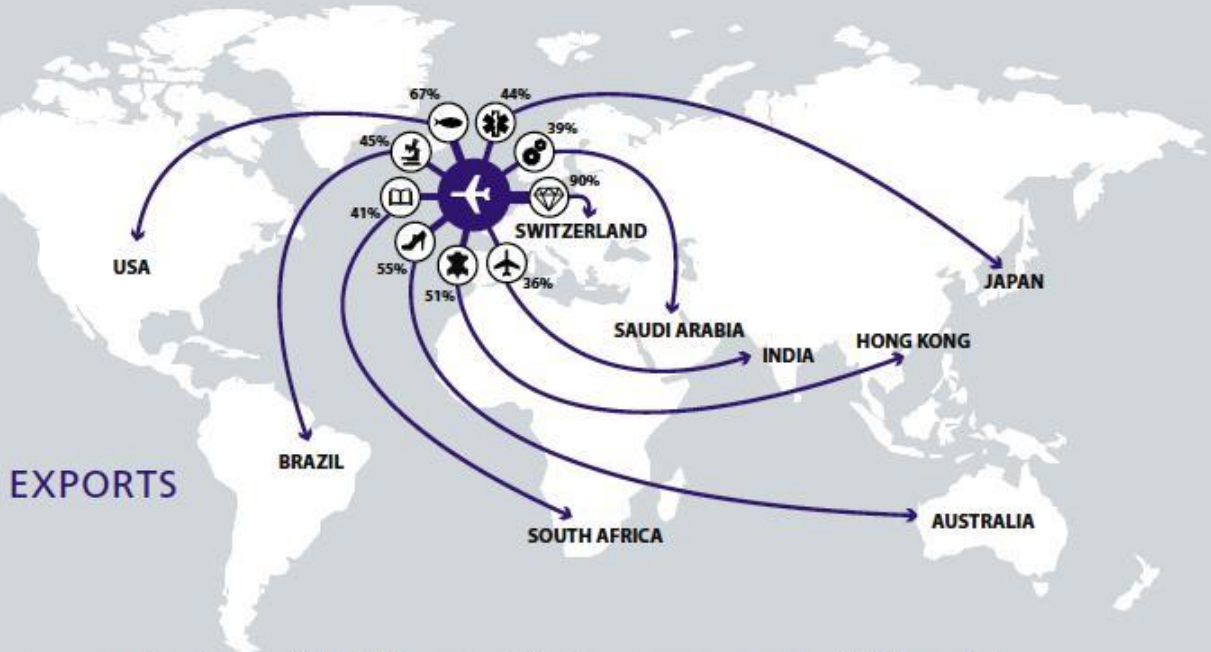
Heathrow is a vital trade hub

Its long-haul connections put it at the heart of UK trade

Named countries are the predominant sources or destinations for each class of trade



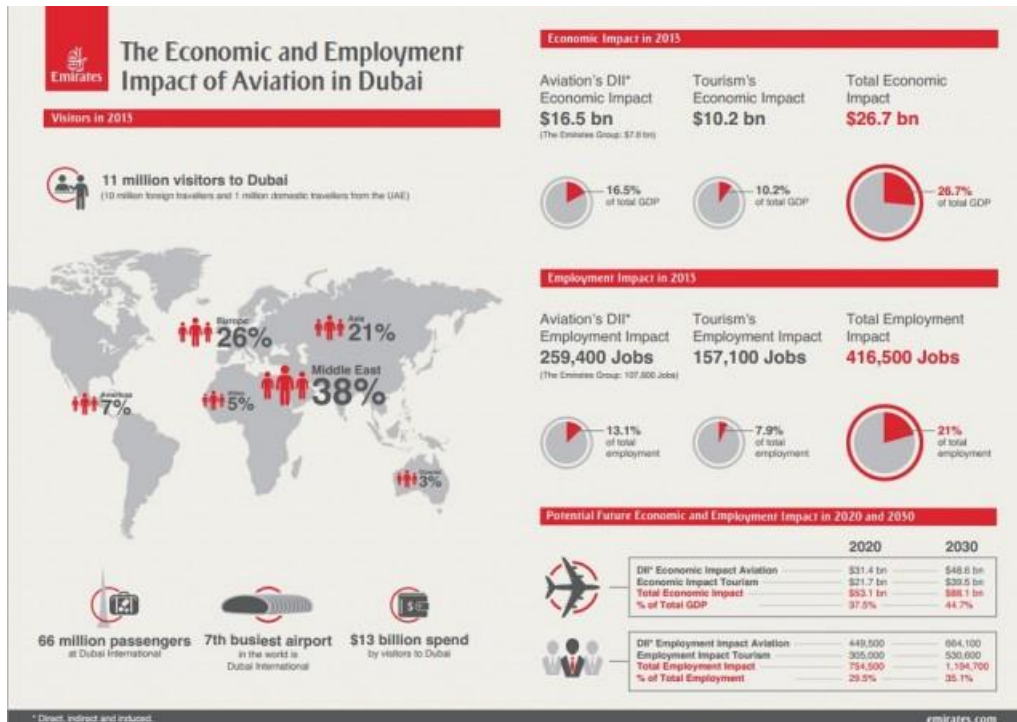
- % Proportion of non-EU trade imported through Heathrow
- Medical instruments and apparatus
- Tea
- Fresh fish
- Fruit and vegetables
- Precious stones
- Coffee
- Pharmaceutical
- London Heathrow Airport



- % Proportion of UK trade exported through Heathrow
- Medical instruments and apparatus
- Books, newspapers, pictures & other products of the printing industry
- Pharmaceutical
- Electrical machinery and equipment
- Articles of apparel & clothing accessories
- Cultured pearls, precious or semi-precious stones & metals
- Aircraft and spacecraft
- Leather
- Fresh fish
- London Heathrow Airport

Source D: The economic impact of aviation in Dubai

A 2014 report by Oxford Economics, the aviation industry is key in shaping Dubai’s economy, contributing around \$53bn annually to the local economy (37.5% of GDP), and will be responsible for 750,000 jobs by 2020. The data below provides more information:



The Oxford Economics Report suggests three important types of benefits from having airport hubs, such as those found in Dubai, and to a lesser extent, Abu Dhabi (both part of the United Arab Emirates, or UAE):

1. The “**economic footprint**”, which includes the direct impact on GDP, jobs, and tax revenues
2. The **direct benefits** to customers of the airports (passengers and freight transporters) of having convenient, modern links
3. The connections between the UAE and other cities around the world helps to enable foreign direct investment, business clusters, increased specialisation according to comparative advantages, and other **positive externalities**. Indeed, half of the world’s largest companies have their headquarters within 10 miles of a hub airport (e.g. Foxconn has a manufacturing facility actually inside Zhengzhou International Airport in China employing 240,000 to assemble Apple products, and Heathrow Terminal 5’s Sofitel is a business hub in its own right)

Sheikh Ahmed, the Chairman of Dubai Airports, said “It has taken us years to build up the...infrastructure that we have today, and we now have a solid base on which to further develop. We will continue to...embrace open competition, and focus on opening up and connecting markets through efficient operations. At the end, we want Dubai to be the top choice for international travellers and traders – as a destination, **and** as a transport hub.” This view is backed up by Professor John Kasarda of University of North Carolina’s Business School, who points out Dubai’s perfect geographical location – he reckons that

Economic Impact of Airport Hubs

Dubai has become the *de facto* hub for anyone in India or Africa, as well a leading stopping point for those travelling between Europe and Asia. In his words, Dubai is a “global aviation hub with a city-state attached”. He went on to say “[Airport] Hubs are the routers of the modern physical internet that connects people and products quickly and efficiency around the world”

Aviation is an indispensable catalyst for the growth of Dubai’s tourism industry, which directly contributed \$10.2bn to Dubai’s economy supporting a further 157,100 jobs. Dubai had direct passenger flight connections to 149 cities with populations of over 1 million people, creating potential export markets of over 916 million people, or 13% of the world’s population. Cargo tonnage between 1990-2013 handled in Dubai has grown on average of 13.5% per year, compared to global average trade volumes of 5.6% per year.

Sources: <http://www.arabiangazette.com/aviations-impact-dubai-economy-20141117/>

<https://www.iata.org/policy/Documents/Benefits-of-Aviation-UAE-2011.pdf>

<http://raconteur.net/business/hubs-airports-become-economic-dynamos>

Questions

1. Calculate the difference in the annual number of passengers between Heathrow and Gatwick airports.
2. Analyse the types of economies of scale that an airport hub, such as Heathrow or Dubai, might benefit from.
3. With reference to Sources B and D, discuss the advantages and disadvantages to passengers of using a hub airport for their journey.
4. With reference to Source C, assess the importance of Heathrow to the UK’s economic performance.
5. Using a relevant diagram, and with reference to Source D, explain the positive externalities that might arise as a result of the presence of an airport hub.
6. Discuss whether building a large airport hub in an LEDC in Eastern Africa might lead to economic development in that area.

Additional extension reading:

http://aviationbenefits.org/media/26786/ATAG_AviationBenefits2014_FULL_LowRes.pdf