

# Aviation Competitiveness Index



WPI Strategy has developed a cross-country Aviation Competitiveness Index to benchmark how national policy, cost structures, and operational conditions shape the performance of airlines and airports. Building on analysis of the UK aviation sector's present and future cost base pressures, this index provides a structured comparison of how the UK performs against global peers.

The index combines quantitative economic indicators, regulatory metrics, and operational performance data to assess how conducive each national environment is to

airline and airport success. Its purpose is to inform long-term policy planning by highlighting the key levers that shape competitiveness and showing how policy choices accumulate over time.

Each country's score is presented on a 0–1 scale, using min–max normalisation across all indicators. All metrics are directionally aligned so that higher values consistently indicate stronger performance, allowing meaningful like-for-like comparison across different economies.

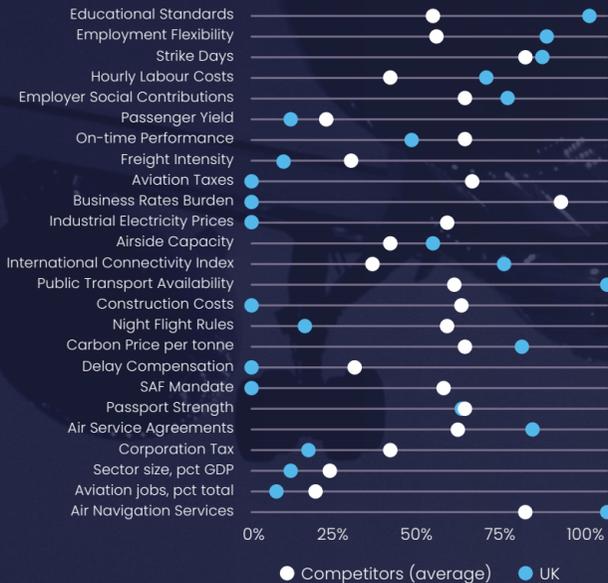
## The Overall Rankings

### Airport and Airlines Index

Composite score, averaged over all categories (min–max normalisation)



### UK vs Competitor Average by metric



**The United States, and the United Arab Emirates perform best overall.**

These countries combine regulatory flexibility, lower aviation taxes and costs, and targeted state support for aviation infrastructure.

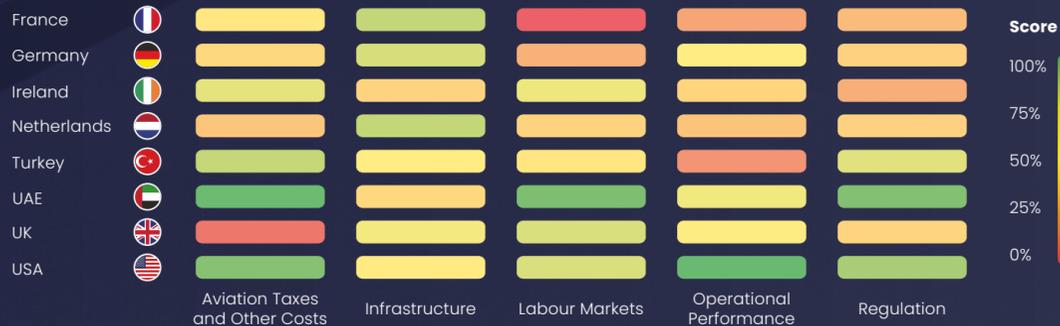
**The UK's performance is today comparable to the European group overall, worse than the US and UAE, but high taxes and a rising cost base could see the UK slip lower.**

**EU countries and the UK provide strong consumer protection and sustainability safeguards but impose higher costs on airlines and airports than other jurisdictions. The UK currently benefits from a more flexible labour market but suffers from higher taxes and costly sustainability requirements.**

## Category Scores Heatmap (Visualises performance across countries and categories)

This heatmap provides a clear, intuitive way to compare performance patterns across countries and categories in a single view.

By mapping each score onto a colour gradient—from red (lower performance) through yellow (median) to green (higher performance)—it is easy to identify where countries are performing strongly or falling behind.



The Global Aviation Competitiveness Index shows that the UK ranks 6th out of 8 countries in the Aviation Competitiveness Index. The UK performs reasonably among the European group, outperforming the Netherlands and France, beaten only by Ireland, and marginally by Germany. However, the UK lags significantly behind non-EU competitors, particularly the UAE and USA, which benefit from regulatory flexibility, lower operating costs, and targeted state support for aviation infrastructure.

While the UK retains real strengths in skills, connectivity, and border efficiency, these are increasingly offset by the highest aviation taxes in the peer group, punitive business rates, and a regulatory environment that constrains growth. Germany has recently reduced aviation taxes; the UK continues to increase them.

## Performance across countries by individual metrics



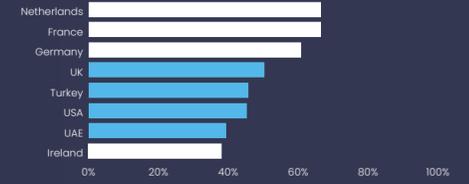
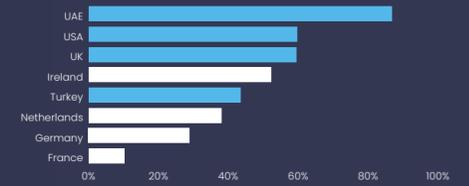
## The UK's Strengths

### Labour Market Efficiency

- The UK has a highly skilled workforce, with 53% of the population (peer average of 40%) gaining tertiary education.
- Low rates of industrial action minimise disruptions for airports and airlines.

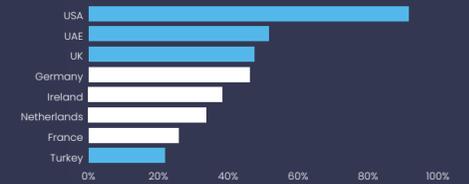
### Infrastructure

- The UK leads in surface access, measured by the % of urban population with access to public transport, making it easier for individuals to get to and from the airport.
- The UK has high airside capacity, a result of historic investment in airport expansion.



### Aviation Operational Performance

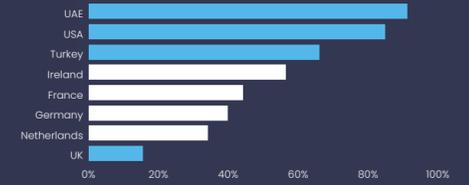
- Persistent investment in modernising technology, such as e-gates and facial-recognition systems, has streamlined passenger flows throughout airports. This includes the roll-out of the new ETA system, which will digitise entry for millions of short-term visitors.
- The UK leads its peers in air navigation services, reflecting its efficiency in managing one of the world's busiest airspaces and its strong operational performance; however, sustaining this position will require continued airspace modernisation to build capacity and resilience and to avoid further air traffic control outages.



## The UK's Weaknesses

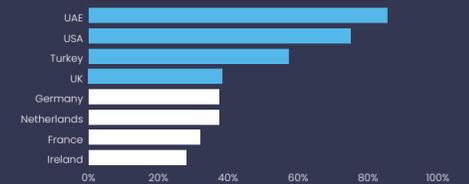
### The UK is currently the least competitive in Aviation Taxes and Other Costs

- The UK levies the world's highest passenger aviation tax (APD), with few comparable departure taxes internationally - and where they exist, they're typically lower and more limited.
- The UK faces high cost pressures from an uncompetitive property tax regime (2.9% of GDP vs 0.4% in comparator countries) and elevated industrial electricity prices, reducing overall competitiveness.
- The UK faces a relatively high near-term cost for SAF under its mandate, without support to reduce costs seen elsewhere.

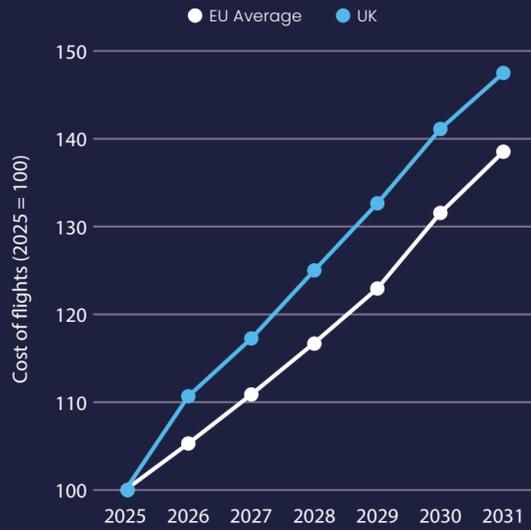


### The UK also has an uncompetitive Regulatory Framework

- The UK has strict night-flight limits at major airports, applies an EU-style disruption compensation regime, and enforces tighter visa rules than EU peers.
- High construction costs—driven in part by low-carbon and building-safety regulations—further weaken the UK's competitive position.



# Growing UK cost pressures



Our modelling found the pace of cost growth on UK routes outstrips that of EU carriers, potentially driving faster fare increases. The UK's higher cost growth narrows the margin for airlines to compete on price, especially for long-haul routes with high SAF exposure.

By indexing costs in 2025 to 100, these charts show the difference in flight cost growth between the UK & EU average.

In this example illustrated, the average year-on-year growth rate of EU fares to Cancun was 5.58%, compared with 6.51% (to CUN) for the UK.

*\*That gap reflects the UK's higher historic fare growth and heavier cost stack: a stricter SAF mandate, higher APD, & relatively greater cost pressures placed on airports. All of these push up total operating costs faster than in most EU markets. While EU fares still grow, they do so from a lighter policy & tax burden.*

*\*Again, this is not a projection of what will happen – it's a scenario to show directionality: that under current policy settings, the UK could be on course to lose price competitiveness even against already tightly regulated European peers.*

For every 1% increase in fares...

Leisure demand is 0.6-1.9% lower

Business demand is 0.2-0.4% lower

Pax costs could increase by 2031:

- SAF +725%
- APD & Tax rises on airports +15%
- CORSIA +206%

In 2031, ticket prices could be 32% higher above inflation (fares could be 4.7% more expensive, per year, than they would have otherwise been).

Externally-imposed costs now comprise 29.3% of the ticket price

**15-44% lower demand\***

\*Pertains to inbound travel demand to the UK from abroad. Not a fall in absolute numbers - but fewer arrivals than there would have otherwise been.

If this scenario was replicated across every UK route... then

**2.4-7.8m**  
fewer inbound leisure

**£3.2-9.9bn**  
decrease in spending from foreign travelers (business & leisure combined)

**£1.1-2bn**  
decrease in FDI

**330-620k**  
fewer business travelers

**£2.8-5.2bn**  
decrease in exports

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The International Aviation Competitiveness Index provides a comprehensive, data-driven comparison of how national policy, cost structures, and operational conditions shape aviation performance.

The UK sits in a balanced position, performing strongly on operational efficiency and international connectivity – reflecting long-standing investment. However, these advantages are offset by high aviation-specific taxes, elevated property costs, and tighter regulatory constraints, which limit competitiveness relative to more liberal markets.

## The UK risks becoming less competitive in the future

### Business Rates

The 2026 business rates revaluation and higher multiplier could see airports faced with a four-fold increase in their business rates bills by 2029 (based on 2023 levels).

The sector's global strength relies on sustained investment. However, sharp increases in business rates are likely to risk diverting a portion of airports' capital away from technological upgrades, decarbonisation infrastructure (such as SAF storage facilities) and capacity improvements that improve efficiency and growth.

By constraining the sector's ability to invest for the future, we risk weakening the UK's position as a leader in aviation.

### Barriers to Expansion

Planned expansions are necessary to keep up with passenger demand. If high construction costs and planning delays prevent efficient expansion, then UK capacity will lag, international connectivity will stall, and operational performance will suffer.



### Employment Rights

The Employment Rights Bill aims to reduce labour market flexibility, removing the current two-year qualifying period for unfair dismissal protection, making airports and airlines less able to respond to fluctuating demand.

### CORSIA/ETS

Tightening CORSIA obligations are expected to push carbon prices steadily higher, with mandatory CORSIA participation from 2027 and limited high-quality credit supply amplifying cost pressures. The loss of aviation's UK ETS free allowances from 2026 and tightening CORSIA obligations provide a clear basis for modelling a gradual increase in per-passenger carbon costs through to 2031.

### APD

APD will increase far above RPI in 2026-27. If APD were to rise at the average rate of the last 5 years, it would add £30 to long-haul fares by 2031, reducing UK price competitiveness.

### Employer NICs

The increase to employer NICs in 2025 from **13.8% to 15%**, and the concurrent lowering of the threshold from £9,100 to £5,000 will vastly increase the tax burden on employment.

Increases in employer NICs raise staffing costs for airlines, airports, and ground operations, potentially placing extra pressure on fares and operating costs relative to international competitors that face lower payroll taxes.

### SAF

SAF is central to aviation decarbonisation, but mandates without a cost effective supply risk undermining the UK's cost competitiveness.

By 2030, the UK requires a 10% SAF blend—higher than the EU's 6%—with stricter sustainability criteria. SAF is significantly more expensive than conventional jet fuel, and unlike the EU the UK does not recycle its ETS allowances to offset the cost difference between SAF and traditional jet fuel.



# The Competitiveness of UK Aviation

## The Global Aviation Competitiveness Index

December 2025

