

Rt. Hon. George Osborne MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Parade
London
SW1A 2AA

2 March 2011

Dear Chancellor,

A Fair Tax for Flying

The Government has identified tourism as one of the top five industries to drive growth. We are writing to you as companies and organisations for whom aviation to and from the UK is core to our business. Collectively we employ hundreds of thousands of people, generating billions of pounds in tax receipts for the UK economy and help provide the connectivity that British jobs and businesses are built on. We are also trusted by millions of passengers each year to provide their holidays, business travel and international connectivity that help businesses compete and destinations thrive.

We are aware that you may be making proposals in the Budget for a revised system of aviation taxation. We believe aviation is a vital pillar of the UK economy, driving job creation and growth in the UK and overseas. The travel and tourism industry is uniting behind five tests, and we believe any revision of the structure or level of aviation taxation must take these into account:

Test 1: Overall tax take on air passengers

Will any revision increase the overall amount travellers pay to fly to and from the UK?

We believe that the increasing tax on people flying puts the UK at a competitive disadvantage when compared to European neighbours and will incentivise the strengthening of alternative hubs to the UK both in and outside Europe and reduce the number of connections and destinations served by UK airports. An increasing level of aviation tax represents a very real barrier to growth for British businesses, and adversely affects the ability of the UK economy to create jobs and attract inward investment.

Test 2: Inclusion of Emissions Trading Scheme costs

Will any change be designed to be offset by the income from the UK's inclusion in the European Union Emissions Trading Scheme (ETS)?

We believe income due to the UK from aviation's participation in the ETS should be offset against total aviation taxation income and not added as an additional cost on people flying.

Test 3: Premium Economy

Will a new approach remove the unfairness that travellers buying a premium economy ticket for a few extra inches of legroom are classed the same as first class travellers and pay double the rate of tax? Families buying a little extra legroom are being charged a disproportionately higher price. This disincentivises airlines to offer a sensible split cabin and damages passenger choice.

Test 4: Sensible banding

Will any new policy address concerns that defining bands by national capital cities creates unhelpful exceptions that are unfair to passengers and damage destinations?

It cannot be right that a traveller pays more tax to fly from the UK to, for example, the Caribbean than to Hawaii (some 3,000 miles further) due to the inconsistent way the banding arrangements have been determined.

Test 5: Impact on destinations, trade and tourism

Has the policy's impact on business and tourism been adequately understood and considered? Aviation tax is having a serious economic impact as it makes flying to and from the UK more expensive. Any modification of APD should ensure that the impact on destinations, both at home and abroad, has not only been considered but also, wherever possible, mitigated. This is especially important in those developing countries where tourism provides a large proportion of GDP.

We believe that your Budget Statement offers a unique opportunity to address many of the travel and tourism industry's concerns over competitiveness, unintended distortions and impact on destinations both overseas and domestic. We call on you to take into account these five tests in preparing your Budget. We look forward to working with you on developing a fair tax for flying.

Yours sincerely,

