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Consultation on the reform of Air Passenger Duty: Response by VisitBritain

1. VisitBritain is the national tourism agency. Our role is to promote the UK overseas in order to attract visitors, and to advise the Government on increasing the UK's international competitiveness as a tourism destination.

2. Over the next four years we will be running a £100 million marketing programme, match-funded by the private sector, to attract 4 million extra visitors to Britain. We believe that these extra overseas visitors will spend £2 billion in the UK economy.

3. The Government's Tourism Policy, published in March this year, sets out an ambition to grow inbound and domestic tourism, and to return the UK to the top 5 most competitive visitor economies in the world.

The UK's competitive position

4. In 2010 the UK received 29.6 million visits (down 1% on 2009). Visitor spend in the same period increased to £16.7 billion (up 0.5%). As context, UNWTO figures show that arrivals worldwide increased by 6.7% and in Europe by 3%. The UK did not, therefore, perform as well as other nations.

5. The UK performs strongly in absolute terms, with 28 million staying visits. France is the second most visited destination with 74.2 million visits, whilst Germany occupies the 8th place with 24.2 million visits.

6. Between 2000 and 2009 the UK's earnings from international visitors has increased by 37.4% (in US$ terms). Earnings in France rose 49.7% and in Germany by 85.6%.

7. France attracted eight times more visitors from China last year than did the UK, and Germany six times more visitors than the UK. France outperforms the UK in terms of attracting visitors from India by a factor of more than 50%.

8. The UK is, therefore, falling behind in terms of international earnings from tourism, and in attracting visitors from key emerging markets.

APD and its impact on UK competitiveness

9. The cost of travelling to the UK is a major factor affecting Britain's competitiveness as a destination for international tourism.

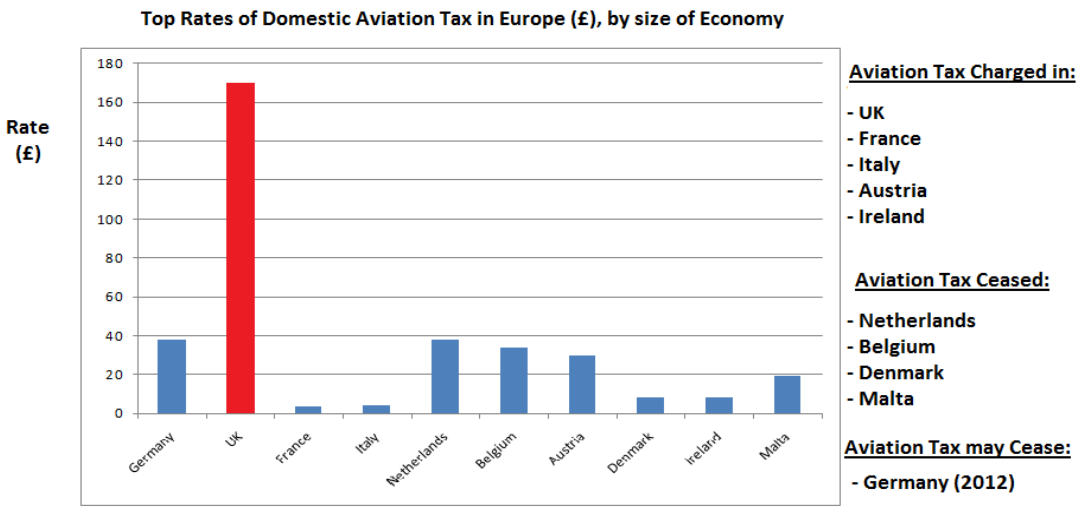
10. APD is not the only cost faced by a potential overseas visitor to Britain. A UK short stay visa costs £76, compared to around £55 for a Schengen visa. Taken together with APD, a Chinese visitor will pay over £140, before the cost of a flight and accommodation, just to visit the UK.

11. The recent weakening of Sterling has provided Britain with a chance to challenge the perception that the UK is an expensive destination. This advantage may be temporary as government action to support the economy takes effect and Sterling strengthens.

12. Despite this, the UK remains a relatively costly destination. APD imposes a greater cost than the aviation taxes applied in key competitor countries.

13. Germany introduced its own version of APD on 1 January 2011 with a fee of €8 (£7) on short-haul flights, €25 (£22) on medium-haul flights and €45 (£39) on long-haul flights. This is expressly a temporary tax which will be lifted when the EU emissions trading scheme comes into force on 1 January 2012.

14. France levies a tax on air passengers departing its airports, ranging from €1 in economy class within the EU to €4 on flights going outside the EU – premium cabin rates are €10 (£9) and €40 (£35) respectively. The revenues from this tax are hypothecated to support the millennium development goals.



VisitBritain's response

15. VisitBritain is principally concerned with encouraging more visitors to the UK in the short term, and advising Government on how best to increase the competitiveness of British tourism relative to other countries in the long term. These responsibilities form the basis of our view on APD.

16. VisitBritain welcomes this consultation on the reform of APD. We support the Government's decision to drop proposals to replace APD with a per plane duty which, we believe, would have on balance harmed the UK visitor economy.

17. The level of APD is our key concern, rather than the design of the tax. UK aviation taxes are higher than those of our key competitors, which disadvantages the UK visitor economy and counteracts the Government's stated ambition, in the Tourism Policy, of returning the UK to the five most competitive visitor economies globally.

18. VisitBritain has no preferred banding option. Both the two and three bands options would be an improvement on the current situation as it would rebalance the duty per passenger away from long haul, which would benefit visitors from key markets for future growth, such as India, Brazil and China.

19. VisitBritain supports the proposal that business aviation should become subject to APD. This proposal would increase the tax base, reducing the burden on ordinary passengers.

20. VisitBritain agrees with airlines that the application of APD to 'premium economy' should be reviewed, and that the reduced, rather than the standard rate of APD should apply. We believe this is a long standing anomaly and that it was a mistake to penalise passengers who purchase a modified economy product, by charging them APD at the same rate applied to a full business or first class service.

21. VisitBritain welcomes the Government's decision not to apply an inflationary increase in APD this year.

22. The entry of aviation into the EU Emissions Trading Scheme (ETS) next year, combined with a twice-inflationary increase in APD raises the possibility of a significant increase in the cost to visitors of travel to and from the UK at a time when VisitBritain will be actively trying to take advantage of the London 2012 Games, and other events, to market Britain to the world and increase visitor numbers by 4 million over 4 years.

23. Standard and Poor have recently estimated that in its first year ETS will impose costs of €1.125bn for aviation. The UK share of this will be in the region of £300 million. This new revenue for the Exchequer would more than offset a double inflationary increase in APD in 2012 (which would be around £200m; if inflation were at 5%).

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