PRESS RELEASE: FAIR TAX ON FLYING ALLIANCE

EMBARGO: TBC

UK LOSING OVER £1BN EACH YEAR BY "PUTTING OFF" TOURISTS: NEW RESEARCH BY THE TOURISM ALLIANCE

The economy will lose out on a £1bn this (financial) year from 'missed' inbound tourism because the 'tourism taxes' are putting off foreign visitors from coming to the UK, according to new research published today by the Tourism Alliance. Brigid Simmonds OBE, Chair of the Tourism Alliance said the figures show "the Government is likely to miss its own targets to dramatically increase inbound tourism."

The new research finds that Air Passenger Duty (APD) – described today as a 'tourism tax' by Chair of the Tourism Alliance Brigid Simmonds, has already cost the UK economy over 23,000 jobs in the last seven years and if the Government sticks to its plans to increase APD yet further, it will cost a further 6,000 jobs and an additional £1bn by 2017 (on top of the existing £1bn annual loss).

The new report by the leading inbound tourism body quantifies the impact of the UK's passenger taxes, which are the highest in the world, on jobs and growth. It concludes that:

- Air taxes are the equivalent to a 4.4% 'tourism surcharge' on visiting the UK by air.
- This will result in 2011/12 in a **direct loss to the UK economy of a 5.7% in the UK's annual inbound tourism earnings - £1.15bn this year alone**
- The **UK has foregone 23,000 full-time jobs in tourism industry over the last seven years** directly as a result of Air Passenger Duty.
- If the Government increases APD charges by twice the current inflation rate (which it plans to announce on 29 November 2011) the average cost of APD for tourists flying to the UK will rise by £3.43 to £37.69. This increase alone will reduce the UK's tourism earnings by a further **£575m over the next 5 years and will increase the number of jobs lost as a result of APD to 25,300.**
- Furthermore, if the Government maintains a policy of increasing Air Passenger Duty in line with inflation with 4% rises over the five years following the 2012 increase, the average cost of APD will increase to £45.86 by 2017. **This will result in a cumulative loss of earnings of £1.1bn by 2017, and the overall loss of 29,200 jobs as a result of the introduction of Air Passenger Duty.**

Brigid Simmonds OBE, Chair of the Tourism Alliance said:
"Government policy is categorically putting off tourists from coming the UK. It is scandalous that at a time when we need to encourage and nurture economic growth that successive Government insist on disincentivising inbound tourism at the very time that we need to stimulate the UK;s export sector. Our research today demonstrates incontrovertibly that because the UK levies the world's highest aviation passenger duty it is costing British jobs and is a barrier to economic growth. What's more the planned rises to APD – including a double-inflation rise in 2012 – mean that the Government is very likely to miss its own targets to increase inbound tourism over the next four years."

Background on inbound tourism:

- In March 2011, the World Economic Forum has released a detailed report on the international competitiveness of 139 countries in the global tourism market. It concludes that the UK ranks 134th out of the 139 countries in terms of ticket taxes and airport charges.
- The Government has set a target of increasing inbound tourism by 4m visitors over the next four years. The Tourism Alliance's paper looks at the impact that increased APD charges have had on the UK's tourism earnings and the impact that the proposed double inflation increase will have if it is introduced in 2012.
- The UK tourism industry is sixth largest in the world. It is also the fifth largest industry in the UK, generating £114bn per annum and supporting 3.01m jobs.
- Tourism is one of the largest and fastest growing industries in the world, averaging 4.2% per annum over the last 20 years. The growth of tourism in the UK over the last 20 years has averaged only slightly less at 3.8% per annum. This rate of growth is continuing through the global recession.

- 2010 was a record year for the UK inbound tourism industry. Expenditure in the UK by visitors reached £16.8bn, making it the UK's sixth largest export earner, after Chemicals, Financial Services, Intermediate Manufactured Goods, Capital Goods, and Transportation. Inbound tourism now accounts for 12.1% of UK service sector exports and 5.0% of total UK exports. In addition, UK carriers gained approximately £3bn in fares from overseas visitors.
- Despite the current economic conditions, growth in revenue from inbound tourism is tracking at 4% higher than 2010.

Background on APD:

- The overall APD tax take is due to increase significantly by April 2012, if the Chancellor implements his 'double inflation' APD increase.
- The overall, or 'quantum', tax take is also due to increase when the UK enters the EU Emissions Trading Scheme (ETS) in 2012. Many EU countries are phasing out their versions of air passenger duty to compensate for the revenue to be raised by the EU ETS.
- The UK's top - or 'Standard' rate - is some 8.5 times the average of other countries in Europe which still levy a charge.
- Since 2007, APD for short-haul routes has increased by 140% to EU countries, and for long-haul routes by up to 325%.
- Currently, a typical British family of four travelling in economy class pays £240 more than most European countries to fly to the USA and almost £50 more to fly to Europe.
- More than 17,000 people have already written to their MP calling on the Government to scraps its plans for a double-inflation rise in APD.
- A recent ComRes poll found that 75% of MPs believe that 'further rises in aviation taxation may price some people out of flying'.
- In September 2011, 20 cross-party MPs and peers wrote to the Chancellor urging him to re-think his plans.
- By the Department for Transport's own figures, aviation taxes exceed the sector's environmental costs by over half a billion pounds every year.
- Many European countries including Belgium, Holland and Denmark have abandoned their aviation taxes, due to the negative effects on their economies. In the longer-term, analysis shows that the UK economy will forego £750m of wealth and 18,000 jobs due to the recent rises in APD (November 2010), with around half the extra revenue raised offset by tax revenue losses in the wider economy (source Oxera, 2009)

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ENDS

Notes to Editors:

Tourism Alliance report, key findings (report available on request)

- The average APD charge per traveller coming to the UK in 2011/12 is £34.26
- The average amount of spend per visitor to the UK in 2011/12 will be £817.
- The £34.26 cost of APD therefore increases the total cost of a trip to the UK 4.4%, on average.
- For every 1% increase in the cost of travelling to the UK, there is a 1.3% decrease in the UK's earnings from inbound tourism.
- Therefore, the 4.4% increase in the cost of visiting the UK caused by imposing APD, has resulted in a 5.7% reduction in the UK's annual inbound tourism earnings.
- This means that, if it weren't for the imposition of APD, the UK's earnings from inbound tourism would be £17.82bn rather than £16.8bn. That is a decrease of just over £1.0bn per annum. In addition there is a decrease in the level of revenue gained by UK carriers bringing people to the UK of a further £153m. Together, therefore, UK businesses are foregoing £1.15bn per annum in revenue due to the imposition of APD.
- The UK has foregone 23,000 full time jobs in tourism industry over the last seven years directly as a result of Air Passenger Duty.
- Using the above methodology, if the Government increases APD charges by twice the current inflation rate (5%), the average cost of APD will rise by £3.43 to £37.69. This increase will reduce the UK's tourism earnings by a further £575m over the next 5 years and increase the number of jobs lost as a result of APD to 25,300.
- If the Government maintains a policy of increasing Air Passenger Duty in line with inflation with 4% rises over the five years following the 2012 increase, the average cost of APD will increase to £45.86 by 2017. This additional cost of £11.60 per visit to the UK, compared to 2011, will result in a cumulative loss of

earnings of £1.1bn by 2017, and the overall loss of 29,200 jobs as a result of the introduction of Air Passenger Duty.

A Fair Tax on Flying Alliance
A Fair Tax on Flying alliance consists of over 30 leading travel organisations including airlines, airports, trade associations and destinations. The campaign has created a dedicated Facebook page www.facebook.com/afairtaxonflying to raise awareness of the tax and allow consumers to register their views.

Fair Tax on Flying campaign members: ABTA – the Travel Association, American Airlines, Airport Operators Association, Association of National Tourist Offices and Representatives, British Airways, British Airports Authority, The Board of Airline Representatives in the UK, British Air Transport Association, Blackpool Airport, BMI, Bristol Airport, Carlson Wagonlit, European Tour Operators Association, Gatwick Airport, Jet2, Lastminute.com, London City Aiport, Luton Airport, Manchester Airport Group, Manston Kent Airport, Monarch, Newcastle Airport, The Caribbean Council, The Co-operative Travel, Thomas Cook, Tourism Alliance, TUI Travel PLC, UKinbound, Virgin Atlantic, Virgin Holidays, Expedia

Air Passenger Duty – additional information:

- The current rates of tax, following substantial increases in November 2009 and 2010, are:

		Economy Rate	Premium Rate
Band A	0–2,000 miles from London	£12	£24
Band B	2,001–4,000 miles from London	£60	£120
Band C	4,001–6,000 miles from London	£75	£150
Band D	over 6,000 miles from London	£85	£170

- Only four other European countries levy some form of air passenger tax.
- Denmark, Norway, Malta and Holland have all scrapped similar taxes as the revenue raised was outweighed by the damage caused to their economies.