18 July 2011

Rt Hon George Osborne MP,
Chancellor of the Exchequer,
HM Treasury, Horse Guards Road,
London,
SW1A 2HQ

Olivier Jankovec
Director General

CC: Justine Greening MP, Economic Secretary, HM Treasury
Darren Caplan, Chief Executive of the Airport Operators Association
Michael Carrivick, Chief Executive of the Board of Airline Representatives UK
Simon Buck, Chief Executive of the British Air Transport Association

Open letter to the Chancellor of the Exchequer

Dear Chancellor,

As the trade body for the airport industry, ACI EUROPE (Airport Council International) aims to advance the development of safe, secure, sustainable and efficient airports for the benefit of the travelling public and regional communities throughout Europe. We represent over 400 airports in 46 countries, which collectively account for more than 90% of commercial air traffic in Europe.

I am writing to you to voice the support of ACI EUROPE for the 'Hands Off Our Holidays' campaign (http://www.handsoffourholiday.com/), concerning the latest planned increases in the Air Passenger Duty (APD) tax, and involving stakeholders from the British aviation industry.

While industry concern over APD predates the current campaign, the latest industry activism has thrown into sharp relief the direct and significant impact that this tax is having upon British families. Of all those passing through ACI EUROPE member airports (across 46 countries), it is British passengers who are by far paying the highest aviation tax, amounting to 8.5 times the next highest European national aviation tax. In practice this could amount to a tax bill of as much as £340 for a family of four traveling long-haul (and double that should they choose to fly in Premium Economy seats[1]). Even were the British travelling public faced with these taxes in isolation, the strain would be excessive; however the reality is that these charges are being levied in the context of rising aviation fuel prices, upcoming required infrastructural investment, and the European Union's Emissions Trading Scheme (ETS), all of which will unavoidably pass on significant costs to passengers.

The public response to this additional tax burden can be gauged by the widespread interest that the national media has demonstrated in the campaign - with a recent front page article and editorial in the Sunday Express in particular encapsulating the reaction on this issue. Indeed a July 2011 poll conducted by the campaign found that only 6% of the population supported current proposals to increase APD further.[2]

Alongside the impact on individuals and families, as you will be aware, there are also wider economic ramifications. In its recent consultation paper on APD, Her Majesty's Treasury has done an excellent job of outlining the benefits of aviation to the UK economy, in the context of the global environmental challenge[3], and there is no need to repeat the relevant statistics in this correspondence. However it is important to

[1] http://www.handsoffourholiday.com/about/
[2] http://www.handsoffourholiday.com/polling-data/
[3] '*Reform of Air Passenger Duty: a consultation*' Her Majesty's Treasury, March 2011

emphasise that those substantial and real benefits outlined in the paper are seriously threatened by current proposals to increase APD by double the rate of inflation.

ACI EUROPE's recently completed 'Position Paper on Aviation Taxes in the EU'[4] concludes that the net economic impact of aviation taxes is negative. This will be particularly the case for an island nation which is heavily dependent on aviation links, not only to preserve its status as a global hub, but also to serve and grow its diverse regional economic areas. The paper also detailed the impact and policy response to national aviation taxes in a range of European countries. Of particular interest to HM Treasury should be the case study of the Netherlands. Despite a suspension of the government's departure tax after only one year, the country suffered a **permanent long-term loss** of passenger traffic through Amsterdam Schiphol Airport, a direct competitor to London as a global commercial hub[5], as passengers adopted new travel patterns, and airlines repositioned their fleet to concentrate on competing destinations.

In its recent consultation paper the UK government's objectives are defined as the creation of a *"simple tax system for air transport services in the UK, which does not hamper growth, which ensures a fair contribution toward the public finances from the sector and which is consistent with the Government's determination to reduce emissions across all parts of the economy*[6]*"*. ACI EUROPE contends that the proposals to increase APD by twice the level of inflation will not achieve this balanced objective and will, in fact, undermine the UK's very fragile ongoing economic recovery.

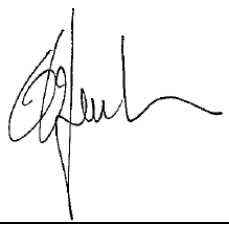
For these reasons ACI EUROPE believes that HM Treasury should **repeal APD in its entirety**. Failing this, and at a minimum, a more balanced approach to achieving the government's objective would be **to use the upcoming budget to lower APD dues, commensurate with the costs of EU ETS, which will be introduced from January 2012**.

As well as limiting the adverse impact on the UK's economy, such a measure would remain entirely compatible with efforts to reduce carbon emissions, while still ensuring that aviation made an appropriate contribution towards the restoration of the public finances.

More immediately, the British traveling public would not be faced with the prospect of a punishing double taxation.

I am taking the current opportunity to write to you on this issue, in the hope that ACI EUROPE's concerns, and the concerns of the British aviation industry, will inform HM Treasury's formation of its tax plans for 2012. Should you require any further information or comment from ACI EUROPE, I am glad to make both myself and my office at your disposal.

Yours Sincerely,



[4] '*ACI EUROPE Position on Aviation Taxes in the EU - Putting the economic recovery at risk*', ACI EUROPE, March 2011, http://www.aci-europe.org/component/downloads/downloads/1483.html

[5] Today approximately 30% of transfer passengers at Amsterdam originate from the UK

[6] Para 1.4 '*Reforming air passenger duty: A consultation*' H.M Treasury, March 2011