

Aviation and the Economy

Aviation, the Economy and Taxation

If aviation paid its fare share of tax:

£9 billion more would come into the Treasury each year. At present, there is no tax on aviation fuel, no VAT on aviation transactions, and no duty is paid on consumer goods sold to non-EC citizens. The cash value of these exemptions amounts to over £9 billion a year (*The Hidden Cost of Flying*, 2003). Air Passenger Duty only raises £1 billion a year.

2p could be cut from basic rate of income tax. If the Government is accurate in its forecast that air passenger numbers will more than double over the next twenty years, that could rise to as much as 5p by 2020 when the value of the tax exemptions will have increased from £7 billion to £17.5 billion per year.

or

The extra £9 billion could be available for extra spending on public services.

The better-off gain the most from these missing taxes:

- People with higher disposable incomes fly more frequently than people with lower disposable incomes. A Mori Poll, commissioned by the industry pressure group Freedom to Fly, published in 2001 showed that 2 out of 5 people had made a trip by plane in the last 12 months, but those most likely to have flown were people earning over £30,000 a year.
- People on lower incomes would gain the most if the missing tax was available to be spent on improving hospitals, schools and public transport.

Fact: *Flying is a luxury, not a necessity.* Remember 80% of trips are for leisure purposes. Like all luxuries flying should be taxed. Why should pensioners pay tax on fuel, a winter necessity, and most of us pay next-to-no tax when we fly off for a holiday in the sun or a weekend in Paris?

Fact: *Business travel is least likely to be affected by higher taxes.* Only 24% of air travel is for business. Typically, business travellers already pay high fares. The demand for business travel depends on whether the financial gain from a flight is worth the cost of the ticket. That equation would not be altered by an increase in the price of air tickets due to additional tax on air transport, particularly as the increase would not be significant compared with the existing costs of business travel.

There is one other additional tax aviation should be paying: It is the policy of both the EU and the UK Government to charge industries for the noise and pollution and any other 'external' costs they impose on society. It is known as the 'polluter pays principle'. It is estimated that 'external' costs imposed by aviation in the UK amount to somewhere between £6 billion and £12½ billion a year (*Fly now, grieve later*, 2005). This tax can be collected in a number of ways, but it should be levied in addition to general taxation. It could perhaps, as in the case of the motor industry, be collected as part of fuel duty. It is assumed that a proportion of the taxes on motor vehicles - road tax, fuel tax etc - go towards paying for the pollution that they cause. But the last major study carried out - *The True Costs of Road Transport* (Maddison et al, 1996) - found that the total motor vehicle tax paid did not cover their 'external' costs.

For more information:

The Hidden Cost of Flying, written by Brendon Sewill and published by the Aviation Environment Federation in 2003 – www.aef.org.uk

Fly now, grieve later, written by Brendon Sewill and published by the Aviation Environment Federation in 2005 – www.aef.org.uk

These two booklets are essential reading – well-written and packed with key information.

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Aviation, the Economy and Equity

Less than half the population fly each year. Poor people rarely fly:

In a typical year:

- Less than 50% of the population flies at all (source: *The sky's the limit*, IPPR, 2003)
- The poorest 10% hardly ever fly (ibid);
- Of those people that do fly, only 11% come from social classes D and E (ibid);
- Even on budget airlines, 75% of the trips are made by social classes A, B and C (ibid).

Typically, the wealthier a person is, the more s/he flies:

- ➔ People most likely to have flown are those earning over £30,000. (source: A Mori Poll, commissioned by the industry pressure group Freedom to Fly, published in 2001).
- ➔ Richer people are more likely to fly off on weekends - the flights that will account for virtually all the projected growth in air travel over the next 20/30 years;

Wealthier flyers are being subsidised by the taxpayer:

- ➔ People who fly are subsidised through the tax system by those who do not fly or cannot afford to fly. The annual value of the tax subsidies will increase from around £8 billion per year to £17.5 billion per year if forecast passenger demand is to be met - *see aviation and taxation briefing*
- ➔ Most people on low-incomes do not fly off on weekends abroad. They make fewer air journeys than anybody else. They, therefore, receive the least benefits from the subsidised fares.
- ➔ People on tight budgets depend on public services that could benefit more if aviation subsidies were re-directed to health, education, care of the elderly, etc - *see aviation and taxation briefing*

The poorest people often suffer the worse environmental consequences of aviation:

- ➔ Some of the very poorest in the UK living under the flight paths and around airports. They are also the least likely to be, able to move away. Curbing air travel would improve the quality of their daily lives.
- ➔ Curbing air travel would have environmental gains for poor people in developing countries as it is those countries that are the big losers from global warming, to which emissions from aircraft is a growing contributor. Many of the same people are trapped under flight paths.

Fact: Leisure travel by air is so cheap at present that it would need to go up quite considerably before most of the people who can currently afford to take holidays abroad would need to cut them out, even if it did mean some people had to cut down on the number of weekend breaks they took.

For more information:

The sky's the limit, 70 page report by Bishop and Graying, published by IPPR – www.ippr.org

A Poor Deal, 4 page pamphlet from HACAN, email info@hacan.org.uk

Aviation and the Economy

Aviation, the Economy and Tourism

There is at least £15 billion annual deficit in aviation tourism: that is the difference between the amount of money spent abroad by Britons flying out of the UK (£26 billion) and the amount visitors into the UK spend here (£11 billion). As fares have become cheaper, so this gap has widened. The number of people persuaded to visit this country as a result of cheap flights is more than off-set by the number of Britons tempted abroad by the low fares.

Further expansion of aviation, as proposed in Aviation White Paper, will simply ensure that more British people holiday abroad. Remember: the growth in air travel of the next 20/30 years in the UK will be almost entirely accounted for by more people taking more weekend breaks.

It is economic madness: the UK Government is subsidising the aviation industry to the tune of around £15 billion a year to make it easy to enable its citizens to fly abroad to spend £26 billion outside this country.....all the while, old British holiday resorts - Hastings, Morecombe, Margate and many, many others - are crying out for visitors.

If the money currently spent abroad was instead spent in this country:

- tourism in the UK would receive a boost;
- new jobs would be created in tourism right across the UK, especially unskilled jobs in the service sector;
- overall income levels would rise in many deprived areas - meaning an increase in individuals' spending power and more tax revenue for Government.

Fact: British people visit all parts of the country on holiday while foreign tourists concentrate on the thriving tourist 'hotspots' such as London, York, Edinburgh, Oxford and Stratford-upon-Avon. So more Britons holidaying in the UK would spread prosperity around the country.

The real challenge for the tourist industry is not so much to attract more foreign visitors to Britain, but to persuade British people to stay in this country. Subsidised fares don't make the task any easier.

For more information:

Friends of the Earth pamphlet (2005), *Why airport expansion is bad for regional economies* – www.foe.co.uk