intergenerational foundation
Fairness for Future Generations

The £400 Annual Household "Gift" to UK Aviation

20 November 2012

Subsidies to the UK aviation industry are costing UK taxpayers £11 billion a year, equivalent to £400 per household or a quarter of the total interest on the UK's national debt, according to new figures released today by the Intergenerational Foundation (www.if.org.uk).

Whist private cars pay the full fuel tax and VAT rate, aviation is exempt from fuel tax and zero-rated for VAT. IF estimates that in 2011 forgone fuel duty was £10.4bn and forgone VAT on tickets approx. £2.6 billion, nearly double the £7.7bn currently spent on GP services.

"Withdrawal of these subsidies could reduce the national debt by £11 billion every year, help maintain public services and improve the UK's 'Tourism Deficit'," comments Angus Hanton of the Intergenerational Foundation. "Business travel would remain largely unaffected and without this subsidy there would be no need to expand Heathrow or build a new airport."

The report, entitled ***Flying in the Face of Fairness: Intergenerational Inequities in the Taxation of Air Travel***, discusses the fiscal treatment of the aviation sector and quantifies taxes paid and taxes forgone to arrive at the £11bn "subsidy" enjoyed by aviation at the cost of current and future generations.

"Whilst the immediate removal of these subsidies would increase a return trip by air by an average of £100 and reduce the amount of leisure flying by a third, a gradual withdrawal would maintain current levels of flying, encourage greater home-grown tourism and help protect future generations from being landed with the emissions and climate change bill caused by aircraft pollution," adds Peter Lockley, report co-author.

"Subsiding aviation is increasing demand for air travel as it is cheaper than it would otherwise be," comments Simon Dresner, co-author and Research Fellow at the Policy Studies Institute. "and by parcelling up costs and presenting them to consumers as taxes, the industry is giving the impression that aviation is taxed more heavily than it really is. Our findings prove otherwise."

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The authors urge government to stand firm against the powerful aviation lobby groups and protect other industry sectors from being landed with impossibly expensive 85% decarbonisation targets to meet the Climate Change Act 2008 whilst aviation receives 85% of their EU Emissions Trading Scheme CO_2 allowance credits for free.

"Properly designed aviation policies could help us to balance the needs of current generations with the financial burden being passed on future generations by these out-dated subsidies," continues Hanton.

John Stewart, voted Britain's most effective green activist and Chair of UECNA, the pan-European anti-airport-expansion network, who provided the Foreword to the report adds, "This ground-breaking report produces compelling evidence that future generations will pay the price of the failure of this generation to control flying. It should be essential reading for all those involved in the debate about the future of aviation."

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Notes for Editors:

- 470 million passengers are predicted to fly by 2050 as opposed to 211 million passengers in 2010 based on conservative estimates, *UK Aviation Forecasts*, Department of Transport, August 2011.
- £2.6bn Air Passenger Duty (APD) figures obtained from *Air Passenger Bulletin (*HMRC, April 2012)
- The £11 billion subsidy to aviation could fund spending on GP services (£7.7bn) or fund the Department for Environment, Food and Rural Affairs (£2.7bn) four times over.
- EU Emissions Trading Scheme (EU ETS) windfall gains by aviation industry not included in report subsidy calculations.
- The UK is committed to emitting no more than 159 million tones of CO_2 equivalent ($MtCO_2e$) by 2050 to meet the Climate Change Act 2008.
- Flying causes 10 times more climate change damage than taking the train, Greenpeace, 2012.

Angus Hanton and Simon Dresner are available for interview

Please contact Liz Emerson on 07971 228823 or email liz@if.org.uk