

Flying high? How
competitive is Air
Passenger Duty?

Final Report
March 2016

British Air Transport Association
(BATA)

Our ref: 22910401



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Prepared by:

Steer Davies Gleave
28-32 Upper Ground
London SE1 9PD

+44 20 7910 5000
www.steerdaviesgleave.com

Prepared for:

British Air Transport Association (BATA)
64 Victoria Street
London SW1E 6QP

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Executive Summary

Air Passenger Duty

Air Passenger Duty (APD) was introduced in the November 1993 budget, and was planned to raise £330 million per year for the Treasury. In 2015, APD raised over £3 billion from nearly 110 million passengers.

The structure of APD has evolved since its introduction, most recently in April 2015, when the four-band system was simplified by combining Bands C and D with Band B. Since May 2015, children under 12 years travelling in the lowest class of travel have been exempted from APD, and from March 2016, this exemption has been extended to children under 16 in the lowest class of travel.

The applicable rates have increased significantly since 1994 (in nominal terms). The rate for short-haul trips in the lowest class of travel has increased by 160%, from £5 to £13. For longer-haul trips the rate for the lowest class of travel has increased by 630%, from £10 to £73. The corresponding increases for travel in higher classes have been 420% for short-haul trips (from £5 to £26) and 1,360% for longer-haul trips (from £10 to £146).

Since April 2012, increases of the APD rates have been linked to the Retail Price Index (RPI) from the September of the previous year, rounded to the nearest pound.

International comparisons

UK Air Passenger Duty is the highest aviation tax levied on passengers departing from airports in the EU, Norway and Switzerland (collectively EU28+2) for both short-haul (Band A equivalent) and long-haul (Band B equivalent) journeys in all classes.

UK APD is significantly higher than comparable taxes applicable elsewhere in Europe. It is more than three times the rate in France, more than twice the rate in Germany, and nearly twice the rate in Italy.

Compared with member countries of the Organisation for Economic Co-operation and Development (OECD), UK APD is amongst the highest taxes applicable for travel in economy for Band A, it is the highest for travel in economy for Band B, and is the highest tax applicable for travel in higher classes.

Globally, the picture is more varied by Band and by class of travel. The UK has the highest tax for long-haul destinations for travel in any class, whereas it has the 61st and 27th highest tax for short-haul destinations for travel in economy and higher classes, respectively.

Given the geographical characteristics of different countries, it is also informative to look at the level of taxation applied on a per distance flown basis (tax applied per passenger-kilometre).

On a per passenger-kilometre basis, the UK ranks highest globally for domestic journeys in economy. For short-haul international journeys, the UK ranks below countries in Africa and Latin America, but above other world regions, whilst for long-haul journeys, the UK again ranks highest globally. In all three cases (domestic, international short-haul and long-haul), the UK is the highest amongst EU countries and other international peers, including Australia and the United States.

At a global level, UK APD for long-haul journeys, in particular, ranks alongside a number of developing countries like Ghana and Fiji. In most cases, as with APD, aviation taxes are an

instrument for governments to raise valuable revenue, however, the UK sits apart from its peers and competitors in Europe.

Devolution of Air Passenger Duty to Scotland

Following devolution of APD to Scotland, the Scottish Government intends to reduce APD by 50% with the reduction beginning when a Scottish replacement to APD is introduced in April 2018. The reduction will be delivered in full by the end of the next Scottish Parliament, expected to be in 2021.

Under this scenario, if UK rates are simply halved, for Band A economy Scotland would rank fourth amongst EU28+2 countries, behind England & Wales, Greece and Italy. Scotland would rank second for Band B economy, behind the UK, however its rate would be much more in line with the equivalent rates for Germany and Austria.

Globally, Scottish APD would rank 99th highest for Band A economy, compared to 61st for England & Wales. It would rank 9th highest for Band B economy, compared to 1st for England & Wales.

Air Passenger Duty vs other UK transport taxes

EU legislation recognises that passenger transport is a special case in relation to VAT, with reduced or zero levels of VAT charged on passenger transport, including aviation, in many EU countries. This is consistent with an interpretation that transport is not simply consumption, but also serves wider purposes linking communities and economic units together.

In the UK, all public passenger transport, including air, rail, ferry and bus services, are zero-rated for VAT, so that air is not treated differently from any other mode.

In accordance with the Chicago convention (Article 24), passenger airlines operating in the UK pay no fuel duty on aviation fuel on international flights. Most public transport services on other modes also pay little or no duty on the fuel used.

1 Introduction

Background

- 1.1 Air Passenger Duty (APD) was introduced in the November 1993 budget, as a means to “raise revenue, but [...] in a way which does least damage to the economy”¹. APD was to raise £330 million per year for the Treasury. In 2014 and 2015, APD raised over £3 billion in each year.
- 1.2 Prior to the introduction of APD, air travel was viewed by the Treasury as an under-taxed entity when compared to other sectors of the economy, benefitting from tax-free fuel and a zero rate of VAT.
- 1.3 At its introduction, APD was charged on the carriage of passengers from a United Kingdom (UK) or Isle of Man airport, on an aircraft with an authorised take-off weight of more than ten tonnes or more than twenty seats for passengers².
- 1.4 Despite pressure, no relief to APD was provided for those travelling with charitable purpose, nor for those living in remote areas such as the Scottish Isles. In this particular case it was intended that the majority of the market in the Scottish Isles would not be captured as most flights were operated by aircraft with fewer than 20 seats (passengers carried on flights departing from airports in the Scottish Highlands and Islands region have been explicitly exempted since April 2001). The government was not keen on making exemptions for areas of the country as this would provide strong arguments for those living elsewhere to be exempted as well.
- 1.5 APD is now levied on carriers operating fixed wing aircraft from any UK airport that:
 - weigh 5.7 tonnes (authorised take-off weight) or more;
 - are fuelled by kerosene; and
 - carry passengers, irrespective of whether they have paid for the flight³.

Structure of tax

- 1.6 APD took effect from the 1st November 1994 and was split into two bands: Band 1 encompassed flights within the UK and to the European Economic Area (EEA) was charged at a rate of £5 per passenger; all other destinations fell into Band 2, which attracted a charge of £10 per passenger.

¹ <http://www.johnmajor.co.uk/page4283.html>

² <http://www.legislation.gov.uk/ukpga/1994/9/part/I/chapter/IV/enacted>

³ <https://www.gov.uk/guidance/air-passenger-duty>

- 1.7 An increase in APD was announced in November 1996, as the Government perceived APD rates to be below those of equivalent taxes in other countries⁴. From 1st November 1997 these rates were doubled to £10 and £20 respectively.
- 1.8 APD was restructured in April 2001 to allow the rate of duty to be differentiated by the passenger's class of travel with the economy rate reducing to £5 for Band 1, while for premium cabins Band 1 remained at £10. In Band 2, the economy rate remained at £20, while for premium cabins it increased to £40.
- 1.9 The applicable rates were then doubled in February 2007.
- 1.10 Table 1.1 sets out the evolution of APD from its introduction in November 1994 through to October 2009.

Table 1.1: APD Rates November 1994 – October 2009

Date of Implementation	Class of Travel	Band 1: Domestic and EEA	Band 2: Other Destinations
November 1994	All	£5	£10
November 1997	All	£10	£20
April 2001	Economy	£5	£20
	Premium Economy, Business and First	£10	£40
February 2007	Economy	£10	£40
	Premium Economy, Business and First	£20	£80

Source: HMRC

- 1.11 APD was restructured in 2008 to take distance into account, with the changes taking effect from 1st November 2009. The distance used to calculate the rate of APD was taken as that between London and the capital city of the destination country. APD was split into 4 distance bands. These rates were increased in November 2010 and April 2012 for Band A, and in November 2010, April 2012, 2013 and 2014 for Band B.
- 1.12 The classes of travel were differentiated as Lowest and Other. Lowest rates are applicable if seating in the lowest class has a seat pitch of 40.0 inches or less. Other covers Premium Economy, Business and First classes.

⁴ House of Commons Library Standard Note SN/BT/413; Air Passenger Duty: introduction, September 2012

Table 1.2: APD Rates November 2009 – March 2015

Date of Implementation	Class of Travel	Band A (0-2000 miles)	Band B (2000-4000 miles)	Band C (4000-6000 miles)	Band D (over 6000 miles)
November 2009	Lowest*	£11	£45	£50	£55
	Other	£22	£90	£100	£110
November 2010	Lowest*	£12	£60	£75	£85
	Other	£24	£120	£150	£170
April 2012	Lowest*	£13	£65	£81	£92
	Other	£26	£130	£162	£184
April 2013	Lowest*	£13	£67	£83	£94
	Other	£26	£134	£166	£188
April 2014	Lowest*	£13	£69	£85	£97
	Other	£26	£138	£170	£194

*if seating in the lowest class has a seat pitch of 40.0 inches or less; Source: HMRC

- 1.13 APD was simplified in 2015, bringing it back to a two-band system and maintaining the class of travel differentiation. The longest distance Bands C and D were merged into Band B, which from then included all destinations over 2000 miles.

Table 1.3: APD from April 2015

Class of Travel	Band A (0-2000 miles)	Band B (over 2000 miles)
Lowest*	£13	£71
Other	£26	£142

*if seating in the lowest class has a seat pitch of 40.0 inches or less; Source: HMRC

Applicable rates of APD

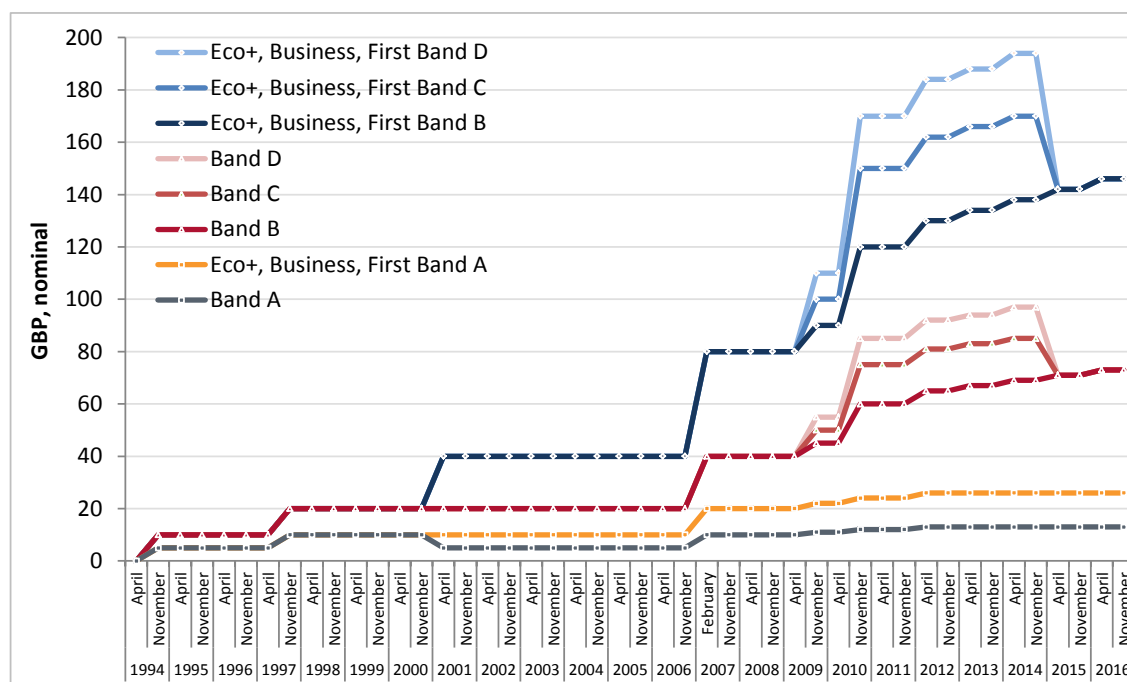
- 1.14 The applicable APD rates from April 2016 are shown in the table below.

Table 1.4: APD from April 2016

Class of Travel	Band A (0-2000 miles)	Band B (over 2000 miles)
Lowest*	£13	£73
Other	£26	£146

*if seating in the lowest class has a seat pitch of 40.0 inches or less; Source: HMRC

- 1.15 Figure 1.1 summarises the evolution of APD since its introduction. In nominal terms, the rate for short-haul trips in the lowest class of travel has increased by 160%, from £5 to £13. For longer-haul trips the rate for the lowest class of travel has increased by 630%, from £10 to £73. The corresponding increases for travel in higher classes have been 420% for short-haul trips (from £5 to £26) and 1,360% for longer-haul trips (from £10 to £146).

Figure 1.1: Evolution of UK Air Passenger Duty from November 1994

Source: HMRC

Planned increases or decreases

- 1.16 Since April 2012, increases of the APD rates have been linked to the Retail Price Index (RPI) from the September of the previous year, rounded to the nearest pound⁵.
- 1.17 The UK Government has not set out any plans for increases or decreases in APD beyond the index-linked adjustments described above.
- 1.18 Following devolution of APD to Scotland, the Scottish Government has announced its intention to reduce APD by 50%⁶, with the reduction beginning when a Scottish replacement to APD is introduced in April 2018. The reduction will be delivered in full by the end of the next Scottish Parliament, expected to be in 2021, with a view to abolishing it completely when resources allow. The potential impact of this is explored in Section 2 below.

Exemptions

- 1.19 Certain passengers and flights are exempt from APD.
- Children:
 - Under 2 years who are not allocated a seat; and
 - Under 12 years travelling in the lowest class of travel (since May 2015). From March 2016, this exemption has been extended to children under 16 in the lowest class of travel.

⁵ HM Treasury Budget 2011

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/247483/0836.pdf

⁶ The Government's Programme For Scotland 2015-16

- Passengers on connecting flights - for APD purposes connected flights are treated as one journey and APD is charged according to a passenger's final destination irrespective of the number of flights that they take to reach this, provided the flights are connected. There are four types of connection, two of which are exempt:

Table 1.5: APD on connecting flights

Connection	Air Passenger Duty
Domestic to domestic	APD due at the Band A rate for whole journey, depending on class of travel
Domestic to international	Rate of APD due dependent on final destination and class of travel
International to domestic	No APD due
International to international	No APD due

Source: HMRC

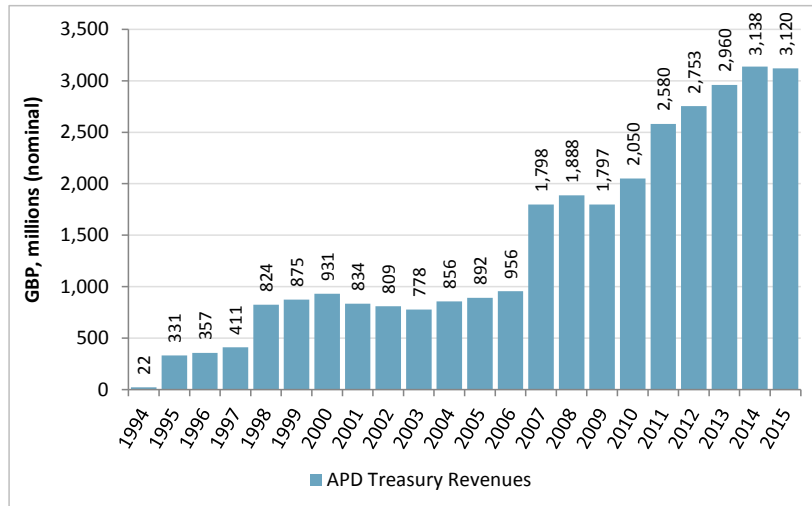
- Transit passengers: APD applies to the journey as a whole. When an aircraft makes a stop en-route and passengers do not change aircraft, then no additional duty becomes due.

- 1.20 Exemptions also apply to flight and cabin crew, and persons carrying out certain duties, for example escorting goods. APD is also not due for passengers carried under a statutory obligation, for example persons refused admission to the UK and required to be repatriated.
- 1.21 Flights departing from airports in the Scottish Highlands and Islands region are exempt from APD.
- 1.22 Direct long-haul flights (exceeding 2,000 miles) departing from Northern Ireland, which would have been charged at the Band B rate or above, have incurred no charge since 2013 to protect routes from competition from the Republic of Ireland, which does not levy a similar tax. The power to set APD rates on direct long-haul flights departing from airports in Northern Ireland was devolved to the Northern Ireland Assembly (NIA) in Finance Act 2012. The NIA has set these rates at nil, effectively exempting them from APD.

Air Passenger Duty revenues

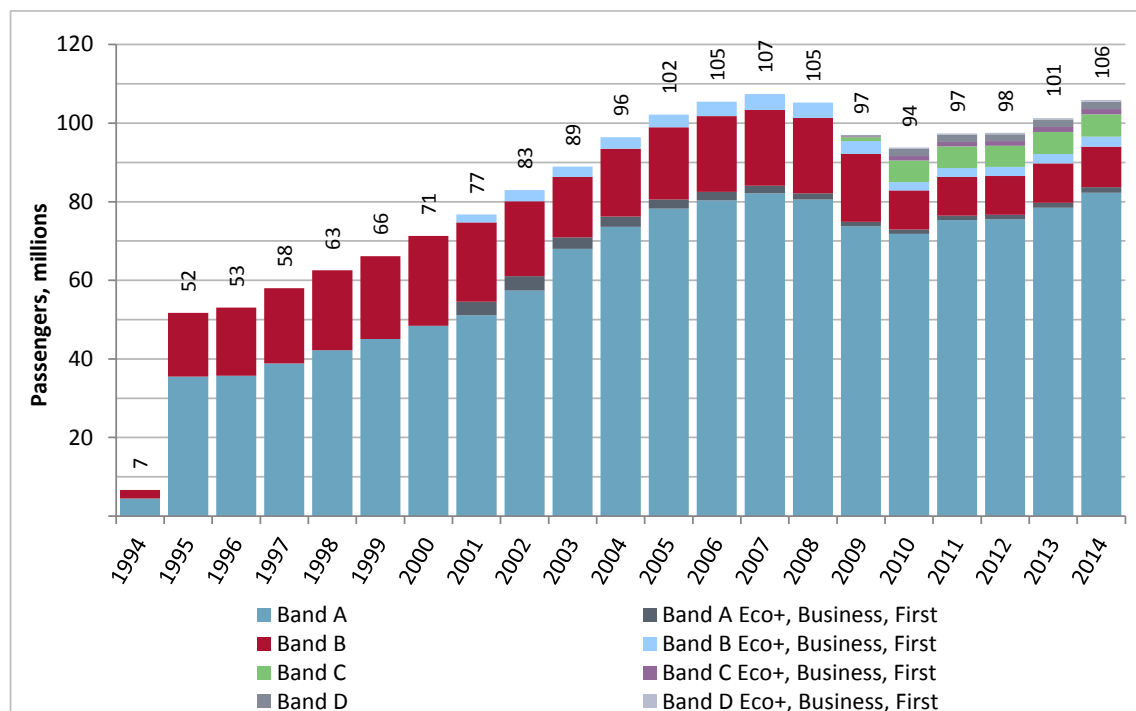
- 1.23 In its response to the consultation on the reform of APD in 2011, the Government makes clear that it views APD as primarily a revenue-raising duty which makes an important contribution to the public finances.
- 1.24 The duty has raised £31.0 billion in nominal terms between its introduction in 1994 and the end of 2015, based on the provisional results for 2015 from HMRC. In 2015, it raised £3.1 billion. Figure 1.2 shows the APD revenues collected by the Treasury over the period 1994-2015.

Figure 1.2: APD revenues to Treasury, 1994-2015



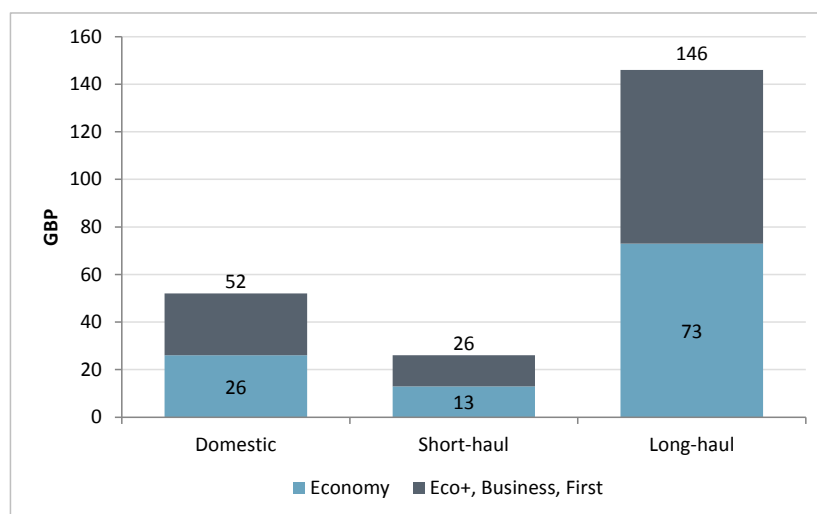
Source: HMRC, 1994 is a part-year, 2015 is provisional

- 1.25 Figure 1.3 shows the number of passengers subject to APD by band and applicable rate. Passenger traffic subject to APD has grown at a compound annual growth rate (CAGR) of 3.8% p.a. between 1995 and 2014. Over the same period, APD revenues have grown at 12.6% p.a. (CAGR) in nominal terms, as a result of the rate increases and restructuring. The overall average APD unit revenue per passenger to the Treasury has grown from £6.40 per passenger in 1995 to £29.64 per passenger in 2014. Full year passenger numbers are not yet available for 2015.

Figure 1.3: Passengers subject to APD, 1994-2014

Source: HMRC, 1994 is a part-year

- 1.26 Due to the fact that APD is charged on departures from UK airports (not on arrivals), when the cost of a return (round trip) journey is considered, the APD on a domestic trip is twice as high as on a short-haul international trip, despite both being in Band A. The chart below illustrates the APD chargeable on Domestic Band A, International Band A and International Band B round trips. While these charts only consider the UK tax (and not corresponding foreign taxes), as the next section indicates, in a very large number of cases (and in all cases within Europe), the UK tax is significantly higher than the foreign tax. The chart demonstrates that there is not a simple relationship of the level of tax increasing with distance.

Figure 1.4: APD revenue per passenger for a return journey, rates applicable from 1 April 2016

Source: HMRC

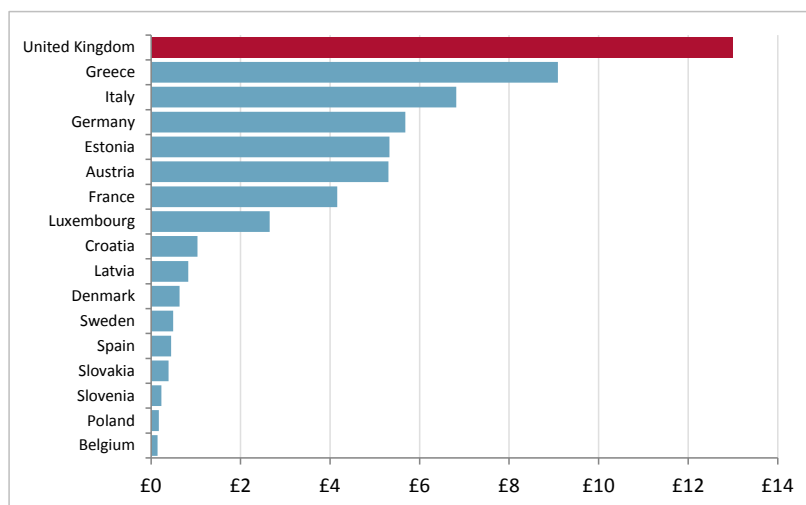
2 Air Passenger Duty – International comparisons

Ranking of UK APD

- 2.1 In the UK, departing air passengers pay for charges and taxes through their ticket that, in the main, cover:
- Airport charges, including aircraft landing and parking charges and passenger charges;
 - Air navigation charges; and
 - Air Passenger Duty.
- 2.2 In order to compare the UK's Air Passenger Duty with equivalent departing passenger taxes in other countries in a fair and reasonable manner, our approach has assumed that those fees which are received by governments or their agencies are taxes, whereas all other departing passenger charges, in particular those used to fund airport operations, are not. We have adopted this broad definition of comparable taxes, in order to not unduly limit the pool of countries with which UK APD is compared. The taxes considered are:
- Charges and fees identified as taxes levied by governments (e.g. Germany's "Air Transport Tax");
 - Value Added Tax (VAT) on tickets. The value of these rate-based taxes has been estimated based on average fare information, where available, or fares for a typical itinerary; and
 - Passenger charges applied by airports which are state-owned entities and where the same charges are applicable for all state-owned airports in a country, irrespective of size or the level of service provided (e.g. Greece's "Airport Development Fund" and Estonia's passenger charges collected by the State).
- 2.3 Unlike the UK CAA, which is funded directly by those it regulates, rather than by the UK government, some countries levy taxes on departing passengers to fund their national supervisory authorities (e.g. Spain). These have also been included in our analysis where available.
- Europe**
- 2.4 UK Air Passenger Duty is the highest aviation tax levied passengers departing from airports in the EU, Norway and Switzerland (collectively EU28+2) for both short-haul (Band A equivalent) and long-haul (Band B equivalent) journeys in all classes. More details on the aviation taxes applicable in the larger European aviation markets of France, Germany, Italy and Spain are presented later in this report.
- 2.5 Figure 2.1 and Figure 2.2 show the departing air passenger taxes for international travel in economy for EU28+2 countries, where an aviation tax is in place (17 out of the 30 countries).

Countries are not shown if no aviation tax is in place. If only a single rate is applicable (i.e. no banding), this is shown as both Band A and Band B. A 1.32 EUR:GBP exchange rate from February 2016 has been applied.

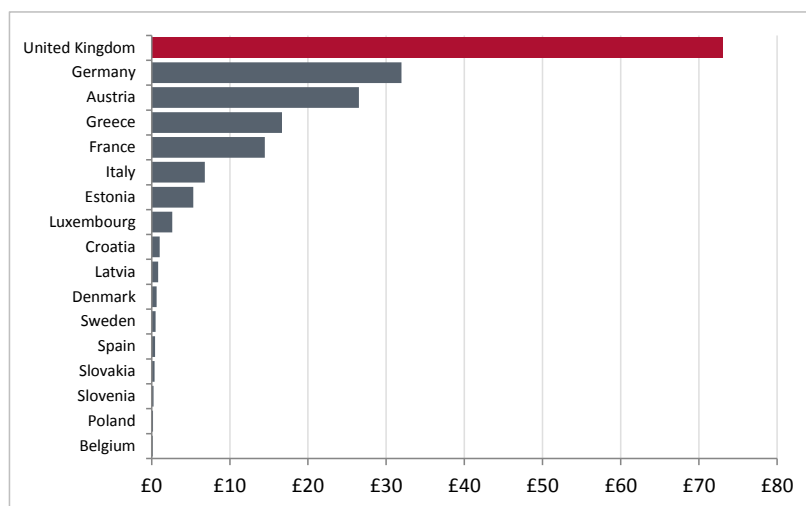
Figure 2.1: Air passenger taxes international Band A (Economy), EU28+2



Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

- 2.6 UK APD for Band A (£13) is 43% higher than the next highest tax which is in place in Greece (£9). APD is nearly twice as high as the rate applicable in Italy (£6.80), more than two times the rate in Germany (£5.70) and more than three times the rate in France (£4.20).

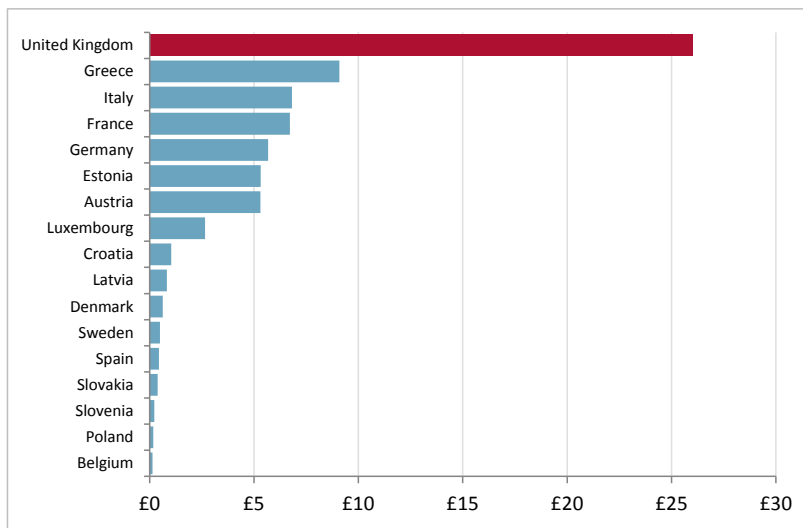
Figure 2.2: Air passenger taxes Band B (Economy), EU28+2



Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

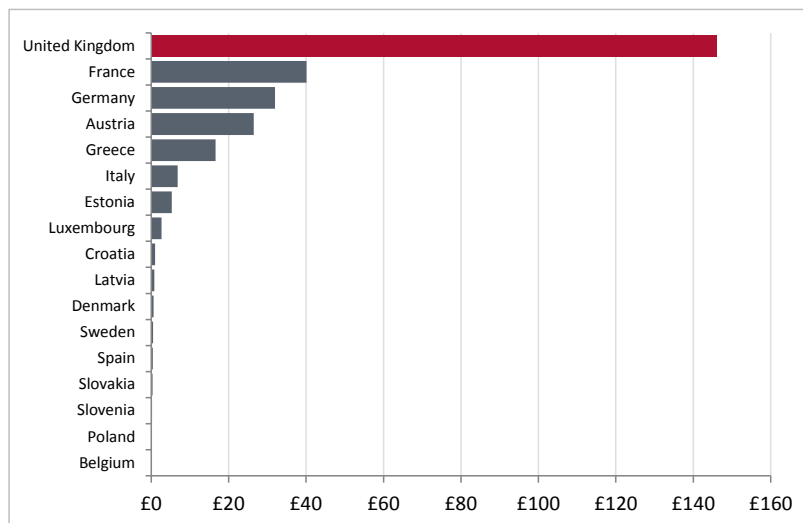
- 2.7 UK APD for Band B (£73 from April 2016) is more than twice the level of the next highest tax for long-haul journeys, which is levied by Germany (£32). It is more than five times the rate levied by France (£14.50) and more than ten times that levied by Italy (£6.80).
- 2.8 Figure 2.3 and Figure 2.4 show the departing air passenger taxes for travel in higher classes for EU28+2 countries where an aviation tax is in place, as above.

Figure 2.3: Air passenger taxes international Band A (Premium Economy, Business, First), EU28+2



Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Figure 2.4: Air passenger taxes Band B (Premium Economy, Business, First), EU28+2



Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

2.9 UK APD for Band A and Band B for higher classes are significantly higher than the taxes levied by other European countries. For Band A, UK APD (£26) is nearly three times higher than the equivalent in Greece (£9), which does not vary by class of travel. For Band B, UK APD (£146 from April 2016) is more than four times the rate in Germany (£32), which also does not vary by class of travel.

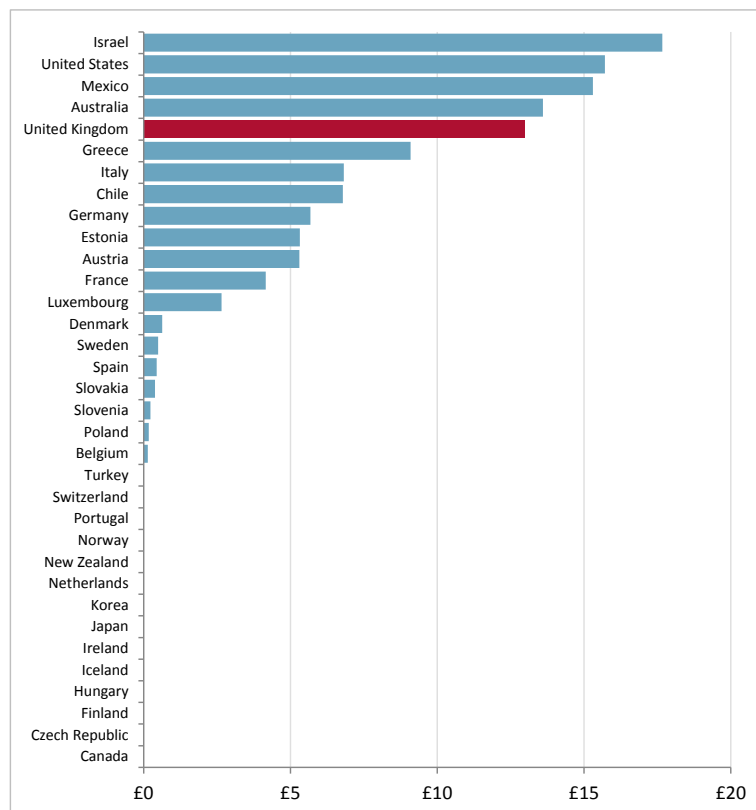
Organisation for Economic Co-operation and Development (OECD)

2.10 The Members of the Organisation for Economic Co-operation and Development (OECD) also provide a useful comparator group. Twenty out of the thirty four members of the OECD levy equivalent departing air passenger taxes. Figure 2.5 and Figure 2.6 show the departing air passenger taxes for travel in economy for OECD countries. Figure 2.7 and Figure 2.8 show the same taxes for travel in higher classes.

- For Band A:
 - Economy: the UK has the 5th highest tax.
 - Higher classes: the UK has the 3rd highest tax.
- For Band B:
 - Economy: the UK has the highest tax.
 - Higher classes: the UK has the highest tax.

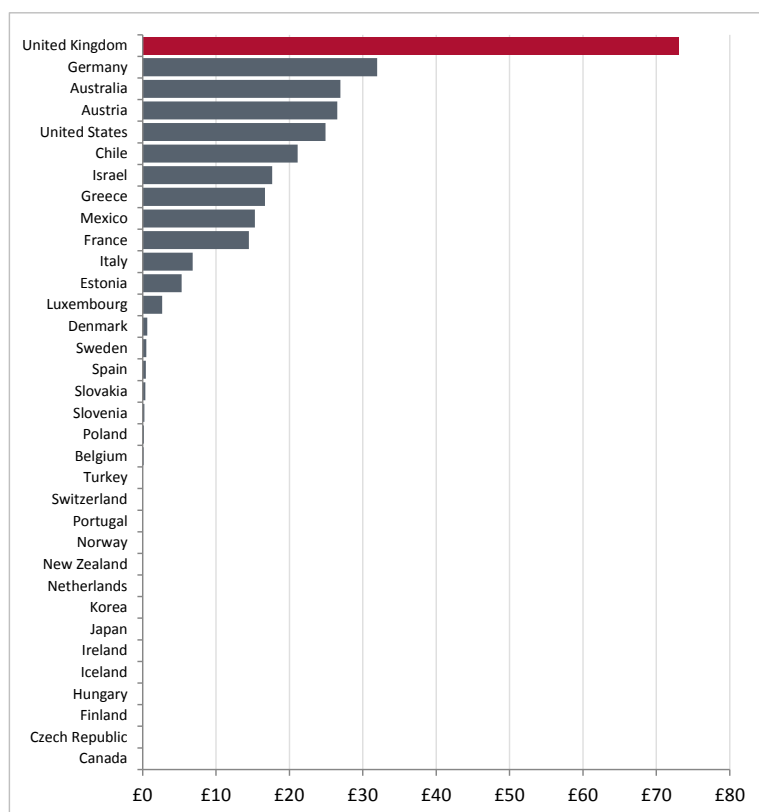
2.11 The Band A higher class tax shown in Figure 2.7 for Australia (£90.87) is an upper estimate based on a domestic long-haul business class itinerary. This tax is higher than the flat rate applicable for an international journey in business class (£26.96).

Figure 2.5: Air passenger taxes Band A (Economy), OECD



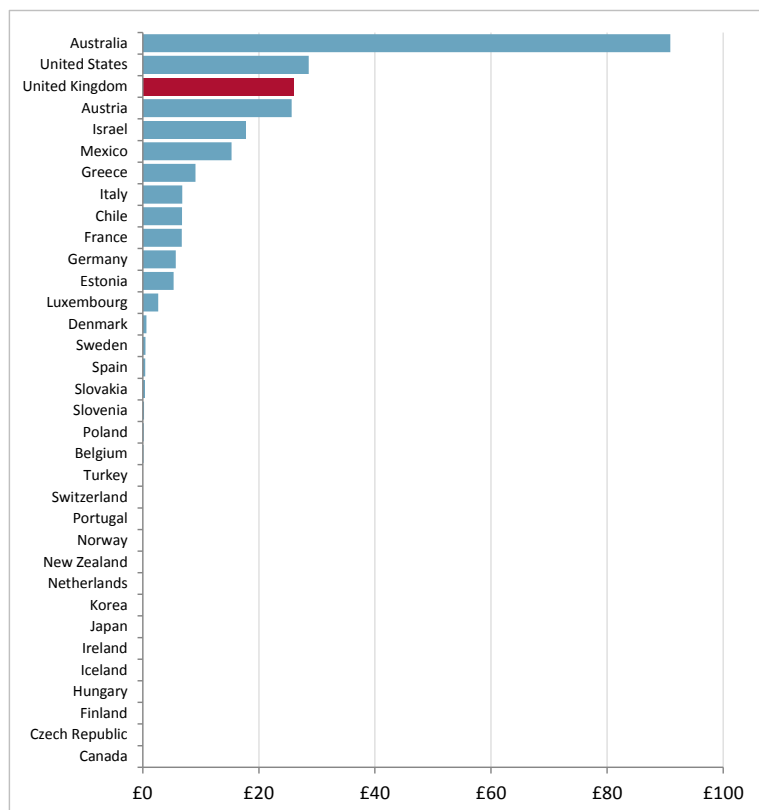
Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Figure 2.6: Air passenger taxes Band B (Economy), OECD



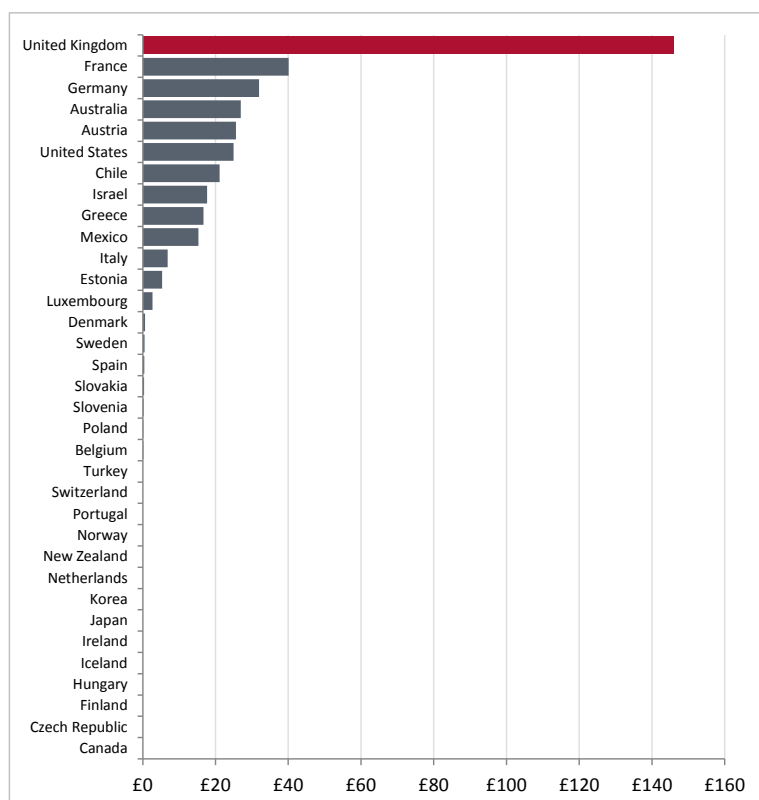
Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Figure 2.7: Air passenger taxes Band A (Premium Economy, Business, First), OECD



Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Figure 2.8: Air passenger taxes Band B (Premium Economy, Business, First), OECD



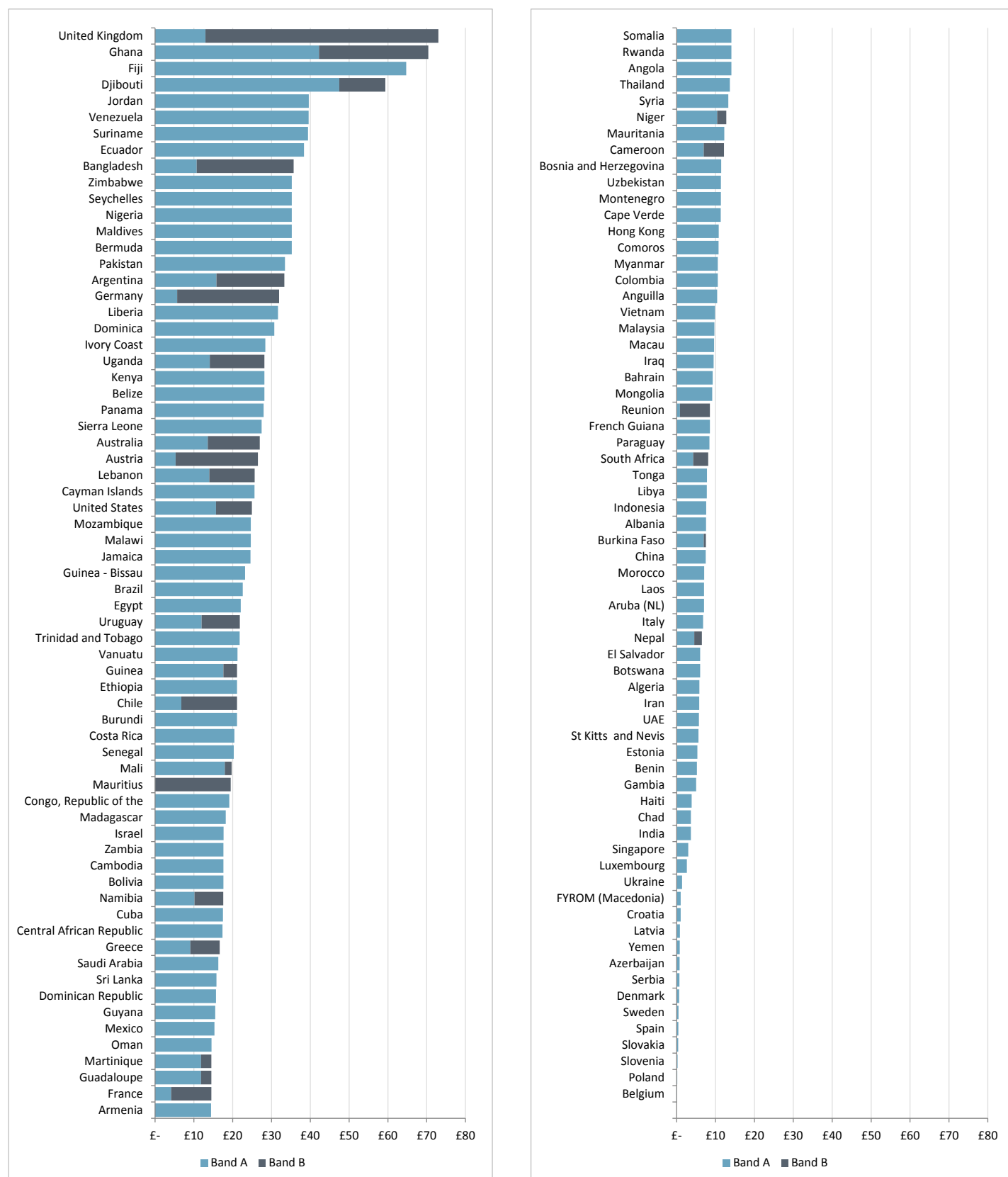
Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

World

- 2.12 Globally, the picture is more varied by Band and by class of travel.
- For Band A:
 - Economy: the UK has the 61st highest tax out of 132 countries that levy a comparable tax.
 - Higher classes: the UK has the 27th highest tax out of 134 countries that levy a comparable tax.
 - For Band B:
 - Economy: the UK has the highest tax out of 133 countries that levy a comparable tax.
 - Higher classes: the UK has the highest tax out of 134 countries that levy a comparable tax.⁷
- 2.13 A further 35 countries reviewed do not levy equivalent departing air passenger taxes.
- 2.14 Figure 2.9 and Figure 2.10 on the next pages show the rates for Band A and Band B, ranked by the higher of the applicable rates. The UK ranks at the top of these figures, alongside a number of developing countries like Ghana and Fiji, with comparatively small aviation markets. In most cases, as with APD, these aviation taxes are an instrument for governments to raise valuable revenues on what is often viewed as a luxury form of transport. However, the UK sits apart from its peers and competitors in Europe.
- 2.15 The full list of air passenger taxes by equivalent band and class of travel are provided in Appendix A.

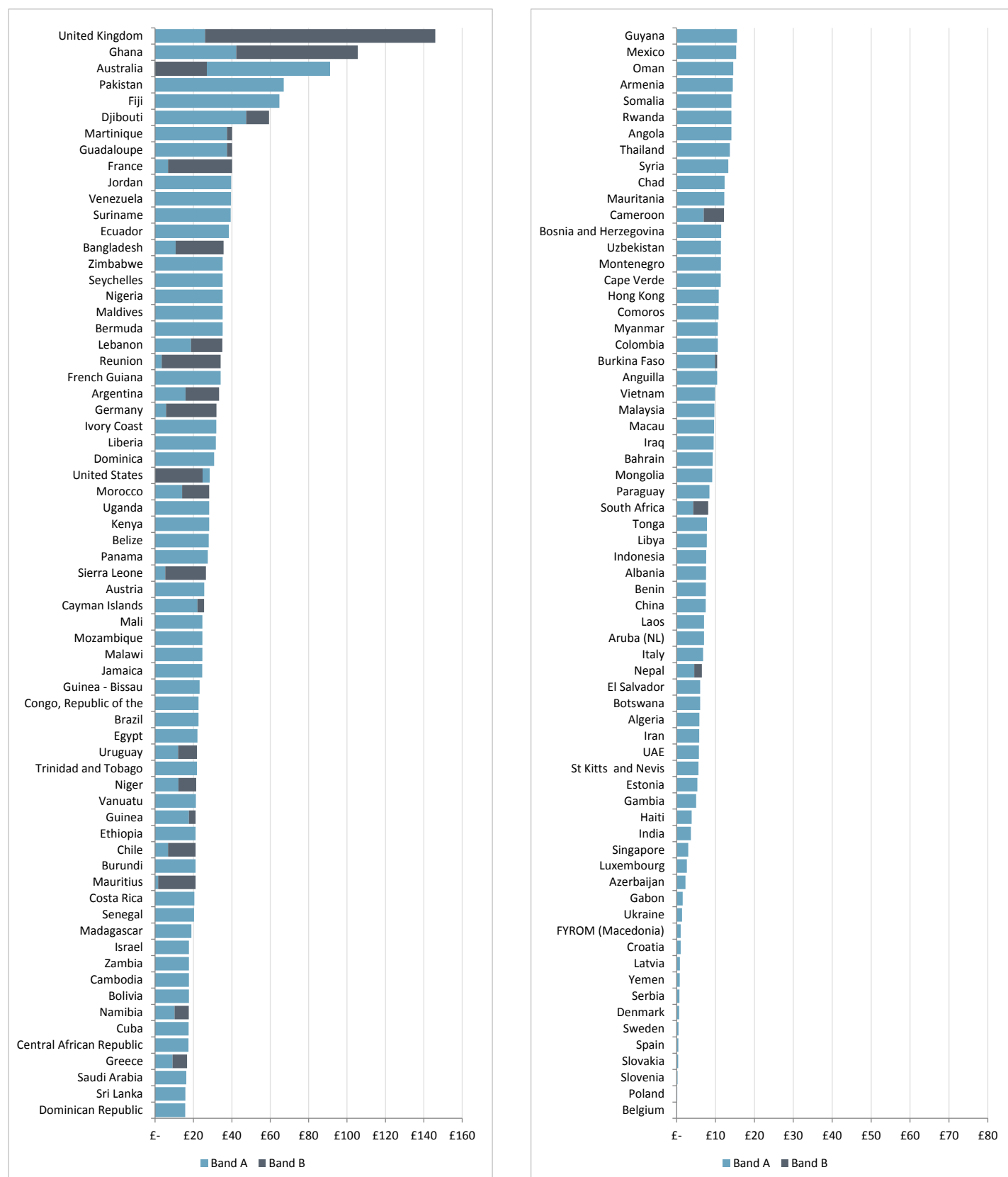
⁷ The number of countries with comparable taxes varies, as some countries only levy a tax for travel in higher classes, or more distant (Band B equivalent) destinations.

Figure 2.9: Air passenger taxes (Economy)



Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Figure 2.10: Air passenger taxes (Premium Economy, Business, First)

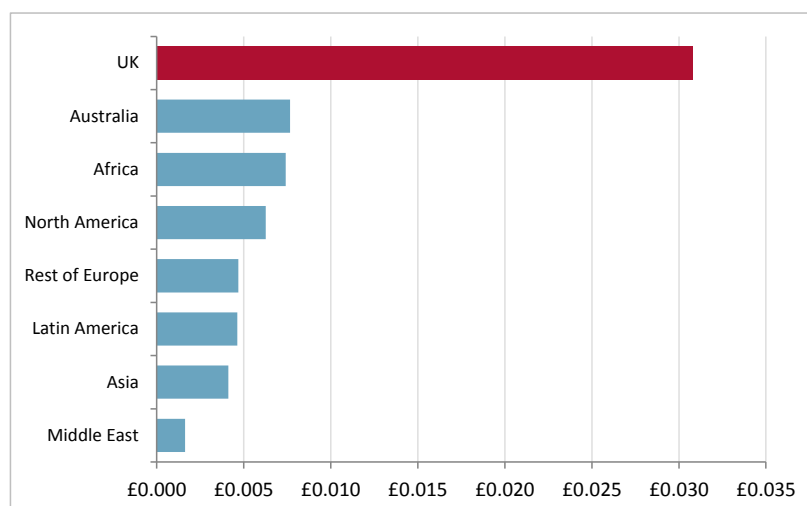


Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Air passenger taxes by distance flown

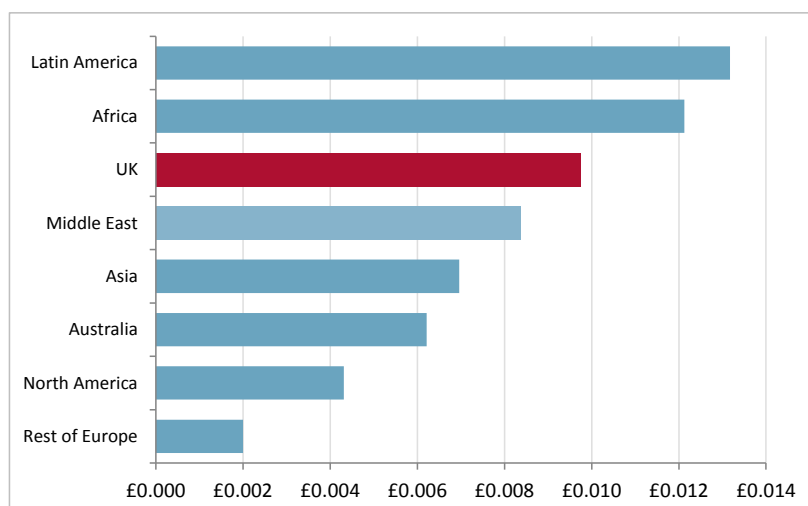
- 2.16 The analysis above does not take account of the geographical characteristics of different countries. In particular, the average length of sector flown varies significantly between different markets. It is therefore also informative to look at the level of taxation applied on a per distance flown basis (tax applied per passenger-kilometre). For example, in the UK the average domestic sector length is 420 km, and in the US it is 1,380 km. Internationally, for Band A the average sector length for the UK is 1,330 km and for the US 1,870 km.
- 2.17 The tax rates are adjusted using seats, scaled by a standard load factor of 80% as a proxy for passengers, together with the weighted average sector length for each band.
- 2.18 It is helpful to consider domestic journeys separately from international trips, since all domestic departures are subject to APD (i.e. for a return journey both the outbound and inbound departure attract APD), whereas only half as many international departures are subject to APD for the given sector length, so that the effective tax per passenger-kilometre is double the rate for equivalent international journeys. Note that, for example, in the USA the tax applicable is a percentage of the total fare (whether one-way or round-trip) so considering round-trip journeys is appropriate to get a fair comparison.
- 2.19 Figure 2.11, Figure 2.12 and Figure 2.13 below show the air passenger taxes per passenger-kilometre for Band A and Band B. Countries have been grouped into world regions.
- For Band A domestic journeys in economy, the UK ranks highest globally;
 - For Band A international journeys in economy, the UK ranks below countries in Africa and Latin America, but above other world regions; and
 - For Band B in economy, the UK again ranks highest globally.
- 2.20 In all three cases, the UK is the highest amongst EU countries and other international peers, including Australia and the United States.

Figure 2.11: Air passenger taxes per passenger-kilometre Band A (for domestic economy journeys)



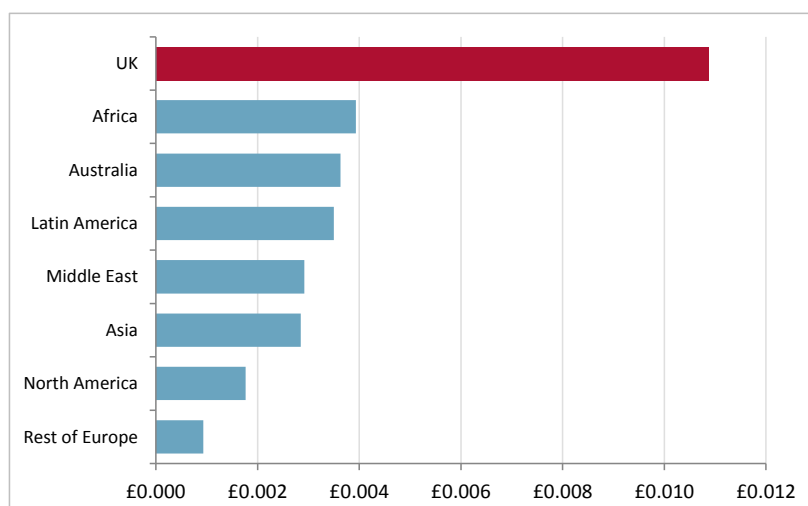
Source: IATA Airport, ATC and Fuel Charges Monitor; OAG; Steer Davies Gleave analysis

Figure 2.12: Air passenger taxes per passenger-kilometre Band A (for international economy journeys)



Source: IATA Airport, ATC and Fuel Charges Monitor; OAG; Steer Davies Gleave analysis

Figure 2.13: Air passenger taxes per passenger-kilometre Band B (economy)



Source: IATA Airport, ATC and Fuel Charges Monitor; OAG; Steer Davies Gleave analysis

Devolution of Air Passenger Duty to Scotland

- 2.21 Following devolution of APD to Scotland, the Scottish Government has announced its intention to reduce APD by 50%⁸, with the reduction beginning when a Scottish replacement to APD is introduced in April 2018. The reduction will be delivered in full by the end of the next Scottish Parliament, expected to be in 2021, with a view to abolishing it completely when resources allow.
- 2.22 The Scottish Government is currently consulting with stakeholders on the best way to apply the reduction of APD across new and existing routes. Table 2.1 shows the rates that will apply if it is decided to simply halve UK rates. These rates are indicative based on the announced 50% reduction and the UK APD rates applicable from April 2016.

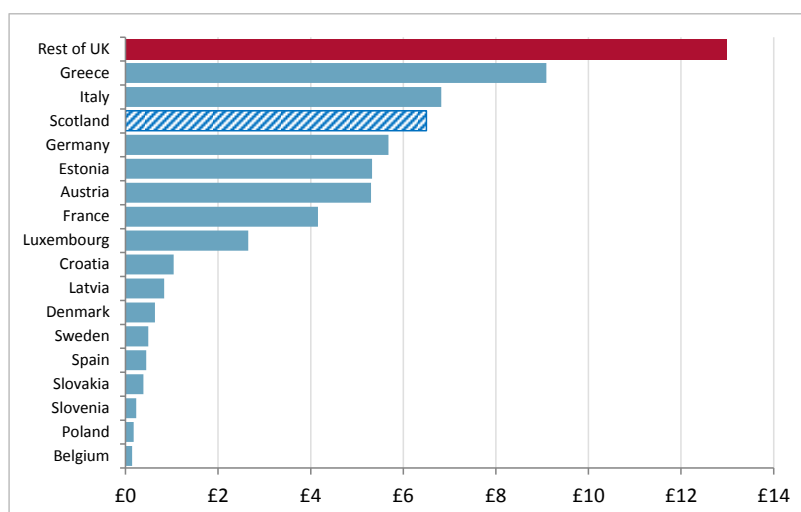
Table 2.1: Indicative APD rates in Scotland after planned reduction

Class of Travel	Band A (0-2000 miles)	Band B (over 2000 miles)
Lowest	£6.50	£36.50
Other	£13	£73

Source: The Government's Programme For Scotland 2015-16

- 2.23 Under this scenario, for Band A economy Scotland would rank fourth highest amongst EU28+2 countries, behind the rest of the UK, Greece and Italy. Scotland would rank second for Band B economy, behind England and Wales⁹, however its rate would be much more in line with the equivalent rates for Germany and Austria.

Figure 2.14: Devolution of Air Passenger Duty to Scotland – international Band A (Economy), EU28+2

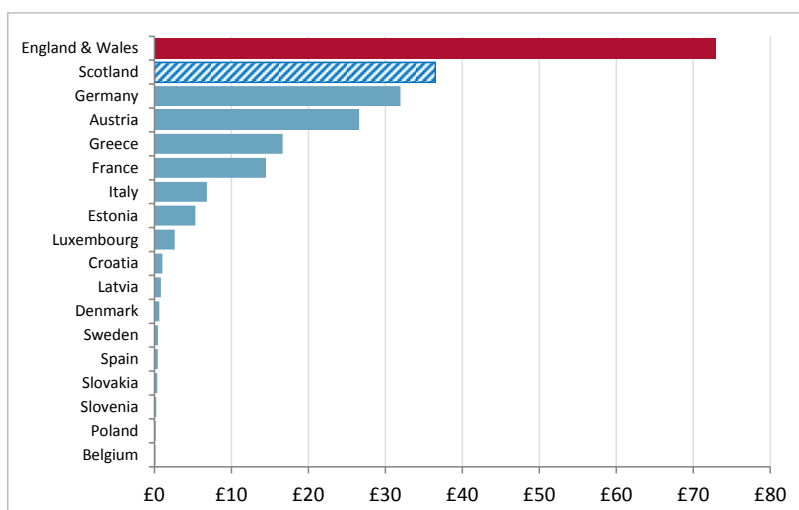


Source: IATA Airport, ATC and Fuel Charges Monitor; The Government's Programme For Scotland 2015-16; Steer Davies Gleave analysis

⁸ The Government's Programme For Scotland 2015-16

⁹ Band B does not apply to Northern Ireland

Figure 2.15: Devolution of Air Passenger Duty to Scotland – Band B (Economy), EU28+2

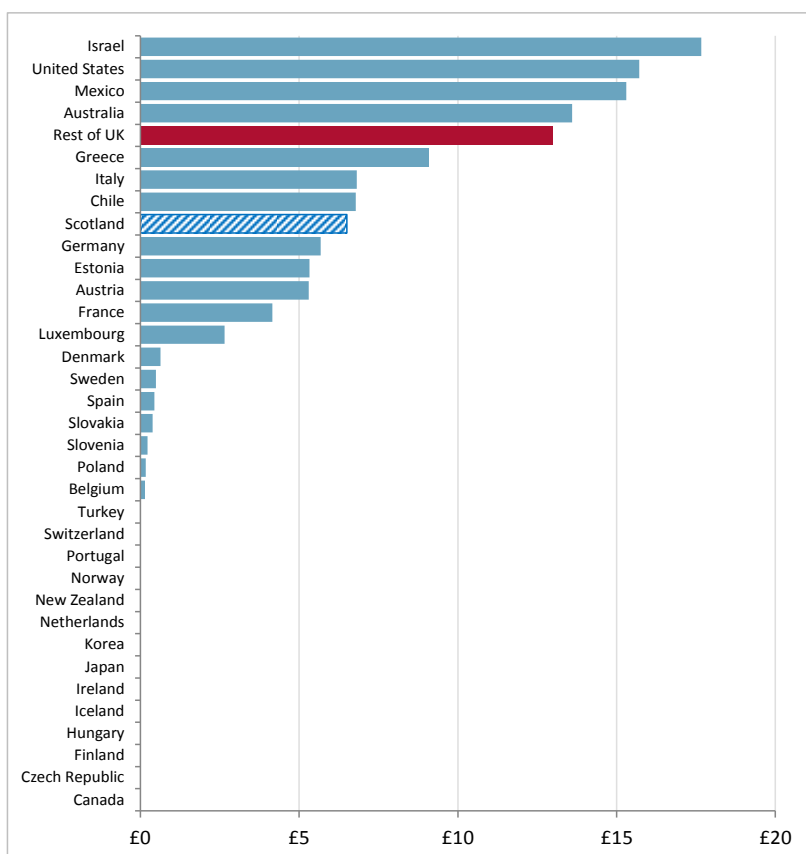


Source: IATA Airport, ATC and Fuel Charges Monitor; The Government's Programme For Scotland 2015-16; Steer Davies Gleave analysis

- 2.24 Globally, Scottish APD would rank 99th highest for Band A economy, compared to 61st for the rest of the UK. It would rank 9th highest for Band B economy, compared to 1st for England & Wales. There could be negative competitive impacts for airports in the North of England. It should be noted that such pressures were responsible for the removal of Band B from Northern Ireland (since Ireland does not have a similar tax), as well as for a similar removal of tax from the Netherlands (where Brussels provided a convenient low-tax alternative).
- 2.25 Figure 2.16 and Figure 2.17 on the next page show how Scottish APD would rank compared to OECD countries. For Band A economy Scotland would rank ninth highest amongst OECD countries, behind the rest of the UK, Greece, Italy and Chile. Scotland would rank second for Band B economy, behind England and Wales¹⁰, however its rate would be much more in line with the equivalent rates for Germany, Australia and Austria

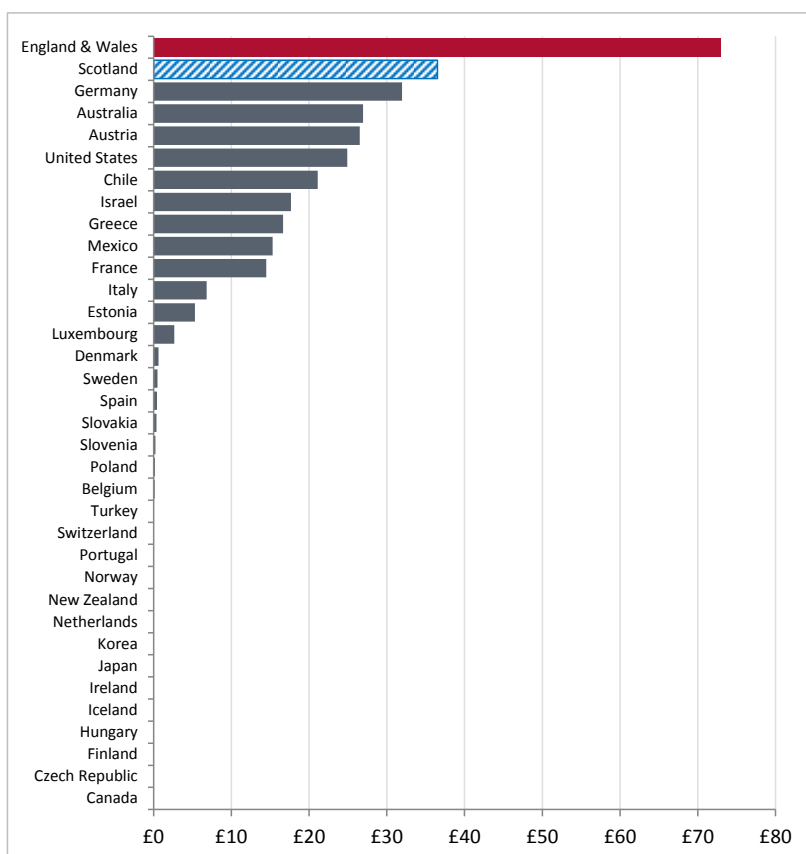
¹⁰ Band B does not apply to Northern Ireland

Figure 2.16: Devolution of Air Passenger Duty to Scotland – Band A (Economy), OECD



Source: IATA Airport, ATC and Fuel Charges Monitor; The Government's Programme For Scotland 2015-16; Steer Davies Gleave analysis

Figure 2.17: Devolution of Air Passenger Duty to Scotland – Band B (Economy), OECD



Source: IATA Airport, ATC and Fuel Charges Monitor; The Government's Programme For Scotland 2015-16; Steer Davies Gleave analysis

Case studies

2.26 This section provides more detail on the aviation taxes levied on departing or arriving passengers for the four largest European aviation markets (France, Germany, Italy and Spain) and the United States, the largest aviation market globally.

2.27 The tables for each country below summarise:

- The structure of the taxes;
- The applicable rates;
- Any planned rate increases or decreases;
- Exemptions;
- Revenues raised by the taxes; and
- The size of the market impacted by the aviation tax.

France

Table 2.2: France – air passenger taxes

Aviation taxes	Description
Structure of the taxes	<p>Air transport in France is subject to four taxes; Civil Aviation Tax, Solidarity Tax, Airport Tax and Noise Pollution Tax. Both 'Airport Taxes' and 'Noise Pollution Tax' are collected to deliver financial assistance to the airport concerned and thus have not been considered for this study.</p> <p>The 'Civil Aviation Tax' and the 'Solidarity Tax' are levied on all public air transportation companies, regardless of nationality, where passengers and freight (or mail) embark in France*.</p> <p>For both taxes, the amount payable is dependent on the passenger's destination, whilst a distinction for class of travel is also made for the solidarity tax.</p> <p><i>*France includes: Metropolitan France; French Overseas Departments and French Overseas Territories (St Bartholomew and St Martin)</i></p>
Applicable rates	<p>Civil Aviation Tax:</p> <p>Destinations within France, EU, EEA and Switzerland - €4.40</p> <p>Other Destinations - €7.92</p> <p>Tonne of Freight (inc mail) to any destination - €1.31</p> <p>Solidarity Tax:</p> <p>First/Business Class - Destinations within France, EU, EEA and Switzerland - €11,27</p> <p>Other Classes - Destinations within France, EU, EEA and Switzerland - €1,13</p> <p>First Business Class - Other Destinations - €45,07</p> <p>Other Classes – Other Destinations - €4,51</p>
Planned increases or decreases	<p>Civil Aviation Tax is revalued on April 1st each year based on CPI.</p> <p>On April 1st 2015 the taxes were raised by 1% rounded down to the nearest cent.</p> <p>Civil Aviation Tax on connecting passengers was abolished on January 1st 2016.</p> <p>From 1st April 2016 the Civil Aviation tax rates will be:</p> <p>Destinations within France, EU, EEA and Switzerland - €4.44</p> <p>Other Destinations - €8.00</p> <p>Tonne of Freight (inc mail) to any destination - €1.32</p>

Aviation taxes	Description
Exemptions	Civil Aviation Tax: Onboard Staff – Crew, Security Officers, Staff accompanying Freight Children under two years of age Passengers (and freight) in direct transit Connecting Passengers (<24hrs between scheduled flights) Solidarity Tax: Connecting Passengers (<24hrs between scheduled flights)
Total amount raised by these taxes annually, and cumulatively since they were introduced	Civil Aviation Tax - €400m per year (2014), no cumulative information available Solidarity Tax - €185m per year (2012), approximately €1,400m since its inception
Size of the passenger market that these taxes impact (2014)	Domestic and EU: 57.3m Other: 24.6m Total: 81.8m *Figures include all passengers departing France. No allowance has been made for connecting passengers and no break down by travel class is available.

Source: Steer Davies Gleave research, Eurostat

Germany

Table 2.3: Germany – air passenger taxes

Aviation taxes	Description
Structure of the taxes	Germany implemented its 'Air Transport Tax' in 2011 as a tax for passengers starting their journeys from German airports. There are three rates for short, medium and long-haul flights. No distinction is made for class of travel. The zones have been detailed below: Distance Class 1: EU members and candidates, EFTA members, Turkey, Russia, Morocco, Tunisia and Algeria Distance Class 2: Other North and Mid-African Countries, Middle East, Central Asia Distance Class 3: All other countries
Applicable rates	Distance Class 1: €7.50 (+VAT for purely domestic itineraries) Distance Class 2: €23.43 Distance Class 3: €42.18
Planned increases or decreases	The tax rate is tied to, and limited by, the costs of EU emissions trading, which has led to a slight decrease in rates since their inception
Exemptions	Recreational and Private Pilots On-duty air crew Children under two years of age (if not occupying a seat) Sovereign, military and medical flights Passengers whose residence is on a domestic island without a mainland connection Connecting Passengers (Tax applies to passengers starting their journey in Germany only)
Total amount raised by these taxes annually, and cumulatively since they were introduced	2014: €990m 2015: €1,023m Cumulatively: €4,869m (2011-2015)

Aviation taxes	Description
Size of the passenger market that these taxes impact (2014)	Distance Class 1: 65.8m (83.4%)
	Distance Class 2: 3.2m (4.1%)
	Distance Class 3: 9.8m (12.5%)
	Total: 78.8m

Source: Steer Davies Gleave research, Eurostat, German Federal Ministry of Finance

Italy

Table 2.4: Italy – air passenger taxes

Aviation taxes	Description
Structure of the taxes	The 'Municipal Boarding Fee' is levied on passengers starting their journey from airports in Italy. There are two rates; one for passengers departing from airports in Rome and one for all other airports.
Applicable rates	Departing Rome (FCO and CIA) - €10.00 Departing all other airports - €9.00
Planned increases or decreases	A surcharge of €2.50 was added on the 1 st January 2016 to bring the fee to its current rate. A €0.08 reduction is planned for 2017 and again for 2018 to account for passenger growth.
Exemptions	Passengers in Transit
Total amount raised by these taxes annually, and cumulatively since they were introduced	2015: €668m (2015) Cumulatively: €3,258m approximately (since 2004)
Size of the passenger market that these taxes impact (2015)	Rome (FCO/CIA): 21.5m Other Airports: 50.3m Total: 71.8m

Source: Steer Davies Gleave research, Eurostat

Spain

Table 2.5: Spain – air passenger taxes

Aviation taxes	Description
Structure of the taxes	A Government tax is levied on all passengers boarding at an airport in Spain to cover aviation safety activities carried out by AESA (State Agency of Air Safety).
Applicable rates	€0.59 per departing passenger
Planned increases or decreases	No information available
Exemptions	None
Total amount raised by these taxes annually, and cumulatively since they were introduced	2014: €57.5m (estimated) Cumulatively: No information available
Size of the passenger market that these taxes impact (2014)	Total: 97m

Source: Steer Davies Gleave research, Eurostat

United States

Table 2.6: United States – air passenger taxes

Aviation taxes	Description
Structure of the taxes	<p>There are three tax formulations for taxes levied in the USA:</p> <ol style="list-style-type: none"> 1. A Domestic itinerary (excluding those with segments between Alaska/Hawaii and the Contiguous USA (lower 48 states)) are subject to a Transportation tax of 7.5% of the base fare in addition to a fee per segment taken. This includes to destinations within 225 miles of the US Border in Canada and Mexico and flights wholly within Alaska and Hawaii. 2. Domestic itineraries including segments between Alaska and Hawaii the Contiguous USA incur a charge of \$8.90 per segment (each way) in addition to a 7.5% tax charged on the base fare prorated for distance travelled over US territory (see below). $\text{Prorated Base Fare} = \text{Base Fare} \times \frac{\text{Distance flown over US Territory}}{\text{Total Distance flown}}$ <p>A fee per segment is also levied in line with normal domestic itineraries.</p> 3. International itineraries (excluding the buffer zone) attract a fee per passenger when arriving and departing in addition to the charges above if connecting to another destination within the USA
Applicable rates	<p>Domestic (excluding segments between the Contiguous USA and Alaska/Hawaii)*:</p> <p>Domestic Transportation Tax – 7.5% of base fare Flight Segment Fee - \$4.00</p> <p>Domestic (Segments between the Contiguous USA and Alaska/Hawaii):</p> <p>Travel Facilities Tax - \$8.90 per segment Domestic Transportation Tax - 7.5% of prorated base fare Flight Segment Fee - \$4.00 per segment</p> <p>International:</p> <p>International Transportation Tax - \$17.70 per passenger arriving and departing</p> <p>*Domestic includes journeys to within 225 miles of the US Border in Canada/Mexico</p>
Planned increases or decreases	<p>The Domestic Transportation Tax has remained unchanged at 7.5% since 1999. All other taxes are increased annually in line with CPI and rounded down to the nearest 10¢.</p>
Exemptions	<p>Domestic segments of an international itinerary are exempt from the domestic taxes and fees.</p>
Total amount raised by these taxes annually, and cumulatively since they were introduced	<p>2015: taxes levied on domestic flights accrued \$9.8bn, whilst international taxes accounted for a further \$3.3bn</p> <p>Cumulatively: No information available</p>
Size of the passenger market that these taxes impact (2014)	<p>Domestic: 581m International: 188m Total: 769m</p>

Source: Steer Davies Gleave research, U.S. Department of Transportation

Notes on methodology

- 2.28 The primary source of data for the comparative analysis of UK APD provided in this chapter has been the IATA Airport, ATC and Fuel Charges Monitor. This publication is the most globally comprehensive repository of relevant aviation tax information.
- 2.29 It is not always straightforward to identify whether departing passenger charges that are levied across the world are taxes that are received by governments and which may or may not be hypothecated, or airport charges that are received by operators or service providers. This is particularly the case where airports are state-owned.
- 2.30 As noted above, in order to compare the UK's Air Passenger Duty with equivalent departing passenger taxes in other countries in a fair and reasonable manner, our approach has assumed that those fees which are received by governments or their agencies are taxes, whereas all other departing passenger charges, in particular those used to fund airport operations, are not. We have adopted this broad definition of comparable taxes, in order to not unduly limit the pool of countries with which UK APD is compared. The taxes considered are:
- Charges and fees identified as taxes levied by governments (e.g. Germany's "Air Transport Tax");
 - Value Added Tax (VAT) on tickets. The value of these rate-based taxes has been estimated based on average fare information, where available, or fares for a typical itinerary; and
 - Passenger charges applied by airports which are state-owned entities and where the same charges are applicable for all state-owned airports in a country, irrespective of size or the level of service provided (e.g. Greece's "Airport Development Fund" and Estonia's passenger charges collected by the State).
- 2.31 Unlike the UK CAA, which is funded directly by those it regulates, rather than by the UK government, some countries levy taxes on departing passengers to fund their national supervisory authorities (e.g. Spain). These have also been included in our analysis where available.
- 2.32 The data collected from the IATA Airport, ATC and Fuel Charges Monitor has been supported by desktop research which was used to independently crosscheck the IATA Monitor data for twenty countries, and also supplement our understanding for how more complex aviation taxes are applied.
- 2.33 Our desktop research has relied on several sources, including:
- UK HMRC;
 - Other governments' and tax authorities' websites;
 - Eurostat;
 - European Commission publications on transport taxes; and
 - Consumer guidance published by airlines on fees and taxes levied on the tickets they issue.
- 2.34 Exchange rates were sourced from XE.com in February 2016.
- 2.35 The analysis presented on air passenger taxes per seat-kilometre uses data airline schedules data for 2015 from OAG. The aim of the analysis is to "normalise" the aviation taxes across countries by taking into account the size of the passenger market which they impact, and the typical extent and range of flying. Available seats, scaled by a standard load factor of 80%, are used as proxy for passengers. The sector length is the weighted average distance flown

calculated for domestic (Band A), international destinations closer than 2,000 miles (Band A), and international destinations further than 2,000 miles (Band B). The banding used follows the same rule as that used for APD and is based on the distance between capital cities.

3 Air Passenger Duty vs other UK transport taxes

Value Added Tax

- 3.1 Value Added Tax (VAT) is not charged on either domestic or international air travel in the UK (in legal terms, it is zero-rated, rather than exempted). The complaint is sometimes made that this means that aviation is thereby given an unfair advantage in terms of the tax regime. This section reviews the VAT regime in the context of taxes on other modes of transport as well as in relation to the position in other countries.
- 3.2 Value Added Tax is governed by a common approach for taxation of goods and services across the EU. The sixth VAT Directive (77/388/EEC), adopted in 1977, together with subsequent amendments, provides the underpinning EU legislation. This stipulates a common tax base, i.e. which goods and services are liable for VAT, as well as rules for the level of the standard rate of VAT, which must be at least 15%. Certain goods and services are allowed to be charged at a reduced rate, the minimum value of which is 5%. In addition, countries are permitted to retain exemptions and zero-rating of certain types of products which were in place at the adoption of the Directive. Subsequent Directives have maintained these principles, with the list of goods and services allowed to be charged at the reduced rate now incorporated within Annex III of Directive (2006/112/EC)¹¹.
- 3.3 Consistent with this underlying legislation, the following apply:
- International passenger transport (including intra-EU) is exempt from VAT under provisional measures in the 1977 Directive, extended to new Member States in the 2006 Directive, which remain in force;
 - Domestic passenger transport is included within the Annex III list in the 2006 Directive allowing it to be charged at the reduced rate of VAT; and
 - In the UK, all passenger transport, whether domestic or international, is zero-rated (under the provision allowing pre-existing zero rates to be retained).
- 3.4 While international air transport is not subject to VAT in any EU country, the rates charged for domestic transport vary between different Member States. The European Commission overview of VAT rates applied in Member States from September 2015¹² noted that, with

¹¹ House of Commons Briefing Paper no. 2683: *VAT: European law on VAT rates*, November 2015

¹²

http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf

respect to domestic passenger transport, eight Member States apply the standard rate to all domestic passenger transport services (Bulgaria, Croatia, Estonia, Greece, Hungary, Lithuania, Romania, and Slovakia). In eleven Member States, (primarily) reduced rates are applied (Austria, Belgium, Finland, France, Italy, Latvia, Poland, Portugal, Slovenia, Spain, and Sweden). Luxembourg is the only Member State that taxes all domestic passenger transport at a super-reduced rate of 3%. Denmark and Ireland exempt most domestic passenger transport services, and in the UK all domestic passenger transport services are zero-rated. The remaining five Member States use different criteria to distinguish between various types of domestic services, which are also subject to different VAT rates.

3.5 The key points to note from this are that:

- There is a clear recognition at an EU level that passenger transport is distinct from other goods and services insofar as the applicability of VAT is concerned, consistent with an interpretation that transport is not simply consumption, but also serves wider purposes linking communities and economic units together;
- In several Member States, domestic passenger transport (including aviation) is subject to reduced rates of VAT; and
- In the UK, all public passenger transport, including air, rail, ferry and bus services, are zero-rated for VAT, so that air is not treated differently from any other mode.

Public transport fuel taxes

3.6 Passenger airlines operating in the UK, as in other countries, pay no fuel duty on aviation fuel on international flights in accordance with the Chicago convention, which states (Article 24):

- “Aircraft flying to, from or across, the territory of a state shall be admitted temporarily free of duty. Fuel, Oil, spare parts, regular equipment and aircraft stores retained on board are also exempt custom duty, inspection fees or similar charges.”

3.7 EU legislation, which exempts aviation fuel and other services to support international air operation, is consistent with this convention. In the UK this exemption also extends to domestic air operations.

3.8 In a UK context, the treatment of aviation is not exceptional in relation to other public transport modes:

- Ferries are similarly exempt from paying tax on fuel;
- Trains in the UK are powered either by electricity or by gas oil, also known as rail diesel. Train operating companies pay no duty on electricity usage and pay a reduced rate of duty (c.80% less)¹³ on gas oil.
- Bus and coach operators do pay fuel duty. However, most bus operators get a proportion (c.60%)¹⁴ of the fuel duty refunded through the Bus Service Operators Grant (BSOG) in England and Scotland, or the Regional Transport Services Grant in Wales. To qualify for the grant a bus service must be a local bus service.

¹³ <https://www.gov.uk/government/publications/webtag-tag-data-book-december-2015>

¹⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/326156/bsog-rates-april2014.pdf

Summary

- 3.9 EU legislation recognises that passenger transport is a special case in relation to VAT, with reduced or zero levels of VAT charged on passenger transport, including aviation, in many EU countries.
- 3.10 In the UK, no public passenger transport is subject to VAT on ticket sales.
- 3.11 In accordance with the Chicago convention (Article 24), passenger airlines operating in the UK pay no fuel duty on aviation fuel on international flights. Most public transport services on other modes also pay little or no duty on the fuel used.

A Appendix

Global ranking of aviation taxes

Table A.1: Band A Economy, global ranking

Band A Economy					
Rank	Country	Rate	Rank	Country	Rate
1	Fiji	£64.72	68	Montenegro	£11.36
2	Djibouti	£47.48	69	Cape Verde	£11.35
3	Ghana	£42.25	70	Hong Kong	£10.82
4	Jordan	£39.60	71	Comoros	£10.78
5	Venezuela	£39.56	72	Bangladesh	£10.71
6	Suriname	£39.39	73	Myanmar	£10.56
7	Ecuador	£38.39	74	Colombia	£10.56
8	Zimbabwe	£35.21	75	Niger	£10.43
9	Seychelles	£35.21	76	Anguilla	£10.42
10	Nigeria	£35.21	77	Namibia	£10.17
11	Maldives	£35.21	78	Vietnam	£9.86
12	Bermuda	£35.21	79	Malaysia	£9.72
13	Pakistan	£33.49	80	Macau	£9.63
14	Liberia	£31.69	81	Iraq	£9.52
15	Dominica	£30.73	82	Bahrain	£9.26
16	Ivory Coast	£28.40	83	Mongolia	£9.15
17	Kenya	£28.17	84	Greece	£9.09
18	Belize	£28.17	85	French Guiana	£8.54
19	Panama	£27.97	86	Paraguay	£8.45
20	Sierra Leone	£27.46	87	Tonga	£7.81
21	Cayman Islands	£25.64	88	Libya	£7.77
22	Mozambique	£24.65	89	Indonesia	£7.61
23	Malawi	£24.65	90	Albania	£7.58
24	Jamaica	£24.57	91	China	£7.48
25	Guinea - Bissau	£23.18	92	Morocco	£7.07
26	Brazil	£22.60	93	Laos	£7.04
27	Egypt	£22.09	94	Aruba (NL)	£7.04
28	Trinidad and Tobago	£21.79	95	Cameroon	£6.95
29	Vanuatu	£21.25	96	Burkina Faso	£6.95
30	Ethiopia	£21.13	97	Italy	£6.82
31	Burundi	£21.13	98	Chile	£6.79
32	Costa Rica	£20.42	99	El Salvador	£6.06
33	Senegal	£20.28	100	Botswana	£6.05
34	Congo, Republic of the	£19.13	101	Algeria	£5.87
35	Madagascar	£18.20	102	Iran	£5.82
36	Mali	£17.97	103	UAE	£5.74
37	Israel	£17.67	104	Germany	£5.68
38	Zambia	£17.61	105	St Kitts and Nevis	£5.63
39	Guinea	£17.61	106	Estonia	£5.33
40	Cambodia	£17.61	107	Austria	£5.30
41	Bolivia	£17.61	108	Benin	£5.22
42	Cuba	£17.48	109	Gambia	£5.00
43	Central African Republic	£17.39	110	Nepal	£4.53
44	Saudi Arabia	£16.29	111	South Africa	£4.27
45	Argentina	£15.83	112	France	£4.16
46	Sri Lanka	£15.80	113	Haiti	£3.87
47	United States	£15.71	114	Chad	£3.66
48	Dominican Republic	£15.70	115	India	£3.65
49	Guyana	£15.49	116	Singapore	£2.99
50	Mexico	£15.30	117	Luxembourg	£2.65
51	Oman	£14.55	118	Ukraine	£1.41
52	Armenia	£14.42	119	FYROM (Macedonia)	£1.04
53	Uganda	£14.08	120	Croatia	£1.04
54	Somalia	£14.08	121	Reunion	£0.86
55	Rwanda	£14.08	122	Latvia	£0.83
56	Angola	£14.08	123	Yemen	£0.80
57	Lebanon	£14.00	124	Azerbaijan	£0.76
58	Thailand	£13.69	125	Serbia	£0.74
59	Australia	£13.60	126	Denmark	£0.64
60	Syria	£13.30	127	Sweden	£0.49
61	United Kingdom	£13.00	128	Spain	£0.45
62	Mauritania	£12.26	129	Slovakia	£0.39
63	Uruguay	£11.97	130	Slovenia	£0.23
64	Martinique	£11.84	131	Poland	£0.17
65	Guadeloupe	£11.84	132	Belgium	£0.14
66	Bosnia and Herzegovina	£11.47			
67	Uzbekistan	£11.36			

Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Table A.2: Band A higher classes, global ranking

Band A Premium Economy, Business, First					
Rank	Country	Rate	Rank	Country	Rate
1	Australia	£90.87	68	Niger	£12.17
2	Pakistan	£66.98	69	Uruguay	£11.97
3	Fiji	£64.72	70	Bosnia and Herzegovina	£11.47
4	Djibouti	£47.48	71	Uzbekistan	£11.36
5	Ghana	£42.25	72	Montenegro	£11.36
6	Jordan	£39.60	73	Cape Verde	£11.35
7	Venezuela	£39.56	74	Hong Kong	£10.82
8	Suriname	£39.39	75	Comoros	£10.78
9	Ecuador	£38.39	76	Bangladesh	£10.71
10	Martinique	£37.45	77	Myanmar	£10.56
11	Guadeloupe	£37.45	78	Colombia	£10.56
12	Zimbabwe	£35.21	79	Anguilla	£10.42
13	Seychelles	£35.21	80	Namibia	£10.17
14	Nigeria	£35.21	81	Vietnam	£9.86
15	Maldives	£35.21	82	Burkina Faso	£9.85
16	Bermuda	£35.21	83	Malaysia	£9.72
17	French Guiana	£34.14	84	Macao	£9.63
18	Ivory Coast	£31.88	85	Iraq	£9.52
19	Liberia	£31.69	86	Bahrain	£9.26
20	Dominica	£30.73	87	Mongolia	£9.15
21	United States	£28.61	88	Greece	£9.09
22	Morocco	£28.29	89	Paraguay	£8.45
23	Kenya	£28.17	90	Tonga	£7.81
24	Belize	£28.17	91	Libya	£7.77
25	Panama	£27.97	92	Indonesia	£7.61
26	Sierra Leone	£27.46	93	Albania	£7.58
27	United Kingdom	£26.00	94	Benin	£7.53
28	Cayman Islands	£25.64	95	China	£7.48
29	Mozambique	£24.65	96	Laos	£7.04
30	Malawi	£24.65	97	Aruba (NL)	£7.04
31	Jamaica	£24.57	98	Cameroon	£6.95
32	Guinea - Bissau	£23.18	99	Italy	£6.82
33	Congo, Republic of the	£22.60	100	Chile	£6.79
34	Brazil	£22.60	101	France	£6.72
35	Egypt	£22.09	102	El Salvador	£6.06
36	Mali	£22.02	103	Botswana	£6.05
37	Trinidad and Tobago	£21.79	104	Algeria	£5.87
38	Vanuatu	£21.25	105	Iran	£5.82
39	Ethiopia	£21.13	106	UAE	£5.74
40	Burundi	£21.13	107	Germany	£5.68
41	Costa Rica	£20.42	108	St Kitts and Nevis	£5.63
42	Senegal	£20.28	109	Estonia	£5.33
43	Madagascar	£18.95	110	Austria	£5.30
44	Lebanon	£18.67	111	Gambia	£5.00
45	Israel	£17.67	112	Nepal	£4.53
46	Zambia	£17.61	113	South Africa	£4.27
47	Guinea	£17.61	114	Haiti	£3.87
48	Cambodia	£17.61	115	India	£3.65
49	Bolivia	£17.61	116	Reunion	£3.42
50	Cuba	£17.48	117	Singapore	£2.99
51	Central African Republic	£17.39	118	Luxembourg	£2.65
52	Saudi Arabia	£16.29	119	Azerbaijan	£2.27
53	Argentina	£15.83	120	Gabon	£1.56
54	Sri Lanka	£15.80	121	Mauritius	£1.56
55	Dominican Republic	£15.70	122	Ukraine	£1.41
56	Guyana	£15.49	123	FYROM (Macedonia)	£1.04
57	Mexico	£15.30	124	Croatia	£1.04
58	Oman	£14.55	125	Latvia	£0.83
59	Armenia	£14.42	126	Yemen	£0.80
60	Uganda	£14.08	127	Serbia	£0.74
61	Somalia	£14.08	128	Denmark	£0.64
62	Rwanda	£14.08	129	Sweden	£0.49
63	Angola	£14.08	130	Spain	£0.45
64	Thailand	£13.69	131	Slovakia	£0.39
65	Syria	£13.30	132	Slovenia	£0.23
66	Chad	£12.35	133	Poland	£0.17
67	Mauritania	£12.26	134	Belgium	£0.14

Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Table A.3: Band B Economy, global ranking

Band B Economy					
Rank	Country	Rate	Rank	Country	Rate
1	United Kingdom	£73.00	68	Somalia	£14.08
2	Ghana	£70.42	69	Rwanda	£14.08
3	Fiji	£64.72	70	Angola	£14.08
4	Djibouti	£59.35	71	Thailand	£13.69
5	Jordan	£39.60	72	Syria	£13.30
6	Venezuela	£39.56	73	Niger	£12.75
7	Suriname	£39.39	74	Mauritania	£12.26
8	Ecuador	£38.39	75	Cameroon	£12.17
9	Bangladesh	£35.69	76	Bosnia and Herzegovina	£11.47
10	Zimbabwe	£35.21	77	Uzbekistan	£11.36
11	Seychelles	£35.21	78	Montenegro	£11.36
12	Nigeria	£35.21	79	Cape Verde	£11.35
13	Maldives	£35.21	80	Hong Kong	£10.82
14	Bermuda	£35.21	81	Comoros	£10.78
15	Pakistan	£33.49	82	Myanmar	£10.56
16	Argentina	£33.32	83	Colombia	£10.56
17	Germany	£31.95	84	Anguilla	£10.42
18	Liberia	£31.69	85	Vietnam	£9.86
19	Dominica	£30.73	86	Malaysia	£9.72
20	Ivory Coast	£28.40	87	Macao	£9.63
21	Uganda	£28.17	88	Iraq	£9.52
22	Kenya	£28.17	89	Bahrain	£9.26
23	Belize	£28.17	90	Mongolia	£9.15
24	Panama	£27.97	91	Reunion	£8.54
25	Sierra Leone	£27.46	92	French Guiana	£8.54
26	Australia	£26.96	93	Paraguay	£8.45
27	Austria	£26.52	94	South Africa	£8.11
28	Lebanon	£25.67	95	Tonga	£7.81
29	Cayman Islands	£25.64	96	Libya	£7.77
30	United States	£24.93	97	Indonesia	£7.61
31	Mozambique	£24.65	98	Albania	£7.58
32	Malawi	£24.65	99	Burkina Faso	£7.53
33	Jamaica	£24.57	100	China	£7.48
34	Guinea - Bissau	£23.18	101	Morocco	£7.07
35	Brazil	£22.60	102	Laos	£7.04
36	Egypt	£22.09	103	Aruba (NL)	£7.04
37	Uruguay	£21.83	104	Italy	£6.82
38	Trinidad and Tobago	£21.79	105	Nepal	£6.48
39	Vanuatu	£21.25	106	El Salvador	£6.06
40	Guinea	£21.13	107	Botswana	£6.05
41	Ethiopia	£21.13	108	Algeria	£5.87
42	Chile	£21.13	109	Iran	£5.82
43	Burundi	£21.13	110	UAE	£5.74
44	Costa Rica	£20.42	111	St Kitts and Nevis	£5.63
45	Senegal	£20.28	112	Estonia	£5.33
46	Mali	£19.71	113	Benin	£5.22
47	Mauritius	£19.50	114	Gambia	£5.00
48	Congo, Republic of the	£19.13	115	Haiti	£3.87
49	Madagascar	£18.20	116	Chad	£3.66
50	Israel	£17.67	117	India	£3.65
51	Zambia	£17.61	118	Singapore	£2.99
52	Cambodia	£17.61	119	Luxembourg	£2.65
53	Bolivia	£17.61	120	Ukraine	£1.41
54	Namibia	£17.56	121	FYROM (Macedonia)	£1.04
55	Cuba	£17.48	122	Croatia	£1.04
56	Central African Republic	£17.39	123	Latvia	£0.83
57	Greece	£16.67	124	Yemen	£0.80
58	Saudi Arabia	£16.29	125	Azerbaijan	£0.76
59	Sri Lanka	£15.80	126	Serbia	£0.74
60	Dominican Republic	£15.70	127	Denmark	£0.64
61	Guyana	£15.49	128	Sweden	£0.49
62	Mexico	£15.30	129	Spain	£0.45
63	Oman	£14.55	130	Slovakia	£0.39
64	Martinique	£14.48	131	Slovenia	£0.23
65	Guadeloupe	£14.48	132	Poland	£0.17
66	France	£14.48	133	Belgium	£0.14
67	Armenia	£14.42			

Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

Table A.4: Band B higher classes, global ranking

Band B Premium Economy, Business, First					
Rank	Country	Rate	Rank	Country	Rate
1	United Kingdom	£146.00	68	Guyana	£15.49
2	Ghana	£105.63	69	Mexico	£15.30
3	Pakistan	£66.98	70	Oman	£14.55
4	Fiji	£64.72	71	Armenia	£14.42
5	Djibouti	£59.35	72	Somalia	£14.08
6	Martinique	£40.09	73	Rwanda	£14.08
7	Guadeloupe	£40.09	74	Angola	£14.08
8	France	£40.09	75	Thailand	£13.69
9	Jordan	£39.60	76	Syria	£13.30
10	Venezuela	£39.56	77	Chad	£12.35
11	Suriname	£39.39	78	Mauritania	£12.26
12	Ecuador	£38.39	79	Cameroon	£12.17
13	Bangladesh	£35.69	80	Bosnia and Herzegovina	£11.47
14	Zimbabwe	£35.21	81	Uzbekistan	£11.36
15	Seychelles	£35.21	82	Montenegro	£11.36
16	Nigeria	£35.21	83	Cape Verde	£11.35
17	Maldives	£35.21	84	Hong Kong	£10.82
18	Bermuda	£35.21	85	Comoros	£10.78
19	Lebanon	£35.00	86	Myanmar	£10.56
20	Reunion	£34.14	87	Colombia	£10.56
21	French Guiana	£34.14	88	Burkina Faso	£10.43
22	Argentina	£33.32	89	Anguilla	£10.42
23	Germany	£31.95	90	Vietnam	£9.86
24	Ivory Coast	£31.88	91	Malaysia	£9.72
25	Liberia	£31.69	92	Macao	£9.63
26	Dominica	£30.73	93	Iraq	£9.52
27	Morocco	£28.29	94	Bahrain	£9.26
28	Uganda	£28.17	95	Mongolia	£9.15
29	Kenya	£28.17	96	Paraguay	£8.45
30	Belize	£28.17	97	South Africa	£8.11
31	Panama	£27.97	98	Tonga	£7.81
32	Sierra Leone	£27.46	99	Libya	£7.77
33	Australia	£26.96	100	Indonesia	£7.61
34	Austria	£26.52	101	Albania	£7.58
35	Cayman Islands	£25.64	102	Benin	£7.53
36	Mali	£25.50	103	China	£7.48
37	United States	£24.93	104	Laos	£7.04
38	Mozambique	£24.65	105	Aruba (NL)	£7.04
39	Malawi	£24.65	106	Italy	£6.82
40	Jamaica	£24.57	107	Nepal	£6.48
41	Guinea - Bissau	£23.18	108	El Salvador	£6.06
42	Congo, Republic of the	£22.60	109	Botswana	£6.05
43	Brazil	£22.60	110	Algeria	£5.87
44	Egypt	£22.09	111	Iran	£5.82
45	Uruguay	£21.83	112	UAE	£5.74
46	Trinidad and Tobago	£21.79	113	St Kitts and Nevis	£5.63
47	Niger	£21.44	114	Estonia	£5.33
48	Vanuatu	£21.25	115	Gambia	£5.00
49	Guinea	£21.13	116	Haiti	£3.87
50	Ethiopia	£21.13	117	India	£3.65
51	Chile	£21.13	118	Singapore	£2.99
52	Burundi	£21.13	119	Luxembourg	£2.65
53	Mauritius	£21.06	120	Azerbaijan	£2.27
54	Costa Rica	£20.42	121	Gabon	£1.56
55	Senegal	£20.28	122	Ukraine	£1.41
56	Madagascar	£18.95	123	FYROM (Macedonia)	£1.04
57	Israel	£17.67	124	Croatia	£1.04
58	Zambia	£17.61	125	Latvia	£0.83
59	Cambodia	£17.61	126	Yemen	£0.80
60	Bolivia	£17.61	127	Serbia	£0.74
61	Namibia	£17.56	128	Denmark	£0.64
62	Cuba	£17.48	129	Sweden	£0.49
63	Central African Republic	£17.39	130	Spain	£0.45
64	Greece	£16.67	131	Slovakia	£0.39
65	Saudi Arabia	£16.29	132	Slovenia	£0.23
66	Sri Lanka	£15.80	133	Poland	£0.17
67	Dominican Republic	£15.70	134	Belgium	£0.14

Source: IATA Airport, ATC and Fuel Charges Monitor; Steer Davies Gleave analysis

CONTROL INFORMATION

Prepared by

Steer Davies Gleave
28-32 Upper Ground
London SE1 9PD
+44 20 7910 5000
www.steerdaviesgleave.com

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British Air Transport Association (BATA)
64 Victoria Street
London SW1E 6QP

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Author/originator

Stefan Kouris

Reviewer/approver

Peter Wiener

Other contributors

Rob Quincey
Mark Scott
Peter Wiener

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