

Response to HM Revenue and Customs

Aviation Duty Consultation January 2008

I write on behalf of the General Aviation Alliance ('GA Alliance'). The facilitator of GA Alliance and organisation representatives attended your working group on Monday 7 April at HM treasury. Having discussed this matter with you we are aware of the background to this topic and the rationale behind the proposed methodology in this consultation document and will simply, at this stage, address the questions posed.

As a matter of background the GA Alliance is a group of organisations representing, as far as possible, all UK General Aviation (GA), and Sports and Recreational Aviation interests (S&RA). The Alliance coordinates about 72,000 subscription-paying members of these bodies. It is estimated that in total more than 100,000 people are involved in GA. This covers parachuting, hang gliding and para-gliding, (conventional) gliding, ballooning, sport and recreational flying in light and microlight aircraft and helicopters. Its objective is to co-operate and consult with government departments and other relevant organisations to support and progress these interests.

We are pleased that statements to the working group have given a commitment to supporting the growth of the aviation industry in UK. This is of course supported at European level by the "Communication From The Commission" (COM(2007) 869 of 11 January 2008) which itself has now been favourably responded to (2861 Transport, Telecommunications and Energy Council meeting 7 April 2008). We would though point out that whilst mentioned we believe insufficient note has been taken of the Economic, Social and Educational benefits derived from the Sports and Recreational sector

Our comments on the consultation document relate generally to those that we feel directly affect our members

General comment

We would point out that fuel duty itself is a significant cost to our sector which contributes to treasury in funding public services and in the absence of clear hypothecation of tax does, we believe, more than cover our environmental impact. Indeed we are concerned that your consultation document includes no analysis of environmental impact of carbon emissions. Indeed your original documentation (November 2007) appears to set a revenue target of £3bn in the first year without substantiation of carbon effect.

Our specific sector is acutely aware of its environmental impact and is addressing those as best it can given that in large measure Government regulation and CAA policies have significantly mitigated against the level of progress we would like. In this context we have noted in discussion significant regulatory barriers to developing more efficient engines thus reducing carbon

footprint and there have been similar issues with noise improvement. This is amplified in this proposal where duty on Avtur/Jet A1 is set to rise to a level that will, if it has not already due to this consultation itself, destroy diesel engine development; a fundamental and primary opportunity for cleaner more efficient aircraft power plants

We are particularly concerned that an increase in the level of duty which will increase the general price of fuel will have an adverse effect on our sector. Issues we have raised in discussion include:-

- A negative safety effect as pilots become unable to maintain their experience levels
- Private “tanker” flight cross border required only to avoid duty which will increase cross water transit and overall increase high risk flights.
- Many of the above put lives at increased risk.
- Destruction of an already fragile sector which is almost entirely supported by SME’s in our area
- Exporting of UK economic activity to offshore areas. An already clear trend. Attendant distortions of trade are unacceptable.

1 Restricting the scope of aviation duty to general aviation

The proposed de minimus limit below 5.7 tonnes, effectively removes large sectors our fixed wing members from the scope of the proposed duty.

In this context we note the consideration that has been given to the complex nature of our activities and the almost exclusive activities in sports and recreational activities, particularly for fixed wing aircraft. We fully agree that social and economic circumstances are grounds for such an exemption.

2 Helicopters

We have to raise objections to the proposed treatment in this area as it appears the sector may not be understood and the impact of the proposals significantly beyond that envisaged. All of the economic and social impacts mentioned above apply to this sector. Our specific comments are as follows:-

1. The UK helicopter operating industry is the leader in Europe. Almost all charter and business helicopters use Jet A1 fuel. The CAA has encouraged the use of jet engines in helicopters, and the UK industry has spent many tens of millions of pounds equipping with turbine engine helicopters. However these engines use more fuel than piston powered aircraft. A 60ppl tax will double their fuel cost and decimate the industry. It could just about tolerate a 10 – 20 % tax, but not this. It is unrealistic to expect the industry to cope with a further doubling of its major cost, on top of an almost doubling of fuel cost in the past 18 months. Does the Government want to destroy it? The European helicopter industry will not suffer the same costs.
2. There will be a large price differential between the UK and France, which will see aircraft and helicopters making artificial technical stops

in Le Touquet and Calais for Jet A1 at half the price of the UK. The same could happen for North Sea helicopters using Norway and Holland instead of the UK, actually use more fuel in doing so, and still save money! There must be a level playing field. Such distortions of trade are we believe unacceptable.

3. Turbine business aircraft will suffer similarly, but have greater opportunities to 'fill up' in Europe than do helicopters
4. . There is a growing sector of diesel engine powered aircraft, which use Jet A1 (AVTUR) fuel. These engines use far less fuel than AVGAS powered aircraft, and are thus more environmentally friendly, and should be encouraged. They have a far lower carbon footprint, and do not use lead. However overhaul costs are around double or more of AVGAS engines, and thus the money saved on low fuel consumption is spent on engine overhaul. If the fuel cost is doubled, this becomes uneconomic, and thus the environmentally positive change to low fuel consumption and low emissions will not happen. Therefore the fuel price, and thus tax, need to be kept at a reasonable level.
5. It will have serious aviation safety implications, as it will discourage the use of jet powered helicopters & aircraft, and encourage piston engine use. Not only is this less friendly to the environment, but the CAA will confirm that turbine engines are safer than pistons
6. A duty rate for kerosene used off road exists, and could easily, be used for aviation. This would be in keeping with the treatment of AVGAS, and be taxed at the EU minimum rate. The duty rate is known as: *Kerosene to be used as motor fuel off-road or in an excepted vehicle*. It is 10 pence per litre.

For GA Alliance

A handwritten signature in black ink that reads "Roger Hopkinson". The signature is written in a cursive, flowing style.

Roger Hopkinson
GAA Facilitator
21 April 2008