

UK aviation industry delivered hard blow by government



With the decision to end VAT-free sales at UK airports, the government shows its ignorance of the importance of non-aeronautical revenue for the life of the air industry, which in turn is essential for the economy at large

In a move “out of touch with international standards,” on September 11 the UK government shocked the aviation industry by announcing that tax-free sales would cease at UK airports from January, 2021.

For an industry already on life support with the current global pandemic and resultant virtual shutdown of the skies, this announcement was akin to a doctor randomly announcing he would shut off the patient’s oxygen supply.

This decision will result in the loss of 19,400 jobs nationally and cost the UK economy £2.1billion in GDP, according to a York Aviation economic impact assessment. The unexpected move also negates the benefits of the Treasury decision to extend duty free sales on alcohol and tobacco for travellers to the EU post-Brexit.

Lack of understanding

While this decision will result in some obvious consequences such as increased airport prices for those traveling abroad, the government has shown its apparent lack of understanding for the financial structure of airports, and the importance of duty free shopping for the airport industry’s viability. As a

press release from the UK Travel Retail Forum (UKTRF) stated, “industry has warned [that this decision] will undermine UK aviation competitiveness, with EU member airports gaining an overnight advantage over their UK counterparts, and could force smaller UK airports who rely on passenger retail out of operation altogether.”

The government appears to have ill-advisedly made this decision on the basis that it will earn in taxes what otherwise it would not, but York Aviation research shows that instead it will result in a significant reduction in inbound tourism, traffic and sales. In addition, this decision could be the final nail in the coffin of the country’s smaller airports, for which non-aeronautical revenue is lifeblood.

Opposite direction

The UKTRF, which has consistently advocated for an increased VAT-free system that would offer significant economic contributions to the nation, has urged the Government to urgently review its decision. The association has calculated that the current decision would have the exact opposite effect that the government obviously believes, arguing that an increase rather than elimination of VAT-free system would add an extra £1.1 billion in Gross Value Add (GVA) and support more than 10,000 new jobs, most of them outside London.

Stakeholders unite

Individuals who understand the coming negative impact of this decision have united to urge the government to reconsider. These include Sir Roger Gale MP (Cons), President of the General Aviation All Party Parliamentary Group, Tory stalwart (MP for 38 years) and MP for North Thanet; Angus MacNeil MP (SNP), Chair of the International Trade Select Committee and Member of Parliament for Na h-Eileanan an Iar; Henry Smith, MP for Crawley and Chair of the Future of Aviation Group; and Chair, UKTRF, Francois Bourienne.

Bourienne stated: “This decision puts the UK out of step with travel retail systems around the world, completely disincentivises tourists to visit the UK and British passengers making purchases as they go on vacation abroad, and puts UK airports and travel retail at a substantial disadvantage against their European counterparts after Brexit. This will lead to significant additional job losses in the travel industry.

“It may well be the best gift the UK could have given the EU as well as a massive blow for UK plc, and we are dismayed at the lack of industry consultation before this decision was reached.

“In the more immediate term, this announcement deals a hammer blow to an industry already struggling with the devastating impact of the COVID-19 outbreak. Retailer and airport revenue will suffer, but most regrettably thousands more jobs and livelihoods will be wiped out in regions across the UK supported by the sector.

“While we are grateful for the Government’s move to extend duty free sales to passengers travelling from the UK to the EU, we are extremely concerned that ministers have not fully appreciated the impact this decision will have on the wider travel retail and aviation sectors.

“We urge the Government to immediately review its decision and act swiftly to ensure jobs, businesses and Britain’s place as a premier travel hub are not lost.”