The View from Europe
By David Jessop

APD rises again despite evidence of damage

Despite clear evidence that visitor arrivals into the Caribbean from Britain continue to decline – down by 9.6 per cent in 2011 – the UK Treasury has chosen once again to ignore the representations made by Caribbean Governments about the economic damage caused by Air Passenger Duty (APD).

This year, in his March 20 budget address, George Osborne, the UK's Chancellor of the Exchequer (Finance Minister), did not even mention the tax. Instead, he left confirmation of a 2013 increase and news of yet another increase in 2014, to anyone with the time to struggle through the fine print of his proposals.

In accompanying documents the UK Treasury spelt out that, for the Caribbean and all other destinations in band C, the tax in economy class will increase from the 2012/13 rate of £81 (US$123) per person to £83 (US$126) from April 1, 2013; and will then rise to £85 (US$129) from April 1, 2014. In Premium Economy or higher classes of travel, the tax will move to £166 (US$252) from April 1 this year to £170 (US$258) after April 1 2014. The increase contrasts with the tax in the lowest band for short haul travel from Britain, band A. This remains unchanged at its present level of £13 (US$19) for 2013 and 2014; in effect affording preferential treatment to those who travel within Europe.

What seems to be happening is that the tax has become a huge money making exercise for the UK government at a time of severe austerity, irrespective of the economic consequences for tourism dependent regions like the Caribbean, or those UK citizens who have family ties to the region.

As if in evidence of this, the UK's Office for Budget Responsibility, the independent body that produces statistics on the Britain's economic growth, published alongside the budget, forecasts that suggest that the total APD cash revenue received by the UK Government is expected to rise from £2.8 billion (US$4.26 billion) in 2012-13 to £3.8 billion (US$5.78 billion) by 2017-18.

For this reason and irrespective of the extensive lobbying by the tourism and aviation industry in the UK, it is now clear that while aspects of the tax may be modified, APD will never be abolished during the life of this government.

What is shocking, however, is that it is not as if the UK Treasury, allegedly a friend of the region, does not have independent evidence that the tax is damaging to the Caribbean at a time when most governments in tourism dependent economies are in, or close to default on their debt. It is also not as if the Caribbean has not suggested revenue neutral ways in which the tax might be modified.

Provisional statistics from the Caribbean Tourism Organisation (CTO) for 2012 show that arrivals out of the UK to the region as a whole stood at just 0.9m in 2012 compared with a high in 2007 of 1.4m and in contrast to increasing arrivals last year out of the US and other EU feeder markets.

Surprisingly, there has been little public comment from regional politicians or public figures on the latest increase, despite the fact that the issue is raised in almost every bilateral discussion that takes place between Caribbean governments and the United Kingdom. In fact, this most recent APD increase seems to have passed the Caribbean by, leading to negative comments in some parts of the UK travel trade press as to why the Caribbean is not mobilising high profile citizens such as Usain Bolt or Rihanna to draw attention to the damaging effect of the tax on the region.

What all of this suggests is that the Caribbean needs to adapt its approach: speed up the politicisation of the issue through its army of Caribbean related voters in the UK; continue to multilateralise the issue with a growing number of large and small Commonwealth governments that are angry about the tax; persist in diversifying the Caribbean's tourism feeder markets and airlift to countries like Brazil and Russia; and consider proposing alternatives approaches that might be introduced when the UK's next government next takes office.

One positive recent sign is that Caribbean nations with large communities in the UK are now starting to identify ways to support the Caribbean community there to campaign politically. In this respect, one of the most important changes that has occurred in Britain is the realisation by its politicians that the outcome of the next UK General Election, most probably in May 2015, may be decided by minority communities voting in marginal constituencies.

The intention of the campaign is to find ways to support the Caribbean community in Britain to argue, in a joined up way, that: the tax discriminates against the Caribbean Diaspora in Britain by extending a lower rate of tax to travellers to the US, who may be flying much further distances from London; that the Caribbean should be re-banded at the same level as the US; that the cost of doing so would be minimal (around £19m or US$29m) out of a total APD take of £2.8 billion (US$ 4.26 billion); that all political parties in Britain need to recognise the damage the tax is causing to family and government to government relationships; and that all Members of Parliament who represent Caribbean people in the UK need to stand up and be counted on this issue in the run up to the next general election.

That said, it is also the time for the Caribbean to be thinking about a longer term strategy that goes beyond Britain's next General Election. Given that there is an unspoken consensus within all UK political parties that the existing tax is riddled with anomalies and has been ill-considered in its implementation, there may well be value in the Caribbean and other concerned governments starting to focus on an alternative to APD that is globally equitable, with a view to promoting a new approach to all of Britain's political parties which they might adopt as they come to put together their party manifestos.

David Jessop is the Director of the Caribbean Council and can be contacted at
david.jessop@caribbean-council.org
Previous columns can be found at www.caribbean-council.org
April 5th, 2013