



Department
for Transport



HM Treasury

Displaying Air Passenger Duty in air travel pricing: Call for evidence

March 2015

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How to respond

The call for evidence period began on 27 March and will run until 19 May. Please ensure that your response reaches us before the closing date.

If you would like further copies of this call for evidence document, it can be found at www.dft.gov.uk/consultations or you can contact Jason Richardson (details below).

Please send call for evidence responses to:

Jason Richardson

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When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled. If you have any suggestions of others who may wish to be involved in this process please contact us.

Freedom of Information

Information provided in response to this call for evidence, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

1. Improving pricing information

The information gap

- 1.1** Air Passenger Duty (APD) is a tax paid by airlines on each chargeable passenger aboard a chargeable aircraft that takes off from a UK airport. The cost of the tax is typically passed on by airlines to consumers in advance of the flight through contracted air fare prices.
- 1.2** European law (EC Regulation No 1008/2008) requires that, where a passenger air fare price is displayed, it must be a final, all inclusive price, including all unavoidable and foreseeable taxes, fees and charges.
- 1.3** In addition to the final price, a breakdown of the following must at the very least be provided:
- The air fare, and if the following have been added to it;
 - Taxes;
 - Airport charges;
 - Other charges, surcharges or fees such as those related to security or fuel.
- 1.4** However, the regulation does not require individual taxes such as APD to be identified and distinctly listed. This causes a confusing array of outcomes in how tax is displayed. Table 1.1 shows a variety of approaches from a sample of airline websites:

Table 1.1 - The variety of ways in which tax is displayed	
Airline	Display of 'Taxes'
A	Displays a generic 'Government taxes' total
B	Displays a generic 'Government charges & Duties' total
C	Displays all taxes, including non-UK taxes, under an 'Air Passenger Duty' label
D	Displays an 'Airport Surcharge' for total taxes, so it is unclear how this splits between tax and airport fees
E	Displays a 'Passenger Duty Fee', so it is unclear whether this is tax or airport fees

F	Displays 'Air Passenger Duty United Kingdom' in addition to other countries' taxes
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Rationale for change

- 1.5** As outlined in the 2014 Autumn Statement, the Government wishes APD to be identified and distinctly listed to provide clarity to consumers.
- 1.6** In particular, this will allow consumers to see whether the taxes included in the air fare price relate to APD or to other countries' taxes.
- 1.7** It will also ensure that consumers have sight of the pass through of tax rate changes. For example, planned APD changes mean that:
- As announced at Budget 2014, from 1 April 2015, the reduced and standard rates of APD for travel over 4,000 miles will be lowered, as set out in table 1.2.
 - As announced at the 2014 Autumn Statement,
 - i. From 1 May 2015, children under 12 years of age will be exempt from reduced rates.
 - ii. From 1 March 2016, children under 16 years of age will be exempt from reduced rates.
- 1.8** Another benefit for consumers of identifying and distinctly listing APD will be that it helps confirm the amount of APD that is subject to an airline's refund terms and conditions. Airlines have no liability to pay APD to the Government when a passenger does not fly. In these circumstances, depending on whether the carriage aboard the flight is cancelled by the provider or the consumer, the consumer may be entitled to a refund of the cost of APD included in the air fare price by the airline.

Table 1.2 - lowered rates of APD announced at Budget 2014

Distance between capital cities	Rate was:		Rate is (from April 2015):	
	Reduced	Standard *	Reduced	Standard *
Over 4,000 miles from London	£85	£170	£71	£142
Over 6,000 miles from London	£97	£194	£71	£142

* Where a class of travel provides a seat pitch in excess of 1.016 metres (40 inches) the standard rate is the minimum rate that applies.

2. Addressing the problem

- 2.1 European law on air fare pricing applies directly in the UK by virtue of Regulation (EC) 1008/2008 ("the Regulation"). The Regulation sets out the requirements in relation to the publication of air fares. Provision for enforcement of the requirements in the Regulation is set out in [The Operation of Air Services in the Community \(Pricing etc.\) Regulations 2013 \("the 2013 Regulations"\)](#).
- 2.2 The Government's preferred approach is to mandate the display of APD by amending the 2013 Regulations. The amendment would widen the scope of the existing requirements to publish information about air fares by including a requirement that UK APD should be individually and distinctly indicated.
- 2.3 The purpose of this call for evidence is to seek views and evidence which will assist in the preparation of an impact assessment and help us to implement any changes in the most appropriate way.

Scope and cost of implementation

- 2.4 The Government intends for this approach to apply to air fares sold within the UK relating to flights departing from UK airports. The Government considers that it has no locus over the display of prices at points of sale in other countries, and that it is for each country to determine the approach that best works for their consumers.
- 2.5 As the 2013 Regulations do not apply to flights which form part of a package holiday, they would not be in scope through the approach outlined at para 2.2.

Question 1

What are your views on the preferred approach and scope?

Question 2

What would be the advantages and disadvantages of including flights which form part of a package holiday within the scope of the proposal?

- 2.6** A range of vendors sell air fares over the internet, including price aggregators and other non-airline air fare vendors.

Question 3

What would be the advantages and disadvantages of including flights sold by price aggregators and other non-airline air fare vendors within the scope of the proposal?

Question 4

What are the changes that price aggregators and other non-airline air fare vendors would have to make to procedures or systems?

Timing

- 2.7** It is recognised that the display of air fare pricing relies on networked Global Distribution Systems (GDS), which are operated by commercial suppliers. For example, some GDS suppliers may provide the functionality for all or part of an airline's pricing display.
- 2.8** Therefore, there will need to be a lead time to allow for GDS suppliers and others to design any necessary changes. In addition, the Government appreciates that airlines have been

making systems changes to reflect ongoing consumer savings in APD.

- 2.9** In view of this, the Government's plan would be to implement any requirements from October 2016.

Question 5

Would an implementation date of October 2016 provide sufficient planning time to deliver changes?

Estimating costs

- 2.10** Before the Government proceeds it wishes to gather further evidence on industry costs, to ensure the change is designed in the most appropriate way.
- 2.11** Airlines typically offer air fares direct to the public. Some already identify and display APD on a voluntary basis. It is anticipated that these businesses would not incur any costs from this proposal.
- 2.12** Other airlines will need to revise their display of taxes to identify and distinctly list APD. These airlines will therefore incur costs of amending existing systems. If price aggregators, and other non-airline vendors are brought into scope, this may prompt a need to introduce new procedures or redesign systems.
- 2.13** The Government welcomes views from the travel industry on the type of changes that would be needed to comply with the approach identified in para 2.2. In particular, the following changes are envisaged:
- Changes to website design to allow distinct listing of APD;
 - Changes to GDS pricing systems and interface with airlines and travel agents;
 - Other changes to travel agents' booking systems.
- 2.14** It is important to recognise the timing of the implementation of this proposal when submitting evidence (see above). The Government acknowledges that the industry comprises of many different vendors (airlines, price aggregators, package holiday companies, online travel agents, 'high-street' travel

agents etc.) and therefore costs will be different depending on current practice and the type of vendor.

Question 6

Can you supply information on the cost to industry (or your company) to apply the changes above?

Question 7

Are there any other changes to travel operators' systems that will be affected by this proposal?

2.15 The Government is also interested in other ways of delivering the intended outcome referenced in paragraph 1.5, and welcomes views.

Question 8

What other methods or approaches could the Government implement to ensure the clear and explicit display of APD?

What will happen next?

The responses to this call for evidence will assist in the preparation of an impact assessment and help us to design and implement the proposals in the most appropriate way. If you have questions about this call for evidence please contact:

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Annex A: Full list of call for evidence questions

Question 1

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Annex B: Consultation principles

The call for evidence is being conducted in line with the Government's key consultation principles which are listed below. Further information is available at

<https://www.gov.uk/government/publications/consultation-principles-guidance>

If you have any comments about the call for evidence process please contact:

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