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PRESS RELEASE

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UK Aviation Duty Proposal

AAPA Slams UK Aviation Duty Proposal

Kuala Lumpur, Malaysia – The Association of Asia Pacific Airlines (AAPA) has strongly criticised the proposal by the UK Government to replace its existing Air Passenger Duty (APD) payable by air passengers with a revised scheme under which Aviation Duty (AD) would be payable per plane rather than per passenger.

Commenting on the proposal, Mr. Andrew Herdman, AAPA Director General said, "No amount of intellectual contortion can disguise the fact that the existing UK Air Passenger Duty and the proposed UK Aviation Duty are primarily tax raising measures, with only lip service being paid to the purported environmental objectives."

Currently, the UK APD extracts GBP 2 billion a year from the travelling public, although none of these funds are being directed towards measures to benefit the environment. In fact, the current funds raised by the APD are already more than sufficient to offset UK aviation's carbon emissions <u>four</u> times over. The proposed AD would increase the tax burden to GBP 2.5 billion, even before planned increases in future years, all with no additional environmental benefit.

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The UK Government also seems intent on maintaining the APD/AD even after the planned inclusion of aviation in the comprehensive EU Emissions Trading Scheme (ETS) in 2012. Such a stance runs counter to the publicly stated position of the European Commission, that once a comprehensive EU ETS scheme is in place, Member States should repeal existing aviation or passenger taxes based on environmental grounds.

Mr. Herdman added, "Neither the APD nor the AD satisfies the stated design principles of being simple and transparent, nor are they coherent in terms of addressing the stated environmental objectives. The APD/AD fails to provide any additional incentive to use newer, more fuel-efficient, aircraft. The use of geographical distance bands would be discriminatory in terms of the impact on those airlines based in countries most distant from the UK, particularly outside Europe. Furthermore, it raises a number of difficult legal issues by virtue of its extra-territorial nature, in clear breach of the Chicago Convention and international bilateral air service agreements, whilst doing nothing to further the achievement of the stated environmental objectives. The proposal would also significantly damage the UK's competitiveness as a passenger and air cargo hub."

The aviation industry is committed to making further heavy investments in new technology, operations and infrastructure improvements that are expected to deliver a further 25% improvement in fuel efficiency by 2020. Meanwhile, under the Kyoto Protocol, to which the UK is a signatory, ICAO has been given responsibility for developing comprehensive policies to address the environmental impact of international aviation, including the fuel efficiency goal just outlined.

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"The UK Government should stop pretending that their policy is aimed primarily at achieving environmental objectives, and recognise that it is essentially a misguided tax on air travel. Rather than impose arbitrary and punitive taxes, we urge governments to work towards reaching agreement within the ICAO framework on a globally harmonised ETS," added Mr. Herdman.

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Association of Asia Pacific Airlines (AAPA)

The AAPA is the trade association of major scheduled international airlines based in the Asia-Pacific region. The AAPA permanent secretariat is headquartered in Kuala Lumpur, Malaysia with international representation in Brussels and Washington, D.C. Collectively, the 17 AAPA member airlines carry 290 million passengers and 10 million tonnes of cargo representing approximately one-fifth of global passenger traffic and one-third of global air cargo traffic respectively, and thus play a critically important role in the ongoing development of global aviation.

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