

# Airlines and Industry Groups Oppose \$25 Billion Tax on Air Travelers

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The Obama administration's proposed new taxes on air travelers faced sharp opposition from airline and travel industry groups including the **Air Transport Association (ATA)**, the **International Air Transport Association (IATA)** and the **World Travel and Tourism Council (WTTC)**.

The ATA, the industry trade organization for the leading U.S. airlines, called on lawmakers to oppose the President's proposals to impose a new \$100 departure tax on every flight and to triple the passenger security tax to reduce the deficit, saying that hiking aviation taxes would hurt economic recovery, further burden airlines and customers and cost jobs.



"We oppose any new taxes on airlines or their passengers," ATA President and CEO **Nicholas E. Calio** said. "We already pay more than our fair share of taxes - more than the alcohol and tobacco industries, whose products are taxed at levels to discourage their use. Today, taxes and fees on a typical \$300 round-trip ticket already account for more than \$60 of the total cost."

The industry's non-income tax burden has grown from \$3.7 billion in 1993 to approximately \$17 billion today, ATA estimated. "In 2010, a year in which the entire industry's profit was under \$4 billion, U.S. airlines and their passengers contributed \$3.4 billion in taxes and fees to the **Department of Homeland Security**, including \$2 billion in taxes and fees to the **Transportation Security Administration (TSA)** - a 50 percent increase from the amount collected in 2002."

"TSA costs are not all related to aviation. Yet, no other industry or mode of transportation pays for its security as airlines do, even though it is clear that the terrorists targeting commercial aircraft are not attacking the airlines themselves but, rather, the U.S. economy and the American way of life," Calio said.

"Since 9/11, the U.S. airline industry has lost \$55 billion and 160,000 jobs - over a third of its workforce. Adding to that burden is not 'reform,' it is a jobs eliminator. The President's proposals will significantly impact traveling consumers and give yet another leg up to U.S. carriers' foreign competitors. We should advance a tax policy that encourages air service to grow, not contract," added Calio.

"Airlines are critical to the nation's economic health. Commercial aviation drives more than \$1 trillion in economic activity and more than five percent of U.S. gross domestic product each year - and is responsible for more than 10 million jobs. Every 100 airline jobs support about 388 jobs outside of the industry," Calio said.

The **World Travel & Tourism Council (WTTC)** also condemned the tax proposal, calling it a \$25 billion "raid" on airline passengers in the United States as "confused and counter-productive" and called on the Obama administration to think again about taxing an industry that is a driver of the U.S. economic recovery.

After meetings with **Congress**, the WTTC says the administration is proposing to raise \$25 billion over 10 years through changes to the **Aviation Passenger Security (APS)** fee. APS is currently levied at between \$2.50 and \$5.00. Under the proposals, the current range will be replaced with a statutory fee minimum of \$5.00, with annual incremental increases of 50 cents from 2013 to 2017, to reach \$7.50 in 2017.

Of the \$25 billion additional revenue raised over 10 years, at least \$15 billion will be used for general taxation purposes, rather than passenger security, the WTTC says.

Speaking after meetings on **Capitol Hill**, **David Scowsill**, WTTC President & CEO, said, "We fully support the U.S. administration's efforts to reduce its debt burden, but do not believe it is good economics to raid \$25 billion from an industry that is a driver of growth and recovery at a time when President Obama is keen to create millions of job through the US\$450 billion **American Jobs Act**."

"Travel and tourism currently contributes more than \$1.3 billion or 9 percent of total US GDP, generates 9 percent of its total exports, and supports 15 million jobs. Taxes on travel and tourism tend to do more harm than good economically - as higher charges discourage high-spending visitors. Indeed, the U.S. administration recognizes that each and every visitor contributes \$4,000 to the economy," Scowsill said.

"WTTC believes that this plan has a laudable objective, but it is confused and likely to be counter-productive. We urge the Obama administration to send this plan back to the drawing board with instructions to promote an industry which will drive economic recovery and job creation - not

damage it," Scowsill said.

The influential International Air Transport Association (IATA) also expressed its opposition. IATA said the proposal by the Obama Administration would double the 9/11 passenger security fee and then to raise it in successive years through 2017 as part of the Administration's deficit reduction plan.

"Airlines and their passengers are being asked to pay for national security, although it clearly is a responsibility of government," said IATA Director General and CEO **Tony Tyler**. "To add insult to injury, more than half of the increased revenue from the higher fee will be diverted into the general fund and will not be used to make air travel more secure."

IATA said that passengers traveling from US airports currently pay a security fee of \$2.50 per flight segment with a cap of \$5 one-way and \$10 per round trip. The proposal would raise the fee to \$5 for all one-way trips and \$10.00 per round trip. "For the majority of passengers who do not connect or change flights during their journey, this represents a doubling of the charge. Furthermore, under the proposal, the round trip charge would increase by \$1 per year between 2013 and 2017."

"This is absolutely the wrong approach. Aviation is a catalyst for growth in the worldwide economy. The economic outlook is uncertain and confidence among both businesses and consumers is low. Making air travel progressively more expensive is not a sound economic strategy. A similar per-passenger tax in the Netherlands cost the economy more than it collected in revenues," said Tyler, adding that, "globally aviation supports \$3.5 trillion in economic activity and 33 million jobs."

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