Flybe in trouble

The UK regional airline Flybe is in financial difficulties and is asking for the government to reduce or scrap air passenger duty. Against them is the green lobby which is arguing that air travel should be reduced; we do not have a view on the latter. However, this highlights the need to review the way in which the aviation industry is taxed. Flight paths are ‘land’ and a public resource. They are managed by a private-public partnership company, National Air Traffic Control Services NTCS), which was set up to distance air traffic control from the Civil Aviation Authority (the CAA), which is responsible for overall regulation. Applying the principles on which land value taxation is based, we might say that air traffic should be limited by decisions about the number of flight paths that are permitted. These flight paths can then be allocated through the leasing by auction of landing and take-off slots. Under such a regime, the government would get rid of duties and surcharges, which are a complex and clumsy way of rationing air space which is, of its nature, limited. If the present duties and surcharges are phased out, the landing slots will be worth more and the government will get its revenue anyway.