

Rt Hon. Boris Johnson MP
Prime Minister, First Lord of the Treasury and Minister for the Civil Service
10 Downing Street
London
SW1A 2AA

17 September 2020

Dear Prime Minister,

We write to you as the combined membership of the Airport Operators Association and UK Travel Retail Forum.

Taken together, our associations represent the United Kingdom's airports, ports, duty free & travel retailers travel concessionaries, ferries, and inflight concessionaries. Our members contribute billions in GDP annually, and support hundreds of thousands of direct and indirect jobs across the UK.

We have also written to your colleagues in HM Treasury, the Department for Transport, the Department for Business, Energy and Industrial Strategy, the Office of the Secretary of State for Scotland, the Office of the Secretary of State for Northern Ireland, the Office of the Secretary of State for Wales, and the Ministry of Housing, Communities and Local Government.

We are extremely concerned about the Government's announcement on Friday of last week that it will bring tax free sales to air passengers bound for international destinations – including the EU – to an end from January 1st 2021 – just over three months from today.

This change in policy will cause substantial damage to UK airports when we are in the midst of the greatest crisis our industry has ever experienced. It will materially impact the retail sector and high streets throughout the United Kingdom and undermine the support the Government has already provided to date.

International passengers leaving the UK have had tax free shopping at our airports for many decades. This has grown into a major part of airport revenue and has helped to support the low cost travel enjoyed by millions of ordinary people. The Government's decision, however, is likely to see passengers paying more than travellers within the EU. In many airports VAT free sales account for as much as 74 per cent of total airside sales. And, total annual airside sales equate to up to 35-40 per cent of total revenue for some airports. This announcement gives us three months to effectively end this business and find an alternative source of revenue – at a time when air traffic is down by over 80 per cent with little or no sign of improvement.

This move also completely undermines the forthcoming government policy paper to support the UK's aviation industry and plunges us into a much deeper crisis from which certain airports and their

retail partners might not emerge. It is a certainty that this change in government policy will cost thousands of UK jobs.

Ending tax free sales for international passengers places all UK airports at an immediate disadvantage to our European counterparts, who will continue to offer the benefit from duty and tax free sales to passenger and airline customers. This in turn will shift sales to European airports and will have an immediate and material effect on the viability of our airports. It will result in substantial job losses in communities that can ill-afford them in the months ahead.

Every other developed country in the world allows tax free shopping for travellers. For decades, travellers have enjoyed tax free shopping, which has in turn financed the growth of airports and the airlines they serve. We fail to understand why the UK is changing its policy and moving away from the international norm.

Furthermore, the ending of the VAT refund scheme at the same time (VATRES) will also lead to fewer foreign tourists visiting the UK including high value Chinese, Middle-Eastern and American tourists as shopping is one of main motivations to visit the UK. They will make purchases in Paris, Rome, Madrid or Amsterdam as it will be 20 per cent cheaper and may not even visit the UK at all. Extending VAT RES to include EU travellers will mean other parts of the United Kingdom will benefit more than they have while it has been limited to non-EU passengers who tend to visit London and not venture to other areas during their stay. Indeed, the VAT RES system is an efficient tool to increase sales for retailers and there are solutions to ensure the whole UK benefits from this opportunity and overcome the concerns outlined by the Government. The current decision is a gift from the UK to the EU.

It is also worth noting that the decision will have a significant negative impact on UK retail for people travelling by international rail to St Pancras International. International train travel to the UK has grown to 11 million passengers per year, but the Government's decisions will mean that passengers use their European counterpart stations to shop rather than St Pancras International.

In London airports alone, the loss of the VAT exemption for airside sales will result in over £150 million in lost revenue and threaten thousands of jobs. The effect on the regions outside of London will be more profound still – many regional airports already require support from the Government in order to operate and greatly value the revenue derived from VAT-free sales. The removal of the VAT exemption will undoubtedly threaten the ongoing viability of several regional airports, in turn threatening local economies, communities and jobs.

When the Government issued its consultation on duty free and VAT free sales earlier this year the industry engaged with the process in good faith and was pleased to provide robust data demonstrating the potential benefits of a liberalised duty and VAT free system post-Brexit. Indeed, the text of the consultation document itself indicated that “the UK [was] minded to extend airside tax-free sales to those travelling to the EU by air, sea and rail”, which the vast majority of respondents agreed with.

Our research indicated that such a system could contribute up to £1.1 billion in GVA, and support over 10,000 new jobs mostly outside of London. We stand by this data, and strongly urge the Government to grasp this opportunity for all the UK.

It is also important to stress that the sector has had no warning of this outcome and is now expected to make the necessary changes in just over three months. We have been working closely with your Department since 2016 on this issue and at no stage was it suggested to us that tax free shopping could be abruptly ended. Given this sudden change in direction and a lack of warning we reserve the right to consider our legal options and relevant activity for affected parties.

We are united as an industry in vigorously opposing this outcome and urge you to review this decision.

We urgently request a meeting so we can demonstrate to you clearly the severe negative impact of this policy upon UK aviation and our wider tourism sector.

We would be pleased to provide any further information you or your officials may require to ensure this meeting is constructive, and will make ourselves available at any date and time suitable for you.

Bearing in mind the urgent nature of this request, we would appreciate a response as soon as possible.

Yours faithfully



François Bourienne

Chair
UK Travel Retail Forum



Karen Dee

Chief Executive
Airport Operators Association

Derek Provan
Chief Executive
AGS Airports Ltd



Ross Baker
Chief Commercial Officer
Heathrow



Stewart Wingate
Chief Executive Officer
Gatwick Airport



Toby Keir
Managing Director
WHSmith Travel Ltd



Dave Lees
Chief Executive Officer
Bristol Airport



John Irving
Chief Executive Officer
Liverpool Airport



Nick Barton
Chief Executive Officer
Birmingham Airport



Fred Creighton
Chief Executive Officer
World Duty Free



Marion Engelhard
Managing Director
Lagardère Travel Retail



Glyn Jones
Chief Executive Officer
Stobart Aviation
London Southend Airport



Robert Sinclair
Chief Executive Officer
London City Airport



Brian Carlin
Director of Commercial Development
Belfast International Airport



Alex Wilson
Retail Director
Samsonite Ltd



Dyan Crowther
Chief Executive Officer
High Speed 1



Nick Jones
Chief Executive Officer
Newcastle International Airport



Andrew Bell
Chief Executive
Regional and City Airports



Mark Evans
Head of Trading
Versilia Solutions



Gordon Dewar
Chief Executive
Edinburgh Airport



Richard Lewis
Chief Executive Officer
SSP Group PLC



Asif Aziz
Managing Director- Travel
Boots UK



Michelle Madeley
Business Development Director
HMSHost UK Ltd



Antonio Duva
General Manager
Pernod Ricard Travel Retail EMEA &
Pacific



Chris Collins
Co-Chief Executive Officer
JCDecaux UK Ltd



Jeremy Speirs
Regional Managing Director
EDRINGTON



Ewan Venters
Chief Executive Officer
Fortnum & Mason

FORTNUM & MASON
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Neil Clifford
Chief Executive Officer
Kurt Geiger

KURT GEIGER

Ben Green
Retail Director
Manchester Airports Group



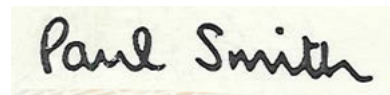
William Ovens
Global Travel Retail Director
Ian Macleod Distillers



Aude Bourdier
VP Managing Director Global Travel Retail
Brown-Forman



Ashley J.S. Long
Managing Director
Paul Smith Limited



Jim O'Hagan
Managing Director
Dixons Travel



Nathan Best
Commercial Director
Travelex



Phillip Clark
Director
No Ordinary Designer Label Limited
t/a Ted Baker



Alberto Martin
Chief Executive
London Luton Airport



Katy Best
Commercial and Marketing Director
Belfast City Airport



Aberdeen Airport
Belfast International Airport
Birmingham Airport
Bournemouth Airport
Bristol Airport
Cardiff Airport
City of Derry Airport
East Midlands Airport
Edinburgh Airport
Exeter Airport
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Norwich Airport
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Alpha LSG Ltd
Gate Retail Onboard
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Tourvest Inflight Retail Services
Versilia Solutions Ltd
Airport Retail
Dixons Carphone
DUFY
Harrods
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World Duty Free Group
Bacardi-Martini Ltd
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Diageo Plc
Edrington
Halewood International
Ian Macleod Distillers
Loch Lomond Group
Pernod Ricard Travel Retail Europe
William Grant & Sons

British American Tobacco Global Travel Retail
Ltd
JT International Group
Imperial Tobacco Ltd
Cecil MacDonald & Co Ltd
World of Patria International Ltd
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Luxottica Group
DFDS
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City of Derry Airport
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London Stansted Airport Ltd
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Southampton International Airport Ltd

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Teesside International Airport
Warton Aerodrome