

# THE GUILD OF AIR PILOTS AND AIR NAVIGATORS

## Position paper on the Costs and Funding of Pilot Training

### Introduction

The two main areas which deter the potential pilot from training are costs and funding. Funding is the more major problem since even if costs can be significantly reduced adequate funding must be found.

### 1. Costs

1.1 A major single item affecting costs of pilot training in the UK is VAT, currently 20%. Many approaches to Government, by various UK organisations, to have training VAT Zero Rated have been unsuccessful. In the past, HM Revenue & Customs have used the argument that the UK licensing system gives private pilot licence privileges to professional pilots. The advent of the Multi Pilot Licence (MPL) which has no such private privileges can be a way into zero rating for this form of training. One method that a few trainees have utilised successfully is to form a company and then reclaim the VAT element.

1.2 Other costs are those of operation, including fuel prices. Aerodrome operators' fees for landing and the use of instrument approach aids for training also add significantly to overall costs.

### 2. VAT on Professional Pilot Training in the UK

2.1 UK professional flight training has consistently been subject to VAT. In the 1990s modular training was included in the NVQ system, which by way of zero rating did allow some recovery of individuals' payments for training. The last industry approach to government to get VAT exemption on professional pilot training was rejected by Dawn Primarolo when Transport Minister in the late 1990s.

2.2 Whilst training paid for by an airline allows it to recover VAT, it cannot be recovered on training funded privately (see 1.1 above). Although not large in volume, historically there have been airline sponsored training courses but since 2001 no UK airline has fully sponsored pilot training.

2.3 Whether airline or privately sponsored, training has, with few exceptions, followed the long established integrated training pattern set up in the early 1960s. It remains the belief of the Guild as well as most other industry representatives, including of course, the Flight Training Organisations ("FTOs"), that professional flight training, like all other tertiary or professional training programmes, should not be subject to VAT.

2.4 The Government view may be summarised as:

'If training is State provided it will be VAT free, but if private, VAT will be levied'.

2.5 As a result, in efforts to keep training costs as low as possible, no UK FTO conducting integrated courses undertakes all of its training in the UK, so it becomes an invisible import. Coupled with the high costs of aviation generally and of fuel in the UK, if no future alleviation can be found to the VAT issue on pilot training, commercial expediency may drive delivery of all of this training off-shore.

2.6 There does not appear to be a cohesive pan European view on the application of VAT on Airline Pilot Training and the situation is further confused by the lack of clear demarcation between training for airlines as opposed to general aviation.

### **3. The Multi-Pilot Licence (MPL)**

3.1 ICAO has introduced this new training route with a totally new qualification – the Multi-Pilot Licence (MPL), training for which is totally technically and professionally focussed and represents a ‘New Training Approach’ designed purely for 2 crew commercial airline pilots .

3.2 This training solution has been determined following wide consultation in which the UK Civil Aviation Authority (CAA) was a key player. Early training follows traditional methodologies covering theoretical and the first 70 or so hours of practical training. It then diverges from the traditional approach dramatically to a competency based system exploiting synthetic training devices directed to a multi crew operating ethos. MPL training can only be carried out in conjunction with an airline.

3.3 Future professional pilot training under the MPL is likely to be under a cost sharing approach. It will be uniquely and specifically valid only for commercial aviation.

3.4 To allow such training to be Zero Rated for VAT, will cost the government little, as the only planned UK based MPL training scheme is that for Flybe at Oxford - the first Flybe MPL course is being undertaken by Flight Training Europe at Jerez. In any event, the training will be in conjunction with an airline which can reclaim VAT on training.

### **4. Guild Position**

#### **4.1 Costs**

4.1.1 The Guild should develop a new approach to gain freedom from VAT for MPL training as below:-

4.1.1.2 Draft a position paper, strategy and timescale:

4.1.1.3 Identify any similar industry precedents e.g. marine training, HGV or HST driver training, aircraft engineer training

4.1.1.4 Identify lobby allies e.g. RAeS, BBGA, Airlines, BALPA

4.1.1.5 Identify key political/treasury contacts

4.1.1.6 Gauge political opinion

a. Establish with Government what Vat rate might be possible – perhaps 5% rate

b. Establish what are the key political/economic drivers on the issue

c. Ascertain the key Government influencers

d. Investigate possibility of influence via European Parliament

4.1.1.7 Prepare Political, Treasury and if relevant MEP contacts

4.1.1.8 Identify any other sympathisers with Government influence

4.1.1.9 Finalise position paper, strategy and timing

4.1.1.10 Set up meeting with partners to present position to national and, if required, EU Government.

4.1.2 The other sources of revenue to the Treasury are covered in our political system by different Ministers of State. Each one must be identified with their opposition equivalents and the problem brought to their attention. This could be by way of a flyer in the Guild News in the form of a letter addressed to each member's MP and/or candidate for election to Parliament explaining the special problems experienced by prospective pilots.

4.1.3 This will be a long term battle that may be assisted by the forthcoming election but hampered by the world-wide financial situation. Due to the long term effect on the supply of pilots to the UK airline industry, it will require persistent action.

## **4.2 Funding**

4.2.1 The Guild should act to bring to the attention of the banks and lending institutions the difficulty that young potential pilots have in raising funds for their training.

4.2.2 The Guild may offer suggestions on how to reduce the risk to the lender of termination of training, showing the 100% success rate of our Somers scholars. We could suggest the Guild selection service as one way to satisfy lenders prior to the loan being made. This would be based on the system used to select the Somers Scholarship winners.

4.2.3 Each bank that has been used by students in the past should be approached individually stressing the reduction in risk to the lender.

4.2.4 The major schools know who have lent funds to their students in the past and their CEOs should be contacted to discuss the problems experienced by today's students.

4.2.5 These actions, as with those concerning costs, will require persistent, long term action. They may be assisted by the forthcoming election but could be hampered by the current world-wide financial situation. They must be maintained in order to deal with the long term effect on the supply of pilots to the UK airline industry.

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