

Flybe: questions needing answers

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The government [has announced its response to Flybe](#). The only key point is this:

As part this work and ahead of the March Budget, the Treasury will also be reviewing Air Passenger Duty to ensure regional connectivity is strengthened while meeting the UK's climate change commitments to meet net zero by 2050.

These measures featured in discussions today with Europe's largest regional airline, Flybe, which plays an important role in the UK's connectivity by flying regional routes that other providers do not operate.

There is no indication as to what this means. There is literally no detail. But there is this comment made:

- * At Budget 2018, the government announced that for the eighth year in a row short-haul rates will not rise, staying at £13 for economy and £26 for business/first, keeping down the costs of travelling for 80% of passengers.
- * UK passenger growth is strong: passenger numbers at UK airports have increased by 28% since 2013. This strength extends across the whole of the UK, with regional airports handling approximately 39% of all passengers in 2018.

In the light of a commitment to becoming net-zero carbon - repeated in the press release - the celebration of growing passenger numbers is depressing. We are moving in the wrong direction.

The reality is that as a result of this announcement we know little more, except that supposedly Flybe is seeking to reduce an Air Passenger Duty charge and is seeking maybe £100 million of support, some at least of which will come be deferring Air Passenger Duty, which will have arisen at £13 a time, as explained [by the government, here](#). That is APD on a staggering 7.7 million flights, and it is important to remember that not all flights carry APD e.g. children are usually exempt.

To put this in context I looked at the last full set of accounts for Flybe I can get, [from](#)

[here](#). In those accounts Flybe says:

That is not a healthy company, but let's just look at the revenue side to help understand the £100 million of APD. This is the income statement:

I put these two together and £675.8 million of passenger revenue at £53.79 a seat implies 12.6 million flights (near enough). Except Flybe says they only have about 8.5 million flights a year. There is, then, other revenue per passenger per seat to take into account and flights only cost about £36 each.

If the lower figure of flights is true and APD is £13 per flight and maybe 12.5% are children then APD per annum would be £97 million a year. I strongly suspect this is where the figure of £100 million comes from. It is the annual APD bill.

And what [the rules](#) make very clear that this is due in monthly instalments. So the idea that there is £100 million owing at present is very unlikely to be true. If it is HMRC has been deeply negligent. The last accounts do not imply such a liability to be owing.

But what we are left with are more questions than answers.

Firstly, where does this figure of £100 million come from? Is it what I have suggested?

Second, why has the government not pursued for tax owing, if it is due? Why ahs favour been given, if it has been?

Third, what is being planned for this APD? The obvious answer for Flybe is to halve it: it is losing £5.90 0per passenger per flight. Halving APD to £6.50 and letting it pocket the difference would keep it afloat then. But why should all other airlines benefit as well?

Fourth, why at this time are we looking at introducing what would, in effect, be carbon subsidies and letting this airline (and others) pocket it, which is clearly what is planned?

And fifth, if there is to be a loan, what type of security is being demanded with what rights to intervene in the governance of the company? This is a private company with powerful backers. The question as to why it is being bailed out when most of what it does is not in the slightest bit socially necessary (which means I am acknowledging that a few routes are for now) has to be answered, and only accountability can deliver that explanation.

I am unsurprised that IAG has made a complaint on competition grounds: ministers have a lot of work to do to justify this intervention when there would seem to me to be much better uses for £100 million than subsidising the air travel habits of the wealthier

middle and upper classes.