

SHORT (& MEDIUM) TERM MEASURES - EXECUTIVE SUMMARY

MEASURE SET	Airport passenger duty (APD)	
MEASURE TITLE	Selective discounting of APD	
MEASURE SUMMARY	This measure involves the use of APD as a tool to incentivise changes in airline behaviour around route development and operations.	
MEASURE INVOLVES	<div><div><input type="checkbox"/> Behavioural Change</div><div><input type="checkbox"/> Operational Change</div><div><input type="checkbox"/> Technical Change</div></div> <div><div><input type="checkbox"/> Infrastructure Change</div><div><input checked="" type="checkbox"/> Regulatory Change</div><div><input checked="" type="checkbox"/> Policy Change</div></div>	
WHAT DOES THIS ADDRESS?		
<p>Currently Air Passenger Duty (APD) is applied at a series of bands independent of the airport at which it is being paid. There are four bands of APD that vary (increase) with the distance being flown (distance between the capital city of the destination country and London). There are three bands, dependent on the class of travel within each destination band. Setting rates for APD for journeys originating in Northern Ireland has been devolved to the Northern Ireland Assembly: these rates have been set to zero for direct long-haul flights. There are certain other exemptions, for example for passengers departing from Highlands & Islands Airports (where the rate is zero). In addition, APD is not charged on international-international connecting flights through a UK hub; nor on international-domestic connecting flights. It is charged, however, on domestic-domestic and domestic-international connecting flights. APD is an extra cost to the consumer and as such would be expected to depress demand.</p>		
WHAT WOULD BE DONE?		
<p>A range of proposals regarding APD could be applied, including temporary discounts on new routes, reduced APD on domestic flights, remove APD from uncongested airports, tax holidays for new services. The reduction in APD might be expected to act as a stimulus to demand where it is selectively applied compared to where it is not applied.</p>		
WHAT IS THE IMPACT?		
<p>Stimulated demand through reduced APD:</p> <ul style="list-style-type: none">may increase connectivity at airports with spare capacitywould reduce air transport costs for users of services that are subject to lower APD and hence stimulate demandwould have implications for UK tax revenue.		

MEASURE SET:	APD	Short Term	<input checked="" type="checkbox"/>
MEASURE TITLE:	Selective discounting of APD	Medium Term	<input type="checkbox"/>

PROPOSAL SUMMARY

Proposed by:	CILT(013), Aberdeen Airport(004), LSCC(048), MAG(050), Birmingham Airport(009), Newcastle Airport (057)		
Proposal: APD-SEL-1	<p>This measure covers the proposal to:</p> <ul style="list-style-type: none"> to use APD as a tool to incentivise changes in airline behaviour around route development and operations. <p>Specific routes from some airports would be eligible for discounts or exemptions in order to catalyse new services away from LHR and LGW</p>		
Approach	<p>The approach is:</p> <ul style="list-style-type: none"> Provide temporary discounts or exemptions from APD for airlines commencing new long haul services from regional/uncongested airports (CILT – non London Airports only) Half APD for domestic flights to reduce impacts of APD on domestic connectivity or charge APD on one half of a domestic return journey (CILT). Selectively apply APD to target specific routes or services that have higher value Remove APD from long haul routes outside SE for 12 month trial then 5 year tapering off period (MAG) APD tax holiday for new services commencing outside the South East (Aberdeen Airport, Newcastle Airport) Consider APD holidays particularly in the context of long haul route development other than from LHR (LSCC, MAG) 	<p>Stated Capital Cost: Not stated (unlikely to be any)</p> <p>Capacity (mppa): Not stated</p> <p>Capacity (atm): Not stated</p>	
Benefits	<p>The main benefits cited are:</p> <ul style="list-style-type: none"> the potential to increase connectivity at airports with spare capacity reduction in air transport costs for users of services that are subject to lower APD and hence stimulation of demand. 		
Issues & Risks	<p>The main issues and risks are:</p> <ul style="list-style-type: none"> Airlines may not sustain or commence new services/routes even with APD discount/exemption, for commercial reasons. Potential for APD to be complex tool that has very limited impact. Potential for gaming of the system More sophisticated models may conflict with EU competition rules. 		
Mitigations	Not stated.		
Dependencies	<p>The key dependencies are:</p> <ul style="list-style-type: none"> Market responses by airlines to increase connectivity at airports with spare capacity. 		

MEASURE SET:	APD	Short Term	<input checked="" type="checkbox"/>
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ASSESSMENT SUMMARY

Strategic Fit	Has little impact on long term options.
Economy	May result in increased connectivity at airports if airlines respond to discounts/exemptions by starting new routes that are commercially sustainable. Lower domestic APD would reduce transfers via non UK hubs (CILT) Removal of long haul APD at Manchester Airport would increase MPPA by 4.9m by 2030/2031. (Source:MAG)
Surface Transport	Not stated.
Environment	Not stated.
People	Not stated.
Cost	Not stated.
Operational Viability	Administratively complex if APD is to vary on a case by case basis, particularly for temporary application.
Delivery	Changes to tax regulation.