

SHORT (& MEDIUM) TERM MEASURES - EXECUTIVE SUMMARY

MEASURE SET	Airport passenger duty (APD)	
MEASURE TITLE	Devolve APD rate setting to Scottish and Welsh governments	
MEASURE SUMMARY	This measure concerns allowing the Scottish and Welsh governments to set Air Passenger Duty (APD) rate themselves.	
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, 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.</p>		
WHAT WOULD BE DONE?		
<p>This measure would devolve the authority to set APD rates to the Scottish and Welsh Governments. They could then set APD rates at levels that suit their policy objectives – likely resulting in lower APD rates compared to England.</p>		
WHAT IS THE IMPACT?		
<p>The potential impact is for a reduction in APD rates at Scottish and Welsh airports leading to potential greater connectivity opportunities at those airports. This might result in cross-border distortions when comparing airports near the England-Wales and England-Scotland borders that might be viewed to be in direct competition. It would also likely result in a loss of APD revenue because there would not be an increase to offset potential reductions.</p>		

MEASURE SET:	APD	Short Term	<input type="checkbox"/>
MEASURE TITLE:	Devolve APD rate setting to Scottish and Welsh governments	Medium Term	<input checked="" type="checkbox"/>

PROPOSAL SUMMARY

Proposed by:	Western Gateway(072), Welsh Government(070), HITRANS (026), SCDI(061), SRTP(062) OPPOSED BY: Exeter City Council (017), Heart of the SW LEP (023)		
Proposal: APD-DEV-1	<p>This measure covers a proposal to:</p> <ul style="list-style-type: none">allow the Scottish and Welsh governments to set Air Passenger Duty (APD) rates themselves, independent of the UK government <p>It appears unlikely that this measure could be enacted in the short-term.</p>		
Approach	The approach is for the Scottish and Welsh Governments would set APD rates at levels that suit their policy objectives. The intention is that will mean significantly lower APD rates in Scotland and Wales, compared to England, especially for long haul flights.	Stated Capital Cost: Not stated (unlikely)	
		Capacity (mppa): Not stated	
		Capacity (atm): Not stated	
Benefits	<p>The main benefits available are:</p> <ul style="list-style-type: none">potential for greater connectivity opportunities at Scottish and Welsh airports.possible reduction in air fares for users of those airports.		
Issues & Risks	<p>The main issues and risks are that:</p> <ul style="list-style-type: none">airports that include catchments proximate to Scottish and Welsh airports will be disadvantaged and strongly oppose this proposalit reduces revenue to the Exchequer which would require offset reductions in expenditure at the UK government level		
Mitigations	Not stated.		
Dependencies	The key dependencies are on the Scottish and Welsh governments reducing APD to derive stated changes in airline behaviour, and English APD levels remains at approximately similarly proportionately high levels.		

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ASSESSMENT SUMMARY

Strategic Fit	<p>Supports redistribution of traffic away from single hubs. Supports long term policy to defer expansion of hub airport capacity.</p> <p>Has little impact on long term options. More likely to have strategic issues with policy on devolution and taxation than aviation.</p> <p>Could have negative longer term consequences for some regional airports.</p>
Economy	<p>Dependent on actions of Scottish and Welsh governments, may result in marginal increases in connectivity at airports in those countries if airlines increase services. Air fare savings for consumers in Scotland and Wales.</p> <p>Redistribution of revenue between administrations would have a fiscal impact.</p> <p>May have negative impacts on Bristol Airport (25% reduction), Birmingham and Newcastle Airports if Wales and Scotland significantly reduce or abolish APD (Source: Bristol Airport). £210m a year for Scotland/2 million passengers by 2016 (SCDI)</p>
Surface Transport	Not stated
Environment	Not stated.
People	Not stated
Cost	Implications for reduced UK tax revenue.
Operational Viability	<p>Quasi-constitutional change</p> <p>Tax regulatory change</p>
Delivery	Change to laws on devolved taxation and funding settlements with Scotland and Wales.