

SHORT (& MEDIUM) TERM MEASURES - EXECUTIVE SUMMARY

MEASURE SET	Airport passenger duty (APD)	
MEASURE TITLE	Reduce or Abolish APD	
MEASURE SUMMARY	The proposal is to significantly reduce APD or abolish it to enhance the competitiveness of the UK for aviation.	
MEASURE INVOLVES	<div> <input type="checkbox"/> Behavioural Change <input type="checkbox"/> Infrastructure Change </div> <div> <input type="checkbox"/> Operational Change <input checked="" type="checkbox"/> Regulatory Change </div> <div> <input type="checkbox"/> Technical Change <input checked="" type="checkbox"/> Policy Change </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.</p> <p>The UK charges an APD significantly higher than similar duties levied abroad.</p>		
WHAT WOULD BE DONE? <p>A variety of proposals regarding APD, including cutting to competitive levels, abolishing APD, reforming APD or analysing the full impact of APD.</p>		
WHAT IS THE IMPACT? <p>The potential impacts include:</p> <ul style="list-style-type: none"> • Lower cost of air travel for UK based business and leisure users. • Higher demand for airline services from the UK. • Lower prices for foreign tourists to visit the UK. • Increase in flights, and commensurate environmental impact. 		

MEASURE SET:	APD	Short Term	<input checked="" type="checkbox"/>
MEASURE TITLE:	Reduce or Abolish APD	Medium Term	<input checked="" type="checkbox"/>

PROPOSAL SUMMARY

Proposed by:	Aberdeen Airport(004), Airways Consultancy (Pinnegar)(031), IOD (039), Heart of the SWLEP(023), LSCC(048), MAG(050), Newcastle Airport(057), SCDI(061), The Guild of Air Pilots and Navigators(066), Virgin Atlantic(069), Kent County Council		
Proposal: APD-SEL-1	This measure covers: Significantly reducing APD or abolishing it to enhance the competitiveness of the UK for aviation, encouraging more hub traffic and point to point aviation traffic to and from British airports		
Approach	<p>The approach is:</p> <ul style="list-style-type: none"> Significantly cut APD to a level competitive with other countries in Europe (Airways Consultancy, SCDI) or; Abolish APD altogether (Airways Consultancy, Virgin Atlantic); or Abolish APD for all airports except the busiest airports (MAG); Reform APD into a two band (short and long haul) system (Virgin Atlantic); Full analysis of the impacts of APD (Aberdeen Airport) Freeze APD in cash terms (IOD) The introduction of ETS should be offset by a corresponding reduction in APD (IOD) 		
Benefits	<p>The main benefits available are:</p> <ul style="list-style-type: none"> Lower airfares for UK based business and leisure users. Higher demand for airline services from the UK. Lower prices for foreign tourists to visit the UK. 		Stated Capital Cost: Not stated (unlikely to be any)
			Capacity (mppa): Not stated
			Capacity (atm): Not stated
Issues & Risks	<p>Impact on overall UK tax revenues. Likely increase in demand for flying and consequent carbon emissions. May be unacceptable to HMT/HMRC.</p>		
Mitigations	Not stated.		
Dependencies	<p>HMT/HMRC approval. Proof of compatibility with carbon goals.</p>		

MEASURE SET:	APD	Short Term	<input checked="" type="checkbox"/>
MEASURE TITLE:	Reduce or Abolish APD	Medium Term	<input checked="" type="checkbox"/>

ASSESSMENT SUMMARY

Strategic Fit	Likely to increase demand for flying, with implications for assessment of need and carbon emissions.
Economy	Lower costs for UK consumers. Higher demand for airports and airlines. Higher tourism due to lower costs of travel.
Surface Transport	Expected increase of demand for road and public transport access to airports.
Environment	Expected to result in increase of flights, with concomitant increase in noise and emissions
People	Not stated.
Cost	Not stated (significant negative impacts on the Exchequer – APD raised £2.6bn in FY2011-11 (Source: HMRC))
Operational Viability	Taxation change. Retaining APD for some airports may be commercially discriminatory.
Delivery	Tax regulatory change