



UK Airport Consultative Committees - Liaison Group

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Justine Greening MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
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9th June, 2010

Dear Ms Greening,

AIR PASSENGER DUTY

As recommended by Guidelines of the Secretary of State for Transport issued pursuant to section 35 of the Civil Aviation Act 1982 there are airport consultative committees at most of the UK's airports. The UK Airport Consultative Committees Liaison Group (UKACCS) is a body made up of representatives of the consultative committees at the larger UK airports – you will find more about us on our website at <http://www.ukaccs.info/>.

Last week, 2nd/3rd June, UKACCS held its Annual Liaison Meeting at London City Airport. Among the papers discussed at the meeting was one concerning *Air Passenger Duty*. You can see this paper, which was written in response to concerns expressed by members of the Southampton Airport Consultative Committee, on our website at <http://www.ukaccs.info/10almfiles/10apd.pdf>.

Over recent years, UKACCS has acknowledged the efforts of the Government to minimise the impact on the environment of all forms of transport and wherever possible to encourage travellers to use the least polluting mode of transport. However, the members have been concerned that the monies collected through APD have not been directed to environmental or sustainable transport projects.

In discussion last week members were generally supportive of the new Government's move away from the per passenger duty to a per plane tax but as you might expect there were some concerns, particularly as the details of the new tax are not yet known. I was therefore asked to bring UKACCS concerns to your attention so that they could be taken into account in formulating the proposed new tax:

- (a) While UKACCS supports in principle the move away from the per passenger tax to a per plane tax, there was concern that the change to the new tax should not be used as an excuse unduly to increase the amount collected from the public. In particular, that the Government should be honest in its reasons for the amounts of new tax to be levied and provide reassurance that some at least of any increase in revenues will be used for environmental or sustainable transport projects.

Aberdeen - Belfast City – Birmingham - Bristol International – Bournemouth International - Cardiff Wales International - Durham Tees Valley - East Midlands - Edinburgh - Inverness – Glasgow - Glasgow Prestwick - Leeds Bradford International - Liverpool John Lennon - London City - London Gatwick - London Heathrow - London Luton - London Stansted – Manchester - Newcastle - Robin Hood Doncaster Sheffield – Southampton

- (b) There was concern over reports that you might be thinking about a higher rate of tax on domestic flights for which alternative less polluting travel is already available. The reasons for our concern are very well summed up in the attached letter which Aberdeen Airport Consultative Committee has sent to the Chancellor and I need do no more than to emphasise that the concerns outlined in that letter are also the views of everyone present at the UKACCS meeting last week.
- (c) Related to the above point, and a matter which UKACCS will be pursuing separately with the Secretary of State for Transport, is the impact that the per plane duty will have on preserving slots at the capacity constrained London airports, particularly at Heathrow, for domestic services. Imposing a higher tax on domestic services, particularly from the far regions of the UK where public transport does not provide a suitable alternative, will decrease further any incentive for airlines to maintain domestic air links and they will look to use the slot for a more profitable European or long distance route. It is most important that for the further regions of the UK where domestic services provide a vital lifeline, and where aviation is important for the economy as a whole, everything should be done to preserve regional services rather than penalize them for providing that lifeline.
- (d) Members felt that mechanisms should be put in place to ensure that the airlines do not charge passengers more than they are having to pay the Government in duty per plane. As it is unclear how the proposed new duty will be collected and calculated there is potential for airlines to tax passengers on a load factor percentage rather than a fully loaded aircraft.
- (e) There was concern over the implications of charging duty on aircraft making freight only flights. Members were anxious to ensure that taxing freight flights would not result in freight operators choosing to switch their operating base to neighbouring European airports and to transport goods into/out of the UK by road so as to avoid incurring the UK aviation tax. Road traffic presently contributes a greater proportion of emissions than the aviation industry and it is vital that such a practice is discouraged so as to preserve the environment and the UK economy.
- (f) Members continue to take the view that some or all of the money collected by the Government in this way should be used directly for environmental mitigation measures perhaps by way of a Trust Fund. Such arrangements had been made in other industries, for example the taxes from landfill and quarrying activities are used to mitigate the detrimental effect on local communities.

We hope that the Government will take on board these important points in considering how best to frame the new tax.

It is understood that Danny Alexander MP, the Chief Secretary, is a member of the consultative committee at Inverness Airport and it is for this reason, and because of what we have to say about tax on domestic air services, that we are sending him a copy of this letter.

Yours sincerely,



Liaison Group Secretariat

c.c. Theresa Villiers MP, Minister of State, Department of Transport
Rt. Hon. Danny Alexander, Chief Secretary to the Treasury

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Committee**

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8 June 2010

Rt Hon George Osborne MP
Chancellor of the Exchequer
HM Treasury
Horse Guards Road
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Dear Chancellor

PROPOSED REPLACEMENT OF APD BY A NEW PER PLANE DUTY

I have been asked to write to you by the Aberdeen Airport Consultative Committee, in relation to what we understand to be the intention of the Government to replace the current APD by a new per plane duty (PPD). In particular we wish to express our concern at what we understand from press reports to be a proposal to set a premium level of PPD for domestic flights.

We do not dispute that every effort should be made to minimise the impact on the environment of all forms of transport or that wherever possible travellers should be encouraged to use the least polluting mode of transport. We understand that the Government's intention to encourage domestic travellers from air to rail is predicated on the fact that rail travel is generally less polluting, and that this is the reason for proposing a higher rate of PPD for domestic travel compared with international travel from the UK.

However, we believe that such a move could leave the peripheral regions of the UK at a distinct disadvantage, compared with those areas closer to the south east, and those areas with faster and more frequent rail services.

Allow me, please, to illustrate what we mean, by specific reference to Aberdeen, since the members of the Consultative Committee represent local authorities, the Chamber of Commerce, the off-shore oil and gas industry and other sectors of the local economy, each of which makes a major financial contribution to the overall prosperity of UK plc.

Located as we are in the north east of Scotland, we are dependent on reliable frequent connections by air to London, Birmingham and Manchester (as well as to Amsterdam, Copenhagen and Paris) for connectivity with the rest of the world, as well as for point to point travel. We are also reliant to a large extent on 'thin route' air services to a whole range of other provincial destinations, from Exeter and Southampton to Norwich, Humberside and Teesside, where rail connections are tortuously slow and long-winded, where they exist at all.

Let me explain why rail simply does not offer a suitable alternative, either for business within the UK or for connecting to long haul air services from UK hubs. Central London is more than 7 hours' distant from Aberdeen, by the fastest train, with just three direct services a day. A further hour or more is required to hassle

by tube or taxi and airport express from central London to Heathrow or Gatwick for connectivity to international air services – thus a day can be taken to achieve what can be done in 90 minutes by air.

Birmingham is nearly 8 hours away from Aberdeen by the one direct train each day. Manchester is between six and seven hours away, with no direct services whatsoever. By way of further example, Norwich, Bristol and Southampton, which are served by air from Aberdeen, are respectively between 8 and 9, 9 and 9½, and 10 hours away. Even cities in the north of England, such as Newcastle, Teesside and Leeds are more than 4 hours, five hours and six hours travel time, respectively, by train.

In the time that it would take a business person to travel to most of these destinations by train, (s)he could have flown, done a day's business and be on their way home. The alternative by rail could take between two and three days.

We shall leave other peripheral regions to give their own comparative travel times if they wish, but a similar situation would pertain to such cities as Belfast, Inverness, Newquay and Plymouth and, to a lesser extent, to Edinburgh, Glasgow and parts of the north of England. The northern and western isles of Scotland are at an even greater disadvantage in terms of travel times, other than by air, since they have few if any connections by surface public transport. Even when HS2 is built, potentially 20 years or more from now, the further regions of the UK will have little benefit in terms of total rail travel times and will still be heavily reliant on air for domestic travel.

By contrast, London is now less than three hours from Paris and Brussels by rail, and little longer from Amsterdam and Cologne, yet based on the information currently available about the Government's plans for PPD, air routes to these cities from London would be taxed at a lower level than domestic services. This seems to us grossly inequitable and extremely punitive to the UK's peripheral regions, all of which are desperately seeking to make a substantial contribution to UK plc.

The apparent proposal to discriminate against domestic air services would also put links through the UK's major hubs at a distinct economic disadvantage compared with links from UK provincial airports through Amsterdam, Paris, Frankfurt and other European hubs, militating against the interests of BA and bmi in particular.

Thus, Chancellor, we would ask you to ensure that, should PPD replace APD, it does so on a basis that does not discriminate against the interests of the further regions of the UK, for example, by ensuring that air services between any pair of UK cities that is more than, say, three hours apart by rail, do not suffer a punitively high rate of PPD.

We have two further concerns about PPD. The first is that the smaller regional aircraft that are used on 'thin routes' within the UK are not disproportionately taxed compared with larger aircraft. These aircraft are often used for what amount to life-line services from the islands and the extreme periphery of the UK to the nearest large cities, as well as between provincial centres, and are frequently of the least polluting types of aircraft.

The second is how airlines will be expected to account through ticket prices, which they inevitably will have to, for the collection of each passenger's contribution towards the per plane duty, since this could only equitably be done once the airline knows how many passengers it is carrying on a particular flight. Since they are more likely to determine some form of averaging based on assumed load factors,

we believe that legislation should ensure that airlines do not use PPD as some form of smokescreen for maximising their own income

Finally, in writing, we would ask that some or all of any tax raised from air travel is transparently hypothecated to expenditure on the environment, since the stated purpose of such taxation is environmental, rather than be absorbed into the general taxation kitty.

Yours sincerely

Dr Peter Smart

**CHAIRMAN
ABERDEEN AIRPORT CONSULTATIVE COMMITTEE**