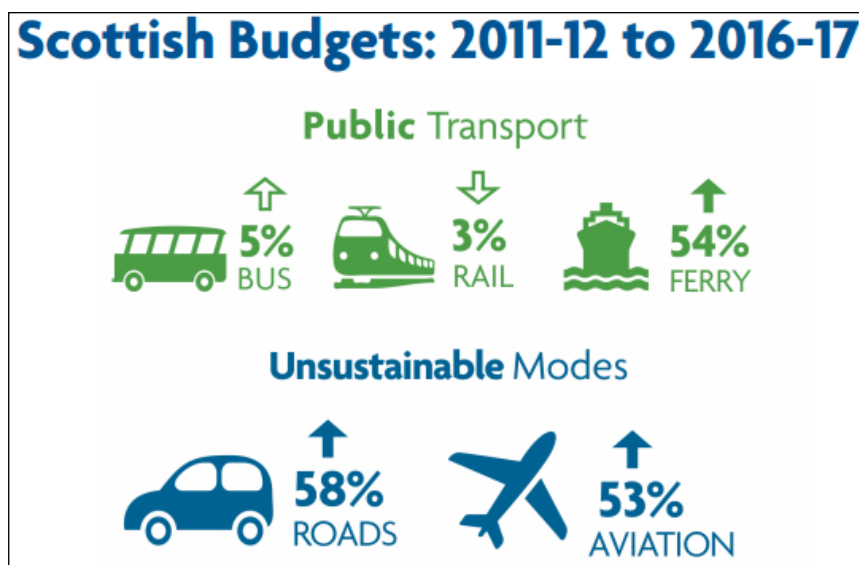


#### Key Points

- Successive Scottish budgets have prioritised unsustainable, polluting modes of transport at the expense of public transport and active travel (i.e. walking and cycling).
- The Scottish Government’s desire to make cutting Air Passenger Duty (APD) a fiscal priority will negatively impact the Scottish economy and goes against Scotland’s legally-binding commitments to tackle climate change.
- Pursuing a tax cut for the aviation industry will disproportionately benefit those on high incomes. We are concerned that the Scottish Government will focus cuts on investment in bus services, a mode of transport disproportionately used by lower income groups. Such an eventuality would seriously damage the Scottish Government’s standing on equalities issues.

#### 1. Transport expenditure continues to favour unsustainable transport

1.1. Recent budgets have prioritised the most unsustainable, carbon-polluting forms of transport:



#### 2. Incentivising the use of aviation contradicts the Government’s commitment to acting on climate change

2.1. The Government is currently engaged in preparing a new Climate Change Bill and a new plan for reducing emissions (‘RPP3’). Transport is the most worrying sector, so a decision to cut tax on aviation will make climate targets even more difficult to meet.

2.2. Aviation is the second largest source of transport emissions in Scotland and is the fastest growing source of emissions in transport<sup>1</sup>. The Scottish Government’s own analysis predicts an additional 60,000 tonnes of CO<sub>2</sub> arising

<sup>1</sup>Transport Scotland (2016). Aviation. <http://www.transport.gov.scot/air/aviation-and-environment>

from a cut to APD<sup>2</sup>. Transport emissions have fallen by less than 2% since 1990<sup>3</sup> and are hindering Scotland in making progress towards the targets set out in the Climate Change Act (2009).

### **3. Prioritising a cut to APD is economically unjustified**

3.1. Cutting taxes for the aviation industry is an economically irresponsible and short-sighted decision which will have negative consequences for the Scottish economy. APD currently contributes £300 million a year for Government expenditure. Reducing APD by 50% would cut Government spending by £150 million, consequently reducing the revenue available for public spending in key sectors. Pursuing a tax break for airlines and airports is a perverse decision at a time when Scottish Government finances are increasingly constrained.

3.2. The economic benefits of a cut to APD cited by the Scottish Government fail to account for the fact that the major beneficiaries of reducing APD are private companies in the aviation industry. Reducing the cost of flights allows uncontrolled growth for airlines and airports whilst reducing finance available for public expenditure.

3.3. Scotland had a tourism deficit of £1.6 billion in 2015<sup>4</sup> (i.e. residents of Scotland contributed £1.6 billion more to the economy of other countries than residents of other countries contributed to the Scottish economy). Reducing the cost of air travel will further encourage residents of Scotland to holiday abroad rather than at home, consequently increasing Scotland's tourism deficit and moving money out of the Scottish economy.

### **4. Prioritising tax cuts to aviation will disproportionately benefit higher income households & threaten transport budgets for buses and other sustainable transport**

4.1. If APD is halved and eventually removed, there will be a reduction in tax revenue of £150m initially and ultimately £300m. This means the Government will have to find these sums of money from elsewhere. If this is to come from transport, the only obvious area of big revenue spend (other than Concessionary Travel) is on bus services in the form of Bus Service Operators Grant (BSOG). If this is cut then bus operators will be forced to either increase fares or reduce services; this would impact disproportionately on low income households. If, in addition, local authority funding is reduced, councils will have less money at their disposal to fund any routes which are not commercially viable.

4.2. A scenario such as this would see people on higher incomes benefit at the expense of those on lower incomes, as well as an unsustainable mode of transport benefitting at the expense of a sustainable one.

## **About Transform Scotland**

Transform Scotland is the national sustainable transport alliance. We campaign for a more sensible transport system, one less dependent on unsustainable modes such as the car, the plane and road freight, and more reliant on sustainable modes like walking, cycling, public transport, and freight by rail or sea. We are a membership organisation bringing together rail, bus and shipping operators; local authorities; national environmental organisations; local transport campaign groups; and individual supporters. <http://www.transformsotland.org.uk>

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<sup>2</sup> Scottish Government: Estimate of the Impact on Emissions of a Reduction in APD in Scotland, 2014. Available at <http://www.transport.gov.scot/report/j340458-01.htm>

<sup>3</sup> Transport Scotland (2016). Scottish Transport Statistics 2016. <http://www.transport.gov.scot/report/scottish-transport-statistics-no-34-datasets-8914>

<sup>4</sup> Office for National Statistics (2016). Quarterly National Accounts Scotland - Quarter 1 2016. <http://www.gov.scot/Resource/0050/00504651.pdf>