



# Air Departure Tax Bill

Stage 1 Debate, Tuesday 25 April 2017

Parliamentary briefing from Stop Climate Chaos Scotland & Transform Scotland

## Key Points

- Cutting Air Passenger Duty (APD) by 50% would reduce Scottish Government revenue by around £150 million a year at a time when budgets are increasingly stretched
- Subsidising aviation whilst freezing funding for bus services, walking and cycling seriously damages the Government's standing on equalities
- Subsidising air travel poses a serious threat to Anglo-Scottish rail services and undermines the case for High Speed Rail services to Scotland
- Aviation is already one of the most lightly taxed industries in the world and continues to grow nationally and internationally
- Cutting APD goes against Scotland's legally-binding commitments to tackle climate change

## 1. Cutting APD provides a further subsidy for aviation at the expense of Scottish Government expenditure

1.1. The aviation industry is already one of the most lightly taxed industries in the world, paying no taxation on fuel duty, no VAT on passenger tickets, and benefiting from duty-free shopping in airports. At present, APD raises around £300m a year; if a 50% cut is implemented, Scottish Government revenue would be reduced by around £150 million a year. There is a lack of any independent evidence which shows economic benefits of cutting APD, as was highlighted by the Scottish Parliament's Finance and Constitution Committee earlier in the year.<sup>1</sup> It is highly likely that private companies – airports and airlines in particular – would be the principal beneficiaries of any economic gain from a cut to APD, rather than the taxpayer. Consequently, revenue available for spending on vital public services is likely to be reduced should a cut to APD be implemented. At a time where budgets across all sectors are increasingly stretched, providing a further tax break for an already lightly taxed industry is a perverse decision.

## 2. Low income groups lose out from a tax cut to the aviation industry

2.1. The decision to pursue a tax cut for aviation will increase inequalities in Scotland and is inconsistent with the Scottish Government's commitment to social equality. Aviation is disproportionately used by higher income groups, with 70% of all flights in the UK taken by the wealthiest 15% of the population.<sup>2</sup> Indeed, over half of the people in the UK did not fly at all in 2013.<sup>3</sup> Meanwhile, lower income groups are disproportionately dependent on bus services, walking and cycling.<sup>4</sup> The recent Scottish Budget saw spending frozen on these modes, whilst setting out plans for a £150 million cut for aviation – nearly three times the total support for buses through the Bus Service Operators' Grant (BSOG). There does not appear to have been any

consideration of the equalities impact of cutting APD and there is insufficient evidence to show that such a tax cut would be socially just. The Finance and Constitution Committee rightly concluded this in their report on the ADT Bill, calling for more evidence on the social impact of cutting APD.<sup>5</sup> Ultimately, freezing budgets for sustainable transport whilst cutting tax for the mode of transport used disproportionately by high income groups is both economically and socially unjust.

### **3. The future of Anglo-Scottish rail services is seriously threatened by a cut to APD**

- 3.1. Although far more environmentally sustainable than aviation, rail does not benefit from the tax breaks enjoyed by the aviation industry. A further tax cut for aviation would incentivise people to travel by plane, particularly within the UK. Research carried out by Virgin Trains suggests that as much as one third of the Edinburgh-London rail market could be lost to air if APD were removed. Cutting APD would therefore seriously damage existing demand for Anglo-Scottish rail services, resulting in fewer services and lower franchise premium payments to government. This would also undermine the business case for High Speed 2 (HS2) services to Scotland, despite this being a key objective of the Scottish Government in recent years.

### **4. Cutting APD undermines Scotland's commitments on climate change**

- 4.1. A reduction in APD is fundamentally incompatible with Scotland's commitment to reduce carbon emissions and tackle climate change, as set out in the Climate Change (Scotland) Act 2009. Aviation is already a major contributor to Scotland's carbon emissions, accounting for 15% of Scotland's carbon emissions from transport in 2013.<sup>6</sup> The Scottish Government's own analysis predicts that reducing APD will result in an increase of as much as 60,000 tonnes CO<sub>2</sub>e (CO<sub>2</sub> equivalent) per year as a result of extra flights to and from Scotland.<sup>7</sup> There is a need to further investigate the environmental impact of the proposed tax cut to assess the true impact of increasing the number of flights to and from Scotland.<sup>8</sup> Other modes of transport are expected to make significant reductions in carbon emissions in the coming years, yet aviation is being encouraged to continue with uncontrolled growth. With transport now responsible for 28% of Scottish emissions and soon to become the largest source of emissions in Scotland, action must be taken to limit emissions from aviation. The considerable additional emissions from cutting APD would simply create further challenges in reducing emissions in what is already the most problematic sector for carbon reduction.

### **5. About Stop Climate Chaos Scotland & Transform Scotland**

- 5.1. SCCS: <http://www.stopclimatechaos.org>
- 5.2. Transform Scotland: <http://transformscotland.org.uk>

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<sup>1</sup> <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-39454458>

<sup>2</sup> DfT Statistical release, July 2014: Public Experience of and attitudes towards air travel, Table ATT0601 and DfT's National Travel Survey, 2013, Table NTS0316.

<sup>3</sup> <http://www.neweconomics.org/blog/entry/a-fairer-way-to-fly>; <http://www.afreeride.org/>

<sup>4</sup> <http://transformscotland.org.uk/wp/wp-content/uploads/2014/12/Warning-Signs-report.pdf>

<sup>5</sup> <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-39454458>

<sup>6</sup> Scottish Government: Draft Climate Change Plan, 2017.

<sup>7</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>8</sup> <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-39454458>