STRATEGIC AVIATION SPECIAL INTEREST GROUP
of the Local Government Association

2012 Budget Summary – Aviation Issues

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Summary

George Osbourne (Chancellor) stressed in his opening statement that the budget would “unashamedly ” support business with “far reaching tax reform” that was simpler and more competitive for business than any other major economy in the world.

The Chancellor claimed that the UK would earn its way in the world by backing companies in the aerospace, energy, pharmaceuticals, creative media and science sectors and where financial services were an important component but not the only “string in our bow.”

National Infrastructure Plan

The Chancellor identified the National Infrastructure Plan as the first of its kind from a British government to set out the projects they intend to prioritise in the coming decade; the roads, railways and clean energy are all identified in the plan.

A copy of the National Infrastructure Plan March update can be found here:
http://www.hm-treasury.gov.uk/national_infrastructure_plan2011.htm

Airport capacity in the South East of England

The Chancellor stated that the country, "must confront the lack of airport capacity in the South East of England" adding "we cannot cut ourselves off from the fastest growing cities in the world." He confirmed that Transport Secretary Justine Greening would be setting out Government thinking later in summer.

The Department for Transport has confirmed that the national aviation policy review will not be published in March but later in the summer.

The Group AirportWatch has suggested that the delay could be the result of the Planning Act 2008 and the classification of a second runway or new airport as a

Nationally Significant Infrastructure Project (NSP). This would require, "an application for development consent rather than planning permission, which would be considered by the new National Infrastructure Directorate within the Planning Inspectorate (which has taken over from the Infrastructure Planning Commission)."

"For this process to work quickly and, crucially, to reduce the scope of objections that would need to be considered - the aviation policy would need to be designated as a National Policy Statement. For this to happen there needs to be an inquiry by a select committee and then Parliamentary approval (or at least acquiescence) needs to be secured before the NPS can be designated. Probably the DfT is now thinking it easiest to call this an NPS rather than a 'sustainable framework' and consult etc. on it as such, so as to minimise the risk of legal challenges. It could always do this later on (by turning existing policy into an NPS) but it's easier to do from the start."

Background: http://www.legislation.gov.uk/ukpga/2008/29/part/2
amended by: http://www.legislation.gov.uk/ukpga/2011/20/part/6/chapter/6

Rail and road haulage investment

It was announced that the operators of Network Rail will be extending the Northern Hub, providing electrification for a number of new lines, including Manchester to Bradford, Sheffield and Preston. The new rail network will cost £130 million and is part of a £560 million investment to boost the Northern Hub plan.[1]

He added that he would extend the 100 per cent capital allowances for low emissions vehicles and increase the percentage list price for company cars subject to tax. Vehicle exercise duty for hauliers would be held.

Aerodynamic Technology

The Chancellor confirmed that a technology centre would open in the UK next year at a cost of £60 million.[2] The centre aims to encourage innovation and investments into "aerodynamics and aircraft design and commercialise new ideas."

National Planning Policy Framework (NPPF)

It was announced that the National Planning Policy Framework (NPPF) would be published on 27 March 2012; it had previously been due for publication on 21 March 2012. The Chancellor said that the planning system was crucial to economic development, and cited the overhaul of planning regulation, with the publication of the NPPF.

The NPPF will come into force for plan-making and decisions from that point onwards, with appropriate implementation arrangements for local authorities with pro-growth policies in local plans. There will be support to help local authorities get plans up to date quickly.

[1] ***http://www.bbc.co.uk/news/uk-england-17463692***
[2] http://fleishman.co.uk/2012/03/budget-2012-becoming-europes-technology-centre/

The NPPF will refocus planning policy to better support growth, will include a powerful presumption in favour of sustainable development to underpin all local plans and decisions, and will localise choice about the use of previously developed land, ending nationally imposed targets. The Government will also work with key statutory consultees to ensure that they support the delivery of sustainable development in line with the NPPF and are held to account for doing so.

Energy

It was announced that combined Heat and Power plants would not be liable for carbon price support rates and that "environmentally sustainable must be fiscally sustainable".

The Carbon Reduction Commitment was "cumbersome and bureaucratic" and the Chancellor stated that major savings would be sought through cutting back on administration costs. If these savings are not possible, it will be replaced with an environmental tax.

Energy Secretary Ed Davey will be setting out a gas generation strategy in the autumn.

On oil and gas extractions, the Government would end uncertainty over decommissioning tax relief by entering into a contractual approach, and provide a large new fuel allowance, offering "huge boost for investment in the North Sea".

Habitats directive

The Government will reduce the cost, complexity and delay to businesses that the Habitats Directive can impose by preparing streamlined guidance, setting clearer standards for evidence and improving the customer focus of the statutory bodies. The Government will also establish a Major Infrastructure and Environment Unit to engage at an early stage with nationally significant infrastructure projects on potential Habitats Directive issues, ensuring evidence plans are agreed upfront and identifying where imperative reasons of over-riding public interest may apply

A copy of the Habitats directive was published on 22 March and can be found on the following links:

Summary report: http://www.defra.gov.uk/publications/files/pb-13724-habitats-review-summary.pdf

Full report: http://www.defra.gov.uk/publications/files/pb-13724-habitats-review-report.pdf

Aviation tax

Air Passenger Duty (APD) – rates will rise from April 2012, as set out at Autumn Statement 2011. APD rates for 2013-14 will rise by the RPI from 1 April 2013, as set out in Overview of tax legislation and rates.

Aviation tax: business jets – The Government will proceed with the extension of APD to flights taken aboard business jets, effective from 1 April 2013. Details were set out in the Government's response to the APD consultation on 6 December 2011.

Aviation tax: Northern Ireland – From 1 November 2011, the APD rates for direct long haul flights departing from Northern Ireland were cut to the short-haul rate (£13 per passenger in economy and £26 per passenger in business and first class, from 1 April 2012). The power to set APD rates for direct long haul flights departing from Northern Ireland will be devolved to the Northern Ireland Assembly.