

<b>SASIG 2012 Meeting Date</b> .....	<b>2</b>
Friday 24 February 2012.....	2
<b>Central Government and Agencies</b> .....	<b>2</b>
Civil Aviation Authority (CAA) statement on Airbus A380 inspections .....	2
<b>Westminster Committees</b> .....	<b>2</b>
Lords debate UK civil aviation.....	2
Energy and Climate Change Committee reports on the EU emissions trading scheme (EU ETS) .....	4
Government responds to Transport Select Committee (TSC) report on high-speed rail .....	4
<b>Events and Speeches</b> .....	<b>5</b>
Transport Secretary, Justine Greening, speaks about 'High Speed 2' at Transport Times Conference...	5
<b>House of Commons Questions</b> .....	<b>5</b>
Bruce, M - British Airways takeover of BMI.....	5
Eagle, M - New link road to Manchester Airport .....	5
Gardiner, B - Air pollution and DEFRA's business plan.....	6
Edwards, J - Variable air passenger duty (APD) .....	6
Rosindell, A - Air passenger duty (APD) effect on industry .....	7
Goldsmith, Z - Heathrow Airport connection to 'High Speed 2' .....	7
<b>House of Lords Questions and Debate</b> .....	<b>7</b>
Lord Palmer - Air passenger duty (APD) implementation delay regarding private jets.....	7
Baroness Benjamin - Passenger duty increase .....	9

## **SASIG 2012 Meeting Date**

The forthcoming SASIG meeting in 2012 will be on:

**Friday 24 February 2012**

Meetings are held between 11am and 1pm, at Local Government House, Smith Square, SW1P 3HZ, with lunch provided afterwards; a location map is at:

<http://www.lga.gov.uk/lga/core/page.do?pageld=27909>.

[back to top](#)

## **Central Government and Agencies**

### **Civil Aviation Authority (CAA) statement on Airbus A380 inspections**

20 January 2012

The Civil Aviation Authority (CAA) has issued a statement that they are in close contact with the European Aviation Safety Agency (EASA), the body responsible for safety oversight of the Airbus A380, regarding Airbus A380 inspections.

The statement clarifies that EASA is working closely with Airbus to ensure the continuing safe operations of the A380 aircraft and is requiring precautionary inspections of wing ribs on some Airbus A380 aircraft flying into the UK that are operated by Qantas, Singapore Airlines and Emirates. No UK airlines fly A380s.

<http://www.caa.co.uk/application.aspx?catid=14&pagetype=65&appid=7&newstype=n&mode=detail&nid=2083>

[back to top](#)

## **Westminster Committees**

### **Lords debate UK civil aviation**

23 January 2012

To continue enjoying the benefits of a growing aviation sector, it was important to ensure that growth was sustainable. This was why the Government was developing a new sustainable aviation strategy, Peers heard in the Lords.

Speaking in a debate on UK civil aviation, Lords Government Transport Spokesperson, Earl Attlee, said the Government had made clear that unsustainable aviation growth was unacceptable and that the tolerance of people surrounding Heathrow Airport had been "maxed out".

### **Civil Aviation Bill to give aviation regulator more flexible powers**

Turning to the Government's reforms for increasing airport effectiveness, Earl Attlee explained that the Civil Aviation Bill had been introduced to Parliament and would give the Civil Aviation Authority (CAA), as regulator of the aviation sector, more flexible powers to respond to passenger issues and target issues of airport resilience.

The South East Airports Taskforce (SEAT) had explored measures for improving punctuality, tackling delay and strengthening resilience at Heathrow, which Earl Attlee said were being trialled.

Furthermore, Earl Attlee explained that the National Infrastructure Plan published last year was clear that the Government must maintain the status of the UK as an international hub for aviation, and recognised that it was “vital” to maintain UK connectivity to improve links with emerging economies and promote investment.

It was for this reason the Government was planning to launch a call for evidence regarding options for maintaining the UK’s hub status alongside the draft framework.

### **Decarbonisation of aviation**

Turning to the decarbonisation of aviation, Earl Attlee said that the Government would work with industry to boost investment in and research into low-carbon technologies and fuels.

He said that developing innovative fuel sources would be key to enabling aviation to grow in a sustainable and successful way, and that the Government wanted to see Britain at the “forefront of delivering greener air travel”.

### **Air passenger duty (APD)**

On air passenger duty, Earl Attlee said the rates announced in the Autumn Statement did no more than keep pace with inflation and would give certainty to the industry for the two-year period to 2013.

### **Thames estuary airport proposals**

With regard to the Thames estuary airport proposals, Earl Attlee said the Government was interested in innovative proposals for maintaining the UK’s aviation hub status and would consider the proposals which met the criteria.

Bringing the debate, Labour Deputy Chairman of Committees, Baroness Gibson of Market Rasen, said aviation was especially vital to the UK because the country is an island and because 55% of exports beyond Europe were carried by aeroplane.

Baroness Gibson said access to an airport with good global connections was vital, especially for tourism, which £115bn of GDP depended on.

However, she warned that taxation and capacity were the two issues preventing the aviation industry from playing its full part in helping the economy to expand. Baroness Gibson warned that the UK already experienced the highest level of aviation taxes in the world.

She said that as European airports expanded and planned for four, five or six runways, Heathrow was “stuck on just two”.

[Click here to view the source of this item online.](#)  
[back to top](#)

## **Energy and Climate Change Committee reports on the EU emissions trading scheme (EU ETS)**

26 January 2012

The Energy and Climate Change Committee - appointed by the House of Commons to examine the expenditure, administration and policy of the Department of Energy and Climate Change (DECC) and its associated public bodies – has reported on the EU emissions trading scheme (EU ETS).

The report does not rehearse old arguments about the failings of the EU ETS in its early stages as the Environmental Audit Committee has set out these issues comprehensively. Instead, the report concentrates on how to improve the EU ETS and how it can be used to promote international climate change mitigation.

The emissions trading scheme is a highly innovative instrument and some problems were inevitable in the opening stages. Despite major setbacks, such as over-allocation and windfall profits, the EU ETS has cut European emissions, primarily by encouraging fuel switching from coal to gas, and made the cost of carbon a significant bottom-line consideration for businesses. The European Commissioner for Climate Action has found that average annual emissions per installation in 2010 were 8% lower than when the ETS was launched in 2005. Not all of this can be attributed to reduced demand as a result of the global recession. DECC estimated that Phase II will deliver EU emission savings of around 580 megatonnes of carbon dioxide (MtCO<sub>2</sub>e) relative to 2005 levels and 3,100 MtCO<sub>2</sub>e over the period 2013 to 2020.

House of Commons Energy and Climate Change Committee - 10th Report: The EU Emissions Trading Scheme (EU ETS) Volume I and II :-

Volume 1: <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmenergy/1476/147602.htm>

Volume 2: <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmenergy/1476/1476vw01.htm>  
[back to top](#)

## **Government responds to Transport Select Committee (TSC) report on high-speed rail**

23 January 2012

The Government has published its response to the Transport Select Committee's (TSC) recommendations contained in its 'High Speed Rail' report published on 8 November 2011.

Transport Select Committee Committee' –10th Report of Session 2010-12 - 'High Speed Rail':  
<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtran/1185/1185.pdf>

Transport Select Committee - 12th Special Report of Session 2010-12 - Government response:  
<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmtran/1754/175402.htm>  
[back to top](#)

## Events and Speeches

### Transport Secretary, Justine Greening, speaks about 'High Speed 2' at Transport Times Conference

26 January 2012

Justine Greening, the Transport Secretary, gave a speech at a Transport Times conference outlining the 'High Speed 2' (HS2) rail programme and the benefits it will bring. She highlighted the fact that the consultation carried out on high-speed rail was one of the largest in the Department for Transport's history and that almost 55,000 responses were received. On the costs and benefits, Ms Greening said that having gone through the evidence and the alternatives it was clear that the argument in favour of HS2 was compelling. Ms Greening described HS2 as: "a modern, fast reliable, railway that will transform connections between our cities, regions and the continent."

Full speech: <http://www.dft.gov.uk/news/speeches/greening-20120126/>  
[back to top](#)

## House of Commons Questions

### Bruce, M - British Airways takeover of BMI

25 January 2012

**Malcolm Bruce (Lib Dem; Gordon):** British Airways has announced that it has reached an agreement to take over British Midland International. Although this is being challenged under competition rules, what assurances can the Prime Minister give that the landing slots at Heathrow from regional airports such as Aberdeen will be protected if it is allowed to go ahead?

**David Cameron (Prime Minister):** The right hon. Gentleman makes an important point, and I am sure that it is important to his constituents as well. I will look into the issue of landing slots - I know how important it is for regional airports - and get back to him.

[back to top](#)

### Eagle, M - New link road to Manchester Airport

25 January 2012

**Maria Eagle (Lab; Garston and Halewood):** To ask the Secretary of State for Transport what proportion of the cost of completing the new link road to Manchester Airport will fall beyond the comprehensive spending review period.

**Norman Baker (Transport Minister):** The precise timescales for constructing and funding the link road have yet to be agreed.

[Click here to view the source of this item online.](#)

[back to top](#)

## **Gardiner, B - Air pollution and DEFRA's business plan**

24 January 2012

**Barry Gardiner (Lab; Brent North):** To ask the Secretary of State for Environment, Food and Rural Affairs for what reason measures to reduce air pollution were not included in her Department's 2011-12 business plan.

**Richard Benyon (Defra Minister):** Departmental business plans are intended to set out the structural reform priorities and do not include every policy responsibility or work programme led by the Department. The fact that air quality is not explicitly mentioned in the DEFRA business plan, published in May 2011, does not in any way reflect a lack of importance attached to air quality nor to its significance as a cross-Government issue. The health and environmental benefits that can be obtained from improving air quality remain the key drivers for action in this area.

DEFRA is also committed, through the coalition agreement, to work towards full compliance with EU air quality standards. The Natural Environment White Paper, published in summer 2011, set out our specific commitments on air quality including: our consultation on plans for the achievement of NO<sub>2</sub> limit values; action to investigate further use of low emission zones; and improving arrangements for local air quality management and delivery.

Collectively, these continue to ensure that air quality is given priority across Government policies. However, we will give further consideration to this as part of the review of our business plan during 2012.

[Click here to view the source of this item online.](#)  
[back to top](#)

## **Edwards, J - Variable air passenger duty (APD)**

23 January 2012

**Jonathan Edwards (Plaid Cymru; Carmarthen East and Dinefwr):** To ask the Chancellor of the Exchequer what recent assessment he has made of the potential economic effects of levying variable air passenger duties in different parts of the UK.

**Chloe Smith (Treasury Minister):** The Government published their response to the consultation on reform of air passenger duty on 6 December 2011.

This can be found online at: [http://www.hm-treasury.gov.uk/2011budget\\_airpassenger.htm](http://www.hm-treasury.gov.uk/2011budget_airpassenger.htm). The Government are committed to rebalancing the UK economy across the regions and to maintaining the status of the UK as an international hub for aviation. The Government will continue to work with stakeholders to examine the role of the tax system in support of these objectives. The Department for Transport is also considering regional connectivity and regional airports policy as part of its development of a sustainable framework for UK aviation, which will be issued for public consultation in March 2012.

[Click here to view the source of this item online.](#)  
[back to top](#)

## **Rosindell, A - Air passenger duty (APD) effect on industry**

23 January 2012

**Andrew Rosindell (Con; Romford):** To ask the Chancellor of the Exchequer what assessment he has made of the effect of air passenger duty on the airline industry.

**Chloe Smith (Treasury Minister):** The Government published their response to the consultation on reform of air passenger duty on 6 December. Air passenger duty is fundamentally a revenue-raising duty which makes an important contribution to the public finances. In meeting their revenue requirements, the Government consider aviation taxes in the round. The Chancellor of the Exchequer, my right hon. Friend the Chancellor, keeps all taxes under review along Budget timelines.

[Click here to view the source of this item online.](#)

[back to top](#)

## **Goldsmith, Z - Heathrow Airport connection to 'High Speed 2'**

23 January 2012

**Zac Goldsmith (Con; Richmond Park):** To ask the Secretary of State for Transport what her policy is on a rail connection from the Great Western Main Line to Heathrow airport and the proposed High Speed 2 scheme.

**Theresa Villiers (Transport Minister):** Network Rail is currently undertaking an assessment of the proposal to build a rail connection between the Great Western main line and Heathrow Airport. This will inform any decision on whether the scheme should progress. On 10 January, the Secretary of State for Transport, my right hon. Friend the Member for Putney, announced that route options should be developed for a spur link to Heathrow Airport to form part of the second phase of HS2, which would be subject to future public consultation. Network Rail is working with HS2 Ltd to assess the potential interfaces between the two schemes.

[Click here to view the source of this item online.](#)

[back to top](#)

## **House of Lords Questions and Debate**

### **Lord Palmer - Air passenger duty (APD) implementation delay regarding private jets**

25 January 2012

**Lord Palmer:** To ask Her Majesty's Government why the air passenger duty on private jets will not be implemented until 2013.

**Lord De Mauley:** My Lords, from April 2013 air passenger duty will for the first time cover passengers travelling aboard private or business jet flights. The changes will bring a substantial number of new operators into the regime and will require the introduction of special rules, tailored to business aviation. Given that the sector comprises many small operators, the Government decided to implement the change from 2013 in order to ensure that burdens both for HMRC and industry were minimised and that the system functions effectively.

**Lord Palmer:** I thank the noble Lord for that reply. Can he categorically confirm that every single private jet will in fact be liable for APD after 2013?

**Lord De Mauley:** Yes, my Lords.

**Lord Trefgarne:** My Lords, can the noble Lord tell me how far down the scale this tax will go? For example, if I still had a little two-seater, would I be liable?

**Lord De Mauley:** My noble friend will be very pleased to hear that his two-seater, provided it is propelled by a propeller, will be exempt.

**Lord Morris of Handsworth:** My Lords, in light of the Question on the Order Paper, do the Government now accept that the air passenger duty was falsely promoted as a positive measure towards mitigating climate change? Is it not just a Robin Hood tax in reverse whereby the Government take from poor families in the Caribbean, as we heard earlier this week, and give to bankers through subsidising their private jets?

**Lord De Mauley:** My Lords, that is quite a question. The Caribbean issue was addressed extensively when my noble friend Lord Sassoon answered questions on Monday. As regards whether it is a tax dressed up as an environmental duty, broadly speaking I agree with the noble Lord. It is a revenue raising duty which makes an important contribution to the public finances.

**Baroness Benjamin:** My Lords, BA has cut scheduled flights to the Caribbean. Travel agents that serve the region are feeling the pinch as fewer people are travelling, meaning a loss of APD revenue to the Treasury. However, last week the Foreign Secretary, William Hague, stated at the UK Caribbean Forum that the Government had not closed the door on further discussions with regard to APD. That is most encouraging, especially to the UK Caribbean diaspora who feel betrayed. However, in the mean time, will my noble friend tell the House what plans the Government have to provide economic support to the Caribbean now that many livelihoods are threatened by the unfair banding of APD?

**Lord De Mauley:** My Lords, I recognise the importance that my noble friend places on this issue. As I said, the question of the Caribbean was addressed extensively by my noble friend earlier this week. I have nothing to add at the moment but as soon as I do, I will bring my noble friend up to date.

**Lord Berkeley:** Is not this air passenger duty a way for the Government to levy an environmental charge on the carbon discharged by airlines? Does the noble Lord agree that this is fair given that airlines get tax-free fuel whereas all motorists and truck drivers have to pay a large duty?

**Lord De Mauley:** I have said that it is a tax. I am not prepared to go further than that.

**Lord Mawhinney:** My Lords, given my noble friend's answer to the noble Lord, Lord Morris, and that this duty will not come in until 2013, does that not give the Government the opportunity comprehensively to review the whole issue of this duty and perhaps to come up with a tax in its place which promotes UK growth, is less damaging to the competitiveness of UK carriers and is explained in a way that moves away from relying on an essential environmental message, which, frankly, few now believe, to some explanation for the tax that is more credible?

**Lord De Mauley:** My Lords, we have recently gone through a full consultation exercise on this. In answer to my noble friend's question about the effect on the economy, the Government's top priority remains to tackle the fiscal deficit. That means that these APD revenues must be maintained for the foreseeable future. The Government believe that the aviation sector should continue to make a fair contribution to the public finances.

**Lord Davies of Oldham:** My Lords, both the noble Lord today and the Minister on Monday made it absolutely clear that this tax is about revenue-raising. Why, therefore, has he indicated this concession for private jets, while the tourism industry, particularly in relation to the Caribbean, is being affected adversely? Why are the Government not consistent in their approach to industry?



**Lord De Mauley:** My Lords, I am speechless that the noble Lord opposite, who was an esteemed member of the previous Government who did nothing about the taxing of business jets for 13 years, should raise the issue at all.

**Lord Swinfen:** My Lords, will passengers who are taken up for a jaunt, and who take off and land at the same airfield without stopping elsewhere, still be liable for this duty?

**Lord De Mauley:** My Lords, I am struggling to think of a situation where that might be practicable, but I think the answer must be yes.

[Click here to view the source of this item online.](#)  
[back to top](#)

### **Baroness Benjamin - Passenger duty increase**

23 January 2012

**Baroness Benjamin:** To ask Her Majesty's Government what criteria they took into account when deciding to increase the rate of air passenger duty, in particular in respect of flights to the Caribbean.

**Lord Sassoon (Commercial Secretary to the Treasury):** My Lords, the new rates of air passenger duty, or APD, which take effect from 1 April 2012, were confirmed in the Autumn Statement following a freeze in APD rates in 2011-12. Over the two-year period 2011-12 to 2012-13 APD rates, including those for flights to the Caribbean, will rise in line with the retail prices index. This increase, which does no more than keep pace with inflation, is necessary if the Government are to meet their overall fiscal projections.

**Baroness Benjamin:** I thank my noble friend the Minister for that Answer, but he is aware that air passenger duty is less if you fly to Hawaii than to Barbados, even though that is nearly double the distance. However, the Caribbean is the most tourism-dependent region in the world and the distortions created by APD rates are damaging to Caribbean countries-loyal friends and supporters of Britain. Would the Government consider amending the rates of APD to the Caribbean islands if they nominated Bermuda, an associate member of CARICOM, as their capital, bringing their banding into line with the US, their major tourism competitor? If not, what plans do the Government have to provide economic support to the Caribbean now that its livelihood is threatened?

**Lord Sassoon (Commercial Secretary to the Treasury):** My Lords, in the current economic climate, air passenger duty is clearly a burden on all businesses whether in the Caribbean, the UK, or wherever else they are based. That is why we had a one-year freeze, although it is right that aviation should make a fair contribution. However a banding structure works, it is bound to have anomalies. It is the case, as many noble Lords will know, that because the banding works in essence on where the capital city is, the anomalies are indeed there, as my noble friend says, but whenever there are bandings there will be anomalies. We listened to the case that was made very well by the Caribbean authorities, including the tourist organisation, during our full consultation last year. We have no plans to make any further changes, other than those set out in the response to the consultation, but I hear very clearly what my noble friend says about how challenging the situation remains.

**Baroness Scotland of Asthal:** My Lords, do the Government accept that the Caribbean now has a number of very fragile economies and that these duties will have a disproportionate, deleterious effect on their well-being, and therefore will in many ways affect the United Kingdom too, which benefits greatly from many of those who hail from that region?

**Lord Sassoon:** My Lords, although I do not underestimate for one moment the effect on the Caribbean, there will be very many businesses located there, here and in other places for which air passenger duty is a burden. The present system of four bands was introduced by the previous Government. We had a one-year freeze in order to recognise the difficult situation in which people were

placed by this and we looked at it. However, the fact is that the APD raised approximately £2.5 billion in 2011-12 and is an important revenue-raising duty.

**Baroness Gardner of Parkes:** My Lords, what would be the effect of the suggestion that was made about Bermuda? Would it be possible for the Caribbean countries to reclassify themselves with Bermuda? What would that involve and would it make quite a difference to them, as has been claimed with regard to the United States?

**Lord Sassoon:** That is a hypothetical question because there is no live question about there being a way to reclassify the Caribbean somehow from band C to band B. To illustrate the broader point, however, many of the respondents to the consultation suggested that we should move back from four bands to two, but that would have resulted in all those in short-haul bands A and B paying more, so it would have increased the air passenger duty for 91 per cent of all passengers paying it. There is no easy way of moving places from one band to another.

**Lord Davies of Coity:** My Lords, the Minister has referred to a number of anomalies. Does he accept that the anomalies display unfairness, and what are the Government going to do about them?

**Lord Sassoon:** As I have explained, the previous Government moved from a two-band system to a four-band one, which raised in the order of £300 million when they came into office and, by the time they left office, was raising in the order of £1 billion. These things are not easy. Where there are real difficulties, however, the Government recognise them. For example, special arrangements have been put in place for long-haul flights out of Northern Ireland to recognise its very special circumstances - its land border with a country that has no APD - and to preserve its flights to the United States. We have said that we will also look at the possible devolution of APD to Wales and Scotland.

**Baroness Berridge:** My Lords, one of the ways in which the system deals with anomalies is to divide large countries such as the Russian Federation into two APD bands. Why has it not been possible to have such a solution for the United States and Canada, which remain in one band and which creates the injustice that my noble friend Lady Benjamin referred to?

**Lord Sassoon:** My Lords, after reviewing this question at considerable length, a decision was taken to leave well alone on all this. As I have tried to explain, as soon as one moves one thing, that opens up the question of all sorts of other adjustments to maintain the revenue.

[Click here to view the source of this item online.](#)  
[back to top](#)

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SASIG, PO Box 1308, Kingston upon Thames, KT1 2WF. Tel: (020) 8541 9459
Fax: (020) 8541 9447 Email: <a href="mailto:sasig@surreycc.gov.uk">sasig@surreycc.gov.uk</a> Website: <a href="http://www.sasig.org.uk">www.sasig.org.uk</a>