



12 September 2012

## **Summary Report on the 'Inquiry into Aviation Policy and Air Passenger Duty' by the All Party Parliamentary Aviation Group**

### **Executive Summary**

- 1 The 'Inquiry into Aviation Policy and Air Passenger Duty' was written by the All Party Parliamentary Aviation Group (APPAG) and was published on 29 August 2012. The APPAG announced a call for evidence between 26 March 2012 and 16 May 2012.
- 2 All Party Parliamentary Groups are informal, cross-party interest groups that have no official status within Parliament and are not accorded any powers or funding by it. They should not be confused with select committees, which are formal institutions of the House.
- 3 Brian Donohoe MP (Lab; Central Ayrshire) is Chair of the APPAG; a biography of Mr Donohoe can be found in annex A. Details of the membership of the APPAG can be found on the Parliament website [here](#).
- 4 [MHP Communications](#) (a consultancy) acts as the group's secretariat. Mr Laurie Price, acting in a personal capacity, provides advice on aviation to the group. 'A Fair Tax on Flying' campaign provided administrative assistance and advice to support this inquiry.

### **Introduction**

- 5 The APPAG's inquiry looked at a number of issues that affect the UK aviation industry's ability to compete internationally, in terms of capacity, infrastructure and taxation. The report considers the level of air passenger duty collected by the Government and its impact on competitiveness. In addition, the report examines the economic importance of the aviation sector to the overall UK economy, how to help reduce its peripherality, as well as the impact which it has on the environment and how growth can be sustainable.
- 6 The APPAG's report identifies the need for the Government to consider the role of aviation as a solution to the UK's economic problems. It states, "In order to achieve the greatest possible economic and social contribution from aviation, we need two things from Government: a forward looking aviation policy that allows for aviation growth; and a new approach to the taxation of aviation."

### **Summary of SASIG's submission to the Inquiry**

- 7 Dr Harry Bush, Group Director - Economic Regulation Group, Civil Aviation Authority (CAA), advised the Transport Select Committee during their inquiry 'The future of aviation', that to date (evidence given 6 May 2009), APD has had no discernible effect on the growth in passenger numbers. Dr Bush explained to the Committee that demand for air travel is relatively insensitive to changes in APD as APD usually forms only a small percentage of the overall cost of a holiday or trip.

12 September 2012

- 8 All sectors in the UK economy should contribute to public revenue; APD is the aviation sector's only, and small, contribution to public revenue, keeping revenue from many other sectors comparatively high.
- 9 Improved surface access, renovation of airports, higher load factors, larger aircraft and high standards of passenger care from airport and airline personnel can all help the aviation sector grow, thus adding to its relative contribution to the UK economy.
- 10 The benefits of the aviation sector must be reported alongside the sector's ranking in relation to other UK sectors. The UK Office for National Statistics (ONS)<sup>1</sup> ranks the aviation sector (when comparing gross value added (GVA)<sup>2</sup>) as: seventh amongst the 18 classifications; and fourth of the five sectors within the 'Transport & Storage' classification that incorporates the 'air transport' sector.
- 11 Comparisons need be made on an equivalent basis, so EU countries with an equivalent aviation sector could be assessed to help inform aviation's relevance to the UK's economic conditions, nationally *and* regionally.
- 12 For any regime to minimise and actually reduce noise impacts from aviation, it must be accepted that a quieter aircraft remains a noisy aircraft and each audible experience of an aircraft can be the cause of disturbance, annoyance and stress. The increased number of flights has overwhelmed gains achieved by the aviation industry producing quieter aircraft, reinforcing the need for meaningful movement limits to control activity.
- 13 APD is a revenue-raising, not an environmental, duty. The EU ETS is a carbon-trading scheme, covering just that element of aviation's climate change emissions. The EU reports the ETS is unlikely to reduce the aviation sector's CO2 emissions. APD and EU ETS are non-comparable measures; application of EU ETS and APD therefore do not represent double counting, and APD should not be reduced to offset EU ETS.
- 14 SASIG's full submission to this inquiry can be found [here](#).

### Key APPAG points

- 15 The report notes evidence of adverse impacts of imposing air passenger duty (APD) in other European countries and identifies the need for the Government to initiate studies to quantify the full impact of APD on UK competitiveness and its taxation policy.
- 16 APD is identified as a contributing barrier against inward business and leisure travel in the UK, putting it at a disadvantage against other European countries.

---

<sup>1</sup> UK Office for National Statistics (ONS), 2009 Annual Business Survey, [www.statistics.gov.uk/abi/downloads/abs-sections-a-s.xls](http://www.statistics.gov.uk/abi/downloads/abs-sections-a-s.xls)

<sup>2</sup> Gross value added (GVA) is an economic measure of the value of goods and services produced in an economic sector/industry/area, consisting of 'output' minus 'intermediate consumption'.

12 September 2012

- 17 The UK must seek a stable framework for growth. The current Government-regulated planning framework is attributed by the APPAG as inhibiting growth and development. Further changes to the planning system, beyond those of the National Planning Policy Framework, need to be made to allow the development of a long term aviation vision and policy.
- 18 A UK hub airport is 'of national strategic importance and should be supported by Government Policy'. The report supports the development of 'further capacity at Heathrow, or the availability of a new purpose-built hub airport'.
- 19 Until a long-term solution is agreed, interim solutions for capacity issues in the South-East of England include the use of mixed mode runways at Heathrow Airport and the greater use of Northolt Airport.
- 20 The development of services and networks by commercial airlines should be free from Government intervention or influence and should be a commercial judgement on the market.
- 21 The Government should try to better regulate the operation of slot trading at congested airports and aim to designate a percentage of any new slots to UK regional services.
- 22 Air Passenger Duty and aviation policy are under the jurisdiction of different Ministers. The report states that this is not conducive to the development of a cohesive policy for the sector.
- 23 The Group identifies that the aviation industry has made significant effort to adjust operational procedures and has achieved gains in noise reduction, and in the case of some airports, carbon neutrality. The inquiry has found that this achievement does not appear to have been recognised in reducing the level of environmental restriction and therefore the associated implication to achieving optimum and best use of existing scarce runway capacity.
- 24 The planning system and potentially rules / policy relating to house sales and legal searches should reflect the duty of care that individuals have to recognise potential noise and disturbance from agreeing to live in a particular locality, next to established commercial or strategically vital operations such as airports.

### **Key APPAG recommendations**

- 25 The expansion of aviation capacity is should only be permitted were there are credible plans to ensure that environmental and social impacts are reduced to reflect the effect on local communities.

12 September 2012

- 26 While there is considerable evidence of individual airport operators developing programmes to reduce environmental and noise-related pollution, there needs to be greater co-operation and sharing of best practice. We recommend that the aviation sector, NGOs, community groups and affected Councils work together on the development of a Good Practice Guide for helping mitigate the externalities associated with air transport operations.
- 27 The Government should undertake an independent analysis of the impact of APD charges to the UK economy and should incorporate the impact of the Emissions Trading Scheme (ETS).
- 28 The Government should renew its commitment to the 2005 Sustainable Aviation initiative reaffirming its support for UK efforts towards harmonising and streamlining European air traffic management through the Single European Sky initiative and encouraging private sector investment in new technologies.
- 29 A cross-Party, long-term consensus must be sought when developing aviation policy. Appropriate safeguards ought then to be put in place to ensure that any long-term policy decisions are implemented within this structure to provide a stable framework for growth and to provide certainty for private sector investors, UK industries, members of the public and the local communities impacted by the sector, and foreign investors.
- 30 The UK's hub airport is a nationally strategic asset that should be supported by the Government. All efforts should be made to ensure the UK retains and grows hub capacity, whether that entails further capacity at Heathrow, or a new purpose-built hub airport.
- 31 An immediate solution is required for capacity issues until a long term solution is found. The Government should carry out a full assessment of the impact of mixed mode use of Heathrow's runways and of using the existing runway at Northolt more effectively. This could be achieved through the transfer of the existing 7,000 annual business aviation movements to Farnborough, and their replacement with services to the UK regions that have lost connections to Heathrow over the last 30 years. Also, some short-haul services should be transferred from Heathrow to allow such 'slots' to be back filled with long-haul services to BRIC (Brazil, Russia, India & China) and other emergent nations not currently served from Heathrow.
- 32 The decision of commercial airline operators to develop their services and networks from specific airports is a matter for their commercial judgement, and the market. This inquiry believes that the Government should ensure that the market for secondary trading of slots at congested airports operates properly.
- 33 The Government should note with interest the significant investment that has been going into Europe's largest hub airports outside of the UK (Frankfurt, Amsterdam Schiphol, and Paris Charles de Gaulle) in recent years. Furthermore, the abolition of aviation tax in other European countries because of its documented adverse impact on national economies has been outlined at length in this report.

12 September 2012

- 34 Air Passenger Duty and aviation policy sit within different parts of Whitehall but the Group believes that in order to address aviation policy in the round, APD and aviation policy need to be considered together.

## Conclusions

- 35 Should the Government be minded to undertake an independent analysis of the impact of APD on UK competitiveness this could usefully build on reporting supplied to date on APD by HM Treasury. Such an analysis must take account of the following factors:

- **Annual tax break**

The UK's 2012 'Budget' reported out-turn revenue from APD for 2010-11 as £2.2 billion.<sup>3</sup> The UK Government has also reported the benefit to the aviation industry from paying no fuel tax or VAT at around £10 billion a year. The aviation industry is thus receiving an £8 billion annual tax break.

- **UK tourism trade deficit**

This tax break is in the context of the UK tourism trade imbalance (UK spend abroad, less foreign spend in UK), which aviation contributes to, that was just over £1 billion in 2010.<sup>4</sup>

- **Cost of exemptions**

The estimated cost of exemptions\* from the tax was £110 million in 2008/09, as published in Budget 2009 (\*transfer and transit passengers, non-paying passengers (cabin crew), children under two, flights from the Scottish Highlands and Islands, military flights).

- **Contribution to public revenue**

All sectors in the UK economy should contribute to public revenue; APD is the aviation sector's only, and small, contribution to public revenue, keeping revenue from many other sectors comparatively high.

- 36 The purpose of planning is to help achieve sustainable development; the planning system is thus an essential process for evaluating growth and development, and is not a block or hindrance as suggested by the APPAG. The planning system rightly performs three roles: economic, social & environmental.

---

<sup>3</sup> Budget 2012, Table D.3: Current Receipts: OBR forecast (pg.106), [http://cdn.hm-treasury.gov.uk/budget2012\\_complete.pdf](http://cdn.hm-treasury.gov.uk/budget2012_complete.pdf)

<sup>4</sup> Budget 2012, Table D.3: Current Receipts: OBR forecast (pg.106), [http://cdn.hm-treasury.gov.uk/budget2012\\_complete.pdf](http://cdn.hm-treasury.gov.uk/budget2012_complete.pdf)



STRATEGIC AVIATION SPECIAL INTEREST GROUP  
of the Local Government Association

**Summary Report on the Inquiry  
into Aviation Policy and Air  
Passenger Duty by the All Party  
Parliamentary Aviation Group**

12 September 2012

- 37 SASIG supports the recommendation that the Government should better regulate slot trading, particularly at congested airports. The opaque world of slot trading is a mechanism used by the aviation industry to maintain inefficient operations at Heathrow in support of calls for further expansion. Were the operation of partially occupied aircraft in order to retain rights to slots at Heathrow stopped, efficient use of Heathrow could more rapidly be achieved.
- 38 SASIG is interested in the proposed addition to house sale and legal search documentation in recognition of noise and disturbance associated with aviation operations. The negative burdens on communities around airports warrant greater transparency, which this recommendation from the APPAG could assist with. For instance, airport operators could be required to purchase those properties most negatively impacted. Greater recognition of how aviation operations must be operated in concert with neighbouring land uses – aviation related or not – would be a positive step forward. For instance, planning controls for activity on-airport, in the air, and on the ground around airports. Noise impacts could be a natural addition to surveys that routinely list local ‘hazards’ such as petrol filling stations and gasholders. There is a range of operational, financial and regulatory options at our disposal to manage noise and disturbance associated with aviation operations; the illustration of these impacts in house sale and legal search documentation could be of assistance.
- 39 SASIG supports the recommendation that a ‘Good Practice Guide’ be developed to mitigate the externalities associated with air transport operations. This could usefully incorporate best practice for ‘carbon neutrality’ schemes to remove those that are ineffective.
- 40 SASIG agrees that cross-Party, long-term consensus must be sought when developing aviation policy.

Contact Officer: Anna Mahoney, Director, Caroline Magin, Information Officer

Email: [sasig@surreycc.gov.uk](mailto:sasig@surreycc.gov.uk)

Tel.: (020) 8541 9459 / 07968 832687

Web: [www.sasig.org.uk](http://www.sasig.org.uk)

Date: 30 August 2012



12 September 2012

## Annex A

### Biography of Brian Donohoe MP

#### Profile

Brian Donohoe has been Labour MP for Cunninghame South, and its successor seat Central Ayrshire, since 1992.

Described by the Guardian as a "quiet, low-profile Scots loyalist" and "politically ambitious", he has spent the majority of his political career as a backbench MP.

However, during the latter half of the 2005-2010 Parliament he served as PPS to Transport Secretary Lord Adonis. He has also previously sat on the Transport Select Committee and the Administration Select Committee and had formerly convened the Scottish Group of Labour MPs.

Active on a high number of all-party groups, Mr Donohoe chairs the group on Aviation, co-chairs the Fairs and Showgrounds and First-Past-The-Post groups, vice-chairs the Cayman Islands, UK-Singapore and British-Taiwanese groups, is secretary of the Gardening and Horticulture and Scotch Whisky and Spirits groups and is honorary treasurer of the Road Passenger Transport group.

During the 2010 Labour leadership election Mr Donohoe supported David Miliband. Prior to this, he voted for John Smith in the 1992 Labour leadership election, and backed John Prescott in the 1994 contest.

As a member of the Tribune Group of Labour MPs, he is generally regarded as being positioned on the centre-left of the Labour Party.

A community police officer in Lewisham, Mr Donohoe is empowered to arrest criminals and still "every once in a while [is] required to don a police uniform and go out on the beat". He believes that this experience has helped him learn about criminals and about police officers.

Prior to his election to Parliament, Mr Donohoe was a dedicated Labour activist, serving as treasurer to his local CLP. He has worked as an apprentice, at a nuclear power station and as a union official. He is a member of the TGWU union.

A keen gardener, Mr Donohoe introduced the 'Madam Speaker' rose into the Palace of Westminster, named after former Commons Speaker Betty (now Baroness) Boothroyd. He also enjoys photography.

He is also known for his candour, having once had a glass of water poured over him by Richard Branson after an assessment of Virgin Trains' performance.



STRATEGIC AVIATION SPECIAL INTEREST GROUP  
of the Local Government Association

**Summary Report on the Inquiry  
into Aviation Policy and Air  
Passenger Duty by the All Party  
Parliamentary Aviation Group**

12 September 2012

**Higher Education**

Kilmarnock Technical College (Engineering 1972)

**School Education**

Irvine Royal Academy

**Full Name**

Brian Harold Donohoe

**Place of Birth**

Kilmarnock, Ayrshire

**Hobbies & Personal Interests**

Gardening

Cycling

**Marital Status**

Married (Christine Pawson)

**Children**

Two sons

**Gender**

Male

**Date of Birth**

10-Sep-48

**Marital Status**

Married





STRATEGIC AVIATION SPECIAL INTEREST GROUP  
of the Local Government Association

**Summary Report on the Inquiry  
into Aviation Policy and Air  
Passenger Duty by the All Party  
Parliamentary Aviation Group**

12 September 2012

**Further Details**

**Areas of Strong Political Interest**

Health, local and regional government, transport, small businesses

**First elected in 2005?**

No

**First elected in 2005?**

No

**First elected in 2010?**

No

**First elected in 2010?**

No

**All Party Group Memberships**

Secretary, All-Party Parliamentary Gardening and Horticulture Group; Hon Treasurer, Associate Parliamentary Road Passenger Transport Group; Secretary, All-Party Parliamentary Scotch Whisky and Spirits Group; Vice-Chairman, British-Taiwanese All-Party Parliamentary Group; Chairman, All-Party Parliamentary Aviation Group; Honorary Treasurers, British-American Parliamentary Group; Vice-Chairman, All-Party Parliamentary Group for Aerospace; Vice-Chairman, All-Party Parliamentary Group for the Cayman Islands; Vice-Chairman, UK-Singapore All-Party Parliamentary Group; Co Chairman, All-Party Parliamentary Group on Fairs and Showgrounds; Member, All-Party Parliamentary Group for the Cayman Islands; Member, All-Party Parliamentary Group for State Boarding Schools; Member, All-Party Parliamentary Group on Fairs and Showgrounds; Member, All-Party Parliamentary Group on Trade out of Poverty; Member, All-Party Parliamentary Group for Aerospace; Member, All-Party Parliamentary Group for the Armed Forces; Member, All-Party Parliamentary Aviation Group; Member, All-Party Parliamentary Gardening and Horticulture Group; Member, UK-Singapore All-Party Parliamentary Group; Member, Pitcairn Islands All-Party Parliamentary Group; Member, Associate Parliamentary Road Passenger Transport Group; Member, All-Party Parliamentary Scotch Whisky and Spirits Group; Member, Indo-British All-Party Parliamentary Group; Member, All-Party Parliamentary Group for Malta; Member, All-Party Parliamentary Maritime and Ports Group; Member, British-Taiwanese All-Party Parliamentary Group; Member, All-Party Parliamentary Group on Communications; Member, United Kingdom Falkland Islands All-Party Parliamentary Group



12 September 2012

## **Past Activity**

### **Past Memberships of Party Groups**

Treasurer, Cunninghame South Constituency Labour Party 1983-91

### **Past Government and Shadow Posts**

PPS to Lord Adonis at Department for Transport 2008-10: as Minister of State 2008-09, as Secretary of State 2009-10

### **Committees on Bills (2005 - Parliament)**

Member, Parliament (Joint Departments) Bill Second Reading Committee, 7 June 2007  
Member, Statistics and Registration Service Bill Committee, 16-25 January 2007

### **Past Select Committee Memberships**

Member: Environment, Transport and Regional Affairs 1997-2001, Environment, Transport and Regional Affairs (Environment Sub-Committee) 1997-2001, Environment, Transport and Regional Affairs (Transport Sub-Committee) 1997-2001, Transport, Local Government and the Regions 2001-02, Transport, Local Government and the Regions (Transport Sub-Committee) 2001-02, Transport 2002-05, Administration 2005-10

### **Past Memberships of Councils and Public Bodies**

Chair: Cunninghame Industrial Development Committee 1975-85, North Ayrshire and Arran Local Health Council 1977-79

### **Electoral History**

Member for Cunninghame South 1992-2005, for Central Ayrshire since 5 May 2005 general election

### **Adjournment/Westminster Hall debates called**

Equitable Life, 4 May 2011

### **Past Employment**

Apprentice fitter and turner (Ailsa Shipyard, 1965-1970)  
Engineer (Hunterson nuclear power station 1977)  
Draughtsman (ICI Organics Division, 1977-1981)  
Nalco District Officer (1981-1992)

### **Professional Qualifications**

National Certificate in Engineering



STRATEGIC AVIATION SPECIAL INTEREST GROUP  
of the Local Government Association

**Summary Report on the Inquiry  
into Aviation Policy and Air  
Passenger Duty by the All Party  
Parliamentary Aviation Group**

12 September 2012

**Contact Details**

**Party Link**

<http://www.labour.org.uk>

**Email**

[brian.donohoe.mp@parliament.uk](mailto:brian.donohoe.mp@parliament.uk)

**Office Address**

House of Commons  
London  
SW1A 0AA

**Office Telephone**

0207 219 6230

**Office Fax**

020 7219 5388

**Constituency Address**

17 Townhead  
Irvine  
Strathclyde  
KA12 0BL

**Constituency Telephone**

01294 276844

**Constituency Fax**

01294 313463

**Website**

<http://www.briandonohoemp.co.uk/>

**Mobile Telephone**

07774 646600

**Assistant Name**

Ruth Brown [last checked January 2012]

[www.dehavilland.co.uk](http://www.dehavilland.co.uk) Information provided by DeHavilland political intelligence services