

The government's initial policy position on domestic APD

1. Do you agree with the government's initial policy position that the effective rate of domestic APD should be reduced? In your view, what would be the positive and negative effects of such a change, particularly in light of the government's objectives for aviation tax?

HACAN does not agree with the initial policy position to reduce Air Passenger Duty (APD) on UK domestic flights. To reduce APD would undermine Government commitments to Net Zero and effectively provide further subsidy to the most polluting form of transport.

In our view, aviation taxes should increase in line with those paid by motorists to help generate additional revenue (around £10bn per annum) for the Treasury.

It is clear from the advice of the Climate Change Committee and the International Energy Association that aviation policy needs to include demand management and it is disappointing not to see this referenced in the consultation.

The Government has also yet to publish its long-awaited net zero aviation policy consultation and it is thus unclear how any proposals and outcomes from either consultation will be integrated into strategic policy measures.

HACAN believes that taxing flights and distance flown would appear to better align with the Government's environmental objectives by ensuring airlines maximise their available capacity and that those who fly the furthest pay the most.

2. What evidence can you provide about the impact of an effective reduction in the domestic rate of APD on Union and regional connectivity?

The countries and regions of the UK are already very well connected by road, rail, sea and air. Many areas also benefit from an APD exemption as a result of being designated as Public Service Obligation (PSO) routes.

It is not possible to assess the impact of any such reduction without a comprehensive consideration of all other modes of transport.

3. How would a reduction in the effective rate of domestic APD affect airlines? Will the benefits be passed onto consumers in ticket prices or retained by airlines?

Any affect would only benefit the airlines as it is passengers that pay APD. Northern Ireland's decision to scrap APD for long-haul routes, showed no demonstrable impact on passenger numbers. Further, in a climate emergency Government should not be seeking to help make flying even cheaper.

4. Which domestic air routes, if any, are likely to be introduced/restart following any effective reduction in the domestic rate of APD, and what wider benefits would these routes provide?

The existence of PSO routes – which are exempt from APD – highlight that it is not a tax that limits demand. Thus, reducing APD is unlikely to result in any new routes without further direct public subsidy.

Government should not be encouraging additional domestic routes that are served by public transport.

5. Which existing domestic air routes, if any, would benefit from an increased number of services following any effective reduction in the domestic rate of APD, and what wider benefits would these routes provide?

As above for Q4.

6. By how much would you estimate that the number of passengers currently flying domestically increase?

The Climate Change Committee has advised Government the trend for aviation emissions to increase year on year must be reversed. It makes no sense to introduce a measure that will undermine efforts made elsewhere in the economy to decarbonise.

7. What could the environmental impact of reducing the effective domestic rate of APD be? How could any negative impacts be mitigated?

The environmental impact of reducing domestic APD would be entirely negative, and would include increases in noise, air pollution and emissions for overflowed communities. Such impacts cannot be properly mitigated except by reducing the number of flights.

The proposal risks undermining Government efforts to encourage behavioural change to switch to lower carbon forms of transport as well as sending confusing communications to the rest of the world in the run up to COP26.

8. What could the impact of reducing the effective domestic rate of APD be on other modes of transport (e.g. road/rail)?

Reducing domestic APD would result in the rail sector losing some of its market share which is precisely the opposite type of modal shift that Government should be seeking to achieve.

9. If the effective rate of domestic APD is reduced, would you favour the introduction of a return leg exemption or a new domestic rate? What would you see as the comparative risks and benefits of these options?

HACAN would like to see any planned reduction scrapped. The government should instead increase taxes on domestic air transport, so that aviation fully covers its externalities, demand is reduced to levels consistent with net zero emissions and lower emission travel alternatives become more attractive.

10. Is there an alternative approach to reducing the effective rate of APD on domestic flights, that you think would be more appropriate than either of the options identified?

Government should require airlines to advertise prominently the emission and other adverse impacts of domestic air travel, to encourage behavioural change.

A return leg exemption

11 What are your views on the way a return leg exemption could operate as set out in paragraph 2.8? What are the benefits and risks of this proposal? What amendments would you suggest, if any?

HACAN do not support the proposal.

12. Do airlines currently differentiate between single and return tickets in their booking systems and, if so, how?

No comment.

13. What evidence could airlines provide to HMRC to demonstrate that a passenger was travelling on a return ticket?

No comment.

14. If the return leg exemption were to be introduced, how quickly could airlines integrate it within their operating systems to allow them to them to provide evidence to HMRC on their APD liabilities?

No comment.

15. Are there any particular considerations around the application of a return leg exemption to business jets, in light of how business jets are operated?

No comment.

A new band for domestic flights

16. Do you agree with the government's initial position that a new domestic band would be the most appropriate approach to reducing the rate of APD on domestic flights?

HACAN do not support reducing APD on any distance band.

Taxing flights rather than passengers would appear to better align with the Government's environmental objectives by better targeting the level of emissions. A per flight tax could be based on just two factors, the plane type and the distance travelled. The Government can set the tax for the plane and it would then be up to the airline as to how it distributes that cost amongst passengers.

17. What are your views on the way a new domestic rate could operate as set out in paragraph 2.11? What are the benefits and risks of this proposal? What amendments would you suggest, if any?

No comment.

18. If a new domestic rate were to be introduced, how quickly could airlines integrate it within their operating systems to allow them to them to provide evidence to HMRC on their APD liabilities?

No comment.

International distance bands

19. Do you agree with the government's initial policy position that the number of APD distance bands should be increased? In your view, what would be the positive and negative effects of such a change, particularly in light of the government's objectives for aviation tax?

HACAN can see the merit in the introduction of additional distance bands and higher rates of APD for longer distance flights. However, it is vital that APD rates should not be reduced for any length of international flight. APD charges should reflect aviation's full environmental

and societal impacts in line with the polluter-pays-principle. Therefore, new bands should be introduced for the shortest and longest flights.

A new band should be introduced for the most polluting flights that travel less than 1,000miles. An additional band should also be introduced for flights further than 7,500 miles to ensure that APD reflects the environmental impact such journeys have.

20. What could the impact on the environment of a change to the banding structure? How could any negative environmental impacts be mitigated?

The creation of additional bands and increasing the rate of APD would send ensure that the travelling public understand that that the CO2 impact of a flight is related to distance flown.

It is not clear what negative environmental impacts would be created by the changing of the banding structure.

21. What evidence can you provide about the impact of an increase in the number of APD distance bands on international connectivity?

No comment.

22. Which of the policy options for increasing the number of international distance bands do you think is most appropriate? Please explain your answer.

Policy Option B proposes 3 new bands, HACAN suggest that these are amended slightly and include the two new bands proposed below.

Band	Miles
A	0-1,000
B	1-2,500
C	2,500-5,000
D	5,000-7,500
E	7,500 +

23. Is there an alternative banding structure that could better meet the government's objectives as outlined in paragraph 1.1?

No comment.

24. If a new international distance band structure were to be introduced, how quickly could airlines integrate it within their operating systems to allow them to them to provide evidence to HMRC on their APD liabilities?

Airlines already know the routes they fly, the frequency and the number of passengers so the calculation of the liabilities should be a relatively quick and simple process.

Frequent flyer levy

25. Do you agree with the government's assessment that APD should remain as the principal tax on the aviation sector? Would you propose any alternative tax measures which could further align the aviation tax framework with the government's environmental objectives?

HACAN believes that APD is not appropriate as the principal tax on the aviation sector as it does not reflect the environmental, health and social harm caused. It is disappointing that the consultation has not explored additional tax options such as a kerosene tax or more comprehensively set out options for a frequent flyer levy.

HACAN endorse the work of Possible in their proposal for a frequent flyer levy¹ and the New Economics Foundation in their analysis and assessments of how a frequent flyer levy could be introduced.²

Whilst higher rates of APD might help achieve a fairer revenue contribution they are unlikely to achieve the necessary environmental goals. However, a frequent flyer (or air miles) levy would be an effective, social, just and morally defensible way to reduce UK aviation emissions while maintaining access to air travel for all members of British society.

We support the view of the Aviation Environment Federation (AEF) that APD should be retained and increased in order to help meet the stated primary objective of aviation tax to ensure that the aviation sector makes a fair contribution to public finances. Additional financial measures should be introduced in parallel to internalise environmental costs in ticket prices.

HACAN does not agree with the asserted problems of the frequent flyer levy, especially as a large proportion of the relevant data is already being captured. It is surely not beyond the technological capabilities of airlines and the state to establish a simple and efficient means by which to process such information in a way that is GDPR compliant.

¹ Proposal for a frequent flyer levy <https://s3-eu-west-1.amazonaws.com/media.afreeride.org/documents/FFL+Policy+Proposal.pdf>

² Managing Aviation Passenger demand with a frequent flyer levy <https://s3-eu-west-1.amazonaws.com/media.afreeride.org/documents/FFL+Modelling+paper.pdf>