

Air Departure Tax Debate

Motion S5M-17190, Wednesday 8th May 2019

Parliamentary briefing from Stop Climate Chaos Scotland & Transform Scotland

*Stop Climate Chaos Scotland and Transform Scotland encourage MSPs to **support Motion S5M-17190**, calling on the Scottish Government to abandon its policy to cut then scrap the Air Departure Tax.*

Key Points

- Transport is now the largest source of emissions in Scotland: cutting ADT will increase greenhouse gas emissions, contradict the recent advice from the UK Committee on Climate Change, and undermine national emission reduction targets.
- Cutting Air Departure Tax (ADT) 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.

1. Cutting ADT undermines Scotland's climate emergency targets

- 1.1. Last week's advice from the UK Committee on Climate Change (UK CCC) made clear that Scotland must reduce its greenhouse gas emissions to net zero by 2045, reaching at least a 70% reduction in emissions by 2030.¹ To put this in context: transport emissions have only reduced by 1% since 1990, and actually increased in 2016.² Transport is now the largest source of greenhouse gas emissions in Scotland and could pose a significant barrier to meeting future climate change targets³.
- 1.2. The Scottish Government's own analysis predicts that reducing ADT will result in an increase of as much as 60,000 tonnes CO₂ equivalent (CO₂e per year as a result of extra flights to and from Scotland.⁴ This is the equivalent of putting 30,000 new cars on the road.⁵ There is a clear 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.⁶

¹ Net Zero: The UK's Contribution to Climate Change, May 2019. Available at: <https://www.theccc.org.uk/wp-content/uploads/2019/05/Net-Zero-The-UKs-contribution-to-stopping-global-warming.pdf>

² Scottish Transport Statistics No.37, 2018. Available at: <https://www.transport.gov.scot/media/44207/sct01193326941.pdf>

³ Scottish Government: Scottish greenhouse gas emissions, 2016. Available at: <https://www.gov.scot/publications/scottish-greenhouse-gas-emissions-2016/pages/3/>

⁴ Scottish Government: Estimate of the Impact on Emissions of a Reduction in APD in Scotland, 2014. Available at <https://www.transport.gov.scot/media/31954/j340458.pdf>

⁵ Dr. Richard Dixon for The Scotsman, May 2019. Available at: <https://www.scotsman.com/news/opinion/columnists/what-will-sturgeon-s-climate-emergency-actually-achieve-richard-dixon-1-4921865>

⁶ Reported by BBC Scotland, April 2017. Available at: <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-39454458>

1.3. The UK CCC report outlined in detail the challenges faced in reducing emissions from aviation, and called on airlines to bear some of the costs in tackling these emissions. Cutting ADT would contradict both this advice, and recent declarations of a 'Climate Emergency' made by a number of political parties. Instead of offering tax cuts to the aviation industry, and increasing Scotland's aviation emissions, the Government should be discussing how to make the industry reduce its greenhouse gas emissions - amongst other policies to tackle the climate emergency.

2. Cutting ADT provides a further subsidy for aviation at the expense of Scottish Government expenditure

2.1. 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, ADT 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 ADT, as was highlighted by the Scottish Parliament's Finance and Constitution Committee in 2017⁷. 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 ADT, rather than the taxpayer. Consequently, revenue available for spending on vital public services is likely to be reduced should a cut to ADT be implemented. At a time when budgets across all sectors are increasingly stretched, providing a further tax break for an already lightly taxed industry is a perverse decision.

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

3.1. 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.⁸ Indeed, over half of the people in the UK did not fly at all in 2013.⁹ Meanwhile, lower income groups are disproportionately dependent on bus services, walking and cycling. The 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 ADT 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 ADT.¹⁰ 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.

4. The future of Anglo-Scottish rail services is seriously threatened by a cut to ADT

4.1. 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 ADT were removed. Cutting ADT would therefore seriously damage existing demand for Anglo-Scottish rail services, resulting in fewer services and lower franchise premium payments to government. This would

⁷ Reported by BBC Scotland, April 2017. Available at: <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-39454458>

⁸ Public experience of and attitudes towards air travel, 2014. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/336702/experiences-of-attitudes-towards-air-travel.pdf

⁹ New Economics Foundation, "A fairer way to fly", June 2015. Available at: <https://neweconomics.org/2015/06/a-fairer-way-to-fly>

¹⁰ Reported by BBC Scotland, April 2017. Available at: <https://www.bbc.co.uk/news/uk-scotland-scotland-politics-39454458>

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.

5. About Stop Climate Chaos Scotland & Transform Scotland

5.1. SCCS: www.stopclimatechaos.scot

5.2. Transform Scotland: <http://transformscotland.org.uk>