

# **Air Departure Tax in Scotland: Consultation on an overall 50% reduction policy plan and an Environmental Report**

## **Analysis of Responses**

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**December 2017**

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# Executive Summary

This report presents an overview of findings from analysis of responses to the Scottish Government's consultation on an overall 50% reduction in Air Departure Tax (ADT) and the Strategic Environmental Assessment (SEA) Environmental Report.<sup>1</sup> A total of 121 responses were received. This included 38 submitted by organisations, 82 submitted by individual members of the public, and one set of campaign responses using standard text developed by the Scottish Green Party.

## Support for the 50% reduction in ADT

A minority of respondents supported the policy plan (30 of 121, 25%), although the majority of group respondents were in favour. Comments from those who support the policy plan were focused primarily on potential for the reduction in ADT to improve Scotland's connectivity. Key points raised included:

- Evidence indicating that Scotland has poor air connectivity relative to other parts of the UK and Europe, and suggestions that a reduction in ADT could help Scotland to be more competitive.
- Suggestions that air connectivity has an important role for Scotland's tourism industry and wider economic growth, and estimates of the likely positive economic impact of a 50% reduction in ADT for Scotland.
- More specific benefits including to existing routes which operate on "thin margins", and which are important where surface travel options are not practical.

## Opposition to the 50% reduction in ADT

The majority of respondents did not support the policy plan; 85 of the 121 submissions (70%), including a large majority of individuals. Key points raised by these respondents included:

- Evidence highlighting the likely environmental impact, particularly the increase in carbon emissions linked to an increase in air travel - on this basis, some suggested that the policy was inconsistent with the Scottish Government's climate change commitments.
- Some described the 50% reduction as a "regressive" proposal which will primarily benefit businesses and higher income households.
- Reference to the risk of reduced government revenues, and a preference to retain this income to support infrastructure/services.

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<sup>1</sup> <http://www.gov.scot/Publications/2016/03/3238/0>

- Potential for the reduction in ADT to have a negative impact on other, lower carbon transport modes (particularly rail travel).
- Questioning the extent to which the policy would deliver the anticipated benefits, including suggestions that this was more likely to benefit outbound travel rather than inbound tourism.

## **Achieving the overall 50% reduction**

Respondents commenting on specific options to achieve the 50% reduction in ADT included a mix of those who supported the policy plan, those opposed, and those offering no clear view. These respondents expressed support for a range of approaches:

- Support for a “flat” 50% reduction across current tax bands/rates was related to as being the simplest means of delivering the 50% reduction, and with the benefit of consistency with the structure of UK Air Passenger Duty (APD), including avoiding additional costs to adapt systems.
- Support for targeting the reduction at short-haul flights included suggestions that: this approach would deliver the greatest benefits; reference to short-haul routes accounting for the large majority of air travel to and from Scotland; suggestions that demand is more sensitive to pricing; and suggestions that a reduction in ADT could have a greater impact in development of new routes.
- Support for a targeted reduction for long-haul flights included suggestions that: current rates for these journeys are disproportionately high; this could improve connectivity with new markets outside the European Economic Area; and, reference to evidence of higher spending by long-haul passengers.
- Respondents suggested a range of other approaches to deliver the overall 50% reduction including: a targeted reduction for reduced rate passengers; a 100% reduction in ADT for intra-Scotland air travel; and, a reduction in ADT linked to the carbon impact of flights.

## **Views on environmental evidence**

A minority of respondents (34 of 121, 28%) commented on the evidence set out in the SEA Environmental Report. Several of these respondents expressed broad support for the evidence, and in particular agreed with the focus on carbon emissions, noise and air quality as the key environmental effects. However, most of those providing comment identified areas to be modified or extended:

- There were suggestions that the Report could be clearer on what was seen by respondents as evidence of significant negative impacts, with some stating that this evidence undermined the case for the policy.

- There were suggestions that the Report underestimates potential for technological developments and other ongoing initiatives to minimise or offset carbon emissions associated with aviation.
- There were suggestions that the Report does not take sufficient account of carbon emissions associated with a potential modal shift from rail to air travel, nor of the impact of more surface travel to and from airports. There was also a suggestion that the Report should seek to provide an account of the likely longer-term impacts.

## **Views on predicted environmental effects**

Several of those commenting on the predicted environmental effects expressed broad support for the Report's consideration of these, but most of those providing comment raised issues:

- There were suggestions that the Report overestimates the likely environmental impact of a reduction in ADT, including a view that technological advances and schemes to cap or offset carbon emissions could mitigate the majority of the predicted increase in emissions.
- There were suggestions that the Report underestimates the likely environmental impact. This included respondents noting that the Report does not take account of a potential modal shift from rail to air travel, the impact of surface transport to and from airports, and impacts on human health and air quality.
- Other points included suggestions that the assessment should take account of the potential for a reduction in UK APD in response to the policy plan, and modelling of different approaches to deliver the 50% reduction to inform development of secondary legislation.

## **Views on environmental conclusions**

Respondents offering a view on the SEA Environmental Report conclusions and recommendations were evenly divided between those in favour (11 respondents) and those opposed (12 respondents). Most of those providing written comment identified issues or suggested modifications:

- There were suggestions that the conclusion that a reduction in ADT will lead to an increase in the environmental impacts associated with air travel should take greater account of technological advances and schemes to offset and cap carbon emissions.
- There were suggestions that the recommendations are insufficient to achieve the reduction in emissions required to meet the Government's wider climate change commitments.
- There were suggestions that the Report should include an indication of the likely longer-term impacts of a reduction in ADT.

# 1. Introduction

1.1. This report presents an overview of findings from analysis of responses to the Scottish Government's consultation on an overall 50% reduction plan and an Environmental Report for Air Departure Tax (ADT). It builds on an initial consultation launched in March 2016 asking how the new tax should be structured and should operate to help achieve the Scottish Government's objective of generating sustainable growth by boosting Scotland's international air connectivity. This included the opportunity to comment on the initial findings and proposed scope and methodology of the Strategic Environmental Assessment (SEA) that was being undertaken.<sup>2</sup>

## The consultation

1.2. The consultation sought views on the Scottish Government's policy for an overall 50% reduction in ADT by the end of the current parliamentary session, and on the assessment of the likely environmental impacts of the 50% ADT reduction as set out in the SEA Environmental Report.

1.3. Air Departure Tax is due to replace UK Air Passenger Duty (APD) in Scotland from April 2018, at which point ADT will be collected by Revenue Scotland. Detail of ADT tax rates and bands will be set out in secondary legislation. The consultation was launched on 26 June 2017 and closed on 15 September 2017 with the aim of informing the development of this secondary legislation, and to meet the requirements of the Environmental Assessment (Scotland) Act 2005. The consultation document included two distinct elements:<sup>3</sup>

- The Scottish Government's policy for an overall 50% ADT reduction by the end of the current session of the Scottish Parliament - consultation questions focus on the extent to which respondents support the overall 50% reduction and on the most effective way to achieve the reduction across tax bands and rates; and
- An assessment of the likely significant environmental impacts from the overall 50% ADT reduction policy, with the consultation document summarising the Strategic Environmental Assessment Environmental Report.

1.4. This report presents an analysis of responses to both elements of the consultation.

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<sup>2</sup> The results of this consultation were published here: <https://consult.scotland.gov.uk/fiscal-responsibility/air-passenger-duty>

<sup>3</sup> Air Departure Tax (ADT) – Consultations on an overall 50% reduction policy plan and an Environmental Report: <https://consult.scotland.gov.uk/fiscal-responsibility/air-departure-tax/>

1.5. In addition to providing an overview of the policy plan, and a summary of the SEA Environmental Report, the consultation document included nine questions where respondents' views were sought. Four questions were included in relation to the policy plan: one "closed" Yes/No question and three questions inviting written comment. Five questions related to the Environmental Report, all inviting written comment and one question also including a Yes/No element.

## Overview of responses

1.6. A total of 121 written submissions were received. This included 38 responses submitted by organisations, 82 submitted by individual members of the public, and one set of campaign responses using standard text developed by the Scottish Green Party.<sup>4</sup> In addition, 37 of the 82 individual responses comprised the standard campaign text with individuals' own comments added; these have been included in the count of individuals, although they will not be published as full responses.

1.7. A profile of respondents by type is set out in Table 1.1 below.

**Table 1.1: Profile of respondents**

	Number	% of all respondents
Airlines and airline representatives	13	11%
Airports and airport representatives	5	4%
Other transport and travel organisations	6	5%
Professional tax and accountancy organisations	2	2%
Environmental organisations	7	6%
Other organisations	5	4%
<i>Group respondents (Total)</i>	<b>38</b>	<b>31%</b>
Individual	82	68%
Campaign	1	1%
<b>TOTAL</b>	<b>121</b>	<b>100%</b>

<sup>4</sup> A total of 782 campaign responses were received which used standard response text developed by the Scottish Green Party; as is standard for this type of consultation analysis, these have been treated as 1 distinct response.

- 1.8. Six broad respondent types have been used to categorise group respondents for the main analysis. These respondent types seek to reflect the range of sectors and interests represented by responses, and to maintain consistency with the previous consultation on a replacement to APD. The six categories are summarised below:
- 13 airline and airline representative respondents included airlines and professional and representative bodies for the sector;
  - Five airport and airport representative respondents included airport respondents and professional and representative bodies;
  - Six other transport and travel respondents comprised a mix of organisations involved in non-aviation travel including those providing travel services, a Transport Partnership, professional and representative bodies, and campaign organisations;
  - Two professional tax and accountancy organisations;
  - Seven environmental organisations included a mix of public bodies, third sector and campaign organisations with a specific environmental focus; and
  - Five ‘other’ organisations representing a range of interests and including representative bodies and third sector organisations.
- 1.9. Reflecting the range of sectors and interests represented across these respondent types, there was some variation across submissions in their focus on specific aspects of the consultation. For example, all airline, airport, other transport and tax/accountancy respondents answered questions on the policy plan – as did nearly all individual respondents. However, only around half of airline and airport respondents, and less than a third of individuals addressed the Environment Report consultation. In contrast, all environmental organisation respondents answered the Environmental Report, and four of seven addressed the policy plan.
- 1.10. As noted earlier, a total of 782 campaign responses were received which used standard response text developed by the Scottish Green Party. These were focused exclusively on the policy plan consultation. We highlight in the body of the report where the standard campaign responses addressed specific consultation questions.

## **Reporting approach**

- 1.11. The remainder of this report presents a question by question analysis of responses given at each of the nine consultation questions across the policy plan and Environmental Report consultations. The report considers views on each of the two elements of the consultation in turn.

- 1.12. The results of the ‘Yes/No’ questions (question one of the policy plan, and question four of the Environmental Report element) are presented in tabular form. A number of respondents did not make their submission on the consultation questionnaire, or submitted additional free text documents that were not structured around the consultation questions. This material was analysed in relation to the most directly relevant consultation questions or sections, to ensure that the report considered the full range of material provided by respondents.
- 1.13. Statistical analysis was not appropriate or possible for the qualitative written responses included in submissions. However, in considering the balance of views expressed we use the following reporting conventions:
- “A small number” to refer to five or fewer respondents.
  - “Several” or “some” to refer to between five and 10 respondents;
  - “A substantial number or proportion” to refer to more than 10, but less than half of respondents.
  - “Most or “the majority” to refer to more than half of respondents.

## 2. Element 1: Policy for an overall 50% reduction in ADT

- 2.1. The first part of the consultation sought views on the policy plan to reduce the overall burden of ADT by 50% by the end of the current session of the Scottish Parliament. This section considers respondents' views on the four consultation questions set out in the consultation document in relation to the policy plan. 117 of the 121 submissions (97%) addressed this part of the consultation.

### Views on the policy plan

**Q1: Do you support the Scottish Government's policy plan to reduce the overall burden of ADT by 50% by the end of the current session of the Scottish Parliament? Please answer 'Yes' or 'No'.**

**Q2: Please explain your answer to Q1.**

- 2.2. The first two consultation questions asked whether respondents supported the Scottish Government's policy plan to reduce the overall burden of ADT by 50%. This included a 'Yes/No' question, and a question inviting respondents to explain their support for or opposition to the policy plan. Table 2.1 over the page summarises responses to the 'Yes/No' question.
- 2.3. The majority of respondents indicated that they did not support the policy plan; 85 of the 121 submissions indicated this (70%). This balance of views varied across responses from group and individual respondents. The majority of group respondents (23 of 38), including all airline and airport respondents, supported the policy plan, while a large majority of individuals were opposed (75 of 82). Campaign responses were opposed to the policy plan.

**Table 2.1: Do you support the Scottish Government’s policy plan to reduce the overall burden of ADT by 50% by the end of the current session of the Scottish Parliament?**

	Yes	No	No response / Unclear	TOTAL
Airlines and airline representatives	13			13
Airports and airport representatives	5			5
Other transport and travel organisations	3	3		6
Professional tax and accountancy organisations		1	1	2
Environmental organisations		3	4	7
Other organisations	2	2	1	5
<i>Group respondents (Total)</i>	23	9	6	38
Individual	7	75		82
Campaign	-	1		1
<b>TOTAL</b>	<b>30</b>	<b>85</b>	<b>6</b>	<b>121</b>
<b>Percentage of all respondents</b>	<b>25%</b>	<b>70%</b>	<b>5%</b>	<b>100%</b>
<b>Percentage of those answering question</b>	<b>26%</b>	<b>74%</b>	<b>-</b>	<b>100%</b>

2.4. A total of 116 submissions included written comment at Question 2, including a mix of those who supported the policy plan (29 of those supporting the policy plan included written comment<sup>5</sup>), those opposed (84 of 85 including written responses), and a small number who did not offer a clear view on the policy plan.

### Comments from those in favour of the policy plan

2.5. Those who support the policy plan raised a range of issues, but **comments were focused primarily on the potential for the reduction in ADT to improve Scotland’s connectivity and wider economic growth**. This was a particularly common theme amongst airline and airport respondents, but was also referenced by a small number of other transport, environmental, other organisation and individual respondents.

2.6. Several respondents suggested that Scotland has poor air connectivity relative to other parts of the UK and Europe, including specific reference to evidence benchmarking Scotland’s connectivity against European comparators. A small number of respondents also suggested that Scotland’s connectivity is particularly poor for long-haul and direct short-haul travel, including reference to specific studies.

2.7. Reference to the importance of improving Scotland’s connectivity included a substantial number of respondents (including airline, airport, other transport, and individual respondents) stating that **UK APD is significantly higher than similar taxes levied by most other countries**. Indeed, several of

<sup>5</sup> These 29 responses included 2 responses from individuals which included the standard campaign text, but which differed from other campaign-based responses in supporting the policy plan.

these respondents noted that relatively few countries have a comparable tax, although another organisation respondent noted that some countries have other types of taxes on the airline sector which the UK does not, or which are considerably higher than the equivalent taxes levied on the UK airline sector. A substantial number of airline, airport and other transport respondents suggested that a reduction in tax from current APD rates would help Scotland to be more competitive with countries levying lower taxes, in terms of attracting passengers and airlines, and in the development of new routes.

*“Scotland’s airports are in competition with not only UK airports, but those across Europe, most of which have no APD and are therefore more competitive. A 50% reduction, will improve the competitiveness of Scotland with other UK airports, but will still result higher taxes than in most European countries.”*

(Airline/airline representative)

- 2.8. This included a suggestion that a reduction in ADT would place Scotland at an advantage over the rest of the UK, although an airport representative respondent noted that this could have a detrimental impact on airports elsewhere in the UK and wished to see a reduction in ADT/APD across the whole of the UK.
- 2.9. Most of those in favour of the policy plan suggested that **air connectivity has an important role for Scotland’s tourism industry, and in driving economic growth more widely**. In addition to stimulating inbound tourism, these respondents saw potential for the 50% reduction in ADT to stimulate job creation, enable businesses to access a larger customer base, and support greater competition and innovation. This included reference to Scotland’s geographical location on “the periphery” of Europe, and the importance of air travel in providing access to European destinations and markets.
- 2.10. Most of those commenting on the potential for a reduction in ADT to stimulate economic growth, referred to the extent to which they felt that demand for air travel might be sensitive to price changes, and the potential for a reduction in ADT to increase passenger numbers. This was seen as vital in supporting development of new routes. Most of these respondents (particularly airlines, airports and other transport organisations) also referred to a range of estimates of the wider economic impact of a 50% reduction in ADT for Scotland, including suggestions that the reduction and eventual abolition of the tax could be self-funding. This included respondents citing a range of estimates of the potential increase in passenger numbers associated with a 50% reduction in ADT, and what were described as positive outcomes achieved by countries following the reduction or abolition of similar taxes. The extent to which improved air connectivity can stimulate wider economic growth was seen as particularly important in the context of the UK’s anticipated exit from the European Union.

*“Air passenger demand is very sensitive to ticket pricing. A 50% reduction in the Scottish ADT rates would undoubtedly boost economic output, employment, and investment, as a reduction in the overall tax burden would improve Scotland’s air connectivity with the rest of Europe and the world.” (Airline/airline representative)*

- 2.11. Respondents also referred to **more specific benefits that they thought might follow from the policy plan**. This included support for existing regional and other routes which operate on “thin margins”, and which are particularly important for communities where surface travel options are not practical. This included an additional suggestion made by some respondents of reducing ADT on flights to the Highlands and Islands (in addition to the existing exemption on flights *from* the region) as a means of stimulating tourism and economic growth. However, it was also noted that a reduction in ADT could reduce the relative benefit afforded by the current exemption for flights from the region.
- 2.12. A small number of respondents also referred to a reported fall in air passenger numbers at Aberdeen airport over recent years, and suggested that there is potential for the policy plan to improve air connectivity for the Grampian and north-east regions, and in so doing, enable economic growth. Potential benefits for passengers were also noted, including improved travel options, shorter travel times, and lower fares.

### **Comments from those objecting to the policy plan**

- 2.13. Those who objected to the proposed reduction in ADT cited a range of factors in support of this view. **Most of these respondents highlighted the negative environmental impact**, and in particular the likely increase in carbon emissions associated with an anticipated increase in air travel. This included responses from other transport, professional tax/accountancy, environmental and other organisations, and individuals. Several of these respondents suggested that the likelihood of increased emissions was inconsistent with the Scottish Government’s stated ambitions to tackle climate change, and current emissions targets. A small number of respondents specifically suggested that the Scottish Government should use ADT powers to support a reduction in aviation emissions.

*“Climate change is one of the greatest long-term threats to people and wildlife and proposals to reduce ADT are inconsistent with Scottish climate change ambition. Members of [our organisation] are very concerned by Scottish Government’s plans to deliver tax cuts in support of aviation growth and increased emissions given the impact this will have on climate change, the development of Scotland’s low carbon economy, and the natural environment.” (Environmental organisation)*

2.14. Those highlighting the environmental impact of the policy plan included some making **detailed reference to the basis of estimates for the likely scale of impact** - primarily the estimates set out in the SEA Environmental Report. It was noted that these estimates show a considerably larger increase in emissions than was indicated at the time of the 2016 APD consultation, but a small number of responses raised concerns that these estimates may still underestimate the environmental impact of the policy plan. These respondents referred specifically to the Report having not taken account of the potential for a reduction in ADT to cause a modal shift from rail to air travel, of the additional climate impact of carbon emissions at altitude, nor of the “uplift factor” to account for real world performance (for example additional emissions linked to take-off and circling, and potential differences between theoretical and ‘real world’ vehicle performance). It was also noted that an increase in air travel would also contribute to an increase in emissions from (road or rail) travel to and from airports.

*“As the SEA Environmental Report acknowledges, a 50% reduction in ADT will result in an estimated increase in carbon emissions by between 87,000 - 101,000 tonnes CO2e in the first year alone. This will rise to as much as 105,000 tonnes CO2e by 2021. This figure is likely still far too low.”* (Other transport and travel organisation)

2.15. Several respondents also referred to the more localised negative environmental impacts associated with an increase in air travel. This included reference to the recent growth in concerns regarding the health impacts of poor air quality, and the potential increase in noise around airports - on which the Scottish Government has commissioned research which will be published shortly.<sup>6</sup>

2.16. Those objecting to the policy plan also raised **other concerns regarding the likely impact of the reduction in ADT:**

- Most of those objecting to the policy plan described the 50% reduction as a “regressive” proposal which will primarily benefit businesses and higher income households. This included reference to evidence that those in the highest income bands account for a large majority of flights to and from Scotland, and a suggestion that those on lower incomes could benefit more from investment in other modes such as cycling and public transport provision (than from a reduction in ADT). It was also suggested that, as a very small proportion of the total cost of a family holiday (i.e. including accommodation etc.), a reduction in ADT was unlikely to enable more lower income families to access air travel.

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<sup>6</sup> <http://www.gov.scot/Publications/Recent>

- A substantial number of respondents referred to the risk of reduced government revenues, including specific estimates of the potential loss in revenue as a result of the reduction in ADT. This included a suggestion that the current tax has been shown to be an efficient means of raising government revenue, and some concern that the consultation document does not include detail on how any shortfall in revenues will be met. A small number of respondents specifically indicated a preference to retain taxation income (i.e. hypothecate revenues) to support infrastructure, other transport services, and public services.
- The potential for the reduction in ADT to have a negative impact on other, lower carbon transport modes was also mentioned by a substantial number of respondents. This included a particular focus on the potential impact on rail travel between central Scotland and the rest of the UK; respondents noted that rail travel has increased its share of this route in recent years, and raised concerns that a reversal in this trend would contribute to an increase in carbon emissions. A small number of respondents cited estimates of the potential impact on rail travel, and some suggested that more work is required to assess this impact.
- A substantial number of respondents questioned the extent to which a reduction in ADT would deliver the benefits anticipated by the policy plan. This included suggestions the proposals were more likely to benefit outbound air travel rather than inbound tourism, the risk of subsequent changes to UK APD undermining the benefits to Scotland, and scepticism around the extent to which demand for air travel was sensitive to relatively small price changes. On this latter point, a small number of individual respondents also noted that airlines would not be under an obligation to reduce ticket prices in line with the reduction in ADT. It was also suggested that any benefits that accrued for example, in terms of increased demand for air travel and tourism, could be at the cost of a negative impact on other transport modes and/or parts of the economy. A small number of respondents referred to recent growth in air travel and questioned whether further action was required to stimulate demand, and perceived “a lack of independent evidence” on the economic benefits of a reduction in ADT.<sup>7</sup>

*“[We] consider that arguments suggesting that the effect of a 50% reduction in ADT would be to boost tourism, create jobs and increase growth in Scotland are not well established.” (Other organisation)*

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<sup>7</sup> <http://www.gov.scot/Publications/Recent>

## Achieving the overall 50% reduction

**Q3: If you answered ‘Yes’ to question 1, please provide any suggestions you may have on the most effective way, in your view, in which a 50% reduction in the overall ADT burden should be applied across tax bands and tax rate amounts in order to achieve the Scottish Government’s overall connectivity and sustainable growth objectives.**

- 2.17. Just over half of submissions included comment on potential approaches to deliver the overall 50% reduction in ADT. Those providing comment were split between respondents who support the overall policy plan (31 of those providing comment), and those opposed (29 of those providing comment).
- 2.18. These respondents were varied in their preferred approach and included those who support a “flat” 50% reduction across current tax bands and rates, those who support a reduction focused primarily on either short-haul or long-haul flights, and suggestions for a range of other approaches.
- 2.19. Several respondents provided comment in support of a **“flat” 50% reduction across current tax bands and rates**. This included airline, airport, other transport, and individual respondents. Support for this option was primarily related to this being the simplest means of delivering the overall 50% reduction, although a small number of respondents also suggested that this approach would maximise the impact of the change.
- 2.20. Several respondents highlighted the benefits of retaining consistency with the structure of UK APD, for example, in minimising the risk of market distortion, avoiding confusion regarding tax rates applicable to specific products, and minimising risks of double taxation (for example by ensuring consistent connected flight rules such that ADT is not charged more than once per journey where the flights are connected). It was also noted that retaining the existing tax structure would avoid potentially significant additional costs to adapt airlines’ systems. This was seen as a particular issue in the context of the Scottish Government’s intention to abolish the duty when resources permit.

*“The Scottish Government should avoid complicating what is an otherwise simple and efficient tax regime. Airlines do not want to have to contend with two separate tax regimes within the UK and from our discussions, we believe airlines will respond if ADT is simple. With this in mind, we believe the Scottish Government should replicate [the structure of] the existing UK-wide APD regime to ensure ease of compliance and administration.”*  
(Airport/airport representative)

- 2.21. In terms of targeting a reduction in ADT on specific tax bands, views were divided between several respondents who preferred targeting of short-haul flights, and a similar number preferring a targeting of long-haul flights.
- 2.22. **A reduction in ADT on short-haul flights** was suggested by several respondents including airline, airport and individual respondents. This was linked to suggestions that this approach would deliver the greatest benefits to passengers and economic growth. These respondents noted that short-haul routes account for the large majority of air travel to and from Scotland, and play a particularly important role in providing access to hub airports. It was also suggested that demand for these routes is more sensitive to pricing, including reference to evidence that a reduction in ADT for short haul flights would have a more immediate impact on passenger numbers as a result of the price sensitivity of this sector.

*“The biggest impact of the tax is felt by those flights travelling short distances and we think this is where the Scottish Government should be directing its focus in the first instance.”*  
(Airport/airport representative)

- 2.23. A small number of airline respondents also suggested that short-haul flights typically operate on tight margins, such that a reduction in ADT could have a greater impact in enabling development of new short-haul routes. It was also noted that ADT is particularly significant for domestic short-haul flights as they are charged on each leg departing from an airport in Scotland.
- 2.24. A small number of respondents also referred to potential for a reduction in ADT for short-haul flights to support growth in regional economies, and suggested that there is scope to prompt growth in passenger numbers at “underused” regional airports.
- 2.25. Several respondents preferred a **targeted reduction in ADT for long-haul flights** – including airline, other transport, environmental organisation, other organisation and individual respondents. This included suggestions from several airlines that current rates for these journeys are disproportionately high, having increased significantly since the introduction of APD. These respondents wished to see a targeted reduction in the long-haul rate to restore the original differential between long-haul and short-haul rates (the long-haul rate was twice the short-haul rate when first introduced).
- 2.26. Several airline respondents also suggested that supporting growth in long-haul air travel would deliver significant benefits in improving connectivity with new markets outside the European Economic Area, particularly in the context of the UK leaving the European Union. This included suggestions that the current tax rate for long-haul flights is a significant consideration in the planning and launching of new routes, and that a targeted reduction could have a significant impact in delivering new routes. A small number of respondents also cited evidence of higher spending amongst long-haul

passengers, such that a growth in long-haul inbound travel could deliver wider economic benefits. It was also suggested that a reduction in the long-haul rate (leaving the short-haul rate unchanged) would avoid negative impacts on the lower carbon surface travel options that compete with short-haul air travel.

*“The long-haul rate is now 5 to 6 times higher than the short-haul rate...This disproportionate tax burden on long-haul travellers is both harmful to the economy and contrary to sound economic policy...Long-haul visitors typically spend twice as much as short-haul travellers when visiting the UK, making them more valuable to the country’s economy. In addition, long-haul destinations include many rapidly growing and emerging markets with which the UK is looking to increase its trade.”* (Airline/airline representative)

2.27. Respondents also suggested a range of **other approaches to deliver the overall 50% reduction in ADT:**

- A targeted reduction for reduced rate passengers (those traveling in the lowest class available on the aircraft). These passengers were described as bearing the greatest relative tax burden under the current system, and as being most sensitive to price changes.
- A targeted reduction to support Scotland’s regional airports, and regional economies more widely. This included suggestions for a 100% reduction in ADT for intra-Scotland air travel to incentivise travel between regional airports and Edinburgh/Glasgow; a targeted reduction in ADT for airports with fewer than 3 million passengers per annum; and a targeted reduction for north east region airports to “create a level playing field across the north of Scotland” (i.e. in the context of the current APD exemption for flights from the Highlands & Islands region). These approaches were seen as offering benefits in potentially reducing congestion (and associated environmental impacts) at Scotland’s largest airports by diverting demand rather than reducing it.<sup>8</sup>
- An “other” organisation respondent noted that the policy plan does not address the potential for return flights within the UK to attract a higher level of tax than journeys of a similar distance that commence or terminate out with the UK.<sup>9</sup>
- An approach that more explicitly links ADT to carbon emissions and environmental impact. This included suggestions that the Scottish Government considers linking ADT to the carbon impact of flights, or moving to a per-plane duty.

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<sup>8</sup> Note that any Scottish Government assistance would be subject to compliance with EU state aid rules.

<sup>9</sup> Arrivals are out with the scope of ADT, and as such the policy plan only covers departing flights.

- 2.28. A small number of respondents included comments on other aspects of the introduction of the policy plan. These included comments indicating a preference for the 50% reduction to be introduced immediately to maximise impact, highlighting the value of the tax being abolished when possible; the importance of providing the industry with sufficient advance notice of the approach to delivering the overall 50% reduction; and a need to monitor the impact of the preferred approach.
- 2.29. Concerns were also raised by a small number of respondents that a general 50% reduction would reduce the comparative benefit of the existing Highlands & Islands exemption from APD. These respondents wished to see further interventions to support the region, recognising the importance of air travel to communities and businesses.

### **Other comments on the policy plan**

- 2.30. The consultation invited respondents to provide any other comments on the policy plan; a little more than half of respondents did so. This included a mix of those who supported the policy plan (15 of those providing comment here), those opposed (53 providing comment), and a small number who did not offer a clear view on the policy plan.
- 2.31. These included respondents highlighting the importance of a carefully managed implementation of the 50% reduction, and several respondents calling for the full 50% reduction to be implemented immediately rather than staged over the course of the current parliamentary session. Some also had concerns about possible future changes, including potential for passengers to incur additional tax on connecting flights if differences emerge between ADT and UK APD.<sup>10</sup>

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<sup>10</sup> Noting that APD policy is a matter reserved to the UK Government.

### 3. Element 2: Environmental report

- 3.1. The second part of the consultation sought views on the SEA Environmental Report on the policy plan for an overall 50% reduction in ADT. This section considers respondents' views on the five consultation questions set out in the consultation document in relation to the Environmental Report. 48 of the 121 submissions (40%) addressed this part of the consultation, in contrast to 97% addressing the policy element.

#### Views on evidence presented

**Q1: What are your views on the evidence set out in the Environmental Report that has been used to inform the assessment process?**

- 3.2. A minority of respondents provided comment on the evidence set out in the Environmental Report; 34 (28% of all responses) responses addressed this question.

#### Views of those in support of the evidence presented

- 3.3. Several respondents expressed **broad support for the evidence presented by the Report**. This included airlines, other transport respondents and environmental organisations.
- 3.4. These respondents indicated their support for the Report's assessment of the potential environmental effects of the policy plan, including the focus on carbon emissions, noise and air quality (although some of these respondents also raised potential issues around the evidence presented on these effects). A small number of respondents also specifically noted evidence on the negative environmental impact of this change. A small number of respondents also highlighted the importance of the Post Adoption Statement to be produced following introduction of the policy, as a means of identifying where further assessment is required and in setting out mitigation mechanisms.<sup>11</sup>

*"[Our organisation] feels that the key Assumptions highlighted in the Environmental report are a fair identification of the matters that would need to be considered relating to the environment." (Other transport and travel organisation)*

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<sup>11</sup> The Post Adoption Statement will explain how the Environmental Report and consultation responses have been taken into account by the policy, and set out the approach to monitoring the environmental effects of the policy.

## Issues or concerns raised in relation to the evidence presented

- 3.5. Most of those providing comment on evidence set out by the Environmental Report identified **areas where they felt that the content could be modified or extended**. This included several suggesting that the Report could be clearer on what respondents saw as evidence of significant negative environmental impacts associated with the policy plan. A small number of these respondents suggested that this evidence undermined the case for a reduction in ADT.
- 3.6. Several respondents (primarily airlines and airports) questioned assumptions regarding the likely impact on carbon emissions, and the extent to which these over-estimated the likely impact of the policy plan. This included suggestions that the Report underestimates the potential for improved fuel efficiency, more sustainable aviation fuel, modernisation of airspace, and other on-going initiatives to minimise or offset carbon emissions associated with aviation - for example Sustainable Aviation's carbon and noise roadmaps, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and the EU Emissions Trading Scheme. Some also referred to on-going work to minimise localised environmental impacts. A number of these responses included detailed accounts of initiatives and evidence relating to these assumptions.

*“As highlighted by [organisation name], we believe several elements could be reviewed – including assumptions on the improvement of fuel efficiency of flights, innovation opportunities to accelerate the production and use of sustainable aviation jet fuels, modernisation of airspace, opportunities to improve the management of local impacts such as noise and air quality and the need to consider environmental impacts across the longer term.”* (Airline/airline representative)

- 3.7. Other respondents (other transport, environmental and individual respondents) suggested that the Report **underestimates the likely impact of the policy plan on carbon emissions**. This included reference to a need to take account of carbon emissions associated with a potential modal shift from rail to air travel as a result of the reduction in ADT, and of the impact of more surface travel to and from airports. A small number of respondents also questioned whether the assessment of the policy's impact on carbon emissions took account of the “multiplier effect” of carbon emissions at altitude.

*“We would urge the Scottish Government to consider the environmental impacts of a modal shift from rail to air and how this would impact on the current shift from air to rail between Scotland’s Central Belt and London.”* (Other transport and travel organisation)

*“It is not clear whether the Transport Scotland figures take into account the multiplier effect of emissions from aviation at altitude – both the radiative forcing ratio and the uplift factor.”*  
(Environmental organisation)

3.8. Respondents also suggested the following potential modifications to the Environmental Report, including some who wished to see further detail on the potential impact to inform development of secondary legislation:

- A small number of respondents felt that the Report could have included some modelling of the potential **impact of alternative approaches to delivering the overall 50% reduction in ADT**.
- Several respondents suggested that the evidence set out in the Report should seek to provide an account of the **likely longer-term impacts of the policy**.
- A small number of respondents suggested that the Report could include a **more accurate and detailed account of Scotland’s four main airports**, and in particular the extent to which passenger volume and environmental impact are dominated by Edinburgh and Glasgow.
- A small number of respondents suggested that the **evidence base for the SEA Environmental Report is unclear** (beyond Transport Scotland’s analysis), such that it is not possible to offer a definitive view on the evidence presented.
- A small number of airline respondents suggested there is **no link between ADT and the environmental impacts of aviation**, and that the tax was not designed to address these impacts.

## Views on predicted environmental effects

**Q2: What are your views on the predicted environmental effects as set out in the Environmental Report?**

**Q3: Are there any other environmental effects that have not been considered?**

3.9. A total of 39 respondents (32% of all responses) commented on the Environmental Report’s consideration of predicted environmental effects, and/or on the environmental effects not considered.

- 3.10. A substantial number of these respondents expressed **broad support for the Report's consideration of these effects**. This included broad statements of support for the assessment approach, with several respondents specifically noting the negative effects identified by the assessment. Comments also indicated agreement with specific aspects of the assessment such as the extent to which identified environmental effects support a reduction in Band A or Band B flights, localised risks to air quality at airports, and potential negative effects associated with new infrastructure requirements.
- 3.11. However, the majority of those providing comment raised some areas of disagreement or concern in relation to the identified environmental effects.
- 3.12. Concerns noted earlier (at Question 1) regarding the extent to which the evidence base **overestimates the likely environmental impact of a reduction in ADT** were also reflected in views on the environmental effects predicted by the Report. These were primarily raised by airline and airport respondents, but also included another transport respondent and an environmental organisation. These respondents suggested that the assessment should take greater account of technological developments and other initiatives to limit or offset the environmental impacts of aviation. It was suggested that these developments and initiatives could address the majority of the increase in emissions identified by the Report, and would have a significant impact on emissions beyond 2021 (the Environmental Report considers the period up to 2021).

*"[Our organisation] believes that the majority of these additional emissions will be addressed through the EU Emissions Trading Scheme. There may be a small residual amount of additional emissions which are not covered for international (non-EU) flights until the ICAO Carbon Offset and Reduction Scheme for International Aviation, (CORSIA), commences its voluntary phase in 2021. Beyond 2021 at least 87% of international flights will be captured by this scheme. This scheme will then address any additional carbon emissions above 2020 levels."* (Environmental organisation)

- 3.13. The extent to which increased aviation demand can be accommodated by existing capacity, without increasing the number of aircraft or flights, was also referenced – it was suggested that “drawing a linear relationship” between increases in passenger numbers and carbon emissions was likely to overestimate environmental effects.

*“With the reduction in the Air Departure Tax (ADT) rates, it is likely that the forecasted increase in passengers will at least partially be accommodated through existing flights, i.e. without an increase in the number of flights but through more passengers being carried on existing flights (higher load factors).”* (Airline/airline representative)

- 3.14. An airport respondent also suggested that a reduction in ADT could encourage more direct travel and reduce additional flights to European hub airports (the respondent suggested that these flights are currently used to transfer through European airports to avoid paying higher rates of tax) and their associated environmental impact. A similar point was raised in relation to potential for a reduction in ADT (if it resulted in lower ticket prices than in England) to encourage more passengers to use Scottish rather than northern English airports, with an associated reduction in surface travel distances for those passengers whose journey begins closer to the Scottish than the English airport.
- 3.15. A small number of respondents also suggested that the Environmental Report should do more to put the anticipated environmental effects of the policy plan into context. This included reference to the proportion of total Scottish carbon emissions attributed to aviation, and specifically to the anticipated increase in emissions associated with the policy plan equating to 0.19-0.22% of all Scottish carbon emissions.
- 3.16. As is noted above at Question 1 (in relation to the evidence base for the Environmental Report), other respondents suggested that the Report **underestimates the likely environmental impact of a 50% reduction in ADT**. These respondents made reference to modelling having been undertaken for the potential for a reduction in ADT to lead to a modal shift from rail to air travel on Edinburgh-London routes, and highlighted the potential for an increase in surface transport to and from airports. Several respondents also felt that the Report should place greater emphasis on the impacts of increased air travel on human health and air quality. It was also suggested that the Report could do more to emphasise what several respondents described as the significant scale of the predicted environmental impacts.
- 3.17. Other points made by respondents included suggestions that the assessment of environmental impacts should note that any reduction in UK APD (for example in response to the reduction in ADT) could have an impact on the extent to which the policy plan stimulates additional demand for air travel. A small number of respondents also suggested that the Environmental Report could usefully include modelling of the impact of different approaches to deliver the 50% reduction, to inform development of secondary legislation.

*“While we...recognise decisions relating to applicability of the tax upon long/short haul flights will be progressed shortly, it would*

*have been helpful for the environmental assessment to explore these scenarios at this point. Assessing such matters at this stage would have potentially provided a fuller picture of the likely environmental effects.”* (Environmental organisation)

## Views on conclusions and recommendations

### Q4: Do you agree with the conclusions and recommendations set out in the Environmental Report?

- 3.18. The consultation asked whether respondents agreed with the conclusions and recommendations set out in the Environmental Report. The question included a ‘Yes/No’ element, and an opportunity for respondents to explain their view. Table 3.1 below summarises responses to the ‘Yes/No’ question.
- 3.19. Relatively few respondents gave a view on the Environmental Report conclusions and recommendations; 23 respondents provided a clear view (19% of all responses). These were evenly divided between those in favour (11 respondents) and those opposed (12 respondents). There was no clear difference in the balance of views across respondent types.

**Table 3.1: Do you agree with the conclusions and recommendations set out in the Environmental Report?**

	Yes	No	No response / Unclear	TOTAL
Airlines and airline representatives	1		12	13
Airports and airport representatives			5	5
Other transport and travel organisations	1	2	3	6
Professional tax and accountancy organisations			2	2
Environmental organisations	1		6	7
Other organisations			5	5
<i>Group respondents (Total)</i>	3	2	33	38
Individual	8	10	64	82
<b>TOTAL</b>	<b>11</b>	<b>12</b>	<b>97</b>	<b>120</b>
<b>Percentage of all respondents</b>	<b>9%</b>	<b>10%</b>	<b>81%</b>	<b>100%</b>
<b>Percentage of those answering question</b>	<b>48%</b>	<b>52%</b>	<b>-</b>	<b>100%</b>

- 3.20. A total of 27 respondents (22% of all responses) provided written comment on this aspect of the Report. This included a mix of those who supported the conclusions and recommendations, those who were opposed, and those who did not give a clear view.
- 3.21. Several of those providing comment indicated their broad support for the conclusions and recommendations set out in the Environmental Report. This included a small number of respondents reiterating points raised in relation to Questions 2 and 3 of this consultation strand, questioning the extent to which the Report may overstate some environmental effects. In contrast, a small number of respondents referred to the conclusions as identifying significant negative environmental effects associated with the policy plan, and wished to see alternatives to a reduction in ADT considered.
- 3.22. Most of those providing comment at Question 4 identified issues and/or suggested modification to the conclusions and recommendations as set out in the Environmental Report. Again, this included a mix of those who supported the policy plan, and those who were opposed.
- 3.23. Specific issues and suggestions raised by respondents included:
- Several respondents suggested that the Report’s conclusions **overestimate the scale of environmental impact**, particularly in relation to carbon emissions. As was highlighted at Questions 2 and 3, these respondents suggested that the conclusion that a reduction in ADT will lead to an increase in the environmental impacts associated with air travel should take greater account of technological advances and schemes to offset and cap carbon emissions.
  - A small number of respondents noted that the conclusions and recommendations are **focused on short-term environmental impacts**, and wished to see an indication of the likely longer-term impacts associated with the reduction in ADT. This included some concern that the Report could give the impression that the policy will only have a short-term impact on emissions.  
  
*“As it is currently written, the ER implies that greenhouse gas emissions will increase in the short term only; to rectify this, and to address the uncertainty in the modelling, likely emissions for subsequent years should be given as a range, with an indication of the confidence of the estimates.”* (Other organisation)

- A substantial number of respondents suggested that the **recommendations are insufficient to achieve the reduction in emissions required to meet the Government’s wider climate change commitments**. This included specific reference to targets set by schemes such as CORSIA and the EU ETS as being insufficient – this appears to contrast with views from other respondents, noted earlier, that these schemes will be sufficient to mitigate an increase in air travel. Several of these respondents wished to see a stronger conclusion that the policy plan is not justified.

*“The recommendation must surely be that [the Scottish Government] cannot meet...emissions reduction objectives on current assumptions if you permit this ADT reduction to take place.”* (Individual respondent)

## **Other comments on the environmental report**

- 3.24. The consultation invited respondents to provide any other comments on the Environmental Report. Relatively few respondents did so (19 of 121, 16%), and most of these reiterated points raised in relation to earlier questions.
- 3.25. Specific points raised by these respondents included a suggestion that the Scottish Government should consider opportunities to support innovation around minimising the environmental impact of aviation. It was also suggested that the Environmental Report should take a longer-term view of the environmental effects of the policy plan, and that the assessment should have included a third scenario of zero rated ADT to reflect the Government’s stated ambition to abolish ADT when resources allow. An individual respondent suggested that use of plainer language would have made the report more accessible to the public.

### **How to access background or source data**

The data collected for this social research publication:

- are available in more detail through Scottish Neighbourhood Statistics
- are available via an alternative route [https://consult.gov.scot/fiscal-responsibility/air-departure-tax/consultation/published\\_select\\_respondent](https://consult.gov.scot/fiscal-responsibility/air-departure-tax/consultation/published_select_respondent)
- may be made available on request, subject to consideration of legal and ethical factors. Please contact <email address> for further information.
- cannot be made available by Scottish Government for further analysis as Scottish Government is not the data controller.



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Any enquiries regarding this publication should be sent to us at  
The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-78851-466-8 (web only)

Published by The Scottish Government, December 2017

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS335247 (12/17)

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