



People in all the right places

2 April 2008

Aviation Duty Consultation  
Environment and Transport Taxes  
HM Treasury  
1 Horse Guards Road  
London SW1A 2HQ

By email: [aviationduty@hm-treasury.x.gsi.gov.uk](mailto:aviationduty@hm-treasury.x.gsi.gov.uk)

Dear Sirs

### **Aviation duty: a consultation**

Tourism Society Scotland welcomes this consultation on Aviation Duty by H M Treasury and is delighted to comment on this important subject.

Tourism Society Scotland is the Scottish national chapter of The Tourism Society, which with 1,500 individual members is the leading network of tourism professionals in the UK. It includes practitioners from the public and private sectors, as well as leading academics and consultants with broad international experience, creating a strong network, through which members can develop innovative solutions to perennial problems. Last year, in collaboration with the University of the Highlands and Islands Millennium Institute, we hosted the Society's 30<sup>th</sup> Anniversary 3-day Annual Conference in Aviemore, entitled '*Getting There: Future Access to Special Places*', which dealt with many of the challenges associated with transport access to some of the UK's more remote destinations.

In preparing this submission, we consulted a cross-section of our members. Respondents included senior stakeholders in Scottish tourism, including opinion leaders from the public and private sectors, and leading academics and international consultants. This evidence therefore reflects a balance of informed opinion, but should not be considered official policy of Tourism Society Scotland or any other organisation that its individual members represent.

### **Basis of consultation**

At Pre-Budget Report 2007, the Government announced that it intended to replace air passenger duty with a duty payable per plane, rather than per passenger. This reform will take place on 1 November 2009, and has the objective of sending better environmental signals, and ensuring that aviation makes a greater contribution to covering its environmental costs, while ensuring that a fair level of revenue continues to be raised from the sector in order to support public services.

### **Our response**

1. HMG's intention to use tax on aviation as an environmental measure is sensible.
2. At the same time, the introduction of Air Passenger Duty is widely regarded in the tourism and hospitality sectors as a tax on tourism. In particular, it is seen as a pernicious tax on communities that are increasingly reliant on international tourism (e.g. Scotland). Its adverse effects increase with remoteness, so the areas that rely more on air travel are comparatively worse off. So HMG's announcement of a replacement tax is an opportunity to make aviation taxation more equitable.



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3. We feel however that the forty-nine questions included in the current consultation do not address the particular needs of remote tourism destinations across the UK.
4. We therefore view the consultation as ill-informed and ill-conceived; we are also bemused that this whole process seems to have been driven by MPs representing Scottish constituencies. It fails to ask fundamental questions about the implications of introducing the tax. There are wide implications from this tax that are not touched on in the consultation and the impact on places outside London seems to be of little importance. Scotland's peripherality and lack of alternative routes to market through connection by high speed cross border rail or cross channel into the European high speed rail network represents a particular challenge for tourism and other business sectors that are dependent on connectivity. This of course also applies to more rural destinations in England, Wales and Northern Ireland, but (with the exception of islands in the Channel and Irish Sea) the vast majority at least have reasonably good rail or road connections, such as the Lake District. The Scottish Highlands and Islands however do not benefit from such connections and also suffer from being more remote from urban population centres.
5. The consultation suggests that exemptions would be considered for flights *from* the Highlands and Islands, subject to State Aids clearance. There is a strong case for an exemption for remoter tourism-dependent communities. This exemption should also include flights *to* these airports. The reason of course is that tourism is an exported product, but the consumer travels to the product rather than the reverse. So an inbound tax would discriminate against tourism businesses and has the same effect as a tax on road haulage to a retailer.
6. In a broader sense, the new duty takes no account of the potential impact on the tourism sector in Scotland. Any increase in the cost of travel will have a negative effect on the sector's ability to compete with other destinations. The new tax will simply make alternative destinations cheaper and more attractive to international visitors.
7. It is interesting to note that the Impact Assessment conducted for this consultation specifically did not take account of Impact Tests for 'Sustainable Development' and 'Rural Proofing'. Indeed little attempt seems to have been made by H M Treasury to balance the (expected) environmental gain with the economic loss to more remote rural communities across the UK. Nor is there any suggestion of incentives to set up alternative routes to market for these communities, whether for tourism or for other products.

Yours faithfully

A handwritten signature in black ink that reads 'Benjamin P. Carey'.

Benjamin Carey MTS  
Chairman  
Tourism Society Scotland

Address: *c/o Dunira Strategy, 47 Timber Bush, Edinburgh EH6 6QH*  
Tel: *0845 370 8076*  
Fax: *0845 370 8188*  
Email: *benjamin@dunira.com; scotland@tourismsociety.org*