Northern Ireland Assembly

Committee for Finance and Personnel

OFFICIAL REPORT
(Hansard)

Air Passenger Duty (Setting of Rate) Bill: Ministerial Briefing

3 October 2012

NORTHERN IRELAND ASSEMBLY

Committee for Finance and Personnel

Air Passenger Duty (Setting of Rate) Bill: Ministerial Briefing

3 October 2012

Members present for all or part of the proceedings:
Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mr Roy Beggs
Mrs Judith Cochrane
Mr Leslie Cree
Ms Megan Fearon
Mr Paul Girvan
Mr David McIlveen
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Mr Sammy Wilson	The Minister of Finance and Personnel
Mr Bill Pauley	Department of Finance and Personnel

The Chairperson: Minister, do you want to move on to the Bill?

Mr Wilson (The Minister of Finance and Personnel): I will give some introductory comments on the Bill. I discussed with the Committee the broader concerns about the adverse impact of air passenger duty (APD) generally. I am sure that we will continue to press the Government. I accept what has been said so far about the negative impact of band A APD. Of course, the legislation and devolution refer only to direct long-haul flights. That is the immediate focus. Bill will outline the substance of the Bill. Following that, I will turn to the consequences of the Bill not having accelerated passage.

Mr Bill Pauley (Department of Finance and Personnel): The Bill has four clauses. Clause 1 sets the rate of air passenger duty at zero for, technically, the purposes of subsections (3)(a) and (b), (4)(a) and (b), (5)(a) and (b), and (5A)(a), (b) and (c) of section 30A of the Finance Act 1994. That effectively reduces to zero the rate of air passenger duty for direct long-haul flights taking off in Northern Ireland from bands B, C and D and for small aircraft that take off from Northern Ireland. The latter applies from 2013, when that duty is introduced for light aircraft. It is our intention that the change will be given effect as soon as possible after Royal Assent, which would be 1 January 2013, if at all possible.

Clause 2 permits the Department to pay HMRC such sums as we agree with HMRC as expenditure for the administration of the duty on our behalf. The clause enables those payments to be made for collecting information, administration costs and any analysis that HMRC might carry out on our behalf.

It also allows us to make any payments should we be considering any future changes to the rates and for analysis that HMRC might do on the setting of different rates for taxpayers there.

Clause 3 simply allows for the commencement of the Bill. Clause 4 sets out the long title.

Mr Wilson: Chairman, do you want us to take questions on the Bill before I go through accelerated passage?

The Chairperson: Peter, do you want to start us off?

Mr Weir: Thank you, Minister, for that. Have you an estimate of the anticipated costs? I note that that seems to be an issue of negotiation between yourselves and HMRC. Are you fairly confident that you will be able to negotiate that? I see that the Minister is smiling. Perhaps he has experience of that. Are you fairly confident that you will be able to reach something that is agreeable to both sides?

Mr Wilson: If we were really being cheeky on the costs of this, we would be saying to the Treasury that there should be no costs attached to this. Had we not had the devolution of this, we would have lost Continental, or United Airlines as it is now, anyway, and it would have got no air passenger duty.

Mr Weir: I suspect that is an argument that HMRC may not necessarily buy into.

Mr Wilson: I do not think that that argument is going to prevail. To me, there is a certain logic to it. HMRC may well argue that it will displace some flights; some people may fly on this flight now because there is no air passenger duty, and that displaces some flights for people who have flown from other parts of the United Kingdom. We believe that there are arguments that can allow us to at least keep it to a minimum.

Mr Pauley: The policy costings document the Treasury published alongside the Air Passenger Duty (Setting of Rate) Bill said that it would cost not more than £5 million. Our understanding is that that is a rounded figure. The Treasury does not really go below £5 million. That is the unit of growth. As well as the United/Continental flight, a number of other chartered flights operate out of Northern Ireland.

Mr Weir: From what you are saying, I take it the £5 million is likely to be a rounded-up figure, maybe considerably so.

Mr Pauley: I understand it to be a rounded-up figure. HMRC cannot yet release individual taxpayers' data to us, but the airline told us that it was paying approximately $5 million a year, which, depending on your exchange rate, is about £3·3 million. Some 12 million passengers a year go to Egypt through chartered airlines at the moment.

Mr Weir: I appreciate the restriction on the state aid side for new routes, but, hopefully, one positive spin-off is that it will provide an incentive to look towards new routes. As new routes open, is that figure likely to increase?

Mr Pauley: Our judgement, and the position that we are taking in the discussions with the Treasury, is that we would be unlikely to get new routes if air passenger duty is to remain at its current rate, and, as such, the prospect of getting new routes in a counterfactual situation would be zero. The only way to get new routes is to reduce the rate to zero, at which point that is a direct consequence of our policy, and, therefore, those are our benefits.

Mr Weir: I understand that, Bill, and I understand the benefit. There is widespread consensus that we should embrace that to our benefit. If we reach a situation where, because this has been put down to zero, there is an increase because of new routes, is that likely to increase the level of payments to HMRC?

Mr Wilson: No, because our argument is that you will only get those new routes and additional passengers because it is devolved and we have set the rate at zero. Had we not set the rate at zero, we would not have got the new routes and no revenue would have been generated. We will argue that case very robustly with the Treasury. I suspect that it will come back to us and say that we might displace some passengers who are flying from London or whatever. However, we want to make a fairly robust case that any new routes are a direct result of the fact that we have a zero rate and that no revenue would have ever been attained by the Treasury had we not set the zero rate. Therefore, there should be no cost to us.

Mr Weir: It is right that we focus, from an economic and, indeed, practical point of view, on the long-haul flights because, as you indicated, whatever arguments are used — there will be research on shorter-haul flights — to disaggregate those areas where there might be a benefit from the much wider bit where it is simply a tourism or pleasure flight, I find it very difficult to find how that could be done from a disaggregated point of view. You would pretty much have to accept the whole lot, in which case there is a very hefty price tag for, potentially, a limited amount of benefit, but, as some others said, it is an issue of basing final conclusions on the evidence source.

The Chairperson: The Committee identified a potential anomaly in luxury private aircraft, which will be liable for a zero rate of APD. The Department was to liaise with HMRC on an amendment to address that. The Bill proposes to set the APD at zero for that. Could you provide more information on that?

Mr Pauley: In the original drafting of the Finance Bill, it said that the rate for light aircraft would be set at double the rate for bands B, C or D, depending on whether the light aircraft were flying to a band B, C or D destination so that we would not have had the ability to set a separate rate for those light aircraft if we had wanted. It was going to be directly related to the band C or D rate. In the Bill, we have amended that, and we are setting a specific rate for light aircraft and reducing that to zero. We are specifically setting a rate of £0 for those light aircraft for the purposes of subsections (5A)(b)(i) and (5A)(c)(i).

The Chairperson: How much revenue would we lose as a result of that?

Mr Pauley: We have not separately calculated the amount. It would be very small.

The Chairperson: Can we get figures on that?

Mr Pauley: I am not sure whether the transport statistics that are collected and published separate out the figures for direct light aircraft. I will ask.

Mr Wilson: I have to explain to the Committee the reasons why we are seeking accelerated passage. First, there will not be any consultation on the Bill. Eliminating APD on direct long-haul flights was an Executive commitment, and we consulted on that in the Programme for Government and the economic strategy. Therefore, we believe that we have fulfilled our obligations for consultation. It is not that we do not want to consult, but, given the time pressure on us and the fact that what we intended to do has been well known, we feel that we have fulfilled our obligations.

Standing Order 42(3) requires me to explain reasons for accelerated passage, so I will spell out what the consequences would be if accelerated passage were not granted. I know that Bills do benefit from proper scrutiny. It is my desire to have this one go through the exact same scrutiny as any other Bill would. That has not been possible because of the time that it has taken us to get here and the commitment that we have given. Do not forget that the Bill was introduced to keep Continental, now United Airlines, on board for the flights. We gave a commitment that we would bring forward legislation as quickly as possible and get it dealt with as quickly as possible. One option that we looked at to avoid having to request accelerated passage and which would give United Airlines the assurance that we would act expeditiously on this was to seek a provision to have the appointed day of the Act made retrospective. In other words, the legislation would apply from 1 January 2013. However, HMRC has indicated that an appointed day can only be brought into effect after all of the process has been gone through. Therefore, we really could not have said that we would let the Bill go through the normal process, which would have resulted in it being passed by April of next year, but that the date would be applicable from 1 January. That was not possible, but we did look at that option so that the Committee would have had the proper opportunity to have scrutinised the Bill.

Because the Bill first had to be part of the Finance Bill at Westminster, then and only then could we start the process to get the Bill and its provisions operative from January of next year. I appreciate the fact that the Committee moved quickly on the legislative consent motion. We have to have the passage of the Bill completed by 6 November. It will take about a month to get Royal Assent, and then it can become operational by the beginning of January, as we promised United Airlines. For those reasons, we have asked for the Bill to go through by accelerated passage. There is no point in getting it through by the normal process only to find that the bird has flown, or the plane has flown, because we had not been able to live up to the commitment that we had given. Since the flight is operating at a loss, it is important that we get the thing through. I have written to the Speaker. I believe that the Bill is within the legislative competence of the Assembly and I am satisfied, as are the Government, that the arrangement to devolve APD for long-haul flights is in keeping with the Azores ruling, so I do not believe that there is any challenge on either of those grounds.

The Chairperson: Before we move on to the next session, I remind members that the First Stage of the Air Passenger Duty (Setting of Rate) Bill is scheduled for next Monday, and the motion for accelerated passage is scheduled for Monday 16 October. I also suggest that the Committee considers its position on accelerated passage for the Bill after the next evidence session.