



The Consumer Council

A Consumer Council briefing regarding the legislative provisions in Schedule 1 of the UK Finance Bill 2012 for devolution to the Northern Ireland Assembly of APD rates for direct long-haul flights

March 2012



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Introduction

The Consumer Council is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. Our aim is to make the consumer voice heard and make it count.

We have a statutory remit to *promote and safeguard the interests* of consumers in NI and we have specific functions in relation to energy, water, transport and food¹. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers².

The Consumer Council is also a designated body for the purposes of supercomplaints³, which means that we can refer any consumer affairs goods and services issue to the Office of Fair Trading⁴, where we feel that the market may be harming consumers' best interests.

In taking forward our broad statutory remit we are informed by and representative of consumers in NI. We work to bring about change to benefit consumers by making their voice heard and making it count. To represent consumers in the best way we can, we listen to them and produce robust evidence to put their priorities at the heart of all we do.

The Consumer Council for Northern Ireland has statutory responsibility under the General Consumer Council (Northern Ireland) Order 1984 to represent the interests of passengers travelling to, from and within Northern Ireland.

The Consumer Council has been designated to handle passenger complaints made under Regulation (EC) No 1107/2006 (the Access to Air Travel Regulation) relating to an airport in Northern Ireland or a flight departing from an airport in Northern Ireland by the Civil Aviation (Access to Air Travel for Disabled Persons and Persons with Reduced Mobility) Regulations 2007 (SI2007/1895). The Consumer Council also handles passenger complaints made under Regulation (EC) No 261/2004 concerning the rights of passengers in instances of flight delay, cancellation and denied boarding.

This paper presents the Consumer Council's position regarding the legislative provisions in Schedule 1 of the UK Finance Bill 2012 for devolution to the Northern Ireland Assembly of APD rates for direct long-haul flights.

Key issues

The Consumer Council welcomes the proposed devolution of APD rates for direct long-haul flights to the Northern Ireland Assembly as prescribed by Schedule 1 of the UK Finance Bill 2012 and encourages members of the Northern Ireland Assembly to support the forthcoming Legislative Consent Motion on the Finance Bill.

¹ The Consumer Council undertakes its specific functions in relation to food recognising the role of the Food Standards Agency (FSA). The FSA has responsibility for the development of food policy and for the provision of advice, information and assistance, in respect to food safety or other interests of consumers in relation to food. Therefore, to ensure good value and use of public money, the Consumer Council and FSA have a memorandum of understanding and the Council's strategic focus on food is primarily in relation to food prices and customer experience.

² The General Consumer Council (Northern Ireland) Order 1984, 1984 No. 1822 (N.I. 12), <http://www.legislation.gov.uk/nisi/1984/1822/contents>

³ The Enterprise Act 2002 (Part 9 Restrictions on Disclosure of Information) (Amendment and Specification) <http://www.legislation.gov.uk/uksi/2003/1400/schedules/made>

⁴ The OFT is the UK's consumer and competition authority. Its mission is to make markets work well for consumers. It is a non-ministerial government department established by statute in 1973 <http://oft.gov.uk/about-the-oft/>

The Consumer Council believes however that the planned devolution of APD bands B, C and D to the Northern Ireland Assembly falls far short of adequately addressing the APD burden borne by Northern Ireland consumers. Given Northern Ireland consumers' high dependence on air travel, APD, in its current structure, is unfair as it financially disadvantages NI consumers in comparison to their GB counterparts. Not only does the duty impede NI consumers, it represents an additional cost to business and tourism, discouraging trade with, and foreign investment into Northern Ireland.

UK airports handled⁵ 219 million passengers during 2011⁶. Passengers travelling on domestic services account for 17% of all UK passenger movements. By comparison, Northern Ireland airports handled 6.9 million passengers during 2011⁷ and passengers travelling on UK domestic services account for 75% of all Northern Ireland passenger movements. These are journeys which GB consumers are not required to make by air given they can access GB destinations by road or rail.

The Minister for Finance and Personnel has explained⁸ that approximately £60m will be raised in APD from passengers departing Northern Ireland airports in 2012-13, approximately £5m of which will come from passengers departing on direct long haul flights. Therefore, elimination of APD on long-haul flights, whilst welcome, will fail to address the significant burden APD places on Northern Ireland consumers.

The Consumer Council believes the Northern Ireland Executive should continue to press HM Treasury to take further action to remove the unfair burden of APD on Northern Ireland passengers. It is essential however that any reduction in APD for flights to and from Northern Ireland should not be accompanied by a subsequent reduction in the Northern Ireland Block Grant.

Northern Ireland is unique because as part of the UK it has the highest rate of aviation duty in Europe but also has a land border with another Member State, the Republic of Ireland (ROI), that currently charges Air Travel Tax (ATT) at €3 per person per flight. This disparity in terms of aviation duty may serve to undermine the Northern Ireland aviation sector with passengers incentivised to travel via airports in ROI in order to save money⁹.

Decreased demand for air services from Northern Ireland's airports could lead to a decline in the number of services and routes operated, reducing choice, convenience and competition for consumers living in Northern Ireland. Furthermore, an increase in the number of Northern Ireland passengers travelling via ROI airports rather than Northern Ireland will result in a loss of revenue for HM Treasury, Northern Ireland airports and the region's economy.

In July 2011 the Northern Ireland Affairs Select Committee stated that APD should be abolished on all flights operating to and from Northern Ireland's airports, recognising that for many people in Northern Ireland travelling by air is not a luxury, but is an essential element of family and economic life¹⁰.

⁵ Civil Aviation Authority passenger statistics

⁶ Approximately 38 million travelled to a domestic airport, approximately 115 million travelled to an EU airport and approximately 67 million travelled to a non-EU international airport.

⁷ Approximately 5.2 million travelled to a UK airport and approximately 1.7 million travelled to a non-UK airport

⁸ Response to AQW 5487/11-15

⁹ *Flights and Rights: A Consumer Council research report into passengers' knowledge of their rights and attitudes to air travel* (May 2010) identified that passengers from Newry and Enniskillen feel it is more convenient to travel to Dublin airport by bus than it is to either of the Belfast Airports and with the recent road improvements through to the Republic of Ireland, Dublin Airport is a viable alternative for many Northern Ireland consumers.

¹⁰ House of Commons Northern Ireland Affairs Committee *Air Passenger Duty: implications for Northern Ireland*, July 2011.

HM Treasury exempts flights departing from airports in the Scottish Highlands and Islands from paying APD. The Consumer Council believes this establishes a precedent for flexible application of the rate at which APD is set and given the high dependence of Northern Ireland consumers on air travel as a result of the region's peripherality, the Consumer Council believes HM Treasury should consider the needs of Northern Ireland passengers in determining the rate of APD levied on flights operating to and from the region.

The UK Government has committed to invest in high speed rail to reduce dependence on domestic air travel. DfT estimates the total infrastructure capital cost of the HS2 Y network including a link to Heathrow would be around £32.2 billion and that it would generate overall benefits including Wider Economic Impacts of between £40 billion and £47 billion¹¹. Northern Ireland consumers will not benefit from the development of high speed rail in GB and so to ensure equality of access with other UK regions the Consumer Council believes HM Treasury should remove APD for flights to and from Northern Ireland to benefit the region's consumers and its economy.

Action required

The Consumer Council believes the Northern Ireland Executive should continue to press HM Treasury to take action to reduce the unfair burden of APD on Northern Ireland passengers. Air travel is essential to enable Northern Ireland consumers to access GB destinations and domestic travel accounts for the vast majority of Northern Ireland passenger journeys. It is therefore unfair that Northern Ireland consumers face taxation for essential domestic travel that other UK consumers avoid. In recognition of the requirement on Northern Ireland consumers to travel by air to access GB it is essential any reduction in APD for flights to and from Northern Ireland is not accompanied by a subsequent reduction in the Northern Ireland Block Grant.

For more information or to arrange a meeting to discuss the Consumer Council's position in greater detail, please contact Scott Kennerley, Head of Policy (Transport) on 028 9067 2488 or skennerley@consumercouncil.org.uk.

¹¹ Department for Transport, February 2011, Economic Case for HS2 The Y Network and London – West Midlands



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