

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Legislative Consent Motion — Changes in Air Passenger Duty Bands in UK Finance Bill: Department of Finance and Personnel

9 April 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings: Mr Daithí McKay (Chairperson) Mr Dominic Bradley (Deputy Chairperson) Mrs Judith Cochrane Mr Leslie Cree Mr Ian McCrea Mr Mitchel McLaughlin Mr Adrian McQuillan Mr Peter Weir

Witnesses: Mr Tony Simpson

Department of Finance and Personnel

The Chairperson: I welcome Tony Simpson back to the Committee. Tony, as a bit of background, will you give us the rationale behind the decision to abolish bands C and D?

Mr Tony Simpson (Department of Finance and Personnel): In the explanatory notes to the Finance Bill, the Treasury indicates that its rationale for that decision is to improve connectivity to emerging markets such as Brazil, India and China. Effectively, by abolishing bands C and D, the Treasury is bringing those rates down to the band B rate. So, the Government's stated rationale behind taking this move is to reduce the air passenger duty (APD) that is payable on those routes.

The Chairperson: Something that we have discussed here before in regard to APD is the issue of private jets. If we were to agree the legislative consent motion, would that potentially restrict any future scope for the Executive to increase APD on some long-haul flights including flights of private jets or those of certain distances?

Mr Simpson: There are a couple of issues there. For private jets, no. When powers in respect of long-haul flights were devolved, we also got the power to set a separate rate for these kinds of private luxury jets. The default position was that the private jet rate would be set at twice the standard rate. In the new arrangements that the Treasury is putting in place, it is changing that to six times. However, that is a default position. The Assembly already has the powers to set a separate rate for private jets. So, agreeing to this would not tie our hands in that regard.

Where there will be a slight limiting of what we can do is that, at the moment, the Assembly can set separate rates for bands B, C and D — we do not have any flights to destinations in bands C and D — but we will now be able to set rates in only one band, which is band B. So, we will have the power to set one long-haul rate.

The Chairperson: Are there any other policy implications that we need to consider?

Mr Simpson: Not really. Effectively, there are no financial implications. We have already reduced the rate. We have taken the block grant adjustment. So, there will be no real implications for, or impacts on, Northern Ireland from this change. It is essentially a technical, legal issue whereby, downstream, we will need to reflect the changes in the banding structure in the Act that sets the rate. As part of paving the way for that, it is taking the legislative consent motion to the Assembly to give the Assembly its place to allow Westminster to legislate by changing the band. There are no other particular issues.

The Chairperson: OK.

Mr Cree: You mentioned "private luxury jets". What is the difference between a luxury jet and a business jet, for example?

Mr Simpson: They are effectively one and the same. The higher rate applies to a flight aboard an aircraft of 20 tons or above with fewer than 19 seats. So, it is effectively a sizeable jet with a small number of seats.

Mr Cree: It is just the "luxury" bit that intrigued me.

Mr Simpson: That just tends to be the description used. Strictly speaking, it is related to the number of seats and the size of the aircraft, but we refer to them as "luxury". I have never been one.

Mr Cree: It is a misnomer; is it? You could have a standard, utility 19-seater.

Mr Simpson: Yes. I have no sense of what 20 tons is, but the description puts them in that category. It is probably quite a sizeable aircraft.

Mr Cree: I still do not get the "luxury" bit at all.

Mr Simpson: I am probably not best-placed to comment on how luxurious they are, but that is the term that tends to be used to describe them. They are private jets that are quite sizeable.

Mr Cree: Do you agree that you could have a bog standard jet?

Mr Simpson: You could perhaps have a jet that is bog standard in terms of specification. However, to run that jet and fly 19 passengers would probably still quite expensive. That is where the luxury element comes in.

Mr Cree: That is nothing to do with luxury though; is it?

Mr Simpson: No.

Mr Cree: It is to do with the engines.

Mr Simpson: Yes; it is just the description that is used.

The Chairperson: Tony, around the time of the devolution of powers in respect of the long-haul flights, there was an argument about the potential cost. I think that it was £3 million to £5 million. Even though the New York route was going to go to the wall anyway, there was a cost to the Executive. Does this affect the cost to the Executive at all?

Mr Simpson: No. The block adjustment mechanism was set at that time, and this has no implications for that whatsoever.

The Chairperson: Should it have any implications?

Mr Simpson: No.

The Chairperson: Tony, thank you very much.