SUPPLEMENTARY SUBMISSION FROM GLASGOW AIRPORT

Thank you for the invitation to appear in front of the Scotland Bill Committee on Tuesday 27 September 2011 to provide evidence on Air Passenger Duty (APD).

It was an extremely worthwhile opportunity and the perfect platform for me to highlight both Glasgow Airport’s and BAA’s concerns over a tax, which we believe is having a significant and detrimental effect on the Scottish aviation and tourism industries.

As I highlighted on Tuesday, the UK currently has the highest rate of aviation tax in Europe and there is no indication from the Treasury this will be capped or lowered to help improve our competitive position. From a Scottish perspective this remains a huge concern as due to our geographic location, Scotland is particularly reliant on air services.

The increasing burden of APD is already proving a significant barrier to attracting new routes as airlines are opting to place aircraft in destinations with lower operating costs, and unless there is a fundamental re-think on APD, Scotland’s domestic and international connectivity will suffer.

On the question of devolution of APD, we have always been supportive of this proposal on the basis of the Scottish Government’s more positive approach to aviation and its greater appreciation of the role the industry plays in supporting the growth of the Scottish economy.

In response to the question posed by Alison Johnstone MSP on the job creation value of aviation I would like to refer the Committee to a report published in November 2009 by Oxera on behalf of the Airport Operators Association (AOA) entitled What is the contribution of aviation to the UK economy?

Far from receiving the tax subsidies referred to in Sewill’s 2005 report, the Oxera report stated:

“Compared with its GVA, the aviation sector tax base is taxed a similar amount as the economy overall before accounting for APD (around 32% of GVA), and this contribution is significantly higher once APD is taken into account (54% in aviation compared with 32% for the economy overall).

“As such, the expected contribution of aviation through APD, the EU Emissions Trading Scheme (EU ETS) and the Carbon Reduction Commitment (CRC) exceeds the central estimate of external environmental costs by £0.7-£1.1 billion in 2012. When this contribution (over and above environmental costs) is added to other taxes raised within the sector (corporation tax, national insurance and income tax) the total as a proportion of GVA exceeds that of the economy overall.”

The report also concluded:
“Aviation directly provides 141,000 jobs in the UK, or 0.5% of total UK employment. This rises to 234,000 (0.85% of UK employment) when the supply chain employment is also taken into account.

“Employees in aviation are more productive (measured as average GVA per employee) than employees in the economy as a whole, generating £62,000, compared with £46,000 nationally.”

I do hope this helps answer Ms Johnstone MSP’s question on the job creation value of the industry but if you require any further detail then please do not hesitate to contact me directly.

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