



House of Commons
Welsh Affairs Committee

Devolution of Air Passenger Duty to Wales: Government Response to the Committee's Fifth Report

Fourth Special Report of Session
2017–19

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Welsh Affairs Committee

The Welsh Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for Wales (including relations with the National Assembly for Wales).

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Committee reports are published on the Committee's website at www.parliament.uk/welshcom and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Kevin Maddison (Clerk), Matthew Congreve (Second Clerk), Rhiannon Williams and Simon Horswell (Committee Specialists), Louise Glen (Senior Committee Assistant), Kelly Tunnicliffe (Committee Assistant) and Nina Foster (Media Officer).

Mariam Keating (Committee Specialist) was also a member of Committee staff during this inquiry.

Contacts

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You can follow the Committee on Twitter using [@CommonsWelshAff](#)

Fourth Special Report

The Welsh Affairs Committee published its Fifth Report of Session 2017–19, [Devolution of Air Passenger Duty to Wales](#) (HC 1575) on 11 June 2019. A letter from the Exchequer Secretary to the Treasury was received on 27 August 2019 and is appended to this report.

Appendix

Letter from Simon Clarke MP, Exchequer Secretary of the Treasury, to the Chair, dated 24 August 2019

DEVOLUTION OF AIR PASSENGER DUTY IN WALES

I would like to thank the Welsh Affairs Committee for the inquiry and report into the devolution of Air Passenger Duty (APD) in Wales. The government has carefully studied your findings and I am responding as minister responsible.

The UK government's role is to ensure a lasting devolution settlement that delivers for all parts of the UK, and ensures the best outcome for business and consumers on both sides of the border.

Your report notes that the devolution of APD was one of the recommendations of the Silk Commission that was not pursued, and suggests that the UK government should trust the Welsh Government to use this power. I would like to reassure you that this is not a question of trust. The UK government is committed to an ambitious devolution settlement for Wales, which includes tax powers, as set out in the Wales Acts 2014 and 2017.

The Welsh Government now has the opportunity to use its new powers to make decisions that take into account the specific circumstances of the Welsh economy. However, in order to ensure a fair and lasting settlement, it is right that when considering devolution the UK government takes account of the impact not just in Wales but on English regions too.

In the case of APD devolution, the UK government remains concerned about the competitive impact of introducing tax competition within a single aviation market.

We consider Cardiff and Bristol airports to serve the same market. This is consistent with State aid guidelines which consider airports to operate in the same market if they are within 63 miles of each other. Cardiff and Bristol are within 60 miles of each other by road.

Whilst it would be for the Welsh Government to decide whether to reduce rates if the power was devolved, previous statements from Welsh ministers have indicated that they consider control of APD as an opportunity to promote Cardiff airport. This will naturally have an impact on Bristol airport, Cardiff's closest competitor, and to a lesser extent other English airports.

This impact is exacerbated by the mobility of airline assets, and the mobility of passengers that live in the overlapping catchment area of Bristol and Cardiff airport. This is a very different situation than taxes with less mobile tax bases, such as Stamp Duty Land Tax.

Evidence presented at the inquiry also made the case that consumers and businesses in parts of Wales, particularly in the North, are currently served by excellent connectivity at English airports. It is not clear how devolution in Wales would support these communities.

Your report suggests that by not devolving APD in Wales, the UK government has created inequity in the devolution process as direct long-haul APD rates have been devolved in Northern Ireland, and the UK government have legislated to devolved APD in its entirety in Scotland.

The devolution settlements for the nations of the UK have always been asymmetrical, taking into account the specific circumstances for each nation. It is worth highlighting that, for example, the Welsh Assembly has a number of tax powers, including Stamp Duty Land Tax, that the Northern Ireland Assembly does not.

In the case of APD, the aviation markets in Northern Ireland and Scotland are fundamentally different to that in Wales, and as such warrant a different approach to devolution.

In Scotland the UK government does not consider these airports to be in a single aviation market with English airports, and as such the competitive impact of any future changes in APD in Scotland will have a lesser impact on airports in England. Furthermore, the distance between Scottish airports and those in the north of England exceeds 63 miles by road.

In Northern Ireland, there is a unique circumstance as the only part of the UK that shares a land border with another State, one where no aviation tax is applied.

The merits of the case for devolution of APD in Wales should therefore be considered independently of the case in the other nations.

The UK government has carefully considered the evidence gathered by the Welsh Affairs Committee and your final report, alongside reports commissioned by the Welsh Government and Bristol Airport.

Our primary concern is to ensure the best outcome for businesses and consumers on both sides of the border. We do not believe introducing tax competition in this market will be beneficial overall and therefore have no current plans to change APD policy.