

## **Consultation Response: Aviation tax reform**

**To:** HM Treasury

**By:** The Intergenerational Foundation

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The Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

### **Introduction:**

The Intergenerational Foundation (IF) is glad to have the opportunity to respond to HM Treasury’s consultation on aviation tax reform. As an organisation that works to protect the interests of younger and future generations, we are concerned with the proposed changes to lower Air Passenger Duty (APD) rates for domestic flights. IF believes that this position does not align with the UK government’s intentions to reach net-zero in 2050 and places a larger burden on younger and future generations to fulfil the mammoth task of reducing emissions. We encourage the government to pursue a different approach to improving connectivity between cities within the UK, notably by improving the rail sector and by disincentivising air travel for journeys where a reasonable, less polluting travel option already exists.

To support our position, we would like to present the following points to HM Treasury:

#### **1. To be able to meet our climate targets, we need to limit domestic flights**

While we respect the need to improve connectivity between regions within the UK, IF believes that lowering APD rates for all domestic flights is a suboptimal solution and does not align with the nation’s environmental goals. The Climate Change Committee (CCC) has stated that “there are no credible assessments showing how it is possible to meet current UK climate goals without deliberate policies to limit air passenger demand to below its unconstrained level”.<sup>1</sup> While the proposals aim to apply “the polluter pays” principle to international

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<sup>1</sup> Committee on Climate Change (2018) *Building a zero carbon economy - CCC Call for evidence 2018* London: CCC

flights, IF argues that this principle should also be applied to domestic flights. More lenient policies for domestic trips are often justified on the basis that international trips are responsible for the vast majority of overall emissions within the aviation sector. However, short-haul flights should also be discouraged because they are associated with a higher carbon intensity. Research has found that the emissions produced per kilometre for each passenger on a domestic flight are 70% higher than long haul flights.<sup>2</sup> This is because the majority of flight emissions are released during the process of lift off, while the “cruising” duration, which is the key differentiator between international and domestic flights, has a relatively small influence on its carbon intensity.

Lowering APD rates for domestic flights will only reduce the price of flying and drive up demand for domestic air travel even further. IF has previously argued that the aviation sector already benefits from a number of effective subsidies, such as tax-free fuel and being zero-rated for VAT, both of which help to keep the price of tickets artificially low. In 2012, we estimated that these subsidies shave [approximately £100 off plane ticket prices](#) on average.<sup>3</sup> APD rates are the key policy which limits the price of plane tickets from dropping further. Today, almost two-thirds of long-distance journeys in Britain are cheaper if travelled by plane than by train,<sup>4</sup> thus providing strong financial incentives for travellers to opt for air travel over rail. This is particularly concerning because the environmental impact of a short-haul domestic flight is significantly larger than a train journey. It has been estimated that the carbon intensity (emissions per passenger-kilometre) of the average domestic flight in the UK is six times larger than the carbon intensity of the same journey taken by train.<sup>5</sup> This drastic difference offers a case for setting APD rates for domestic flights in a way that upholds the “polluter pays” principle.

## **2. Plane journeys where a reasonable, less polluting alternative mode of travel exists should be discouraged**

We recognise that there are a number of routes, for instance between Great Britain and Northern Ireland, where air travel is one of the few practically feasible modes of transport, or between London and Edinburgh, where travelling by air considerably cuts the journey time. However, the proposals within the consultation document present a blanket policy which would reduce APD rates for all domestic flights, including routes where it is still possible to arrive at the destination city within a reasonable period of time by train. For

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<sup>2</sup> Ritchie, H. (2020) *Which form of transport has the smallest carbon footprint?* Oxford: Our World in Data

<sup>3</sup> Lockley, P. and Dresner, Simon. *Flying in the Face of Fairness: intergenerational inequities in the taxation of air travel* London: IF  
[https://www.if.org.uk/wp-content/uploads/2012/11/Aviation\\_Report\\_Intergenerational\\_Foundation\\_FINAL.pdf](https://www.if.org.uk/wp-content/uploads/2012/11/Aviation_Report_Intergenerational_Foundation_FINAL.pdf)

<sup>4</sup> Lewis, D. and Clatworthy, B. (2019) *Flights cheaper than trains for majority of long-distance UK trips* London: The Times  
<https://www.thetimes.co.uk/article/flights-cheaper-than-trains-for-majority-of-long-distance-uk-trips-hfvzxbwtg>

<sup>5</sup> Department for Business, Energy and Industrial Strategy (2020) *2020 Government greenhouse gas conversion factors for company reporting* London: DBEIS

instance, the APD charged on flights between Manchester and London, which is a 2-hour journey by train, would also be reduced if rates were lowered for all domestic flights.

Across Europe, there is growing support for policies which disincentivise or ban air travel where a reasonable alternative exists. For instance, in 2019, French President Emmanuel Macron joined 150 members of the public in proposing a ban on plane journeys where one could take a train instead and still arrive at the destination within 4 hours.<sup>6</sup> The French government has opted for a partial implementation of this proposal, lowering the upper limit of the ban to 2.5 hours instead.

There is evidence to suggest that this type of reform would also receive support from transport users within the UK. In May 2021, 60% of respondents to a poll carried out by Redfield & Wilton Strategies stated that they would support a ban on short-haul domestic flights for journeys where a rail option lasting 2.5 hours or less was available.<sup>7</sup> Only six percent said that they would oppose such a proposal. Further research should be conducted to be able to gauge the level of support for a 4-hour limit, which would impact a larger proportion of domestic flights.

### **3. Improving rail networks is a better approach to improving domestic connectivity**

It is also important to emphasise that, while the number of passengers on domestic flights has declined significantly over the past 15 years, the number of journeys made on franchised long distance rail has increased by 60% since 2005.<sup>8</sup> Contrary to claims from the aviation sector, APD rates were not the only contributor to the decline in passengers on domestic flights. Improvements to rail services have played an important role in shifting demand away from air travel and towards rail travel. For instance, the Chief Commercial Officer at Gatwick, Guy Stephenson, has previously claimed that improvements to the Virgin West Coast company's railway service between London and Manchester led to the closure of the British Airways' service from Gatwick airport.<sup>9</sup>

Current trends also suggest that increasing public concern over the environmental impact of short-haul flights will propagate this shift even further. In March 2020, Ipsos Mori conducted a survey of 1,000 adults in the UK and found that three in five people stated that they have done something personally to reduce the environmental impacts of flights, with the majority

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<sup>6</sup> BBC (2021) *France moves to ban short-haul domestic flights* London: BBC  
<https://www.bbc.co.uk/news/world-europe-56716708>

<sup>7</sup> Bourke, I. (2021) Exclusive poll: Majority of Britons support France's short-haul flight ban  
London: NewStatesman  
<https://www.newstatesman.com/politics/environment/2021/05/exclusive-poll-majority-britons-support-france-s-short-haul-flight-ban>

<sup>8</sup> Office of Rail and Road (2021) Table 1221 - Passenger journeys by sector London: ORR  
<https://dataportal.orr.gov.uk/media/1474/table-1221-passenger-journeys-by-sector-ods>

<sup>9</sup> Financial Times (2019) Number of domestic UK flights falls 20% in decade London: FT  
<https://www.ft.com/content/a5929e56-3f21-11e9-b896-fe36ec32aece>

quoting having found alternative modes of domestic travel.<sup>10</sup> It could therefore be argued that improving domestic connectivity can be better achieved through providing more support to the rail industry, an industry that directly contributes approximately £10 billion to the UK economy a year.<sup>11</sup>

## **Conclusion**

Fulfilling our environmental targets requires a commitment to limiting demand for air travel. Although domestic flights in the UK account for a relatively small portion of overall carbon emissions within the aviation sector, domestic air travel is still characterised by a high level of carbon intensity. This is particularly concerning given that there are many rail alternatives available which allow passengers to reach their desired destination within a reasonable amount of time. The arguments outlined in this consultation response aim to encourage the government to re-examine their initial position on reforming aviation tax and to consider an approach which gradually shifts demand away from domestic air travel and towards the rail sector instead. One possible solution could be to introduce a ban on domestic flights where a rail alternative lasting 4 hours or under is available.

If you would like to learn more about the work of the Intergenerational Foundation please contact:

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<sup>10</sup> Ipsos Mori (2020) *NATS Aviation Index 2020* London: Ipsos Mori

<sup>11</sup> Oxera (2014) *What is the contribution of rail to the UK economy?* London: Oxera