HOUSE OF COMMONS

Northern Ireland Affairs Committee

Oral evidence: Promoting the Tourism Industry in Northern Ireland through the tax system, HC 577

Wednesday 13 January 2016

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Written evidence from witnesses:

– ABTA – The Travel Association

Watch the meeting

Members present: Laurence Robertson (Chair); Mr David Anderson; Mr Nigel Evans; Lady Hermon; Danny Kinahan; Dr Alasdair McDonnell; Nigel Mills; Ian Paisley; Gavin Robinson

Questions 184–284

Examination of Witnesses

Witnesses: **Brian Ambrose**, Chief Executive, Belfast City Airport, **Clive Coleman**, Contracts Director, Regional and City Airports, **Graham Keddie**, Managing Director, Belfast International Airport and **Doreen McKenzie**, Board Member, ABTA – The Travel Association gave evidence.

Q184 Chair: Good morning, and thank you very much for joining us. We have a number of questions that we would like to ask, but I understand that you would like to make opening statements. I ask for them to be very, very brief because, with four witnesses, we are time limited. Ladies first.

> ***Doreen McKenzie:*** I am Doreen McKenzie, the owner of Knock Travel in Belfast, which I founded in 1990. We employ 19 staff and have an annual turnover of more than £6 million. We operate in the corporate and leisure sectors, selling flights and holidays to the public and private sectors. The provision of quality, efficient and competitively priced air travel is vital to our clients.
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> I am a board member of ABTA, the travel association, and am chair of its aviation committee. Last year, I served on the national connectivity taskforce chaired by Lord Shipley. Our remit was to focus on regional connectivity into London. We made input to the Airports Commission that air connectivity matters and can make an important contribution to the rebalancing of the UK economy. Taking no action on runway capacity could have a detrimental impact on the economic growth of the UK regions. More than 43,000 people in Northern Ireland are dependent on a thriving travel and tourism sector for their livelihood. Around a third of travel and tourism jobs are held

by young people aged 16 to 24, compared with just 12% of all jobs in the wider economy. These people are employed in every constituency and at every skill level.

Northern Ireland attracts more than £208 million annually from international visitors, and around £440 million is brought into the area by domestic tourists. An estimated £408 million is also injected into the regional economy by local people travelling outbound, made up of what constitutes spend before they travel. That means a collective contribution of about £1 billion a year. The high levels of aviation tax are damaging the position of the UK as a hub for global air travel. This impact is especially being felt in our region, which is unique in that it is the only part of the UK to share a land border with another state.

APD is socially regressive and will impact most on those who can least afford it and on those whose need for aviation is considered a necessity, such as our Northern Ireland citizens. The SNP has recognised the benefits to Scotland and is planning to reduce, and then to abolish, APD, as did the Irish Government. Northern Ireland would be facing competition not only from across the border but from across the sea. ABTA has called for any potential reduction or abolition in Scotland to be matched elsewhere in the UK so that no part of the country is disadvantaged. We need the Government to conduct a full assessment of the impact of APD with a view to reducing or abolishing it.

As a local employer for more than 25 years, keeping local people in jobs, I would like to see our devolved Government finding innovative ways of ensuring that the travel and tourism sector in Northern Ireland not only survives but grows. I appreciate the Committee's time in hearing my comments, and I am willing to assist in any way I can to promote and grow Northern Ireland to the economic powerhouse it should be. Thank you.

Graham Keddie: APD, as Doreen so eloquently put it, is a very regressive tax. It damages our economy. We are up against a highly competitive environment, with a land border with a Government that funds its aviation sector in every way it possibly can. To put it into context, more than 2 million passengers, either bound to or from Northern Ireland, go through Dublin. That is equivalent to almost 2,000 jobs, and we are handing it across to a foreign power. The Prime Minister talked about a Carlisle principle during the election, when the Scots talked about APD, to protect the northern English airports. We would talk about a Newry principle to try and protect us against the south. As the MPs from the Northern Irish constituencies can see, plastered all over our country are adverts for Dublin Airport. So we are handing business across to a foreign country.

Our devolved Government are abrogating the responsibility to deal with this. There was a classic comment, in that when a senior civil servant was asked what it would take to devolve power over APD, his response was, "a large dose of stupidity". Unfortunately, worry about the block grant impedes any real development from the Government on this in Northern Ireland. Despite that, the three airports here have managed to grow in the last year, but it is despite that and it is hard work. It is very difficult for us. We are an island beyond an island; we need air transportation. It is not a luxury; it is crucial to our development. As Doreen has put it, we are willing to do anything we can to get APD removed to give us some level of competitiveness against the south.

Brian Ambrose: I am Brian Ambrose, chief executive of Belfast City Airport. Possibly of relevance to this Committee, I am also chairman of Tourism Ireland, so both aviation and tourism are two of my areas. I will not make much of an opening statement. I am happy simply to take questions, but it goes without saying that APD is a national issue that affects the competitiveness of the UK. I believe it should be addressed here at Westminster. We have a unique position with our long border with the Republic and therefore an even greater need to have APD addressed, but I am happy to leave my comments there and respond to questions.

Clive Coleman: Good morning. I am Clive Coleman, the contracts director for Regional and City Airports. We operate City of Derry Airport on behalf of Derry City and Strabane District Council. We welcome the opportunity to meet the Committee and to give evidence.

We thought it would be useful to give a little bit of background to City of Derry Airport. It is a key element of transport infrastructure to the north-west and supports connectivity to a peripheral region with a catchment population of over 600,000. About 46% of our traffic is inbound and tourism represents about 15% of our total. The airport continues to be owned by the council and needs financial support, but it does provide about £7 million of gross value added to the local economy.

The good news is that since 2010, since the new management of the airport started, the level of financial support required has reduced and the airport's performance has improved in all respects, apart from route development and passenger numbers. The primary reason for that is APD. It is important to note that traffic at the airport is low cost and APD represents a substantial proportion of the ticket price. As you know, the north-west is a very price-sensitive market, and a number of potential routes to CoDA are rendered financially non-viable due to APD. Many airlines, when we do our aviation developments, have told us that they are unlikely to operate new routes to CoDA unless APD is reduced or repealed, or they are compensated. That potentially reduces the economic stimulus of inbound tourism and connectivity.

We are grateful to have been successful through the regional air connectivity fund for one route. We applied for a couple of routes, but we had a success in re-establishing the City of Derry to Dublin route. That will hopefully start in the spring. The challenge of that is that it took nearly two years from the Chancellor announcing it in the statement in the spring of 2014 to having a decision. Two other desired routes—higher priority, higher volume routes—to Manchester and Birmingham could not be funded because of the restrictive nature of the rules of the fund.

It is interesting to note that the level of support we are going to get for the Derry to Dublin route is roughly equivalent to the level of APD that the Treasury will receive from that route, so it effectively ends up being cost-neutral. So our experience is that APD restricts growth and connectivity to CoDA and to Northern Ireland, which obviously reduces inbound tourism, economic growth and job creation.

Q185 Chair: Thanks to all of you for your brevity. There are a number of issues. A few years ago, this Committee looked into the long-haul APD and the impact that was having and we made recommendations, which we are pleased were taken up. In terms of connectivity on short-haul flights, you presumably feel that is having a very bad effect on the economy of Northern Ireland inasmuch as it is quite a significant percentage of the ticket price. Air travel is obviously not the only way of travelling to and from Northern Ireland, but it is certainly the main way.

> ***Graham Keddie:*** If I may, Chairman, Dublin has over 130 flights a week to Germany, which is the largest outbound market in the world. Northern Ireland has zero.

Q186 Ian Paisley: Can we get some perspective on this? Is it a simple matter of us versus Dublin airport—that is, us collectively—or is the argument much more complex? Are we directly comparable with Dublin?

> ***Graham Keddie:*** Within 60 minutes' drive of both International and Dublin are 1.6 million people. Admittedly Dublin is part of a sovereign state and separate, but let us put it into context. If you take the fact that we are smaller, with one third of the population of the island of Ireland, the maths is simple.

Q187 Chair: If Dublin had a different policy, would you still be making the same case?

> ***Brian Ambrose:*** Be careful with your comparisons with Dublin. It is a city and a reasonable comparator with Manchester in scale and size. In 2015, Dublin had 25 million passengers. In population and catchment area the city is similar to Manchester. When we combine all three airports, we are about the size of Bristol. We must keep in mind the context. We will never have the international connectivity of Dublin. Dublin has a lot of favourable winds at the moment. Its sterling-euro exchange rate is helping hotels, travel and tourism massively. It has invested in a state-of-the-art facility so it has a very attractive terminal. If Dublin can support any route, say, three times a day, Belfast should be able to support it daily. That is where I agree with Graham on the likes of Germany.
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> You must understand that an airline has the most mobile asset in the world: an aeroplane that it can put anywhere. We are competing with every city in Europe when looking for a route and everything is taken into account. The fact that Dublin is offering zero air passenger duty is a material factor. If all the other favourable things go with them, it is not fair just to say it is APD alone. It has created a very competitive and compelling environment. Its growth is phenomenal: 25 million passengers in 2015. Northern Ireland is underperforming. We are not well connected directly to mainland Europe and APD is a material strain on that.

Q188 Chair: May I ask for clarification? Obviously, the UK airline industry does not have to charge VAT and I think gets a preferential tax rate on fuel. What is the Irish equivalent of that policy?

Graham Keddie: Actually, that is a bit of a fallacy. VAT on airline tickets and fuel duty are covered by international convention so there is no VAT on airline tickets anywhere and duty on fuel and lubricants on international flights are cleared under the 1944 Chicago convention, since then, so it is the same for everyone.

Q189 Chair: So the international comparison is the APD and the fact that it is the highest in the world is having a detrimental effect because the other factors don't come into play.

Graham Keddie: Yes.

Chair: Okay. Thank you very much.

Q190 Danny Kinahan: Brian, I am afraid I am appalled by your comment about never having the connectivity of Dublin. This is the Northern Ireland Affairs Committee and we want Northern Ireland to thrive with both airports at absolute maximum capacity so that we become the main airports for the northern end of Ireland. That is what we should be aiming for.

There is a question on the end of that. What about slots, transport routes and infrastructure? We could be doing that way better to get the whole 1.9 million people—I think that's what you mentioned, Graham—who live in the middle. We want them all coming our way. What can we do better to get more jobs?

I wanted to congratulate Belfast International on Ryanair last week because that is another 700 coming our way, which helps Ian and I, with Michelin and all the others. What can we do more to tackle the other issues as well? We want the north to be the better.

Brian Ambrose: The two statements have to sit side by side. I believe and desire that all three airports in Northern Ireland should meet their maximum, but let us not kid ourselves that we are going to be a Dublin. That is the simple point I am making. If you look at comparable regions and airports our size, they do not have massive long-haul connectivity.

In terms of what we can do, in the short term we have been calling on DETI in the Northern Ireland Executive to create an air route development fund. The Irish Government created a fund for regional airports last year and that has been achieving results. Pragmatically, I don't think APD will be removed in a fortnight, so I think there should be a twin-track approach. There should be an air route development fund to help the three airports attract short-term gains, and then, APD should be addressed—first, nationally, by the Westminster Government, and if they reduce it, the hit on the block grant will be less.

The main point I want to make to the Committee today on the way to achieve that is this: DETI in the Northern Ireland Executive produced a report on APD and their conclusion was that it would be a net negative for the economy. I think we should take that report as a framework, engage with the industry directly and stop making assumptions. They assumed, if APD were reduced by 50%, what the airlines would do and they assumed what airlines would do if APD were removed. Do not assume.

Engage with the airlines. Ask them commercially to commit to growth, and I think the airlines—both existing ones and others that we seek to bring into the region—would step up to the mark. Put that into your model and it would be a net positive for the region.

So I think there is a very pragmatic way to move forward. An air route development fund instantly would help us to securing routes for 2017 and then, APD should be addressed. If the Government—the Northern Ireland Executive—are comfortable with this piece of work they have done, engage with us directly and let us challenge the assumptions. I think rather than dealing with assumptions, we would put facts into the system and show that it would be economically very beneficial to the region to reduce APD initially by 50% and then remove it.

Doreen McKenzie: I see a bit of an imbalance between the north and the Dublin situation, in that our corporate travellers who are only going for a one or two-day business trip are not going to travel all the way to Dublin and come back again. They just do not have the time to do that, so they have no choice but to pay the APD and travel from our airports. A lot of the small businesses do not do it willingly, because every penny counts.

The imbalance I see is that we have recently built a new improved road to Dublin, which is shortening the time to get to Dublin, but we have not done anything for our infrastructure for our airports in the north, and we need to do that and address it as essential to get people there. That will improve the amount of tourists coming in as well, so we need to get the balance right between them both.

Graham Keddie: To reinforce that, the road in front of our airport has not been changed for 50 years. The dualling from the M2 to us has been pushed back to 2035. It is great when I need to take the dogs to the Larne beaches. It is very quick now on the A8—it is fantastic—and it has very little traffic on it. I think part of the issue is “one for me, one for you” politics, rather than having a strategic approach of actually developing what is core to our economy.

If you think about it, Brian has 1,600 jobs on his site and we have 4,000 on ours, and at CoDA there are several hundred, so we are major employers on our sites, but we are often forgotten about. The classic one was the report about APD done by DETI: “The answer is no, now put the report around it, please.” Essentially, that is what happened. We as the international airport went and rebuffed it. We got consultants in London to essentially take it apart, but when you use 400 jobs as the benefit when ACI alone says 750 to 1,000, and I think the European Union uses 986 per million passengers, you are going to get the answer that you require, which is, “No economic benefit.”

Q191 Danny Kinahan: I have a question on capacity. We want as many jobs as we can get into Northern Ireland. I am intrigued to know how much more we think we can get in each of the airports, because it is the absolute driver of everything we do.

Graham Keddie: From both capacity sites, we have those capacities. The issue is getting the airlines to deliver growth. We have all been able to do that despite APD. A lot of that is generated by lower fees to the airlines themselves. We have do that; we have to be out there marketing. We spend a lot of time—all three airports—at conferences, seeing our airlines and out there talking to people, and we will continue to do that. We need more support to do that.

Brian Ambrose: Last year—2015—we were 2.7 million; we are confident that our infrastructure will allow us to grow that to 4 million passengers. In terms of whether that happens during my career, if we have a favourable environment we can achieve that in a reasonable timescale, but if we have these issues dragging us behind, it could take us a long time to get to 4 million. So, the potential is there, and Belfast International aspire to much greater figures.

If you start to piece this together and use these rule-of-thumb metrics, with 1 million passengers being, say, 750 jobs, even a small airport like ours can grow from 2.7 million to 4 million—even a small business like ours. We have 35 different companies now on site, and that added benefit of an airport as a cluster is phenomenal, but we are just not tapping into it. We achieved growth, but I can tell you it was hard, and we are competing with a region that has everything going for it.

Clive Coleman: At City of Derry airport, our capacity is probably 600,000 to 700,000 at the moment, which is, realistically, the size it will be for a long time into the future. Unlike the two Belfast airports, we have struggled over the last year; our numbers have reduced in the last year. The challenge for us in replacing that capacity on new routes always fundamentally comes back to air passenger duty. Every airline we speak to says that because this is such a tight market—it is a price-sensitive market—the extra £13, on top of the yield they would get from deploying an aircraft into, say, the Republic of Ireland, is a significant inhibitor in terms of putting it into Derry. Every airline we speak to says routes are not viable because of APD.

Q192 Chair: Can I take you up, and particularly you, Clive, on the point that it is not always easy to travel to Londonderry—City of Derry—airport? For the Committee, or people travelling individually, the flights are not that frequent. That can be difficult; we quite often have to fly to Belfast, and then to drive out. Are you saying APD is causing that restriction?

Clive Coleman: Yes, APD prohibits airlines from putting routes into our airport. It is a very low-cost economy—very low-cost routes. The average yield an airline could expect to get might be £30 or £35 on a start-up route. If they then overlay £13 APD, that makes it up to £40 or £45, which is expensive compared with operating the same kind of airline from a Republic airport—say, Knock. Knock have an expensive network, but they don't have APD, and the airlines can get slightly more yield. That makes it more profitable for them to operate from other airports. As Brian said, airlines have transportable assets; they will deploy those assets, quite understandably, where they can get the maximum yield and the maximum profitability.

Q193 Chair: Some carriers obviously find it profitable, though.

Clive Coleman: Some routes work, but it is new routes that are wanting. Demand for new routes—the kind of routes we want to deploy into, say, Birmingham or Manchester—are very difficult for airlines to justify in terms of financial viability with

APD in there. Now, it might be that the advantage of something like the regional air connectivity fund gives us an initial kick to help support a route, but, at the end of the day, the moneys available from the fund were not significant in terms of what an airline might lose on that route. So, the regional air connectivity fund sums involved were not attractive to quite a few airlines. The fund does help to subsidise the route in the early years, and airlines can harden the yields and become more profitable.

Q194 Ian Paisley: I want to try to probe the issue of whether the Northern Ireland Executive gets your need—your plight? Graham, you are shaking your head. You have already touched on the fact that the Northern Ireland Centre for Economic Policy published a report last year and that you then published a rebuttal. Could you take us through some of the key reasons why you rebutted that and where they got it wrong?

Graham Keddie: The evidence is there. Just look at the south. APD was lifted; the south starts growing and they get a commitment from airlines. But when you use 400 jobs as the basis for economic growth, when for ACI alone it is 750 to 1,000, it's obvious on those stats.

Brian Ambrose: Every million passengers is the equivalent of 400 jobs. That is what that report said, whereas every other report in the industry varies between 750 and close to 1,000, so they are not using the metric that is accepted within the industry anywhere.

Q195 Ian Paisley: Why did they get it wrong? Was that an error by the University of Ulster or was it—

Graham Keddie: It was a case of, "The answer is no. Now put the report around it." That's essentially it.

Brian Ambrose: There is a second part. That's one part; the other material part is that they did not engage with the industry. They made an assumption in some room somewhere: "If we reduce APD, what will the airlines do?" They answered their own question and put that into the model.

Q196 Ian Paisley: So you gentlemen were not brought in and questioned?

Brian Ambrose: No, and when it came to the Irish Government, before they reduced APD to zero, they engaged with the airlines. They put their feet to the fire and said, "If we do this, you will deliver growth and you will commit to it," and they did and they delivered it. So we are not asking anyone to go in with blind faith. I am totally persuaded that the airlines, if given the opportunity, will bring in the capacity and will commercially commit to it. Put that into your model; change the assumption on employment; and it quickly turns into a very positive net benefit to the region.

There is an alternative report, or I am quite happy to take, if the Executive are coming up with the framework, their own report, but allow us to work with them to re-evaluate the benefits. Look, we are pragmatic. The Northern Ireland Executive are juggling with corporation tax. Where this comes in line with that is a moot point, but at least let us agree a timeline as to when it is going to be done and how it is going to be done, and allow us to start planning accordingly.

Clive Coleman: I think there were two other points about that report. It used as its data source 2006 CAA data, but the world has obviously moved on a lot since then. The other point is that every analysis it did in its economic model shows the worst case—the lowest case. Obviously, any credible report should do at least upper, mid and lower and put a range of sensitivities in there, but it always seemed to select the lowest, worst case; and with the 400 jobs per million passengers, it was always going to—

Brian Ambrose: I think it became almost anecdotal that some figures became public and if you asked the average MLA about APD: "Oh, that would hit the block grant by £60 million to £80 million." Once you hear that, nobody is interested.

Q197 Ian Paisley: Whereas your argument is that if it is done from here, the whole of the UK is affected; it does not impact on the block grant—

Brian Ambrose: Well, if Westminster addressed it—we will watch carefully in 2018 to see what Scotland does. I think that the north-east of England airports are going to put intense pressure on Westminster. If Westminster reduces it, there is no impact on the block grant, so it's a dual approach.

Q198 Ian Paisley: Before we go on to another issue, let me come on to the issue of capacity. Belfast City has had growth with KLM. Last week, Graham, you announced the development with Ryanair. Congratulations: there is, obviously, interest. Without breaching business confidentiality issues, can you give us an indication? Are other airlines queuing up to get in here? That would put this into perspective. Do we have the potential really to grow in the way that is sometimes thrown out there—we should be the size of Dublin or whatever?

Graham Keddie: It would be fair to say that our existing carriers—probably for both of us—would be growing much more rapidly and taking a few risks on routes that we need. To put this in context, we have about 1 million international passengers a year, out of the roughly 7 million in Northern Ireland who are international, and the bulk of that is to sun routes, such as Málaga, Faro and Alicante

Q199 Ian Paisley: But a lot of those people cannot travel out of either airport, because they are not delivering to where they want to go. I would like to see us knocking the stuffing out of Dublin, but I want to be realistic about it as well. Will we ever have the capacity to do some of the routes that Dublin is able to do? Are international carriers lining up to get into Ulster and do that?

Graham Keddie: The classic one is Ryanair. David O'Brien, the chief commercial officer of Ryanair, stood up in Belfast last week and said, "Berlin four times a week is on the table, but APD prevents us from doing that."

Q200 Ian Paisley: May I play devil's advocate? Is he doing the classic Ryanair thing of getting his excuse in first?

Graham Keddie: No, we get it from every carrier. If you speak to Lufthansa or whoever—they have to fly beyond the United Kingdom mainland on to another island—this £13 is a huge issue for every carrier. Another classic example is easyJet, which would put more capacity and would take more risk on routes without APD. If you can deploy those aircraft into other places that don't have it, that is the answer.

Brian Ambrose: Our experience is that, if you take KLM, when we aspired some years back to start a European base—we had traditionally been domestic—you would go to an airline and tell them your dream, and they would listen to you politely. We now go and say, "This is what happened in Amsterdam. KLM, from a standing start, achieved this. It works from Belfast." Then you talk to Lufthansa and say, "Right, you can mirror what KLM have done into Frankfurt." Therein lies the problem. Again, Brussels Airlines will be flying across to Northern Ireland starting this spring, but for every deal we get, we lose two or three. An airline will factor in the cost base so that we are both competitive. What is the taxation environment? That is very much working against us. What is our product like? We have to step up to the mark and invest annually in our product to make sure that we keep abreast of the game. That is my point.

I think we will achieve growth in the current environment, but it is going to be fairly piecemeal, and there is going to be nothing like what Dublin has achieved in the last few years in a very supportive environment. Yes, there are existing airlines that would do more—they have told us—and, yes, there are new airlines that would come to Northern Ireland. It doesn't matter if it doesn't compare with Dublin; my aspiration is to have, in addition to the sun routes, a network of about 10 solid European cities that invest in Northern Ireland and say that they want connectivity. Tourism NI and Tourism Ireland say that there is big inbound tourism potential, so we need to start connecting.

Q201 Ian Paisley: Brian, can Tourism Northern Ireland or Tourism Ireland do more to promote and market our airports around the world? Is that on the agenda?

Brian Ambrose: One of the strands for Tourism Ireland is co-operative marketing with airlines. They work with all the airlines and all the airports in the island of Ireland, including the three airports at the Committee today. They are looking for co-operative marketing, so an airline has to deliver their part of the bargain. On occasion, their support has been enough to get it across the line, but on occasion these other factors have meant that it isn't going to happen.

We are supporting airlines out of Dublin, but everything else is in their favour. APD is only one part. Just to give an illustration—this is not rocket science—because of our domestic traffic, we pay it twice. It is a departing tax, but then you have the inbound leg, so it is £26 for a return flight. It is not unusual for an airline to be charging £100 or less for a return flight, so that is 25% of your cost. It leaves nothing for margin. Yes, those airlines will engage with us and, yes, we will continue to succeed. As Graham is entirely aware, we are not interested and not capable of doing long haul, but if you want direct connectivity to north America, you have to put your best foot forward, and we are doing it with one hand tied behind our back.

Doreen McKenzie: The other part that needs to be considered is that passengers are being doubled-taxed. If we issue a through ticket on one airline paper flying, say, Belfast to London and then London to Paris, or whatever, it is one APD the whole way through. But, by and large, it is much cheaper to buy two tickets, and everybody does that, so they are paying £13 into London, departing from Belfast, and then, if it is beyond 2,000 miles, it is £73. They are paying the same again when they come back, so they are getting double-taxed. It is not just that one £13[1].

That was a glaring error in the report, because they only considered the outbound passengers; they didn't think about those domestic passengers coming back. They did no analysis at all of foreign direct investment, which drives the economy. The figures are not quite right anywhere. They kept referring to a very small increase, perhaps 10%. That is an extra £1 on APD. People just wouldn't move for £1, they are so cost-conscious. You have to realise the whole picture when you are doing the assessment.

Q202 Lady Hermon: It is very good of you all to come so early in the morning. I appreciate the evidence that you have given already. Several things spring to mind. The air route development fund—how much are we asking?

Clive Coleman: On behalf of City of Derry, the amount of funding available in the regional air connectivity fund for the airport to Dublin route, is just over £200,000 for three years. It is a relatively small sum of money in terms of the risk that the airlines are running to put that route in. The Department for Transport was restricted in how that funding works through the European state aid rules on development. It is based on paying a proportion of airport charges to the airline.

Brian Ambrose: Clive is referring to that existing fund—the national fund that delivered next to nothing for any of us. Anyway, that is another story.

Q203 Lady Hermon: We have that on record now. Next to nothing—we can quote you on that.

Brian Ambrose: It was so prohibitive. None of the airlines engaged with it at all. The only airline that put in for something out of City of Derry airport was Stobart Air, which secured a route to Carlisle airport, which does not operate so that was a great benefit to the world.

Q204 Lady Hermon: So I actually asked about the air route development fund—the one that, in fact, has been asked for.

[1] ABTA later clarified that when two tickets are purchased, £13 would be payable on both the Belfast and London departures, and £73 on the international departure over 2,000 miles from London. The latter is only payable on the UK departure and not on the international flight into London

Graham Keddie: Originally, the fund that was in the early 2000s was, I think, £4 million a year. It has to be something of that order to be able to go and market it. That fund delivered 10 new routes or something like that.

Q205 Lady Hermon: So that is the request that has been formally made to the Northern Ireland Executive.

Graham Keddie: We have not been asked yet about any comments on the route development fund. As usual, there is lots of talk and no action.

Q206 Lady Hermon: Whose idea is the route development fund?

Graham Keddie: It is coming out of the Department of Enterprise, Trade and Investment currently. They are talking about it but they haven't talked to anybody. They certainly haven't talked to me or Belfast International but they seem to be talking about it.

Brian Ambrose: Minister Bell, within recent days, said that he aspires to announce a fund, I think, before Easter.

Graham Keddie: He said in the next financial year.

Brian Ambrose: So DETI and Minister Bell have publicly stated that they are looking at a fund. We have no idea of the scale, size or rules. That has been talked about for quite some time.

Q207 Lady Hermon: There is a hint in your reply that would suggest a bit of criticism of Minister Bell and perhaps of DETI. Would that be correct? When have each of you had recent conversations with the relevant Minister in the Northern Ireland Executive?

Clive Coleman: Last time we spoke to them about this fund was in about November and it was with officers. It was stalled at that stage because they were waiting for the conclusion of the Westminster Department for Transport's fund but we were told that there was likely to be no announcement until the new financial year.

Brian Ambrose: Discussions on an air route development fund and APD have been going on for years. When was the last time I spent time with the Ministers? I spend too much time with all of them.

Lady Hermon: No—you couldn't possibly mean that. That's impossible.

Brian Ambrose: I think there was a commitment, to be fair. There is a commitment to do something. It has to be state aid compliant. They have looked at what Dublin has recently done but, as often, the ideas and aspiration are there. That is very different from execution and delivery. Our message is loud and clear. We are ready and willing to engage, and we are reasonable as to what is possible but, as of yet, the air route development fund and APD have not been delivered.

Our problem is that airlines are not waiting for Northern Ireland to put something on the table. A number of our airlines are saving a significant volume of new aircraft, which they have to put somewhere. They are very aggressively out there looking at 2017 at the moment. My concern is that 2017 decisions will be made mid-year. If we have not moved by mid-year, we are talking about 2018, so we have missed the boat again.

Q208 Lady Hermon: So would it not be in the interest of all three airports to seek an early meeting with the current Minister and DETI? Graham, you smiled as I said that. The reason that you are smiling and looking towards the heavens is?

Graham Keddie: They have to take action. It's as simple as that. We can go and see them as much as we want. The last time we saw them was in August when we took Ryanair to see them. There was lots of talk and we got a letter six weeks later saying, "No, we're not going to give any support." The problem is that talk is cheap. We live in a commercial world where, as Brian stated quite clearly, decisions are made now for 2017 and aircraft are moved around. That's what happens. Unless people take action, all the talk in the world—

Q209 Lady Hermon: You made an interesting comment in your opening remarks. All of you did, but one jumped out. Graham, correct me if I'm wrong, but you said that you believed that the devolved Government is abdicating its responsibility.

Graham Keddie: Yes.

Q210 Lady Hermon: Do you mean in relation to APD or the Northern Ireland economy or both?

Graham Keddie: I think both in some respects. We are the second-largest site employer in Northern Ireland. I think only Queen's Island has more people working there. We are a key part of the economy. It has to be driven forward. Growth is there and Brian and ourselves have proven that in 2015, but we have to focus on it. APD is a key driver. If we are serious about it, we have to do something. The Scots are serious about it.

Q211 Lady Hermon: May I just follow up on that? There seems to be a slight—I just need some clarification. Brian makes it quite clear in his evidence that the message he would like to come out from the evidence you give today is that APD should be either reduced—I think you said 50%—or scrapped, which would be preferable, throughout the UK by the British Government. However, I picked up, I think from Graham when he referred to the abdication by the devolved Government of its responsibility, that you think the Northern Ireland Executive could pick up the bill for APD and that if Scotland can do it, Northern Ireland could do it. Is there a divergence of opinions here that the Committee would need to probe a little further?

Brian Ambrose: We are all members of the Airport Operators Association, so we are all lobbying the Westminster Government to address the highly uncompetitive environment that they have created for the UK aviation industry. We are all agreed that if Westminster moves and the block grant thing doesn't come into play, I am suggesting that, in parallel with that, we need to sit down to get a clear understanding from the Northern Ireland Executive. Is this is a possibility? I believe that it has been discounted at the moment, because there is a report that included every prudent factor that you could ever put into a report, which obvious led to a negative output. We need to be engaged to take the element of doubt out of the equation. Ask the airlines what they will do and you'll get a different answer.

If the Northern Ireland Executive became convinced that this is of net benefit to them regardless of what happens at Westminster, we don't have to wait. It's a bit like the debate about runway capacity in the south-east. It's not going to happen during my career, so I'm not going to sit and wait and debate forever. We need to get something sorted out for 2016 and 2017. That's why we need this urgent engagement with the Northern Ireland Executive to see what we can do locally. Obviously, if Westminster eventually move on the matter, that's a net gain for Northern Ireland, because it will not affect the block grant. I don't think I'm disagreeing with Graham; I am simply saying that we should tackle it at both levels.

Q212 Lady Hermon: That is actually very helpful. I must open things up to my colleagues here, but I have one final question. Do you think it is odd—to put it mildly—that the Northern Ireland Executive is prepared to take a huge cut in its block grant to accommodate a reduction in corporation tax, which was part of the fresh start in the Stormont House talks, but not to accept a cut to the block grant, which is around £60 million, for APD?

Doreen McKenzie: I think there is room for our devolved Government to negotiate with the Treasury. My understanding is that what we are charged for APD—it still seems to be an unknown factor as nobody has actually said exactly how much it is, but it still ranges between £40 million and £60 million—we pay pro-rata depending on the region of the UK and its business class flights. If, say, 30% of traffic is business class, that will lead to a higher level of APD. We don't have any business class flights. We have only pure domestic flights on the lower tax, so we are being overcharged by the Treasury. I think our Government should be negotiating that and considering what is fair for us, because I don't think we're getting a fair shake-down. That would help reduce things down.

Lady Hermon: I did not know that.

Graham Keddie: I do not think that Brian and I are disagreeing. It is just that I am probably a bit more radical in that I believe that the Northern Ireland Executive are, to use colloquial term, bottling it. If the Scots can do it—as a Scot, it is good to see them driving forward on it. And you can see the success that the South is having by getting rid of APD, and Holland.

Q213 Lady Hermon: The question is about the reduction in corporation tax but not APD. It seems to me that it needs to be reconciled somehow.

Brian Ambrose: The way you frame the question is key. I have been engaged in corporation tax and so has the chairman of the CBI. If, as you framed it, they were taking a huge hit in corporation tax, they should not do it, but what we have argued long and hard is that that is not what we are saying. We are saying that the net gain by addressing corporation tax is positive. So it is exactly the same argument. So, yes, you will get a reduction in tax, but, with the growth of the economy, there will be some benefits.

We are saying exactly the same on APD, but it has got into the psyche of some people in Northern Ireland that, when you mention APD, all they can see is the cost without the benefit. And the corporation debate raged for a while as well. So when you look at it in depth and intelligently, you are saying that the corporation tax reduction is a stimulant that grows the economy and, as with the experience of the Irish Government, increases the tax take. APD is the same.

Graham Keddie: Part of the problem is that the benefit is a double win for the Treasury. Not only do they get rid of part of the block grant if they get rid of APD; they also see increased national insurance, income tax, corporation tax and VAT receipts, because that is where the benefit comes from and that goes not go to the Northern Irish economy

Ian Paisley: Scotland has not done this yet—

Graham Keddie: It has been targeted for 2018.

Ian Paisley: But they are talking about it. That is very different, because the impact for them will be greater than for us.

Clive Coleman: I was going to say that when we gave evidence to the Northern Ireland Executive, we could see that making a decision on APD was going to be some way out for either themselves or the Westminster Government. That is why we were quite pleased about the Northern Ireland Executive's regional air connectivity fund, because at least that would give some stimulus to new routes prior to that.

Likewise, whatever happens with new routes, it will, as Graham says, increase employment directly at the airport and indirectly within our catchments. So we thought, "Fine, APD is going to be delayed, but having a local fund that will help stimulate new routes will be good news for the routes that we couldn't fund through the Department for Transport's system." At that stage—I think last April—we here hopeful and I think we were being told that the new fund would be in place for flights from April this year. That has obviously been delayed and if they are not going to start talking about it until this spring, it will be at least a year before we get any new flights off the ground, because, as Brian said, airlines will be deciding on their capacity and allocating that at least a year in advance. It is a long game and it has got to be a sensible investment for the airlines. It has got to be a sensible investment for the Northern Ireland Executive and the airports as well, but it takes a while to plan that and it does not happen quickly. Our disappointment has been that it has taken a long time to get probably nowhere on the Northern Ireland front.

Q214 Mr Anderson: Specifically to Doreen, you submitted a note to us—thank you very much for that—where you go through the history of the tax in Dublin and how it has been reduced from €10 to €3 and now to zero. Even the zero rate, which I think applied in April 2014, you said has had positive results. Can you quantify those results?

> ***Doreen McKenzie:*** In what way?

Mr Anderson: In the period from 2014 to now, what do you mean by having seen positive results? Have flight numbers gone up? Has tax take gone up?

> ***Doreen McKenzie:*** Dublin has increased by at least 15%, so it has been a tremendous increase for them. I do not have the specific figures for Dublin airport—

> ***Brian Ambrose:*** Dublin airport passengers in 2015 are north of 25 million, which takes them beyond the peak before the recession. This is the record year ever, with 25 million. Aer Lingus has announced a raft of long-haul flights out of Dublin to North America, but I think you are talking about 3.5 million in passenger growth in a year, which is phenomenal.

Q215 Mr Anderson: With respect, it was only €3, so you are not talking about huge amounts of money—about half a pint of Guinness in Dublin airport, I would imagine. Is it possible to say what part of that 3.5 million is as a result of that change? If you cannot now, could you give us any evidence in future? We know that the new terminal is being built and things like that.

> ***Brian Ambrose:*** As I said earlier, if you look Dublin, they have built a new terminal and they have a €1.40 to sterling exchange rate. They have a very favourable wind blowing at the moment and they are taking advantage of it. They have pre-customs clearance going to the US. All that factors in. My main point about the €3—this is a lesson or opportunity for the Northern Ireland Executive—is that the Dublin Government did not reduce it to zero hoping that the airlines would increase their capacity; they engaged with the main airlines, Ryanair and so on, and made them commit to it. That element can be defined.

> ***Clive Coleman:*** I remember the metric at the time. Ryanair said that if the €3 was repealed, it would mean, I think, a million extra seats. I cannot remember whether that was on Dublin from the north-west. I think a year after, it wasn't a million—they had actually built another 1.5 million capacity into the South.

Q216 Mr Anderson: We are rating this as a no-brainer, to a certain extent, right? You quote the PwC report. If anybody read that, why would they not want to do it? According to them, the research shows that if we abolished APD across the whole United Kingdom, GDP would go up by 0.5%, the economy would be 1.7% larger by 2020, and 61,000 jobs would be created. I am asking you, as professionals, why on earth the Treasury would not say, "That's great"?

Graham Keddie: It is the easiest tax in the world to collect. It is £3.2 billion paid to you direct by corporate clients. They just pay it every month from their accounts—fantastic. I believe it was £3.2 billion in 2015.

Q217 Mr Anderson: I accept that. If I am sitting there in the Treasury, I'm going to say, "We'll have that money," but you are saying, "Yeah, but you can throw that money away, because if you do this, you're going to get two, three or four times that, and also the social consequences—putting people to work and all the good that that causes."

Doreen McKenzie: I think there hasn't been a collective will to approach the Treasury[2] to address it. The Treasury says, "We have to have that money," and everybody accepts that. All the different parts of Government just accept it. They don't actually argue it or collectively get together and say, "Look, there are alternatives where it will be revenue-neutral. You could even make more money." Perhaps that is an area that you should address.

Q218 Mr Anderson: I have to say, we had some discussions in support of north-eastern airports when we were talking about, as Ian Paisley mentioned earlier, what would happen if Scotland goes down this route. There would be a huge impact on us. A bit like you're saying, "Let's drive to Dublin," we'd be saying, "Let's drive to Edinburgh or Glasgow." In an off-the-cuff remark, the Chancellor said, "We will make sure that there is a level playing field."

Graham Keddie: Isn't it sad, David, that they will not give us a level playing field with a foreign country?

Mr Anderson: I agree with you.

Graham Keddie: We have the only land border. Go to Dublin airport and look at the number of Northern Irish number plates in the car park.

Q219 Mr Anderson: Yeah, I've done it.

To move on, you mentioned the infrastructure to get to the airport, Graham. Years ago, the Committee investigated tourism in general, and there was talk about the rail link to the international airport, which I use quite often when going back to Newcastle. Has anything been done to improve that link?

Graham Keddie: It is still there. There was a report recently that I think said they have spent £1.5 million keeping the line alive to maintain it. I think that a train goes down it—how often?

Doreen McKenzie: Once a month.

Graham Keddie: Once a month, and that's it.

[2] ABTA later clarifies that Mrs McKenzie's reference to "a collective will to approach the Treasury" refers to the devolved government, not to industry

Q220 Mr Anderson: Are there any reports or findings that say, "Let's have a service that would actually justify doing this?"

> ***Graham Keddie:*** The view is always that you need 10 million passengers to have an effective railway. I think Newcastle has the metro as the light rail out to the airport, which works very well.

Mr Anderson: It's a relatively short distance.

> ***Graham Keddie:*** It is relatively short and has a number of stops. It is about a strategic thought process, and we are not very good at that as nation. Go to Germany and you'll see how everything is linked together—roads, rail, airports. It is a very different scenario.

Mr Anderson: Thank you very much.

Q221 Dr McDonnell: Thank you all for being here, and for the evidence so far—it has been very useful. I have a couple of practical questions to add to what has already been said. Has anybody worked on or produced the figures on the impact of the reduction in Dublin as it went? Can you judge directly—mathematically, financially—the impact of the reduction in Dublin at the time? Did you see a dip? Did you see the growth being retarded?

> ***Graham Keddie:*** It is skewed a little because of the recession. We all lost passengers, and it is difficult to judge exactly what happened. All you can talk about is the growth. The galling thing is Dublin every six months putting out a press release saying, "Growth of Northern Ireland passengers through Dublin airport was 52% in the last six months." They boast about the top 10 routes, three of which are London: Heathrow is No. 1, Gatwick is No. 3 and Stansted is No. 9. Between us, I think we have almost 30 flights a day to London, which gives you some indication of what has been sucked into the south.

Q222 Dr McDonnell: In other words, it is an estimated impression. There are no facts, really.

> ***Brian Ambrose:*** It is getting better to quantify thanks to Dublin and these press releases. They are now publicly issuing statistics of the number of Northern Ireland passengers who are using Dublin airport, and they are giving route details. That information is now publicly available. If you want a rule of thumb, for every million passengers who are not using our airports, we are losing 700 jobs. That is a prudent view of it. If there are 2 million, that's 1,400 jobs. It is quantifiable, and those metrics are well accepted.

> ***Doreen McKenzie:*** As a rule of thumb, I can tell you that for every three European or international tickets we sell, two of them are out of Dublin and one out of England—out of London.

Q223 Dr McDonnell: We have talked about the possibility of Scotland. Could anybody estimate what impact Scotland reducing duty by 50% or 100% would have on us? Do you see people getting in cars and driving across on the ferry to fly out of Glasgow?

> ***Graham Keddie:*** I do not think that it will have a huge impact on us in Northern Ireland, but my fellow MDs in Newcastle, Liverpool and Manchester are very worried by it. They know the impact that it has had on us, and they are deeply worried about that.
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> ***Doreen McKenzie:*** They will not use the ferry to go across, because that would delay the journey too much. They will just buy two separate tickets and use the Belfast to Glasgow flight and connect onwards. They will do that for a differential.

Q224 Dr McDonnell: But you do see it having a degree of an impact.

> ***Doreen McKenzie:*** It will have an impact. It will not have as large an impact as Dublin, but it will certainly have an impact.

Q225 Dr McDonnell: We have talked about developing Berlin. From a political perspective, there has been a discussion running literally since the Executive was set up about new routes and new ideas and all the rest. There has been talk in the tourist board context—even before Tourism Ireland was established—of routes to the likes of Frankfurt and maybe a French route or two in order to get inward tourism moving. What would it take at this stage—how much money, for instance, would it require as a subsidy?

> ***Graham Keddie:*** We went to the Executive with a Munich route. Essentially, we needed £200,000, but we got less than that, so the Munich route did not come off. We had a Munich route offered and it would have commenced, but the carrier then just did Lanzarote and Lyon. Nice and easy—ski routes and sun.
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> ***Doreen McKenzie:*** Perhaps you could look at taking European flights to zero APD in the short-term interim, until we get this get this resolved nationally.
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> ***Graham Keddie:*** That's the sort of thing we could do. We could have new routes at zero APD. Give us a chance, and then after three years APD comes in.
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> ***Brian Ambrose:*** To give you an idea, if airlines are starting a new route, that is the riskiest thing they ever do. It is possible for them to burn £1 million in year one and £0.5 million in year two, so they'll sink an element of risk. At the minute, typically the kind of moneys that might be available to you is that, if you are going for a new route, you might be offered £100,000 of marketing support. The airline says, "All right, on a £1 million potential loss, you have covered 10% of the risk," so they will go somewhere else where they can get more support. It needs to be meaningful—Graham mentioned a sum of around £4 million a year. If it is in the fringes, it will not get a deal across the line, so it is futile to support a route that will not stand on its own, because it will have to be subsidised for ever. We are looking for that kick start to de-risk a new route for an airline. Once it is established, it will be fine. That is what other regions are

doing, and that is what the Irish Government did last year. We were in competition for some routes and they went to Cork.

Q226 Ian Paisley: Are there European anti-competitive rules that do not allow the Government to do that?

Graham Keddie: Ian, there are many parts of Europe that get round that and are able to deal with it. We scratch our heads and, unfortunately, our civil servants don't seem to think the risk is worth taking.

Q227 Dr McDonnell: On the subsidy—the development fund—let's say an airline takes a million but gets £600,000, is that £600,000 without question or is it £600,000 gauged in terms of the passenger flow? In other words, is that a fixed-sum grant that it gets up front, or is it something that comes behind the success of the route?

Brian Ambrose: I think the amount of support will vary depending on the routes, but if it is primarily outbound sun, you won't get much support because it is not doing anything for the Northern Ireland economy or inbound tourism. If the route was on the hit list of INI, which says that this is where we need Frankfurt direct connectivity and there is a possibility of inbound German tourism, the support would be greater. It is based on the benefit to the economy for business connectivity and inbound tourism.

Q228 Dr McDonnell: Let's say that on the Frankfurt route we estimate a £600,000 loss, but it is successful and there is only a £300,000 loss. Is the grant—the original £600,000—willy-nilly, or is it to cover just the loss retrospectively? ***Graham Keddie:*** There is no grant. The only support is marketing support, and the airlines generally have to match that. It is match funding. There is no such thing as support here. This is purely marketing support that has to be matched by the airline.

Brian Ambrose: So if it is a new route, you are raising awareness in the region and trying to encourage people who have never heard of Titanic Belfast, although they may be aware of the Giant's Causeway. We are promoting all that to fill the inbound leg, and once it is established it takes care of itself. How you fund it is what is called co-operative marketing, so the airline has to put its cheque on the table, and if we are putting in £100,000 of marketing support, it must put in £100,000. We are finding that the levels of support typically are not enough to get a deal across to Northern Ireland. Other regions of Europe are putting in more material support. That is why we have been successful in the last year in securing routes. The message to this Committee is that we could have done more if there had been that supportive environment.

That is why, if you continue to do what you have always done, we'll do okay. We'll be back here next year and the year after to tell you we are surviving and growing modestly, or you could do something more radical. Don't forget how poorly Northern Ireland is served for direct connectivity. Speak to IMI and travel agents. They are just pushing business elsewhere.

Q229 Dr McDonnell: Have we the selection of aircraft available to develop routes?

Graham Keddie: Absolutely.

Brian Ambrose: That's the easy one.

Q230 Dr McDonnell: Do we have small enough aircraft? There isn't much point putting on 180 or 170 seats to Frankfurt if we only need 100. Do we have enough small aircraft?

Graham Keddie: The airlines judge the capacity they need on the route, so they will put the required aircraft on the route. Some airlines are very good at filling aeroplanes. EasyJet, Ryanair and Flybe these days are very good at filling aeroplanes, but they decide the capacity of the route. Lots of new aircraft are coming in, and the manufacturers had a record year last year in churning out new aeroplanes. The aircraft are there. It's about getting the airlines to commit to come to Ireland.

Brian Ambrose: That's a relevant point for the Committee: airlines talking to us when they are waiting for delivery of 20 to 30 new aeroplanes. If we grab the opportunity, some of those aircraft will be based in Northern Ireland. If we don't, they will go elsewhere. It is not as though there is a capacity issue out there. The volumes are there, we are just not getting enough of them.

Q231 Dr McDonnell: But you feel that there is the right mix of aircraft—

Brian Ambrose: Absolutely, yes.

Dr McDonnell: So that they will position in a small aircraft.

Brian Ambrose: It is not unusual for an airline to put in a partner company to feed the route for a while, and then they will upgrade from a turbo to a jet, or a small jet to a larger jet. That's the easy bit. The point is that when we compete on a route, we compete with every other city pair in Europe—if you want to keep this within Europe.

Q232 Nigel Mills: Can we go back to some comments from a few minutes ago, Mr Ambrose, about the difference between inbound tourist business and outbound tourism for flights? What proportion of your airports' flights are passengers leaving to go on a sun holiday or some other kind of holiday, as opposed to the other categories?

Brian Ambrose: I don't have the figures, but for the international routes out of the Belfast, or out of the three airports, it is probably about 85% sun and ski.

Graham Keddie *indicated assent.*

Brian Ambrose: Really, we have New York, Paris, Amsterdam, Brussels and very few others. The bulk of the routes are outbound sun or outbound ski. Where we are losing out significantly is in economy. As many of you know, we are expanding this year. The new Waterfront Hall conference centre in Belfast is soon to open. If you want to put on a conference, don't ask people to fly into Dublin and travel up to Belfast. It ain't going to happen. So they are saying to us, "For us to secure European conferences, you need to fly direct into the region."

Q233 Nigel Mills: The reason I am asking is that the inquiry we are doing is about how we can boost tourism through fiscal changes. I suppose the risk is that an APD change makes it cheaper for people to fly out on a holiday in the summer. That may be absolutely the right thing to do, but how we do ensure that that fiscal investment actually attracts more tourists into Northern Ireland, rather than helping more to leave?

Graham Keddie: Make no mistake: the outbound tourism creates jobs as well, because it is filling aircraft. We have based aeroplanes. Jet2 and easyJet have bases, with employees there—cabin crew, cockpit crew and engineers. So outbound is as important as inbound, because it does create jobs in the travel industry as well.

Brian Ambrose: That is the bit we tend to do well. There is a big appetite in Northern Ireland for sun; we can fill planes going to the sun. The bit that we are struggling with is the more businessy part—Frankfurt, Munich, Berlin, Madrid, Copenhagen. We do not have that connectivity. Those are the ones we need to get help on.

Q234 Nigel Mills: And how many of those are to attract tourists?

Doreen McKenzie: ABTA did a research paper—I think it was last year or the year before—on the value of outbound tourism. I referred to this in my opening statement: £408 million a year is spent by our own people travelling. That is what they spend in Northern Ireland before they leave to go on their holiday, and that is the equivalent of what our international passengers are spending, so it cannot be overlooked; it is a vital part of what's going into the economy.

Q235 Nigel Mills: I get that point; I'm just thinking that our inquiry is about how we boost inbound tourism. Presumably, if you boost outbound tourism, that means that somebody who might have spent a week on a staycation around Ireland is now on a sun holiday, but the question is—

Brian Ambrose: You separate the two issues. For the air route development fund, you would weight new routes that are going to have that economic and tourism benefit. The APD measure, as you say, would benefit everyone; that is a different thing.

Q236 Nigel Mills: So if the priority is to get more tourists into Northern Ireland, which routes would that involve? I think you just listed a few.

Brian Ambrose: Well, there is nothing from Germany. If you take a region like Fermanagh, there is a huge German product, but they come in via Dublin. In terms of north America, we are served by only a single route; we have nothing into Canada. Those are the kinds of areas. If you take tourism, 10 years ago a typical tour coming into Dublin—a nine-day tour of the island of Ireland—did not touch Northern Ireland; it just didn't happen. Six or seven years ago, people would do the Giant's Causeway as long as they were back in Donegal for their overnight hotel. Now, a nine-day tour into Dublin does two nights in Northern Ireland to cover Titanic Belfast and the Giant's Causeway, so we are picking up that, but it's only a percentage of people who fly into Dublin and travel to Northern Ireland, whereas if we had direct access to the likes of Canada and Germany, that would be a fundamental change.

Q237 Nigel Mills: When you are talking about all the new routes that you think you could establish if APD were reduced significantly, how many are routes that are likely to bring in more tourists rather than take them out?

Graham Keddie: One of the biggest routes that we lose on is Copenhagen. Our main bank is actually owned by a Danish company, Danske bank. They take at least 30 passengers a flight out of Dublin. The opportunity is huge but we are not in those markets. Germany is the number one outbound market in the world, and we have no flights to it. It is absolutely ridiculous.

Brian Ambrose: I can't speak for other airports, but we have engaged with INI and asked them to give us their wish list of the most important routes for direct access in Europe because that is our limit as Belfast City. They have furnished us with all the routes that they would aspire to, that would improve the business connectivity. We have done the same with Tourism NI and Tourism Ireland to say, for inbound tourism, "Where is your priority list?" We have a list of the 10 priority routes that we would aspire to, and that does not even cover the long haul that you would aspire to. We know where the routes are.

Q238 Lady Hermon: What is top of that list of 10?

Brian Ambrose: Germany is the one that is a no-brainer. There is nothing into Germany. With Canada, I think if you look at the statistics, we used to have a range of access. We have zero. North America—there is a single service. We know where we want to get to. We will get a bit of it but in a more favourable environment with an air-route development fund and with APD we would move this. Don't speak to us; speak to INI and ask them about the importance of the New York service and what Germany would do for attracting inward investment. This is way up their list, never mind ours, who have a vested interest in it.

Q239 Nigel Mills: Mr Keddie, you referred to a Dublin airport press release about Northern Ireland passengers using Dublin airport. I didn't quite catch what you said. Where was the most popular destination?

Graham Keddie: No. 1 was London Heathrow on the list of routes.

Q240 Nigel Mills: Where was JFK on there?

Graham Keddie: New York was seven in the top 10.

Q241 Nigel Mills: There is zero APD now on long-haul routes, isn't there?

Graham Keddie: Our United flight does really well. There are certainly very high load factors. We have kept them in this winter. We are up against the added competition of, basically, pre-clearance in Dublin. So, you turn up, do your pre-clearance and you are a domestic passenger once you arrive in America. We are working with United to grow the gauge of the aircraft. For us, it is highly unusual for a regional airport to have a direct New York service.

Q242 Nigel Mills: Yes, because that press release they issued last May, I think, does say that New York JFK is the most popular destination for Northern Ireland customers using Dublin airport, followed by Heathrow, Manchester, Dubai and Rome. I guess if we thought that the solution to this was a big cut in APD, it does not suggest that the long haul cut has quite had the solution you were hoping for.

Graham Keddie: But it has kept the flight in. It is still there.

Lady Hermon: Yes.

Graham Keddie: United were going to pull it.

Q243 Nigel Mills: I get that. I am just thinking that the destination that most customers from Northern Ireland are using Dublin for is long haul to New York where the APD has been taken away.

Graham Keddie: Dublin would love our New York flight to disappear.

Q244 Nigel Mills: I'm sure they would.

Graham Keddie: Exactly. They will sit there and hammer it and have a go at us constantly. They would love to see our New York flight, and everything goes out of Dublin.

Q245 Nigel Mills: But we are not sat here with you saying, "Actually that route is so popular from Belfast we can now get extra planes and have two a day." That is just not where we are, is it?

Graham Keddie: The thing is that it is a long asset. If you look at it, it is a way for something close to 14 hours, 16 hours, by the time you do the aircraft rotation and so on. So it is an expensive game. The other thing you should remember is that Ireland has a flag carrier in Aer Lingus, owned by IAG now, but it is a base carrier. We do not have that in Northern Ireland.

Brian Ambrose: What would we call our national airline? There's a debate for you.

Graham Keddie: I don't want to get into that debate as a neutral. Those are the sort of things. If you look at long haul we are talking to a number of carriers about coming in—a Middle East carrier, and certainly a Canadian carrier as well. We are there, and we are unusual as a region in that we actually have a New York service. It has taken Newcastle until last summer to have a New York service—that is only a summer-only service, whereas we have a year-round one.

Doreen McKenzie: And it does act as a hub to another 140 destinations within the States, so it is quite useful in that way—not having to go through Heathrow, which can be quite difficult sometimes when it is running at full capacity, to commute through, so you can get a quick connection.

Graham Keddie: If you go to the comparison with Dublin again, on routes to GB, I think, between the three airports, we have close to 6 million passengers going to GB. Dublin has about 8 million going to GB, so we are relatively competitive. On European short-haul routes, they are about 13 million or 14 million; we are 1 million. That is where the glaring disparity is.

Q246 Nigel Mills: The reason for asking was just that if what you are suggesting to us is that if we cut APD we could stop passengers leaking from Northern Ireland down to Dublin, but on the one route where you can make that comparison and APD has been cut, actually you cannot really stop those passengers leaking down—that does not prove the case, does it, that APD is the fix here? That is the problem.

Graham Keddie: It is called a level playing field. We don't have a level playing field. We have proved what we can do with it, with APD round our neck; in both airports in Belfast I have seen good growth in 2015, but we are still behind—our peaks— and we are up against an aggressive competitor. I have already referred to my colleagues in the north of England airports; the panic was on when they thought APD would be got rid of by the Scots very quickly. The response of the Government was very different to the response we have been getting on APD in Northern Ireland: "Yes, we'll do something, if that happens, straight away."

Q247 Nigel Mills: I suppose, to be fair, I might be more willing to drive to Dublin for a transatlantic flight; but if I want an hour and a half's flight, having an extra two hours' drive at the start and the finish isn't very attractive. It may well be better for short haul than long haul.

Graham Keddie: But if you are sitting in Newry, you are less than 60 minutes from Dublin airport, on a nice spanking road.

Q248 Dr McDonnell: I am not sitting in Newry, but quite simply I would have to toss up, if I was going to the States, whether I went with Continental, as it was—now United—and spent sometimes an hour or an hour and a half getting through immigration, as I have had to do at times, or whether to go to Dublin. You get there half an hour early and get cleared—immigration and all the rest—and you walk through. It is that time factor that basically makes a difference, and that is beyond.

Chair: That is long haul.

Dr McDonnell: But I would agree with you—sorry for cutting across you, Nigel—that the point is that retaining that flight is vital.

Q249 Chair: I think Nigel was referring particularly to the short haul—is it worth doing it?

Nigel Mills: I was just trying to—

> ***Clive Coleman:*** I think, Chair, as well, the challenge of just looking at that one route, and whether you can replicate or use the statistics of what has happened on APD on that one long-haul route on the European position, is quite difficult. I think another way of looking at it—we have concentrated a lot on Northern Ireland and the Republic—is what happened when the Dutch introduced a form of APD. I think it was 2008 or 2009. They repealed it within a year because they had at least 2 million to 3 million who migrated from their travel patterns, from Holland, over into northern Germany—German airports. That is why Ryanair set up Weeze in northern Germany as a low-cost route.
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> They have not got all that traffic back, but they repealed it very quickly to recapture that area. It was mainly all short-haul traffic, as I understand it. In a way that is a very good comparator. Possibly the Committee could consider that, very quickly, with APD coming in at a level of I think it was €10 or €12 in Holland, they lost about 2 million to 3 million passengers, which they recovered very quickly by scrapping the tax.

Q250 Gavin Robinson: I was going to say good morning, Chair, but we are almost in the afternoon.

Mr Coleman, you mentioned a catchment area of 600,000 for City of Derry airport. How many passengers travel through each year?

> ***Clive Coleman:*** Last year it was about 350,000. It is lower this year because of a loss of some routes.

Q251 Gavin Robinson: Do you collect data as to how many of those passengers are from the Republic of Ireland?

> ***Clive Coleman:*** Yes. It varies but it is about 44%.

Q252 Gavin Robinson: So 44% of your passengers are there in spite of APD?

> ***Clive Coleman:*** It is because there are no other opportunities. Donegal is very peripheral. Their alternative is to drive a long way down to Dublin so they will come here. Their only alternative airport is Carrickfinn, which does a Glasgow route in competition but it is not as frequent as ours.

Q253 Gavin Robinson: Proximity is another consideration. In spite of APD, they are using your airport. Is that right?

> ***Clive Coleman:*** Correct, yes.

Q254 Gavin Robinson: From the arguments I have listened to this morning, it sounds as if it would be better for the Executive to have a specific fund for individual routes as opposed to scrapping APD altogether. Can I ask all three of you to confirm that what Brian said is right? Is it correct that we have no problem filling some destination craft and no problem with that market, which is well sustained in Northern Ireland, but that the growth of further business routes is the key issue?

> ***Graham Keddie:*** To some extent, yes, but we have Paris and Amsterdam, both of which operate year-round at just over 90% load factor. That is easyJet. The capabilities are there. We are spilling traffic at that. We need those business routes and the inbound tourism routes, but we need a route portfolio that goes beyond the traditional routes of Liverpool, Glasgow, London and Birmingham. That is what we have to do. The worry for us is that it will continue to build and double. Once you have the good virtuous cycle of growth, the airlines will continue to pile in there. When they are supported by a Government with a sensible outlook on economic growth, they take a very aggressive stance.

Q255 Gavin Robinson: I may come back to you in a minute if you do not mind. I will just ask what the others think.

> ***Clive Coleman:*** A relatively small proportion of routes at City of Derry airport—our main focus and drive is on domestic routes, connectivity on domestic routes and more routes into England, particularly to Manchester and Birmingham for business connectivity. In the case of this Committee, that brings in inbound tourism as well. That is really our focus because it is high value to us and the local economy. There are two ways of handling it. The airlines we talked to that could operate those routes are saying that it is challenging and difficult to make the route sustainable and to bear the losses of that route at introduction with APD. The only way around that is some form of route development support.

Q256 Gavin Robinson: Specific support.

> ***Clive Coleman:*** Yes, which is why we were keen on the Northern Ireland Executive's specific route development fund. Without that, it is very difficult for us to support those routes.
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> ***Brian Ambrose:*** This is a priority for Northern Ireland as a region and an economy. We have identified 10 European routes that we think we can deliver through time. With a more favourable environment, it will be sooner rather than later. Graham probably aspires for a wider range of routes. We have talked a lot about that but, as we see it, a percentage of what Dublin does is within our grasp and a percentage is not

within our ken at all. Let's be pragmatic about it. The main issue is that at the minute we are fighting to secure those additional 10 routes, in our case. We are doing okay but there are levers that the Executive can help us with, which would accelerate that and benefit the region quicker. Some is fine. It is an important part of all of our business, but with 10 we are not seeking the same level of support to get a route across the line.

Q257 Gavin Robinson: Sure, and an additional fund that looked at specific routes that INI had identified would be a kicker.

Brian Ambrose: We wouldn't even go looking for funds for some routes. We don't expect the Executive to support that at all. That is why it is a fairly modest sum in the greater scheme of things.

Q258 Gavin Robinson: Sure. Mr Keddie, you have talked about APD. I do not want to put words in your mouth but is it the answer to all the issues for your airport or for aviation in Northern Ireland? Is that unfair? It seems to be where you are putting all your stock at the moment.

Graham Keddie: It is one of the major factors—it is probably the biggest. There are other issues but we can address those as a business, but you have that disadvantage when you go to speak to an airline about APD at £13. To put it into context, the average fare for easyJet is £60.

Q259 Gavin Robinson: Do you know how much the blue bus is from Belfast to Dublin airport—the Ulsterbus?

Graham Keddie: Yes; it's £20 return, I believe.

Q260 Gavin Robinson: Yes, £21.50, so it is quite close to the £26. The travel cost when you drive, with parking, is quite close to the APD differential.

Graham Keddie: Our bus fare is £10.50 return. It is quite interesting that we seem to be subsidising taking our passengers down to Dublin.

Q261 Gavin Robinson: Yes, I think there is a point there. You have talked this morning about the Executive bottling it. You have talked about there being lots of talk and no action. You have said you are a radical in how you present yourself. You have the only Government-subvented route in Northern Ireland, with the flight to New York. If APD was such a kick—I think Nigel was making this point—why do we not have a Canadian route already?

Graham Keddie: We did have, prior to the recession.

Q262 Gavin Robinson: Yes, but with the reduction of long haul, why isn't it back?

Graham Keddie: We have been in there talking to the airlines, and WestJet in particular. There is no secret about that. They changed their policy; they have just piled into Gatwick, so we were in line for those ones. Again, we will get a Canadian route.

Q263 Gavin Robinson: Eight years ago, when I travelled to Italy quite regularly, there were three separate flight carriers from International flying to Italy. Doreen would know the density of this. In the last number of years, there have been none from Northern Ireland, and I think you now have Jet2 back again. That is in spite of APD. They see that there was profitability in a route, and now that profitability and the ability to run the route is back again. That is in spite of short-haul and medium-haul flight APD costs.

Graham Keddie: Jet2, yes, are doing Verona, and that is massively backed by their holiday organisation. Most of those are holidaymakers going to Verona, and Pisa, as well, backed by the cruise lines. A lot of that is seats already bought in advance by outbound holidaymakers. Virtually no inbound tourists are on those flights.

Q264 Gavin Robinson: The reason I asked that question was to get a sense of perspective on the impact of an APD change, because there are clearly other factors at play, irrespective of what APD is charged in Northern Ireland or the rest of the UK.

Doreen McKenzie: I think you should also bear in mind, Gavin, that the recession had a large impact on some of our mainstream tour operators. They pulled back from a lot of regional routes because they have to charter in for, say, a three-month period, and that was just too expensive for them to do. That has reduced right down to where we have two mainstream carriers, and then we had the no-frills airlines coming on and creating packages, and now we have Jet2, which has kind of slotted into that No. 3 position. They have come into regional routes where they are offering cheap, no-frills type packages and that is what has fulfilled what we lost before. That was not an APD issue; that was more a recession issue.

Q265 Gavin Robinson: Sure. You talked about a lack of strategic thought, in your view, on the part of the Executive. I would be interested to know what discussions each of the three airports has had with the Executive to say: if there is a reduction in corporation tax, we have x. We are prepared to invest in infrastructure with y. Do you commit to the Executive that you would invest in a spur—or, Brian, you could invest in a spur—from the Sydenham halt or City of Derry airport? Could you increase infrastructure, or could you support routes yourselves if there was a reduction in VAT or a reduction in corporation tax?

Graham Keddie: We spend our own money on our own capex on the airport. We spent close to £5 million this year. Our EBITDA is around the £6 million mark, so we are spending the bulk of our cash on our own infrastructure.

Q266 Gavin Robinson: But if there is a reduction in corporation tax or a reduction in tourism VAT, have you profiled, strategically, how you might invest that into tourism in Northern Ireland?

Graham Keddie: I will stand back from that. We invest our money in our own infrastructure. £6 million does not go a long way on a spur from a motorway, I don't think. A dual carriage way costs £6 million or £7 million.

Q267 Gavin Robinson: I think Government is interested in relationships in these things. I am only interested in your strategic thought as to how you can reprofile a reduction in corporation tax or a reduction in VAT in supporting our tourism economy in Northern Ireland.

Graham Keddie: We would be straight out marketing hard, which we do anyway. We attend routes conferences. We instigated getting Routes Europe coming to Belfast next year. Uel Hoey, my business development director, kicked that one off. That is the sort of thing we do.

Q268 Gavin Robinson: Do you have a plan for the reduction of corporation tax?

Graham Keddie: We do not have a plan for the reduction of corporation tax. We have a five-year plan which sits in—

Q269 Gavin Robinson: So have you planned how much more you will have and how much more you can spend for tourism? Strategically, is that what you are doing?

Graham Keddie: Strategically, we look at what we can spend going forward, because it is all dependent on our EBITDA. That is all programmed in in our five-year plan.

Gavin Robinson: I will take that as a partial yes.

Brian Ambrose: A slightly different message. We are not naive people, and the Northern Ireland Executive and DETI have a range of priorities. Some of that has been very supportive: they have put material money into Tourism Ireland each year, through DETI, and that has supported growth in inbound tourism, with 2015 being a record year for Northern Ireland. The Executive have invested in infrastructure. The likes of Titanic Belfast have been a game-changer, promoting the region.

My message is, look, we have done our homework. We have identified what routes we can add. We have engaged with INI. We have engaged with the agencies. DETI have gone to the lengths of doing work on APD, and I think it is saying now, "Let's engage with the industry." We are ready, tomorrow, to do that collectively. I think it is a net benefit to the region.

I guess, with a set of competing criteria, Ministers and the Executive always have to prioritise. I think we have a very solid case, but it has been lost, because, anecdotally, the word is out there that looking at APD is not going to be beneficial, so it is not on anybody's priority list. Given the timescales, I think the air route development fund is the pragmatic way to get early wins for 2017.

The framework is there. I believe the commitment is there. But we need to move from analysis into execution, and we need to move from talking about it to actually delivering. We are certainly up to delivering. We have invested annually to transform our product, because we can't just sit blaming Dublin. We have a modern gateway, and we do put our own money into marketing these routes, but the time is now right to step things up. Let's be part of this fresh start, and we will all enjoy the benefits.

Clive Coleman: It is obviously a slightly different position for City of Derry airport, because it is a subvented airport, but our strategic aim is to increase passenger numbers and the performance of the airport to reduce that subvention. The airport has been well invested in, through help from the Northern Ireland Executive and central Government. So, in terms of the capacity, it is in good condition. In a similar way to Brian and Graham, our key is promoting new routes—we need extra investment from funds—and supporting new routes.

Q270 Gavin Robinson: Finally, for Doreen, what is the No. 1 destination that your customers book that is not serviced by Northern Ireland airports?

Doreen McKenzie: That is a difficult one, Gavin, because we send people all over the world every day. Northern Ireland people are getting more adventurous in where they travel. Before, they just wanted two weeks in the sun in the summer or just travelled to London or Scotland. This week, we have been selling Japan and everywhere. If you look at summer sun, it is the Spanish destinations—there is a set record, and that has been there historically. If it is international, the States have definitely been on the increase in the last three months, but I think that that is because the holiday tourist perceives that America is a safe destination, and they are a bit anxious about tourism throughout the world at the moment.

There is no one particular place that jumps out, with people saying, "We must have a destination there." The lack of Germany is, I agree, an issue. People are now coming out of recession and no longer just having the two-week summer sun holiday; they are having their weekend breaks. People in Northern Ireland like to get off the island—for a lot of reasons—and they do have the money to spend. However, money counts—every penny counts—for whatever reason. People might want to have two weekend breaks, as opposed to one just one weekend break, and they will move for the cost differential.

Q271 Gavin Robinson: Do you see customers moving for the cost differential of £26?

Doreen McKenzie: Oh yes.

Q272 Gavin Robinson: Do you ever have a package in Belfast and Dublin where there is a differential of £26?

Doreen McKenzie: Yes.

Q273 Gavin Robinson: Does the exchange rate have a bigger impact on that than some of the other points that have been raised this morning?

Doreen McKenzie: Yes.

Q274 Gavin Robinson: Is that £26 the big consideration, or is it just the overall package?

Doreen McKenzie: It is not just APD. A lot of airlines will what we call "dump" fares out of Dublin, because that is not their home state, and fares can be cheaper. But that is only periodic; it is not all the time. But we have to search; it is also about getting connectability and times through London, and at the right fare. If you go on a through fare, which means your baggage goes right through, that can up the fare by £100—maybe £150. So, there are different things that have an effect on this. It is not purely APD, but APD is definitely a restrictor—there is no doubt about that. So, to answer your original question, there is no one destination, but I certainly believe that the balance is slipping too much towards the south.

I am thinking from a jobs perspective in our sector and about maintaining our sector. Our customers are very happy to have all the options, and Northern Ireland punches above its weight—you have to think of our numbers, compared with other regions. We are quite small and tiny, but we have quite a good selection. That is down to the ability of our airports to offer good choices. They do a tremendous job of that, but I feel sorry for them, because they are restricted. I really do get annoyed when I see a new—

Lady Hermon: That was very nice.

Brian Ambrose: Can I just add something, reversing it? Tourism Ireland has hard data on the overseas visitors who come to Northern Ireland via Dublin and other locations. That tells us about a proven market which we want to access directly—Germany and North America come up. The facts and the data are there. That is why we know what we need to do; we just need a more favourable set of circumstances to help us deliver it.

Q275 Gavin Robinson: If there was a choice between APD, corporation tax or a reduction in VAT for tourism and hospitality, which would you choose?

Doreen McKenzie: There should not be a choice. You as a Government have got to resolve that.

Q276 Gavin Robinson: In an ideal world it would be great, I agree. But if there was a choice—realistically, there will be—what would it be?

Doreen McKenzie: Personally, I think corporation tax would help only one sector of our economy, but we have to look at the entire sector. Northern Ireland is made up of an awful lot of small businesses, me being one of them. Corporation tax means nothing to me personally, but to the country, yes, we need that foreign investment to come in here and to get that benefit for us to compete. I will get some spin-off from that if they start to travel. So you have to see the bigger picture.

Certainly I feel sorry for our hoteliers who are suffering from the differential on VAT, but I understand that Europe will probably harmonise that, probably with an increase on top of it, so that differential might change. There is still a tremendous difference between 20% and 9%, so they are in the same situation as us. For my company and for me personally it is all about the APD and whether we can get that. Government have to do more, and I expect our devolved Government to start negotiating with the Treasury to find ways to get that cost down in the interim.

I also think, from listening this morning, that somebody has to take leadership of communication between our airports and our civil service departments. Everyone is sort of saying, “Well, it’s not my role”, but someone needs to take on leadership, and I don’t know who does that.

Q277 Gavin Robinson: That might be our first outcome from today. Graham, do you have a preference or choice? APD or—

Graham Keddie: APD.

Brian Ambrose: I think we should immediately engage in air route development, because that will help us for 2017, but in parallel do the work on APD—you do not need to do either/or—

Q278 Gavin Robinson: At the expense of corporation tax and VAT?

Brian Ambrose: Absolutely not.

Graham Keddie: Gavin, can I come in? With corporation tax, it is very much about direct investment. If it cannot get there, how does Invest NI attract people into Northern Ireland? If you cannot go to your head office and—

Lady Hermon: It is all of a piece.

Gavin Robinson: Corporation tax applies to whomever pays corporation tax—indigenous as well as FDI.

Graham Keddie: We would win with corporation tax being reduced—as a company.

Gavin Robinson: APD is twice—for foreign travel and as a business yourselves.

Clive Coleman: I have to say APD, obviously, but in many ways it should be a blend of all three. I agree with Brian—for the short term, the simplest way of doing something is the development fund.

Q279 Chair: Can I just ask something of the three representatives of the airports in particular? Obviously, we are talking to you rather than the airlines. The APD is, as we have heard, a significant percentage of the fare, particularly with the cheaper flights. I do not know whether you can put it as a percentage, because there are many varying factors, I understand, but are your own charges per slot—if it is done by slot, because I'm not too sure how you do it—a significant proportion of the cost of a flight? I do not know if you can quantify it.

Graham Keddie: Most of our deals are very commercially sensitive, but we do it on a per-passenger basis generally—that is what the airlines want. If I was getting anywhere close to the APD per passenger, I would be a very, very happy man, and my shareholders would be jumping up and down with glee.

Brian Ambrose: I think that the public are somewhat confused. In terms of buying an airline ticket, the Government tried to bring in transparency, and everyone worked a way around it. Without disclosing any commercial confidentialities, an airport might be getting £5 to £10 per passenger to pay for air traffic controllers, firefighters and so on—that is the kind of territory we are in nowadays—but if you look at your ticket, you will see airport tax of £28 or £30. You have to dig down beneath that to see that airports, unless you are Heathrow or London City, are typically in that £5 to £10 territory for the charges that we impose, and then you have APD on top of that. Sometimes, airlines issue published fees and charges—not what they are actually paying. It is legal to do that, but that is not giving the public a clear insight. It frustrates the life out of everybody if you see a fare of £9.99 to wherever, and then you write a cheque for £84.

Clive Coleman: My point is similar. It is a small proportion of the overall ticket price, but, even so, airlines are always chipping away at every part of their cost base—they always chip away at airports. There is confusion, as Brian says, over the tax charges, which are rolled up together with the airport charges.

Chair: You are businesses; you are entitled to cover your costs. I just wondered how these things compared. Those are generalisations, but they were very useful. Thank you.

Q280 Mr Evans: I would like to apologise, because I was in a debate in Westminster Hall earlier this morning. I detest APD, but I would like to ask the airport operators one question: are you not surprised that the airlines have not reduced their prices, with oil prices being as low as they are? Put APD to one side. Would you not have expected airline prices to have dropped?

Graham Keddie: I think it would be fair to say, in terms of our airlines based at Belfast International, that we have seen their pricing be a little unchanged. But generally, they have cheap introductory fares. Generally, they have a range of fares anyway. Look at air travel now, compared with what it was 30 years ago. I think my first ticket from Aberdeen to London was £400 return—tickets today cost £120 return.

Q281 Mr Evans: I know you have zero rates now on the long-haul flights, but aren't you a little surprised that a fuel duty surcharge is still being imposed on those tickets?

Graham Keddie: I think that is a question you have to ask the airlines, because I would be surprised, yes.

Q282 Mr Evans: You might have a view though. We have oil prices as low as I can remember, and fuel duty surcharge still being charged on long-haul tickets. I'm surprised. Aren't you?

Brian Ambrose: I have heard it said that if you want to make a small fortune, start with a large fortune and then run an airline. The airlines have been on the verge of bankruptcy for a decade, so there is an element of recovering their financial status.

Typically, air fares for the low-cost market are at £50 or £60. You are not going to come much lower than that and cover your overheads. There are some very profitable airlines, but very few. We are not airlines, but I guess things are the same as in the hotel sector: operators were decimated over the last decade, and we have to be careful they don't crank it up too much and become uncompetitive. If you speak to the hotels and you say, "Dublin is overheating," they say, "We are just trying to get back on our feet." But in general, out of Northern Ireland, there are very competitive air fares; that is a factual statement we can make. There is great choice domestically. A lot of the debate today has been about how we can create a European network and a modest long-haul network, because that is what the region is missing. But value on domestic fares is pretty good.

Clive Coleman: All I would add is that airlines have very complex fuel hedging strategies, and some get caught out when the price goes down. Some of the airlines, we know, were hedging at a significantly higher oil price, and they are stuck with that hedging. So in a way, they can be paying significantly more for some of their fuel at the moment than the headline price of, say, Brent crude. But it is complex.

Q283 Ian Paisley: Can I ask a quick question about the Heathrow versus Gatwick versus London City problems? London City has had a stay of execution with its expansion plans because of the Mayor of London's decision. We have got Heathrow versus Gatwick on expansion. What is best for Ulster?

Brian Ambrose: I think the first part is that we need increased air access in the south-east. My message has always been: make a decision. Even as we stand now, there will be no operating additional runway capacity in my career, if I am spared. I am 56.

Q284 Ian Paisley: How long is your career going to be? Let us just get this into perspective. You have been there for ever.

Brian Ambrose: If I ever escape—

Chair: Perhaps answer the first question.

Brian Ambrose: We used to be very neutral in this with the Gatwick service, but Heathrow airport has the unique connectivity to the rest of the world, and that is where we believe the expansion should be. I would not be disappointed if the Government made a decision and put the capacity in somewhere, because if we do not, we will simply lose out to other nation states. My message is not so much about choice; as so often, my message is: make a decision.

Clive Coleman: I echo that. The other twist of it would be some moves to try to do something, because if a decision was made today, it would be at least 10 years before the capacity was delivered. For pragmatic reasons, there are suggestions about having a temporary solution, such as developing RAF Northolt so that it is not just used for high-yielding corporate flights. It could be used for short-haul domestic routes. Flybe has heavily promoted that, with connectivity promised into a number of second-tier UK regional airports, such as City of Derry and Inverness. That is something that you should be interested in, because pushing the MOD to release capacity at Northolt could provide a kicker to better connections into London and, in particular, Heathrow.

Graham Keddie: I echo what Brian said; a decision has to be made. The struggle is that by the middle of the year, we will have 10, 12 flights a day into Gatwick with very heavy load factors. There are capacity issues with Gatwick. There is a single runway, and it is the busiest single runway airport in the world. Heathrow is the busiest dual runway airport in the world. Slots are full. When there is bad weather or anything like that there are delays and resilience is not there. We need that capacity and we need it quickly.

Chair: You had the first word, so you can have the last word, Doreen.

Doreen McKenzie: In my time sitting on the national connectivity taskforce, I was able to see clearly from the research that came up that the UK needs both options, to be honest. No sooner will we have had the sods on the ground for one than we will need to build the other. One solution is not the answer. What clearly came out of the data was that it is vital that we do something and do it quickly. From a Northern Ireland perspective, the way things stand is that Gatwick more serves the leisure market to the Caribbean, whereas Heathrow more serves the Far East and the corporate market. Until extra capacity is put into either airport, it could shift either way. We need a result and we need it as quickly as possible. If you can do anything to influence that, we will be for ever grateful.

Brian Ambrose: Based on our answers, do we have potential as politicians?

Ian Paisley: I have rated you all—you are all very good. I don't know where any of you stand.

Chair: We did urge a decision to be made quickly more than three years ago. We are as frustrated as you are, and we have communicated that to the Northern Ireland Secretary. What you have said is on public record. The message seems to be, whatever the decision is, get on and make it. Thank you very much. It has been a good session.