

09 March 2015

Mr J McManus,
Clerk to the Committee for Enterprise, Trade and Investment
Northern Ireland Assembly
Room 375
Parliament Buildings
Stormont
BELFAST BT4 3XX

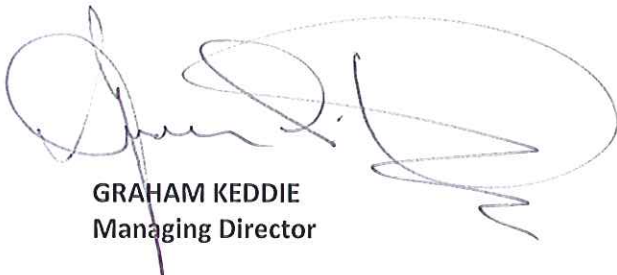
Dear Mr McManus

Inquiry into Economic Growth and Job Creation in a Reduced Tax Environment

Please find attached a submission in relation to the Inquiry into Economic Growth and Job Creation in a Reduced Tax Environment.

If the Committee would like clarification on aspect of the submission or would like to discuss this in greater detail please do not hesitate to contact me.

Yours sincerely



GRAHAM KEDDIE
Managing Director

**Northern Ireland Assembly
Enterprise, Trade and Investment
Committee (ETI)**

**Inquiry into Economic Growth and Job Creation in
a Reduced Tax Environment**

**Submitted by:
Belfast International Airport Ltd**

09 March 2015

Introduction

Belfast International Airport (BIA) accounts for 4,000 employees on the second largest employment site in Northern Ireland, generating some £100 million in wages and salaries. Last year, the airport had 4.01 million passengers and carried 44,000 tonnes of cargo. It is the region's largest airport and has the capacity to double in size to 8 million passengers within 5/10 years. It is also forging ahead with the development of a 100-acre Enterprise Zone which would create 4,000 new jobs. Taken together, the increased passenger throughput and Enterprise Zone hold out the real prospect of generating 8,000 new jobs at a fraction of the cost of Foreign Direct Investment (FDI).

Corporation Tax

BIA welcomes the progress that has been made on the devolution of tax varying powers to the Northern Ireland Assembly. Not only would it help the region compete more effectively against the Republic of Ireland for scarce international FDI projects, but it would send a forthright and positive signal that the devolved administration is capable of the type of far-reaching strategic thinking that can deliver real economic benefit.

Bold and visionary

The campaign to secure the devolution of tax varying powers from London has been characterised by consistent and strong advocacy. There have been critics and detractors, but in the main, the weight of opinion from business and commerce has been supportive. BIA applauds the bold and visionary stance adopted by politicians who view the power to set Corporation Tax rates as an opportunity to re-invigorate the economy and generate employment and wealth.

Air Passenger Duty (APD)

BIA would like to see the same intensity of debate around Air Passenger Duty (APD). Northern Ireland secured the concession on long-haul APD which safeguarded the United Airlines Belfast-Newark service, but the tax still applies to short-haul at £13 per passenger each way. In its recent report, the Northern Ireland Centre for Economic Policy (NICEP) maintained there was not a strong enough case for eliminating the tax. Furthermore, it purported to show that the removal of APD would carry a 'price tag' of £55 million which would have to come out of the NI Block Grant. Far from dampening enthusiasm for the devolution of APD, this report, which was commissioned by the Northern Ireland Executive, has galvanised the campaign. Unlike any other region, Northern Ireland has a land border with another EU member state which means that what economic factors in play fifty miles from Belfast have a significant and profound effect on what happens in Northern Ireland. Dublin Airport is flourishing since the Irish Government u-turn on passenger tax. They saw the tax as an obstacle to inbound tourism and a distinct drawback when it came to realising ambitious growth targets for the sector. Once convinced that the case for the removal of passenger tax was sound, the Irish Cabinet moved with speed to remove the impediment. Almost overnight, that created a yawning gap between the two jurisdictions; the Republic of Ireland was moving forward with a zero-rate which meant, at a stroke, it had added a powerful advantage over Northern Ireland.

The Cost

The cost to NI airports has been a heavy one. Dublin Airport Authority, a state owned body, has acknowledged publicly that it is its intention to further exploit the Northern Ireland travel market. According to Dublin Airport, Northern Ireland passenger numbers for 2013 grew 13%. In the first six months of 2014, passenger numbers have increased by 47%. Members cannot fail to see the level of marketing being carried out in Northern Ireland as it goes all out to achieve Island-wide domination. Put bluntly, Northern Ireland, by its inactivity, is inadvertently aiding and abetting the growth of a major airport rival in the island at the expense of its own airports which are hamstrung because of APD. Revenues are being lost. Jobs are not being created. The levels of growth required to maximise our tourism are not being delivered. Investment is not coming forward to the extent that is required.

Tourism twin-track

The zero passenger tax in the Republic of Ireland is also creating difficulty for the organisation charged with the promotion of Northern Ireland internationally. Tourism Ireland Limited (TIL) has nailed its colours to the mast by promoting Dublin Airport as the main gateway where passenger tax doesn't apply. The bulk of visitors to Ireland arrive and depart via Dublin and they tend to spend the bulk of their time and holiday money in that jurisdiction. What flows northwards is but a fraction of the total spend. Growth has been achieved, but it is a long way off its full potential simply because we have APD and insufficient international destinations on our airport route servers. This leads to a twin-track approach by TIL. Direct access to international markets is key and without it, TIL has no choice but to focus on the 'can-do' at the expense of the other region.

Local perspective

A local industry perspective was provided by Tourism NI chairman Howard Hastings. In a BBC interview on the NICEP report, Mr Hastings said: "If you compare with our nearest neighbour in the Republic of Ireland, in the two years since they abolished air passenger duty, they've seen arrivals grow by 1.1 million passengers. That's not to say it would happen to that extent for us, but the size of the prize is enormous."

Scotland

Scotland has no qualms about the need to act decisively on APD. Like the Republic of Ireland, the Scottish government sees the tax as an enormous handicap when it comes to tourism development and the growth of new air routes and Scottish airports. It has secured a concession from Westminster for the devolution of APD and it is Holyrood's stated intention to erase it from the statute books.

The position of the Scottish Government is summarised here by Keith Brown MSP, Cabinet Secretary for Infrastructure, Investment and Cities, speaking on the 24/02/2015:

"Once APD is devolved, the Scottish Government is committed to reducing it by 50% within the term of the next parliament. We will provide further incentive by moving to abolish APD when public finances permit. These are major steps that could make a real difference for our airports and passengers."

"Devolving APD to Scotland as soon as possible is backed by leading aviation industry figures in Scotland and will help to unlock the country's full economic potential, bringing more international flights to all of our airports as well as cutting costs for passengers."

Wales

The Welsh Assembly wishes to emulate Scotland and the Republic of Ireland. The arguments are identical and forcefully put.

The Welsh First Minister, Carwyn Jones, set out the position in an address on the 8/11/2012:

“Air passenger duty is another tax that should, in my view be devolved. While London struggles with where to build additional airport capacity, we in Wales face a very different problem. Our national airport in Cardiff has not enjoyed the growth in passenger numbers and destinations that we need to help drive economic growth. Devolution of air passenger duty would give us a useful tool to incentivise the growth of Cardiff airport and other smaller facilities, such as Anglesey in north Wales.”

Other elements

Other elements also need to be factored into the equation. Structured financial help for airlines is required if Northern Ireland is to develop new North American, European and Middle Eastern routes. This, rather than the removal of APD, may be favoured in certain government quarters, but the reality is both passenger taxation and an air route development mechanism are required to address the advantage enjoyed by Dublin.

Losing out

Northern Ireland is losing out on a number of airline opportunities. They are prepared to move swiftly to locate a base in Northern Ireland and offer a level of connectivity at attractive fares, but APD is a deterrent. The routes they have in mind are desperately required to boost connectivity and develop direct inbound tourist traffic. If action isn't taken, they will move to locate their aircraft where there are more lucrative opportunities.

Cost versus benefit

BIA fully acknowledges that the elimination of APD would come at a cost. However, we do not accept that it would be £55 million or anything like it. If the tax were devolved, it would presumably require a commitment from Treasury to offset income increased tax receipts against the cost of APD. Similarly, increased passenger traffic delivered by new airlines to Northern Ireland would inject millions of pounds in increased spending with significant benefits for local hotel, restaurant and hospitality sectors. This 'rising tide' effect would boost investor confidence and increased job opportunities would result.

Appeal

BIA's appeal to the ETI Committee is to support our call for the devolution of the power to fix APD rates. Ultimately, this airport would wish to see it consigned to the history books, but a first step has to be an acknowledgement of the great harm that is being done by its crude application. We would appeal to the Committee to investigate the Scottish position in detail and, once convinced, to champion the cause in the Assembly and directly to Ministers in the Northern Ireland Executive.

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