

Northern Ireland Chamber of Commerce Submission to Assembly DFP Committee on Air Passenger Duty (APD)

1. The Northern Ireland Chamber of Commerce (NICC) has a membership of 1,000 encompassing the full spectrum of business from micro enterprises to large manufacturing companies. One of the leading business organisations, the Chamber has been pro-active in representing the views and deep concerns of its membership on the performance of the economy; the shortcomings that must be addressed; the practical steps that can be taken to aid recovery and the role the Northern Ireland Executive and Assembly must play in unison with the Government if it is to achieve a re-balancing and re-building of what can only be described as a precarious local economy.
2. The Chamber wishes to acknowledge the work that was done by the Northern Ireland Executive, the Assembly and the Secretary of State in securing the commitment to devolve Air Passenger Duty (APD) on long-haul services. Without the active involvement of Ministers and others, Northern Ireland's only current transatlantic service would have been lost. The gravity of this position was fully recognised, and we freely applaud the wholehearted and determined manner in which the campaign was conducted.
3. APD powers are expected to be devolved to the Northern Ireland Assembly by the Autumn. The commitment to reduce the tax 'take' in Band B (2,001-4,000 miles range) from **£64.80** to a Band A level of **£13** was a significant achievement. Savings are appreciable with, for example, a family of four travelling from Belfast to New York now able to benefit to the tune of **£207.20**.
4. Whilst the reduction safeguards the Belfast-New York service with United Airlines, it still leaves airline operators at a distinct disadvantage to their Dublin counterparts where the APD equivalent is 3 euro per passenger. This figure was reduced from 10 euro because the Republic of Ireland Government said it harmed tourism and hampered business. This enables pricing to be more keenly set in Dublin with the result that business is lost to the Northern Ireland economy. We are heartened by the commitment from the Northern Ireland Executive to reduce Band B APD levels to zero once the necessary power is devolved. Without this concession, Northern Ireland will fail to maximise its full future tourism potential from vital worldwide markets, and fail to generate the number of direct inbound tourist numbers required to elevate the sector to another level.

5. Long-haul route development opportunities are opened up with this decision. Northern Ireland is now much better positioned to win new airline business than was the case prior to the Chancellor's Autumn 2011 decision. Direct air access from lucrative long haul markets represents an important strand of support for the Executive's economic development objectives. We believe it is imperative to see the restoration of services to Toronto, and new ones to the United States market and the Middle Eastern hub airports to provide connectivity to China, India and Australia, from whence much of the future tourism and investment opportunity is likely to be sourced.
6. In the absence of this level of air connectivity, Northern Ireland will not benefit to the optimum level from the resurgent international interest in what it has to offer visitors. Visitors and inward investors will look at alternatives to reach the market, including London and Dublin. Historically, tourists to Dublin tend to spend the bulk of their time in the Republic of Ireland, with Northern Ireland failing to benefit to the extent that it could. They tend to land in Dublin and spend time there, and elsewhere in the Republic of Ireland, before setting off on a few days across the border. The ideal scenario is to attract visitors directly to Northern Ireland; get them to spend the bulk of their holiday here and then round it off with a visit to the Republic of Ireland, not vice-versa.
7. It is recognised that the cost of absorbing APD, according to DFP, may be up to £5 million per annum. It is worth reminding the Committee that the benefit derived from 7 years of Continental-United service from New York is well in excess of £100 million. Few, if any, Foreign Direct Investments could produce a return of that magnitude within that limited timeframe. To broaden the horizon somewhat, should Northern Ireland attract 3 new carriers which enjoy similar levels of passenger traffic on long-haul rotations, the impact economically could be between £300-400 million, generating thousands of new jobs in aviation, tourism and downstream sectors. The general rule of thumb is that for every additional one million passengers, a total of 1,000 new jobs are created. On its own, this more than justifies bearing the burden of APD, and illustrates just how significant a contribution aviation could make to the regional economy.
8. Should APD be extended to short-haul flights? Airlines say "yes", and we share that view. According to DFP, such a measure could cost around £60 million. Our position is simple: anything that creates a more favourable position in relation to our main competitor on the island is a good thing. If the total cost of flying from Dublin is less expensive as a result of their taxation policy, and therefore draws support across the land border from passengers in our natural catchment area, then that is harmful and regressive to Northern Ireland's economy.

In real terms Northern Ireland has lost 1.25M annual air passengers since the economic boom years of 2007/08. This is a significant shortfall, but is mirrored by losses in other neighbouring regional economies (Dublin -5M passengers / Central Scotland -3.5M passengers / UK Midlands -3M passengers / North East England -2M passengers). The impact of the economic slowdown has been universally damaging. However, we have an opportunity to compete on a reasonably level playing field with appropriate regional taxation relief, thus securing a greater proportion of the available market. In turn this will be directly reflected in returns to the public purse.

9. The Northern Ireland Chamber of Commerce would encourage the Committee to support the introduction of the legislation to devolve power to set the level of Band B APD and look forward to seeing the tax in this band reduced to zero in line with the commitment set out by the Department of Enterprise, Trade and Investment.

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