



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

**Air Passenger Duty: Belfast International
Airport/George Best Belfast City Airport**

18 April 2012

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Conor Murphy (Chairperson)

Mr Dominic Bradley (Deputy Chairperson)

Mr Leslie Cree

Mr David Hilditch

Mr William Humphrey

Mr Ross Hussey

Mr Paul Maskey

Mr Mitchel McLaughlin

Mr Adrian McQuillan

Witnesses:

Mr John Doran

Belfast International Airport

Mr Brian Ambrose

George Best Belfast City Airport

The Chairperson: The Committee is taking evidence on air passenger duty (APD) to inform its report prior to the Assembly debate on the legislative consent motion. The witnesses who are appearing before the Committee have been selected because they submitted evidence to the NI Affairs Committee's inquiry and to the Treasury's consultation paper on air passenger duty. The Committee will take further evidence on air passenger duty at its next meeting on 25 April. I remind witnesses and anyone in the Public Gallery that the meeting is being recorded for Hansard. We have agreed to allow television cameras to film a short piece at the start of the meeting. So, I ask people to switch off any devices that they may have, because they interfere with the recording equipment.

I welcome John Doran, the managing director of Belfast International Airport, and Brian Ambrose, the chief executive of Belfast City Airport. You are very welcome to the Committee. Thank you for coming along to assist with our deliberations on the matter. I invite either — or both — of you to make a brief opening statement, which will allow members to ask questions or make observations.

Mr John Doran (Belfast International Airport): If you do not mind, Chairman, I will maybe make a brief opening statement. It will be brief, because I know that your time is limited this morning. Certainly, we at Belfast International Airport welcome the proposal to devolve power on air passenger duty to the Northern Ireland Executive. I am sure that Brian does likewise. It has been on our agenda for some time, particularly when we think about the potential threat to our only daily link to New York. That situation was brought about because we share a land border with another European Union state that has a totally different taxation regime for these matters. The relevant comparison at the time was that

there was £60 taxation here and €3 taxation in Dublin. So, the situation was highly uncompetitive. That has been resolved, partially by the Chancellor's decision to move the level for Northern Ireland from band B down to band A, which at the time was £12 but is now £13.

We are certainly very pleased that legislation will be put in place to give the Assembly the power to set the rate. However, there is more work to be done. I am sure that other witnesses will talk about how we should extend the system to air passenger duty generally. We now have an anomalous situation whereby all airlines operating in the European Union are participating in what is known as the emissions trading scheme (ETS), which is effectively an environmental tax on flying. Air passenger duty was introduced a number of years ago to represent some form of environmental tax. You could say that it has had its day at this stage and that it should be wrapped into the emissions trading scheme. I am sure that others will elaborate on that in more detail.

That is probably as much as I want to say as an opening statement. I will certainly be pleased to take any questions from the Committee.

The Chairperson: Brian, do you want to say anything, or do you just want to respond to any questions that are raised?

Mr Brian Ambrose (George Best Belfast City Airport): As we in the city airport see it, the background is that we as a region have benefited greatly. We had a period of growth where passenger numbers to Northern Ireland doubled from four million to eight million between 1997 and 2007. In the four or five years since then, the number of passengers reduced from eight million to seven million. So, as a region, we have lost one million passengers. At the time of growth, everything was in our favour: the economy was booming and taxation was favourable. Now, we are in a situation where the prize for the region is to reclaim those one million passengers. The moves that have been made to date on air passenger duty have left 98% of that problem untouched. So, I think that there is a need to look at that. We could do nothing and accept that we as a region have lost that business and that we cannot recover it. However, we in the industry — the airlines and the airports — are fighting hard to win that business back. The tourism industry is also fighting hard to try to promote the region, and it is doing very well with that. However, the fact that tax can make up half the fare for a domestic flight with a low-cost carrier is a disincentive. Airlines are trying to stimulate the market, but taxation is working against us.

If you look at where we are, you will see that APD has been removed for one band, which affects one flight. We welcome that, albeit that the flight is not out of our airport, so it gives us no benefit. However, for the greater good of the region, I think that it is good that Northern Ireland has a direct linkage to North America. Nevertheless, I think that the Executive and the Assembly should be looking much wider to see how we as a region can win back those one million passengers and more. At the moment, 98% of the problem is untouched because the changes have affected only one flight. That is our take on it at the moment. Like John, I am happy to take any questions.

The Chairperson: Thank you very much for that. You have come on to a point that I was going to raise, namely the view of some that the Department of Finance and Personnel (DFP) process is quite narrow. However, it would obviously cite the cost to the Executive. I am not sure whether we have seen any analysis of the corresponding result if the Executive were to extend the regime. The witnesses coming in after you are from the tourism sector, so they might be able to give us some answers to that. If the regime were broadened beyond the North American flight, there would obviously be an additional cost to the Executive. Can anyone stack that up to say that it would bring an additional benefit that would outweigh the cost to the Executive?

Mr Ambrose: You would not be able to do it scientifically. Nationally, airports and airlines have been fighting to have the tax removed. If the Treasury were not going to take the hit, it would cost the Executive £50 million or £60 million — those are the figures that I have heard bandied about. That money would have to be found from somewhere.

As I said, in a decade when we enjoyed significant growth, a number of factors were in our favour. This is not a single-issue item. If air passenger duty were removed, those one million passengers would not

reappear magically. That would, however, be a major catalyst to start recovery in the market. Although I am not sure that you could actually quantify it and say that it would bring back 400,000 of those one million passengers, it is very material. For example, £26 taxation on a return fare to Great Britain, where low-cost carriers are pushing out very aggressive fares, is a material percentage of the ticket price. Low-cost airlines grew on the premise that they would make flights the same price as a pair of jeans. You do not want to pay £26 tax and then have to pay your fare on top of that. That starts to halt that stimulus. I do not know whether John has a scientific formula for that.

Mr Doran: I have some numbers for the band B impact, and whether we can extrapolate that is another matter. I am led to believe that the cost of the band B impact to the block grant may be up to £5 million. I think that the figure is closer to £2 million or £3 million at this point.

That certainly benefits the New York flight. We have figures, which we will provide to the Committee afterwards if you like, that tend to suggest that the contribution of that flight to the Northern Ireland economy is worth something like £10 million a year in direct tourism input. Another £10 million is derived from those businesses that set up as inward investors in Northern Ireland on the back of the existence of the flight. So, you are talking about £20 million a year. In the six, or almost seven, years that the flight has been operating, its positive benefit to the economy has been well over £100 million. That is a good return on the investment, if you look at it that way.

It also gives us the opportunity to go out into the market and talk to other long-haul carriers — looking again at the States and Canada, and eastwards to the emerging markets in the Middle East and the Far East — to try to replicate that in some way in the future. There are some hard numbers on that, because we have been able to pinpoint them.

Numbers on expanding into the generality of APD are a bit more difficult to come by. Perhaps more research needs to be done into that. Evidence on that is more anecdotal. For example, in Dublin, the air passenger duty rate was €10 when it was introduced. It was reckoned that that was a disincentive, particularly to inbound tourism. It was reduced to €3, which was a level that was maybe more acceptable to passengers.

That example extends to other European countries. The Netherlands introduced air passenger duty. Within 12 months, it took it off the table, because it was having such a detrimental impact on its inbound tourism. Denmark did likewise, although it took longer to take its tax away. Not only did Germany reduce its taxation level but it hypothecates the take from the emissions trading scheme against air passenger duty, so it ends up with a net charge as opposed to two gross charges. So, the evidence for that is a bit more anecdotal than hard, and it probably bears some further research.

The Chairperson: OK. Am I correct to suggest that, in your submission to Treasury, you argued for the devolution of air passenger duty as opposed to the situation that pertains in the Highlands and Islands of Scotland, where there is an exemption? I wonder whether your suggestion, John, could be superseded by the emissions tax rather than air passenger duty. Would you not, perhaps, have seen a better argument for an exemption until there is clarity in the longer term about how flights or air travel is taxed?

Mr Doran: Certainly, going back a number of years, we were involved in putting an argument to Treasury about an exemption that was similar to that which exists in the Highlands and Islands. That found no favour with Treasury at that time. I suspect that it was somewhat easier for it to get its head around dealing with band B and the amount of money that was involved there. If you want to put it this way, the cost to the Treasury was easier to assimilate. Like Brian, I have heard the numbers. If it was looking at expanding APD to Northern Ireland, I have heard that figures of up to £60 million would be involved. If the Treasury were inclined to even countenance that, it would be up to you guys to find that £60 million. Therefore, a business case would need to be made to show that it could be recovered through the increase in tourism that would consequently result.

Mr McLaughlin: There was a general welcome for the removal of air passenger duty on the north Atlantic route. However, on the back of that, there was a consideration that there had been a wider and more strategic approach. Is it possible to construct that argument? I accept absolutely that you

cannot proceed just on the basis of anecdotal evidence, but, in the first instance, it seems to me that the key competitor on this island will be Dublin Airport. That is an immediate reference in our ability to compete. The cost of arranging your arrival and departure from Dublin Airport and then making other transport arrangements inhibits people getting to their destination as directly as possible.

I imagine that there is more than just anecdotal evidence about the experience of other European economies that experimented with air passenger duty and then abandoned it fairly quickly. Those who took the steps to remove it would provide the basis for an effective cost-benefit analysis that we could then apply to our own situation. We could probably broaden the scope of our discussion on that and work in conjunction with the Committee for Enterprise, Trade and Investment in following up on some of those issues, particularly where the Tourist Board is concerned. Will you comment on that wider European experience? It seems to point in one direction, which is the removal of the duty as an inhibitor towards maintaining a successful air carrier and corridor operation.

Mr Ambrose: Strong statistical evidence shows that there is a direct correlation between access and visitor numbers. Therefore, if access goes down, visitor numbers go down, and, if visitor numbers go down, hotel occupancy goes down and everything else goes down with it.

There is also strong evidence to show that, if you have direct access, you will get greater visitor numbers than if you have indirect access. Therefore, the fact that Northern Ireland has only a small number of direct flights to mainland Europe means that only a small percentage of people who fly in through Dublin will actually travel North. Therefore, there is evidence to show that, if the access figures go down, as they have done significantly — by a million — everything else suffers as a result. However, it goes back to the fact that no single factor caused the growth, so no single factor has caused the demise. That is a material factor, and there is analysis to prove that if you start to restimulate the market, that growth will come back again. We have long historical evidence to show that.

Mr Doran: There probably is hard statistical evidence from those case studies in Holland, Denmark and Germany that I mentioned that could be extracted from the relevant authorities and that could form the basis for a sound business case about what return you would get if you were looking at a situation where air passenger duty were reduced from its current level. When I refer to anecdotal evidence, I am talking more about the relationship, rather than the hard figures, between a high tax rate being a disincentive or measure, as opposed to a low tax rate being more welcoming and encouraging.

Mr McLaughlin: That is helpful. What about the direct competition with Dublin Airport and the very unequal situation that exists?

Mr Doran: There is an uneven playing field. We share the same land mass, and we are only an hour-and-a-half to an hour-and-three-quarters driving time apart, yet the taxation regime is quite uneven. The domestic rate for air passenger duty is £13; it is €3 in Dublin. As you move up the bands, the rate goes up quite enormously. In the future, the plan is for all UK rates to effectively double over a period of time. That will put us at a severe and distinct disadvantage. The rate at the moment may not be a big enough disincentive to make someone who is flying to Birmingham, let us say, want to jump in their car and drive down to Dublin to get their flight. However, if the taxation regime here increases at the proposed rate, people may do that in the very near future, because it may prove more cost-effective.

Mr Ambrose: It probably does exist. A family of four in Newry would pay over £100 in taxes to fly from Belfast, versus €10 to fly from Dublin. That is materially enough to make people decide to drive to Dublin. As the taxation becomes more material, it will start to affect people further up from Newry. At the moment, there are people in Northern Ireland who are choosing to fly out of Dublin because of taxation.

Mr D Bradley: I notice that your paper states that DFP estimates that the cost of APD will be around £5 million and that the benefit from the United Continental service over seven years has been £100 million. The paper then goes on to state that three new carriers with similar levels of passenger carriage would create £300 million to £400 million in extra revenue and generate thousands of jobs.

Is there any hard market research to indicate that we could provide the business for three to four new carriers? If we could, would they achieve the same volumes as United Continental?

Mr Doran: There is indeed hard evidence for that. Again, all you need to do is look as far as Dublin. We had been engaged for some time with the Middle Eastern airline Emirates, which was looking at a service going from Belfast to Dubai and then onwards to the Far East and down to Australia and New Zealand. Timing is everything in life, and unfortunately, the air passenger duty relief came in after Emirates had decided to go to Dublin. Air passenger duty was a big consideration, as it was a disincentive for the airline coming to Belfast. However, it could see that there was a market. It has not even been there a year now, yet it has already doubled the frequency of the service. It also reckons that there is more, because it is sitting alongside another Middle Eastern carrier that had already been there for a year and a half or thereabouts.

The market is there, and the volumes are available. We know that to be the case, because we have been able to have a glimpse at it by looking at the number of people who are going over other hubs to get to those destinations. If a connection is a bit more direct in how it gets you to and from your ultimate destination, it acts as a greater incentive for inbound business and tourism. There is a case study that we can look at. Based on that, we can say that the situation could equally apply to Belfast, because, in many cases the further that you get from this island, the less discriminating airlines and people are about the point they use to get on to the island. We would obviously be very keen for them to use Belfast rather than Dublin, because inbound traffic to Belfast tends to gravitate towards and stay around this region, whereas, if people go to Dublin, they stay around that region, and that is of no benefit to this region. So, existing evidence points to that being a reasonable prospect.

Mr D Bradley: To ask whether we have missed the boat would be the wrong metaphor. Have we missed the plane?

Mr Doran: I do not think that we have quite missed the plane, as you say. Economic circumstances being what they are, at the moment, things are perhaps a little quieter than they could be. However, there will be opportunities out there when the recovery comes. We need to be talking to the right people now, and, in fact, we are putting ourselves in a good position to grab those opportunities as they arise in the future. So, we have not quite missed the plane or the boat; there are opportunities out there.

Mr D Bradley: You mentioned a cost of £60 million for the short-haul flights. Did you mention the potential revenue from any change to that?

Mr Doran: I did not enter any direct evidence on that. I will go back to what I said earlier, which is that there are case studies that we can look at, such as the experience of the Netherlands, Denmark and, perhaps, Germany. They all introduced air passenger duty schemes similar to ours. For various reasons, they either cancelled out or reduced their tax significantly, because they could see that it was having a dampening effect on inbound traffic. Therefore, evidence is available that, although it does not apply directly to this regional market, could be extrapolated to apply to it.

Mr Humphrey: Thank you both very much for your presentation. Brian, you said in your presentation that the number of visitors who come here increased from 4 million to 8 million over the 10-year period from 1997 to 2007 and that that number has since dropped by one million. In answer to a question, you later said that APD was not necessarily the only factor in that. Obviously, the economic downturn is the largest factor that affects people's travel. You also said that the Executive should look more widely. What did you mean by that?

Mr Ambrose: At the moment, APD addresses 1% to 1.5% of our passenger base. As I said, putting on a wider hat than my Belfast City Airport one, I welcome that. We have talked about the Middle East and Canada. I would welcome connections to all those destinations, as they are the sexier ones. However, we are talking about small numbers. Our main market for connections by a massive margin is still Great Britain. When I say that we should look more widely, I mean that if we address APD in its totality, that would bring in the Great Britain market and the nearby European market, which are the

bulk of our business. Local businesses thrive on those markets. They are our main tourism markets. We should not lose sight of that.

I am a pragmatic individual. If Treasury will not take the hit, and if we are to devolve fully and reduce APD to zero, it will cost the block grant £50 million or £60 million. That money will have to be found elsewhere. Mitchel made the connection to the Department of Enterprise, Trade and Investment (DETI). In the interim, good use could be made of money such as that that Invest Northern Ireland (INI) returned during the monitoring round. At the end of the year, around £5 million of that money was redirected to a direct campaign to market Northern Ireland and Great Britain. As we speak, hotels around the city and further afield are full. So, the Executive could take pragmatic action to release money to promote air access, as well as sea access, for that matter, because that is another important dimension.

When I say that we should widen the scope, I mean that we have to look at the prize or goal that I think we need to pursue as a region. That goal is to win back those one million passengers. That will affect every aspect of the economy.

Mr Humphrey: You mentioned that, although the cost to the Northern Ireland exchequer of the loss of the Newark flight may be somewhere between £2 million and £5 million, its direct benefit to the economy is £10 million and its indirect benefit is £10 million, which totals £20 million. Obviously, a calculation has been done of the financial cost and the opportunity cost. You talked about £50 million or £60 million for the relaxation of all APDs. Has a piece of work been done on the economic benefit of that? Obviously, that would be one of the key factors that would help to inform any decision-making on the issue.

To save you having to come back to me, I will ask a second question now. A number of years ago, the Government put Bill McGinnis in charge of trying to attract flights to and from Northern Ireland to open up Europe in particular. Do you think that APDs were negative and prevented more routes from being secured? I mentioned the direct flight that Delta Air Lines was to have brought on stream from Belfast to Atlanta, Georgia. It would potentially have opened up another hub for Northern Ireland tourists travelling to the southern states of America. Obviously, there is also the issue of Canada to consider.

Mr Ambrose: John's figures are the extrapolation, so I will refer to him. However, if you use the same extrapolation that we used for the New York route, you will find that the return on investment will be a huge figure. That single route accounts for 100,000 passengers, and we have taken the benefits that has brought to the economy. If you are looking at the wider market, you are talking about seven million passengers. Therefore, the sums could be done quite readily by extrapolation.

Mr Doran: You would probably need to take some cognisance of the fact that not all that traffic would be inbound, so you would need to do some adjustments. So, a piece of work would need to be done on that.

Mr Humphrey: Has it not been done?

Mr Doran: No, not to my knowledge. However, I suggest that it probably should be done.

Mr Humphrey: What about the ability to attract flights? Was APD a negative factor in that?

Mr Doran: You mentioned Delta Air Lines. If you go back to the genesis of the air route development scheme, which is the Bill McGinnis scheme that you are referring to, the idea was to invest in a number of routes that would be economically beneficial for Northern Ireland. The New York service came off the back of that. Initially, about £1 million of public money went into that, and we put about £4 million into it to get it rolling. So, you can see the results of that. A number of other European services also came off the back of that.

The discussions with Delta Air Lines were subsequent to that. Several timescales were involved. At the time of the air route development scheme, air passenger duty was at a very low level. I think that it was introduced at £5 or something like that, and there was no banding in so far as there was no

increased band for international services. There was a flat rate. So, it was not necessarily seen as a disincentive at that time. However, when you go to the next timescale, which was that within which discussions were taking place with Delta, the banding had been introduced and was starting to impinge on our ability to sell Northern Ireland as the starting off point for that route. That is because, looking at it from the other end, it was starting to look economically unattractive. However, those discussions have not gone away; they have just been temporarily shelved until the outcome of the planned ADP is fully resolved. So, it had an impact, but it was not in the same timescale as the air route development scheme that you were referring to.

Mr Ambrose: Looking at how these things work, if a route is a no-brainer, it will happen anyway. If enough people here want to fly to Gatwick every day, the airlines will facilitate that. Airlines can connect any city pairs in Europe. We are bidding for work, John is bidding for work, and Bristol Airport is bidding for work. When you get some stimulus, you try to move up that league table and try to get the airlines to agree. For example, the route from Belfast to Brussels is not one of the most attractive routes, but air route development made it more attractive and started to get those routes across the line. Air passenger duty is exactly the same. So, when you are trying to make a route more attractive, the process has not quite been started by the airlines. This would now be a sizeable enough stimulus to make a difference. The challenge now is to have an air route development fund. You are trying to find a European-compliant way of stimulating the market. That is something that should and could be looked at.

Mr Humphrey: In your professional judgement, is there more likelihood that a second US route or a Canadian route could come on stream, given the relaxation of APD on the Europe route?

Mr Doran: It is certainly more likely today than it was six months ago.

Mr P Maskey: OK. Thank you. There is obviously some good news on that. You mentioned that we have lost one million passengers. That is one eighth of the overall figure that is coming in. If you were to lose another eighth, that would make 25%, which is a quarter.

Mr Ambrose: You are frightening me now.

Mr P Maskey: That is the reality of it. One eighth may not sound like a great deal, but 25% is a quarter, and that sounds like a massive reduction in passenger numbers. Has there been any forecasting of whether the figures from the two airports are likely to continue on a downward trend, or are they likely to go up? Given that we have lost those one million passengers, has Dublin increased its passenger numbers?

Mr Ambrose: From memory, Dublin peaked at about 23 million passengers and went down to about 17 million, so airports across the globe have had a hit. We are certainly seeing early signs of recovery. Setting aside a route that we had last year but do not have this, our passenger numbers are up about 8% year on year. It is too early to say whether we are into a full-blown recovery, but the signs are good. We speak to airlines and to hoteliers about what they call forward bookings, and they are looking at double-digit growth for the summer. I think that that is partly the special year that we are experiencing in Northern Ireland and the efforts that have gone into that. We feel that we are starting to edge our way upwards again, but, in my mind, without any major stimulus, that will be a slow rather than a dramatic growth.

Mr P Maskey: If the cut in APD comes in, as it is for the long-haul operators, is there proof that airlines will pass that saving on to the customer?

Mr Doran: To try to stave off the day when the airline would have had to decide whether to operate, it absorbed the cost of the APD, so the passenger was not paying it anyway. As a result, the fares were kept reasonably competitive with Dublin. Ironically — or perversely — the passenger will not see any difference when the change takes place. All that it will mean is that the airline is no longer absorbing APD at its own cost, because it was not passing it to the passenger anyway.

Mr P Maskey: Is that what makes it easier for you to attract other airlines to the airport?

Mr Doran: You are starting from a clean sheet of paper, because you do not have to try to bear that burden before you attempt to make some money on the fare.

Mr Cree: It is a difficult subject. As you know, passenger duty started as an environmental tax, but I think that it is now a tax-raising measure for the Government, which makes it that bit harder to argue your way out of. The danger is that it is easy to package the thing and say, "OK, it is costing £60 million. If you want it, you take it".

In arguing our case — I am using the word "our" collectively — it seems to me that we are falling between at least two stools. Is the case really one of saying, "Look, the Highlands and Islands had this particular problem. They were on the periphery of the United Kingdom and of Europe, and this came in as an easement for them."? Do we not simply latch on to that and say that it is a direct comparison and that we want fair play? Or do we labour the other point, which is that we are the only part of the UK with a land border, and then mention the Dublin scenario, which is that there is virtually no tax there now? People are fairly mobile. I had the pleasure of travelling on the coach from Glengall Street one day. Travelling on the coach takes all the hassle out of the trip. So, the option of using Dublin is a real threat. Do you favour labouring that as our main point? If we go at this using a scattergun approach, we will lose out. It is important for us, because we have three or four main tourism events pending, and we need to secure that tourism, which I think you mentioned, to balance our books. My question to you both is: which route should we follow? What should be our main argument in getting fair play?

Mr Doran: The Highlands and Islands argument has been tried with Treasury, and it has not found favour, because I believe that there has been some change in the EU rules on state aid in the meantime, and it would not pass muster these days. There is a track record of success with the band B argument, which is that we share a land border with another European state. In effect, that creates a fracture in the market, and surely the role of Government is to fix such market fractures. Hence we have the band B situation. My tuppence ha'penny-worth is that it may be better to try that route rather than say, "The Highland and Islands have peripherality, and that is already an exception, so maybe you should just add to that.". I am afraid that we have found nothing but resistance to that.

Mr Ambrose: Our submission and preferred route was that Treasury would recognise the unique position that we in Northern Ireland are in. Although I acknowledge that to do business by coach can be leisurely and enjoyable, the facts are that, most people doing a day's business have to fly if they are going to Great Britain. We made that argument strongly, but it seems to fall on deaf ears. So, the pragmatic option is to assess where we are. At the moment, we are in the situation where there is a debate, which we are taking part in today, about whether the Northern Ireland Assembly can intervene further. Our preferred route was to argue strongly with the Treasury and present a well-thought-through argument. However, it fell on deaf ears as far as we can ascertain.

Mr Cree: The danger is that we become a little easier to deal with as far as Treasury is concerned. Once we try something, it is "Sorry chaps, you cannot have that.", and that is the end of it. I think that we have to fight on. For example, when this issue came up last year, we had a paper from the Department that showed that the Government take was likely to be £2.8 billion. We also had a paper that said that the likely job losses could be as high as 91,000 and that the cost of that would be something like £4.2 billion. It is a no-brainer. I have not heard that argument advanced since then. This is the big problem, but because it is a tax-raising power, the Westminster Government will be very reluctant to give anything because they think that they need the money. We are up against that.

Mr Doran: The figures that you are quoting cover the UK generally. I am sure that our colleagues from the Association of British Travel Agents (ABTA), who will appear later, will re-run those figures.

Personally, I do not understand it. The figures stack up and make sense. However, as you say, APD has moved on from being an environmental tax to just a general tax-raising measure. It is very difficult to move Treasury away from that situation.

Mr Ambrose: We made representation nationally through the industry body, the Airport Operators Association, but it got the same rebuttal nationally as we did from our own direct efforts. In fact, rather than address the situation, it went ahead with a double-digit inflationary increase.

Mr McQuillan: I will be very brief. In answer to Paul's question, Brian, you said that you saw signs of slow growth this year, because it is a special year. How can we sustain that into next year and the year after? Do you think that we will see more growth? Is APD the be-all and end-all of that?

Mr Ambrose: I do not think it is the be-all and end-all. It is funny how these things work. You will all be familiar with this, but if numbers start to increase, airlines begin to make a profit again on a route. Capacity goes up, and we will be talking — and are talking — to airlines that are flying to a destination four times a day. As numbers are picking up, we will try to persuade them to go five times a day. The same has happened, in reverse, over the past four or five years. Airlines may be flying a route four times a day with quite light loads, and they are saying that they cannot afford to run half-full planes so will cut down to three times a day.

So, when you see a market recovering, we ask whether that is due more to general industry with tourism. We have done a superb job in promoting Titanic Belfast and the Irish Open. We are now cranking up our efforts to 2013, which is when we will have the World Police and Fire Games and the City of Culture. If things start to improve, the secret is for us to redouble our efforts to make sure that 2012 is not seen as one-off but as the beginning of something special.

Our experience of the past days is that people who have come for the first time to visit Titanic Belfast have been blown away by what is happening in the city and the region. You start to get repeat business from such visits. However, purely within the context of airports and airlines, when airlines see the aeroplanes becoming fuller, it is an easier thing to persuade them to either increase the capacity on that route or persuade them that it is time to take a risk and add additional routes to the region. The reason that I say that progress will be modest is that, without any stimulus, without any dealing with air passenger duty or anything else, we are left battling against the very things that we outlined. That includes such as a very strong competitor in Dublin, which is not sitting on its laurels, as it is strongly promoting The Gathering and other activities to make people visit the Republic or the South. If things are getting better, you redouble your efforts to make sure that the current goes the right way, beyond 2012.

Mr McLaughlin: On the broad principle, there is a direct read-across to the debate on corporation tax. There is a tendency to look to the maximum impact, so you hear of a £50 million or £60 million impact on the block grant, but, in fact, devolving the power would mean that you can exercise it in your own judgement. You bring forward local solutions to local problems. We can actually introduce it on the basis of affordability, the judgements that we make about the state of our economy and the potentials, and then we can step forward further, if the theory stands up to the test, which I suspect it will. I take a great boost of confidence from the Titanic building. It is just the most amazing thing, and the impacts of it are only beginning to dawn on us, whereas everybody else who sees it immediately sees the potential that exists.

We should not be going for the minimum. We should be going for the maximum capability that we, as a local Assembly, have to adjust our approach. Having the powers means that we can choose how and when to implement those powers, to whatever degree. It also means that we can decide whether it works. We do a projection about what we can afford in any given year. If we are talking about the near future, we have fairly detailed information on the health of the local economy and on what prudent risks we would be entitled to take. However, we could also very quickly prove the value of having that tool in the toolbox and could then use it in that way. I think that we should remember that when we are stepping into this discussion.

Mr Ambrose: We would be interested in exploring interim measures with the Assembly. Although we aspire to have the duty removed so that we have a catalyst that will get things going, there are interim steps that need to be taken. Uniquely, we in Northern Ireland are paying it twice. You fly to Great Britain and pay it, and you fly back and pay it.

Mr McLaughlin: However, we should not frighten ourselves by saying that it is £50 million or £60 million.

Mr Ambrose: If there were steps that cost £15 million in year one and that proved to be giving dividends, that would make it easier to take the next step.

Mr McLaughlin: Exactly.

Mr Ambrose: It is a valid point.

Mr Doran: You are quite right, Mitchel. If you do not have the powers, you can speculate on whether it would or would not have worked. If you have the powers, at least you can —

Mr McLaughlin: You can test it.

Mr Doran: — work on the basis of evidence. You can create the situation and then bring in the evidence to see whether it works and decide whether you should try some more of it. You are absolutely right.

The Chairperson: Thank you very much for that; it has been very helpful. You mentioned one or two matters. To summarise, you said that there is no evidence base or research gathered up but that there are some areas, particularly in the European experience, where APD had been removed again. If you have any pieces of research or evidence on that, it would be quite helpful if you could forward them to us for our own deliberations. Thank you very much for that input. It is helpful to us.