



Northern Ireland  
Assembly

**Committee for Finance and Personnel**

**OFFICIAL REPORT  
(Hansard)**

**Air Passenger Duty: Northern Ireland  
Chamber of Commerce / Federation of  
Small Businesses**

**25 April 2012**

# NORTHERN IRELAND ASSEMBLY

## Committee for Finance and Personnel

### **Air Passenger Duty: Northern Ireland Chamber of Commerce / Federation of Small Businesses**

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**Members present for all or part of the proceedings:**

Mr Conor Murphy (Chairperson)

Mr Roy Beggs

Mrs Judith Cochrane

Mr Leslie Cree

Mr Paul Girvan

Mr David Hilditch

Mr Mitchel McLaughlin

Mr Adrian McQuillan

Mr Paul Maskey

**Witnesses:**

Mr Uel Hoey

Northern Ireland Chamber of Commerce

Mr Roger Pollen

Federation of Small Businesses

**The Chairperson:** We will now receive evidence from the Chamber of Commerce and the Federation of Small Businesses (FSB). I welcome Uel Hoey, who is a council member for the Northern Ireland Chamber of Commerce, and Roger Pollen, who is the Federation of Small Businesses's head of external affairs. We have heard from the airports and the Consumer Council about this issue. The Committee is taking evidence to inform its input into the debate on the legislative consent motion on air passenger duty (APD), so we are very pleased that you have been able to give us some feedback. Either or both of you may make opening remarks, after which the session will be opened up for questions or observations from members.

**Mr Uel Hoey (Northern Ireland Chamber of Commerce):** I thank the Committee for the opportunity to give evidence on this subject, which is of significant importance to the local economy. My day job is business development director of Belfast International Airport, but I am here today as a council member for the Northern Ireland Chamber of Commerce, representing its 1,000 members across the spectrum in diverse areas of commerce and industry in Northern Ireland, whom we have been proud to represent for the past 230 years. I have been asked by the chamber chief executive to represent the general views of the council this morning, and I will seek to do that to the best of my ability.

I will set out our stall with some information that has been gathered recently by the Northern Ireland Chamber of Commerce in conjunction with the Heathrow Airport operator BAA, which suggests that one

in 10 jobs in Northern Ireland depend on foreign investment and that half of those companies can only reach their home market through a hub airport.

Aviation supports £1 billion worth of exports annually from Northern Ireland. Foreign tourists spend £195 million a year in Northern Ireland, and account for 360,000 visits, almost half of whom arrive by air. Northern Ireland benefits directly from having a global hub in Britain; namely, Heathrow, which supports 1,000 jobs in tourism and 900 in airports in Northern Ireland. Those are points raised in support of connections between here and the main hub of Heathrow.

By way of ambience: Northern Ireland's air transport environment is distinctly unique in a number of ways. Our population base is relatively small and is served by multiple airports under separate ownership. As a hangover from earlier years, we still face legacy challenges in convincing the outside world that we are a destination for tourism and inward investment, although we are making great strides on that front. We also have the geographical challenge of being the only part of the sterling zone that borders a euro zone, which creates its own challenge to our competitiveness. That is one of the issues that we seek to address in respect of air passenger duty.

Against that, we have a good tourism product of which we can all be rightly proud and on which we can build, as we have been doing in recent days. We have excellent educational standards, and our characteristic enthusiasm, wit and resilience will no doubt help us along the road in the years to come.

That is all that I want to say by way of introduction. Roger will take it from there.

**Mr Roger Pollen (Federation of Small Businesses):** Again, Chairman and Committee, thank you very much for inviting the Federation of Small Businesses to come here today. I will try to contribute to your examination of APD, which is particularly relevant to the small business sector, which, of course, makes up 99% of Northern Ireland's private sector enterprises.

I will summarise for you the FSB's national position, as stated in response to the consultation in June last year. We highlighted the need to limit the level of taxes applied to business and tourist travel. We identified that, as far back as 2002, visitors to the UK paid the second highest level of taxation in the world. Since then, there had been further increases, including a doubling of air passenger duty in 2007. That submission also noted the high VAT on tourism, compared with other countries.

The submission also suggested that, if there had to be a levy, it should be on a flight rather than a passenger basis. As I said, this was in our national submission — there are some Northern Ireland nuances later. It noted that, with the inclusion of the aviation sector in the European emissions trading system in 2011, a strong case can be made for a significant reduction in APD, the rationale for which, in 2008, was that it would play a key role in reducing CO2 emissions.

The national submission also gave full regard to the FSB's take on things in Northern Ireland. We highlighted that Northern Ireland's geographical location, whereby all business travel with the rest of the UK incurs an APD charge in each direction, makes internal UK business significantly more expensive. We pointed out that the land border with the Republic of Ireland, where the rate is significantly lower, provides for unequal competition. We also proposed that Northern Ireland should have the power to set its own devolved rate so that we can develop the most appropriate local solutions as part of a wider capacity to protect and promote essential air routes. We submitted that there was a genuine economic case for enabling Northern Ireland to set its own rates to encourage business investment in the Province.

In considering practical issues for small businesses that arise from this tax, it is easy to overlook why and how they are affected. I will provide a couple of illustrations of that. The First Minister and deputy First Minister have been engaged in a variety of trade missions to promote Northern Ireland as a destination for inward investment and, just as importantly, to open up export markets for our local businesses. Their missions have not been local but have embraced mature and emerging markets overseas; in other words, markets that are accessed by flights. Many of our local small and medium-sized enterprises — not just in the award-winning IT sector but in agrifood, creative industries and much more — have been undertaking trade visits overseas. That fact was highlighted in the recent visit by the Chinese delegation, when it was clear that local politicians and business people had taken

on board the cultural differences and the need to build first the relationship and then the business link. There is no point in arguing with that; it is just how business is most effectively done in one of the world's largest markets. So, there is a substantial speculative investment for our local businesses in trying to develop those relationships as a precursor to developing sales. Yet, we then see a raft of taxes imposed on top of all their other costs. That is hardly the sign of an enterprise economy.

Looking much more locally, I can tell you that I recently spent some time with one of our members who is in the construction industry. He employs 25 people directly and 45 people indirectly. His business in Northern Ireland has dried up. Rather than give in, he has won several major contracts in England and Scotland, and is keeping the team together. However, with 20 of his staff flying over and back every week, paying £13 a person for each flight each way, his costs are £520 a week higher than those of his GB competitors from air passenger duty alone. That is £25,000 more a year than his GB competitors. That is not counting accommodation, subsistence, and so on; that is simply the tax that is being levied. If you compare that with his competitors in the Republic, you will see that, if they are going to compete in GB, at least they do not have the air passenger duty to worry about. That is an illustration. To rebalance the economy, he is exactly the sort of resilient, determined private sector employer we are all looking to. We need people like that and we need to help people like that.

One other illustration is focused on tourism, which Uel referred to. There is a real sense of excitement in much of the tourism industry at present due to the Our Time, Our Place initiative and the commitments and activities going on through that. I will not list them all, but it includes Titanic Belfast, the MAC, the Causeway visitor centre, the Open, the fleadh, the City of Culture and the World Police and Fire Games. They are all contributing a sense of pride and profile, which is great.

Small businesses, away from those big-ticket attractions, may not yet be benefiting as much as they would like. In fact, some small businesses are saying very clearly that they are not yet benefiting. However, there is no doubt that the tourism market is really taking off. The Assembly has to be commended for its investment in that ambitious vision.

Having attracted tens of thousands of visitors to Northern Ireland, it does beg the question: why do we tax them to leave? That is what we are doing. They may not have paid a tax to arrive here if they arrive from outside the UK, but we then tax them to get out. They pay to come here and spend money while they were here. They are our best marketing resource when they go back home and tell their stories and share their photographs. Yet, the last thing we do before they leave is put a levy on them to get out of the country. You would not do that in many businesses.

To wrap up: there have been many stories about the option people have to travel to Dublin Airport, looking at it as an alternative hub. There is a huge range of destinations, and the APD is obviously a fraction of what we charge. However, look at the following observation: England's two main cities, Birmingham and London, are just over 100 miles apart — in other words, not much further apart than Belfast and Dublin — yet England is choosing to invest over £37 billion to connect them for the benefit of business. They are taking a very long-term view of the investment. If we are serious about connecting Northern Ireland with the rest of the world, we need to look at the barriers that we already have put in place, and set about removing them.

Titanic Belfast epitomises vision, confidence, investment and risk. The Assembly and Executive played a key role in delivering that. We urge the Assembly not to lose its nerve. We advocate that it makes two commitments to echo the confidence of the Titanic Belfast vision: investment in the economy by removing air passenger duty, and, shortly, I hope, by taking over the corporation tax powers and reducing it, so that our businesses can compete effectively on all fronts.

**The Chairperson:** Thank you very much for that. I will bring members in shortly. You will be aware that the Department of Finance and Personnel (DFP) proposition thus far is simply about long-haul flights, which obviously account for a very small proportion of the flights from here. From your papers and evidence, it appears that you both support that for the full range of flights and perhaps a full reduction. It will require substantial evidence to point out the benefits, be that for the devolution of powers or the estimates for reducing air passenger duty to zero. We have varying estimates around corporation tax. The estimate we are currently working with for APD is somewhere in and around £60 million. Can you point to any evidence that quantifies the benefits, such as an increase in revenue elsewhere or an

increase in business, for such a hit to the block grant? Secondly, do you advocate devolution of the powers and a straight return to 0% APD or taking a graduated approach if the full range of powers to set APD were devolved?

**Mr Hoey:** It is probably easier to touch initially on band B, where the focus has been applied with particular reference to the New York service. We had some difficulty last year in retaining that service, and we are delighted that the Executive and Treasury have taken the initiative to move the issue forward. There was clearly a serious threat to the continued existence of all long-haul access from Belfast as a result of the differential that there was.

We see huge potential in developing long-haul links. Roger referred to the fact that there is strong growth to be had out there. There are a lot of trade missions taking place in the eastern hemisphere and the developing markets. We have seen evidence of that in the past couple of weeks. There is evidence that, in the next decade, the Chinese and Indian markets will deliver exponentially greater investment in tourism opportunity, and, as a small community, we need to be in a position to reach out for that.

Two thirds of all Canadians claiming Irish ancestry claim ancestry from the province of Ulster, so we can exploit that connection. Tourism Ireland figures suggest that one in every two Australians who visits the island of Ireland is bound for the north of the island, so, again, that is an opportunity. We seriously think that there is a lot of opportunity in the band B initiative to develop long-haul services that will be of huge economic benefit, not only in practical terms but in perception terms for Northern Ireland.

The evidence that we would offer has been gathered from Tourism Ireland, the tourism authorities and Invest NI. All of it suggests that the Continental Airlines service — the Government applied £1 million in 2005 to an air route development scheme to get the service up and running — would generate around £10 million a year in tourism revenues and £10 million a year in supporting investment. That figure totals £20 million, so you can equate that to somewhere in the region of £120 million to £150 million in the past six or seven years of operation. That is quite a significant return, and I suggest that it is better than you would get through most forms of foreign direct investment (FDI). There is evidence on that front.

Granted, it is a more difficult equation to work out on the short-haul routes. Around 98% of Northern Ireland air traffic is European or GB domestic; indeed, 75% of it is GB domestic. However, to look at it from the other end of the telescope, the challenge that we face is perhaps not over the £13 tax from Belfast but over the provision that the tax will be doubled by Treasury within a relatively short period. When the tax from Belfast becomes £26 in each sector to travel to England or Europe, and it is €3 at the very most from Dublin, that will make a difference to our capacity. We speculate that it is something at which we need to look as a protective measure. It is probably better to gain the powers of devolution in order to have possession of control over what we can do with APD and then decide what we can do with it, rather than never gain the powers in the first place.

**Mr Pollen:** We strayed into the domestic side of things simply because it is very easy for everybody to see the sorts of impacts in your own constituencies. The more that we do not address the international connections, the more that the domestic side of things will matter, because people will still have to go to hub sites such as Heathrow, and so on, so there will still be that double hit. There is always that extra overhead for businesses from here that are trying to work abroad, whether that be in Brazil, Russia, India or China. If businesspeople are not able to fly more directly, and instead have to take an internal flight in the UK, they encounter that double charge there and back on top of whatever is charged to go out. That is why we highlighted that.

I am aware that it is very easy to come in and try to spend the Executive's budget, but the point with this issue and with corporation tax is to look at it as an investment. I do not think that the private sector is at all looking to cut the public sector back. The private sector would love to see the public sector grow even further, but on the back of the private sector growing so much that the balance changed in that way. It is not a matter of growing one at the expense of the other. We all want and support the idea of the private sector growing enough to sustain many more services. Therefore, we need to see what investment has and can be made in the private sector by the public sector, if you

like, to help us move to that rebalanced position. Those are two areas that are potentially up for devolution and for spending or investment decisions by the Executive.

**Mr McLaughlin:** I am starting from the basis that devolving this power to the Assembly does not cost a penny; rather, it is about how we decide to activate it or to apply it. The danger is that people would look to the maximum cost, and that is a quantum leap from where we are at present. The evidence for having an air route development fund indicates that you get a return for investment in supporting the industry, and it is that opportunity cost area that we have to address.

Another point of interest that occurred to me while you were speaking is that the Executive do a lot of travel. We are spending a lot of our money on APD — perhaps it is a hidden cost to the devolved Assembly. If we were to work it out, it would be a very significant cost. The whole area of the opportunity cost, and certainly the ability of the Westminster Government to change the rate and to escalate it, will continue to have very significant economically detrimental effects on us.

All the issues have to be considered to see whether our approach has been much too timorous and nervous. We should start from the basis that to bring the powers here does not cost us anything, and it is then a matter of how intelligently we apply and use those powers. I do not see any Big Bang solutions to our economic difficulties. However, I think that sensible investment, testing the market and evaluating the results, which I suspect will demonstrate that we have had a return on our investment, will encourage us to invest even more. It is that step forward. From my understanding of what you have told us, I think that your evidence strongly supports that approach. It demonstrates that the Committee should rise to the challenge of whether it is being bold enough in moving in that direction. Our approach has been altogether too conservative and, I think, too nervous.

**Mr Hoey:** Thank you, Mitchel. I appreciate that.

From our point of view and, I assume, from most people's point of view in the business sector in Northern Ireland, we are encouraged that we have come as far down the road on the issue of band B as we have. Wearing my normal hat, we were extremely concerned at one point last year that there was going to be no way through this. It seemed ridiculous that we were going to lose the linkage to America and no longer be able to get people there at a time when we were speculating ever more fervently in North America for increased tourism and investment.

We have broken the mould in the mind of the Chancellor and Treasury to enable them to see that there is a competitive problem in this little land mass on which we operate. Therefore, we should now take forward that change of heart, recognising that there are a number of wrinkles in our competitive position here, given our geography, and try to push forward. As a community, we have emerged from a fairly lowly economic position, and all the people who live here deserve to benefit socially and economically from future prosperity in this part of the world. We talked about the public sector and the private sector complementing each other, and the air transport sector has depended for many decades on the 1.5 million or two million people here in the public and private sectors who travel, and we have had challenges bringing in visitors. The big thing for our part of the world, which is dependent on air travel, is that eight billion people out there are a potential market. If we can tap into a small proportion of it, we can make a difference to the economic standards of people living in this part of the world. We saw some evidence of that in the visit of Madam Liu Yandong a couple of weeks ago, and anecdotal evidence suggests that 200 million Chinese take holidays every year.

**Mr Cree:** I was taken by Roger's point about the Chinese and the need to build a relationship before doing business. I have always found that to be the case. It is not peculiar to the Chinese, because you have to build relationships with people before they feel confident enough to do business.

Roger mentioned the case with the £25,000 cost, and it is a good argument. However, if you look at it from the point of view of central government, it is simply displacement. The benefit to Northern Ireland will come at the expense of people in the rest of the UK. The real argument has to be about the rest of the world, which is quite big target to hit. Have you done any other work on the European connection? We have a good argument in that context, because three countries have now opted to scrap APD, and we could make a business case on the basis that it is necessary to remove it as part of the cost of doing business, rather than simply talk about the holiday side of things. An attitude of mind is that

holidays are not a big deal. It is about business, and our livelihoods are all affected by the generating of extra income. Have you done anything on that in any detail?

**Mr Pollen:** The short answer is that to have detail on such a huge question is —

**Mr Cree:** We have to start somewhere.

**Mr Pollen:** Yes, we have to start somewhere. We are trying to reflect — Mitchel made this point very well — that being bold and having an instinct is important. You can use all the statistics in the world to prove your point, and we have a lot of statistics, because we survey our members all the time. In fact, you will all receive our latest survey tomorrow in the post, and that will tell you what Northern Ireland businesses feel about lots of different measures. We do not have a lot of detailed evidence that could quantify that and set out a business case, because it is not our job to do that. We are trying to reflect the concerns and issues that affect a wide range of types of business.

I take your point about holidays, but you have to look at the other side of holidays. Holidays are business to an awful lot of people, and in Northern Ireland they are business to probably a lot more people than they are to people in other parts of the UK. You mentioned displacement. Ultimately, most of the UK benefits from displacement from the south-east to a certain extent.

**Mr Cree:** Not enough by a long chalk.

**Mr Pollen:** We are trying to move more to a position in which you do not need that sort of subvention or that request for powers, support and assistance. Rather, you create a structure whereby you can determine your own plans and objectives and respond quickly. If you do not have the powers, you will not be able to respond quickly. Corporation tax is a good example of that. That has been talked about as the big, exciting thing for several years now, and it is gradually crunching forward to the point at which it may be recommended that the UK Government take a decision to offer the powers to the Assembly to receive the powers to take a decision to apply a discount. The process is interminable.

**Mr Cree:** We have a good business case for reducing the rate of corporation tax.

**Mr Pollen:** Yes, we have a good business case for that, yet it has still been an interminable process.

**Mr Cree:** I thought that, with your wide base, you might have had information from a wide spectrum of businesses to help us to develop a business case. I see APD as a punitive tax that is self-inflicted.

**Mr Pollen:** We can certainly survey quite quickly to gather information to sustain and support a business case. If you are starting to sketch a business case, we will more than happily engage with that and survey all business sectors to contribute to that. Interestingly, I do not get the impression that we are all on different sides of the fence. We are all looking to find the most appropriate solution to the problem that we have all identified. I am happy to contribute to that.

**Mr Hoey:** Leslie, I am sure that the Chamber of Commerce can do similar surveys. You mentioned the European dimension, and Europe is clearly a market that we can tap into much more. Holland, Portugal and various other places have taken a view that taxation on air transport is detrimental to tourism and, as such, have wiped it out in order to rebalance their opportunities to garner tourism.

One of the key issues that the UK Government are not addressing adequately is the fact that the emissions trading scheme is coming in to address the environmental impact of air transportation. The Germans, who are obviously at the nub of all that, have decided to offset their air tax against the emissions trading scheme, which seems like a fair way of doing it. As we stand, what is effectively going to happen in the UK is that the emissions trading scheme will come in and hit air travel. APD, which was originally seen as an environmental tax but is now fully recognised as a finance-raising tax, will sit alongside that. Therefore, we will be doubly punished.

No point of reference is relevant to our discussion in Northern Ireland other than what goes on in the South of Ireland. The Irish Government have taken a view that to tax air travel is punitive from the point of view of generating inward investment and tourism. If we do not get ourselves to a position in which we can compete toe to toe on the same land mass, we really will find it very difficult to drive the economy forward.

**Mr Beggs:** Thank you for your presentation. Everyone will agree that a very clear argument was made for why we had to reduce the air passenger duty on long-haul flights. There was a danger of losing our only connection and no prospect of extending it had we kept the duty, which would have had a major effect on business and tourism.

I am trying to draw you out a little bit more on where we should go to get the business case to extend the removal of APD beyond removing it for long-haul flights. Roger, you said that you reckoned that it would be a better investment than the FDI that the Department of Enterprise, Trade and Investment (DETI) might be making at present. I put it to you that bidding for £60 million of DETI money for this might be difficult. If we were to bid for £10 million, what would be the ripest bit of the airport for producing the best returns to justify that sort of public subsidy or reduction in taxation? It would be paid for from somewhere within our block grant. What area is most productive and could benefit the economy most?

**Mr Pollen:** DETI, through Invest NI, will obviously have a very clear handle on the export side of things that it has been supporting and promoting. The point that I was trying to make is that there are two parts to the equation. Foreign direct investment is great because it brings money and jobs into the economy fairly rapidly. However, export sales are just as vital because they create markets that bring in money for businesses that are already here. To try to divide that to find a proportion of the funds needed to be drawn from one or another of DETI's pockets, we would probably need more analysis of the figures that it already has.

There are only two ways in which you will grow the Northern Ireland economy: export sales and foreign direct investment. The money will not come from anywhere else. You cannot keep recycling it internally or looking for subvention. There has to be export sales and foreign direct investment. I would be loath to prioritise one over the other without having a real behind-the-scenes analysis of which is likely to generate more. I would not say that it should be one over the other. However, I take your point about recognising that if targeted support is given to export sales from the budgets that are already available, it might help your case.

**Mr Beggs:** I have another question for Uel Hoey. You mentioned that our real competition is Dublin, with its reduced level of taxation on flights from there. Some passengers might not want the extra travel time, but others might decide where to visit based on where the airport is. Therefore, the price of the initial flight could be key. Are there particular areas in which you sense that Northern Ireland is losing that initial incoming flight to Dublin because of the taxation difference and on which money should perhaps be focused to try to attract it back?

**Mr Hoey:** I already mentioned Canada, where, through a quirk of circumstances, we find ourselves with no access from Canada, when an enormous connection exists that we could exploit. That should be a priority from a local economic point of view, and it is certainly a priority from an airport point of view.

There are three things that we look at and see as barriers day in and day out. As you said, taxation is really more of a protective measure as far as Northern Ireland is concerned, because we can look at what goes on only on this island. Therefore, we are trying to get ourselves to a competitive position with the rest of the island. That would be the argument for addressing what is being done in Dublin.

You mentioned key routes. There are probably things we could do on two fronts to benefit the economy here that would give us an immediate return and provide the opportunity for a much greater return in the long term. I will quote two examples of analysis that we did of Dublin Airport. There are upwards of 50 flights a week between Dublin and Scandinavia. There are over 100 flights a week between Dublin and Germany. There are no flights from either of those two places into any airport in Northern Ireland. It is not that there is no demand for those linkages. Indeed, from a tourism point of view at



least, the northern European visitor is probably much more likely to come to our wet and windy shores than the person living in Malaga. They are also much more likely to travel, and there is a beaten track to the north and to the west coast of the island. Therefore, there should be potential there for us to get tourists in from those places.

The problem that we have with the way in which the tax level is set is that all the airlines serving the island are very happy with the position in Dublin. They are very happy with the tax position and the economic position. The airlines get the traffic coming in through Dublin. Some of that traffic spills north but probably not a great amount. Certainly, from a social and economic point of view, if we could get some direct flights in from Germany and Scandinavia, it would be much more beneficial to commerce and industry in Northern Ireland to have those high-spending passengers come directly here.

That is anecdotal evidence that there are a couple of areas for which we could apply for route funding or marketing that would make an actual difference in bringing people here and that, in turn, on the Canadian, American and Middle Eastern fronts that we talked about, would make a perceptible difference to what we are about here.

The Titanic has been a particular issue over the past two or three months. I have talked to a lot of people worldwide — from the west coast of Canada to India and China — and they have all heard of the Titanic. It is a huge issue. There is a global awareness about it. We now need to harness that interest. We need to make it easier for people to get here so that they can, as Roger says, experience what we have on the ground, go away with their photographs and experiences, become our ambassadors and tell ever greater numbers of people to come here.

On the taxation front, it is a protective measure. On the route development front, there is opportunity. The other issue, and Mitchel has heard this from me 101 times, is surface integration and link-up. When we bring either airlines or people here, the expectation in a modern economy is that whenever you arrive at a gateway, whether that be Larne harbour, Belfast port, Belfast City Airport or Belfast International Airport, you can easily get from that gateway to the investment centre or tourism venue.

It is not so much that our roads are catastrophic in any way, but the perception for investors coming in is that when they arrive in Dublin, they look out at a great highway that heads north. However, when they arrive at, say, Belfast International Airport and look out the door, they are naturally inclined to invest in Dublin because it just looks like the better proposition. I realise that that is a long-burn issue, but we would like to see it addressed in the long term.

**Mr McQuillan:** Thanks for your presentation. Nobody around this table thinks that APD is not harmful to the Northern Ireland tourism product. I would say that the same goes for those around the Executive table. The Chairman might know more about the Executive table than I do.

Do you think that the £35 billion that the Government in England are planning to spend on the link between London and Birmingham will strengthen or weaken our hand here over APD?

**Mr Pollen:** The trouble is that the issue of whether to spend that money has been such a divisive one across the water. However, it is illustrative of ambition and a commitment to improving infrastructure, and that sets a standard that we should aspire to.

Uel set out the case for infrastructure. That is not part of the Committee's remit today. Nonetheless, it is one of the reasons. We have tried to flag a few things that are interrelated when it comes to local APD, and so forth. There is a need to look at the thing in its entirety to see where all the parts fit. For instance, if we were to get corporation tax-varying powers, we could do something very attractive. However, if APD powers were not devolved as well, we would lose another ability to look strategically at markets that we want to develop, such as Brazil. Conversely, if APD powers were devolved, we could start to look at that very specifically.

That may not exactly be the answer to your question about the £35 billion investment. However, infrastructural development is what business needs and wants. It sends out signals, generates economic activity locally and creates an environment in which a business will definitely do better than it would if that environment did not exist.

**Mr Cree:** I have a quick supplementary question. One option, of course, is to make the case for phasing APD out. If we were to state that we would get rid of air passenger duty over time, do you think that that would be enough for investors, such as route operators, to get started?

**Mr Hoey:** We already touched on the fact that, given the current environment and Northern Ireland's unique circumstances, if we do not gain control of APD, the risk is that our position will become worse. We have had a clear steer from the Executive, through the Programme for Government, on their plans for band B, and it is an excellent position. We will potentially be in a better position than Dublin. OK, there would be only a €3 difference, but we would still be in better position.

As I say, 98% of air traffic across the airports is dependent on band A being removed. The £13 tax in band A is probably not punitive enough to encourage a family of five to drive from Northern Ireland to Dublin to take a flight to Liverpool. However, if it costs all members of the family £26 in both directions, people not only in Newry, where it is currently 50:50, but in Lisburn and Coleraine will suddenly start to think that it makes sense to fly from Dublin, and then we really will have a problem.

**Mr McLaughlin:** It would be a no-brainer for people in Coleraine. *[Laughter.]*

**Mr Hoey:** It would pose a greater challenge. We have to take control of APD if we want to avoid APD being raised. That is the key issue. From talking to airlines a lot, I know that they are concerned about a large tax being charged in both directions to go across a short stretch of water. I think that easyJet, Flybe, Ryanair or whichever operator is flying across the Irish Sea would gain a lot of comfort from knowing that there were at least plans in place to mitigate the tax. Even if that was not coming in immediately but was moving in the right direction, it would give them comfort to invest.

**Mr Cree:** That is the point that I am making.

**Mr Hoey:** If the tax were to go in the opposite direction, we would struggle to get operators to invest further.

**Mr Cree:** Do you think that if they saw that there was a clear intention to reduce the duty, they would invest?

**Mr Hoey:** People are long-sighted enough to know that if they see the situation moving in the right direction, they will be inclined to stick at it and to invest.

**The Chairperson:** Thank you very much. Your evidence has been very helpful. I have a couple of points to make. The Committee Clerk reminded me that we have asked DFP whether it has considered the case for the removal of band A and to give us some information on that.

The question arose in the previous evidence session and in this one about high-speed rail investment in Britain. Although there is no plan for such an investment here, we as a Committee can ask whether there are any Barnett consequentials flowing from that that could be used elsewhere to help transport. The Committee will continue to pursue those issues. If there are any other pieces of information that you think would be useful to us, we would be very happy to receive them.

**Mr Pollen:** Chairman, thank you very much. I will turn that around and say that, to return to Leslie's point, if there is anything that we can assist with by way of surveying our membership — we have 8,000 members in Northern Ireland, which is a lot of people, and they represent a very broad cross sector — we are very happy to do that and to contribute to any business case that the Committee wants to develop.

**Mr Hoey:** Speaking on behalf of the Chamber of Commerce, I want to say that the same goes for us.

**The Chairperson:** OK. Thank you very much.