



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Air Connectivity/Air Passenger Duty:
Evidence from Airport Representatives

18 September 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Mr Paul Girvan
Mr John McCallister
Mr Ian McCrea
Mr Mitchel McLaughlin
Mr Adrian McQuillan
Mr Peter Weir

Witnesses:

Mr Uel Hoey	Belfast International Airport
Mr Clive Coleman	City of Derry Airport
Mr Damien Tierney	City of Derry Airport
Ms Ellie McGimpsey	George Best Belfast City Airport

The Chairperson: I welcome to the Committee Damien Tierney, the airport director of City of Derry Airport; Clive Coleman, the senior director of Regional and City Airports Management; Mr Uel Hoey, the business development manager of Belfast International Airport; and Ellie McGimpsey, the business development manager of George Best Belfast City Airport. You are all very welcome this afternoon. Do any of you want to make some opening comments and perhaps respond to what some of the officials said in the previous session?

Ms Ellie McGimpsey (George Best Belfast City Airport): I will kick off, if that is all right with you chaps. Chairman and members, thank you for the opportunity to brief the Committee in response to phase 1 of the air connectivity study. As you said, my responsibility at George Best Belfast City Airport is business development. My main focus is on building business "in the air", as I call it. That is about focusing on attracting new airlines and new routes to the city airport. On a day-to-day basis, I am responsible for presenting business cases to airlines, and, in doing so, I work closely with the tourism bodies, including Tourism Ireland, and with colleagues in Invest NI and the Department of Enterprise, Trade and Investment (DETI).

To provide a bit of context, I can tell you that the peak of air travel for both Northern Ireland and Great Britain was reached back in 2007. Since then, there has been a decline in passenger numbers of about 7% across the top 40 UK airports, but Northern Ireland has seen a decline of about 15%, which represents a loss of just over one million passengers.

Currently, the Great Britain and European markets remain challenging for us. The airlines are behaving very prudently, and there is little new redevelopment activity going on across the board. Whenever I am out on the ground discussing new routes with airlines, I see that there is a lot of risk aversion. The challenge is to convince them to try any new route, let alone new routes to Northern Ireland. Without a significant breakthrough either in the airlines' attitudes, marketing support, the tax position or a significant pick-up in private sector investment, the air access picture for Northern Ireland is likely to remain difficult in the short to medium term.

We read through a copy of the phase one study yesterday afternoon, and we will respond to it more fully in due course. However, there are a couple of points on it that I think are important to raise. The first concerns benchmarking levels of air access and the route development experience with other regions of the UK. Although we appreciate the need to find comparators in the UK, the use of Edinburgh as a comparator neglects two key points. First, as we said, rail connectivity is available for people travelling from Edinburgh, and they can jump in the car to access places such as Newcastle, Liverpool and Manchester.

Secondly, Edinburgh does not have a land border with a country that has significantly lower rates of air passenger duty (APD). We totally get that we need to look at comparisons, but Northern Ireland really is a unique case. This is not just a point of semantics or a choice of comparator regions, and it is not about a benchmarking choice. It is about really understanding that Northern Ireland is in a unique position.

The section of the study that deals with the factors that influence an airline's decision-making sits very comfortably with my experience on the ground. Many of the factors that are discussed in that chapter, such as network connectivity and profitability, are accurate. However, some key elements of the decision-making process have been excluded. Those are basic things such as fleet availability and suitability. If they do not have a plane on hand, they cannot fly it to Northern Ireland.

The study ignores whether a route would sit with the company strategy and risk-taking profile of an airline and whether that route would dilute its existing portfolio of routes and whatever ancillary revenue opportunities there are. It does not discuss the decision-making cycles and lead times for airlines, any commercial labour restrictions, the tax position or the marketing support that is available.

The study touches on incentives and ways to fund incentives for air access stimulation. Throughout the paper, it is made very clear that air access is an economic stimulus. If that is something that the Northern Ireland Executive concur with, it is vital that, within the context of economic growth, airports are supported to develop new access.

The support that we have had from Minister Foster and the teams at Tourism Ireland and Invest NI in our bid to secure air access has been strong. I believe that there is a real commitment to achieve air access goals, but we need to be able to do more to get airlines across the line. Whenever we are presenting to airlines, I hear time and time again that we are a good opportunity but that we are just not competing at the same level as other regions when it comes to what the regional government can do to support the operation. That is particularly the case in years one and two of a new route, when losses are the rule rather than the exception for airlines.

There are clearly a number of regional governments across Europe that have identified air access as an economic driver and that are willing to fund the stimulus. Some of the ways in which other regions provide that support are discussed in the paper, including revenue guarantees, marketing support and start-up funding. Belfast City Airport very much wants to push for those areas to be looked at in greater detail in phase two of the study. We really need to understand better what can be done to support the airports. Of course, Belfast City Airport can and does do all that it can to reduce the operating costs for airlines operating from our airport, and we support new business from a marketing fund perspective. However, airlines' operating costs are delivered in millions of pounds, and the airport fees generally form a very tiny proportion of those costs.

Thirdly, I will touch on APD. The chapter on that raises a number of important points, including the difference in APD rates in the UK versus other European countries; the Dutch experience, which we discussed; and the national and regional impact of APD. However, as we are all saying, the missing piece is any significant research into the impact of APD in Northern Ireland. Belfast City Airport would support a broad study into the costs and benefits of that tax for Northern Ireland, as well as the implications of its reduction and/or removal. We must remember that the discussion on APD did not, and should not, end at the reduction in bands B, C and D — a reduction that has so far benefited less than 2% of passengers flying to and from Northern Ireland.

Belfast City Airport looks forward to engaging with the Department of Finance and Personnel (DFP) and the Department of Enterprise, Trade and Investment in stage 2 of the process. The initial study has clearly shown that air access is an economic stimulus and that there are numerous factors influencing airline route decisions. We ask the Committee to look at where it can make a difference and at where it can influence route development, be that taxation, funding or other stimuli. We ask it to look at how it can support Northern Ireland's airports into delivering new flights and at the economic benefits that will flow.

We genuinely believe that, with Northern Ireland Executive support, a number of key strategic routes could be opened up within the next three years.

Mr Damien Tierney (City of Derry Airport): I will echo most of what Ellie said. There is very little that she mentioned that I could disagree with. I will make one additional point, which, again, refers back to the report that we received yesterday but had a chance to read through only today. A list of factors influencing airline decision-making is given in the report, and each of them is perfectly correct. The additional factors that Ellie mentioned are also valid. However, at this stage, and certainly with regard to the airlines that we deal with and the airlines that we are trying to speak to, we need to point out that all those other factors are being pushed to one side. That is because the big factors that are influencing decision-making airlines to travel to or from Northern Ireland are APD and the current level of economic activity in this part of the world. If all the other factors were correct, APD and the current economic climate mean that they still would not make a decision to come here. So, until those two factors are looked at, the rest are, to some extent, nugatory. We are not going to get a decision made without APD being looked at. I think that that is something that the Committee would maybe agree with.

We echo everything that Ellie said, but, as I say, APD is vital and essential. Unless we get a decision on it, we will have much difficulty trying to attract new airlines to Northern Ireland.

Mr Uel Hoey (Belfast International Airport): I think, Chair, that you will receive an implausible level of consistency across what we are saying today. Thank you for coming up to the airport today. You are very welcome to Belfast International Airport. On behalf of the airport, I thank the Committee for the opportunity to offer some thoughts on the importance of air connectivity, present and future, to the Northern Ireland economy and community. We commend DETI and DFP for undertaking this initiative on air access development, which we believe is a vital topic, given our geographic location and associated dependence on air links. Sadly, it has been too long overlooked in significant regional development reports and strategies up until this time.

We contend that strong and sustainable air links sit right at the heart of any considerations with regard to Northern Ireland's economic strategy.

To give you some context, Northern Ireland is exceptionally well served with runway and airport terminal capacity. We have three terminals and four runways providing air service capacity to a population base of about two million. So, we have the assets and the facilities. For further context, as far as we are concerned, we could easily double in size from the current 4.3 million passengers throughput without major infrastructure development here on site.

I suppose we are fundamentally concerned about what is best for Northern Ireland as a region, how we can assist in encouraging business start-up and job creation in this part of the world, and how we engineer significant expansion of the Northern Ireland tourism sector. We believe that direct air connectivity is at the very heart of those objectives. Obviously, in common with my colleagues, we run a private business, so we need to generate a profit to reinvest in facilities. In reference to that point, in the past five years, our company has invested probably about £60 million in this facility, and probably 90% of that has gone into holes in the ground on the airfield, which you do not see, just to keep the thing running. So, it is a very cash-intensive business.

To round up, we are celebrating 50 years this year. We have had royal visits and US presidents aplenty, and we even had the G8 this year. We have handled over 120 million passengers in that time.

Mr Mitchel McLaughlin: And us. *[Laughter.]*

Mr Hoey: Sorry; that is the grossest oversight of all. I do apologise.

Every year, we handle about £1 billion worth of export value through this facility. Where economic generation on the site is concerned, we have about 250 businesses operating, generating £250 million a year in wages and salaries and about £100 million worth of tax. So, as one part of the aviation sector as it stands in this part of the world, we are not insignificant, but we feel that so much more could be done to harness the value of aviation as an economic driver for Northern Ireland.

Mr Clive Coleman (City of Derry Airport): Chair, if I may, I will just say a few words without repeating too much of what my colleagues said.

Where we fit in is that we have the operating contract for City of Derry Airport. As part of that, we spend a considerable amount of time on aviation development to try to get new routes and new additional frequency. It is probably worth saying a few words about how airlines see the opportunity. Let us look at the context of the airline industry. I was speaking to a chief executive of a very small regional airline a few weeks ago, and he made a very interesting comment. He said, "Virtually every regional airport in the United Kingdom had its own airline 20 years ago, but there has been huge consolidation since then, so there are very few airlines." So, you can go around the circuit, but you have to remember that airlines have moveable assets, and they will move those assets to where they can get the best yield for their shareholders. That is the big point: they are very movable.

We have spoken to airlines about adding routes into City of Derry, but, to echo what my colleagues said, the airlines are so risk averse. It is the same at the other airports that we operate. They say, "Why would we lose money?" They are looking for very strong support for year 1, year 2 and, sometimes, into year 3. A number of airlines have models, and, particularly for those with older fleet, it is cheaper for them to leave their aircraft sitting on the ground not working than to run the risk of losing money.

We have quickly looked through the report, as Damien said. I echo some of the other comments that were made, such as how some things are missing on how an airline would look at economically validating a route. It is obviously about the volume, the demand on the route and the type of model that the airlines operate, and that all comes back to seat price. When we model routes — we are doing it with airlines at the moment — it is very difficult sometimes to get the balance between volume, which drives down seat price, and demand. If you are not careful, the seat price starts to go up and demand drops off.

Coincidentally, over the past three weeks, we have done some work on what we call "missing routes" from Northern Ireland into northern Europe — so, not the sun routes — and looked at the opportunities there. We have used data from Eurocontrol to look at how people from Northern Ireland get to parts of northern Europe if there is no direct route. It was quite surprising to see that some of the volumes are not that large. The volumes into Germany might be 70,000, 80,000 or 100,000. No doubt, those will increase as economic activity increases, but from an airline's perspective, it has to have a certain degree of demand to make a direct route work.

Going forward, I think that there are two streams to route connectivity. The first is that the airlines will look to reduce their risk while still building passenger numbers through the hubs, such as Flybe's Manchester hub and those at Gatwick and Stanstead, and so on. The second is the focus on a small number of northern European routes where there is a demand to make that route successful. I will come back to the point that, whenever we talk to airlines, they say, "Fine, we can see the demand, and we can see that it is workable, but how do you make that support work for the first two to three years to cover our risks?". That is the problem: we are dealing with commercial organisations that might have some line of flying available on an aircraft, but they could put that line of flying into another route somewhere else in Europe that is less risky or more profitable for them.

The Chairperson: Some of you mentioned how the Executive and the Government should support air access development as an aside to the APD issue. The officials in the previous session referred to the fact that there are severe limitations in what we can do. Do you have a view on that, or do you have any suggestions about what the Department should look at?

Ms E McGimpsey: I think that it is worth saying that, from my experience of discussing new routes for the airlines, I know that other European regions are able to do things that we are not doing. Obviously, those are not discussions that we go into great detail on. We are essentially there to sell our airport and our route, so we are not going to delve into those details. However, the study shows a list of six or seven bullet point clearly illustrating things that other regions are doing. We need to look at those in detail, and that is certainly what the city airport would push for.

Mr Weir: Just on that point, I appreciate the wider message that APD is the big ticket item, but there are the other sides to it. There seems to be an issue on what additional support can be provided, and, as the Chair indicated, how that marries with staying within state aid rules. I just wonder whether you would be able to produce a paper that we could share with DETI — I think that this issue concerns that Department as well — that would put some flesh on the bones of worked examples of how that aid could be given. I think that it would be useful for the Department and for DETI to comment on those. I appreciate that it is a slightly separate issue from APD, but it is important in the context of the overall package.

Ms E McGimpsey: Absolutely. I expect that we would be a consultee in phase 2 of the study, so that could come in as part of that piece of work.

Mr Weir: I appreciate that. We would also appreciate it if there were something that could be sent to us directly.

Mr Hoey: Without launching into a diatribe in support of Ellie on this subject, from a contextual point of view, Chair, and, as a number of members alluded to in the previous session, Northern Ireland is unique as far as this subject goes. I know that we always get ribbed for claiming that we are unique. We have a number of high-entry barriers to airlines and operators starting up new routes. We have a history that denigrates the development of tourism. OK, that is dissipating, but it will take a while for it to work its way out of the system. There are some people who are still reticent to set up tourism-focused routes on that basis. We have a location issue, in that we are peripheral on the western edge of Europe on an island off an island off a continent. As a part of the UK jurisdiction, we have the highest air tax burden in Europe. It is way above any other air tax jurisdiction in Europe, including those in Germany, France and Austria. Allied to that, our nearest competitor has an ultra-strong focus on using access as an economic tool. With all due respect, it facilitates and deploys imagination on how it opens up access as an economic facilitator.

The point about airports being attractive on the basis of critical mass or regularity of existing service is highlighted in the report. One of the things that we as a body now fight against in this part of the world is that Dublin is now a honeypot. Dublin has x number of services, and whenever people in the airline community look at where they need to set up service, they see everybody else in Dublin. They think, "That is where the market is, so we must follow.". So, we have a challenge in repositioning our market in that regard.

This issue was raised on the last point, and again, to focus on Dublin as the key issue, a number of points have been raised here about Edinburgh being used as a proxy. Edinburgh and Glasgow can, to a certain extent, be used as comparative proxies for what might be feasible for Belfast and the wider region. However, the only relevant comparator is Dublin, because we are on this island and this is the market. We share so many facets with Dublin in what we can and cannot achieve going forward.

I will make one point to lead a bit deeper into the discussion. You heard about all the things that we could not do in deploying levers to improve access. I would make one point about Dublin, which I use unashamedly as an example of how you might want to consider doing these things. Twenty years ago, somebody in Dublin decided that they needed to build roads. They got the money and built the roads, and no matter what is wrong with the economy in the South at this point, they have the roads and will always have the infrastructure. They constructed pre-clearance facilities for US traffic, which is different from any other nation in Europe, and they are now hubbing other people from Europe through Dublin to take them transatlantic.

However, most pertinently of all — this is where imagination has to come into the scenario — they are under no different EU laws than we are in what they can and cannot do. However, they have deployed imagination and have gone out with a €12 million fund for an event called "The Gathering". So, whenever you cannot do it by some direct means, you find some indirect means of doing it. They have been very successful, and you will see the numbers that are coming out. So, it takes only a little bit of imagination to take it forward, and we cannot be stuck in a "no" mentality here.

The Chairperson: Are you advising us to be proactive as opposed to reactive with this?

Ms E McGimpsey: It is about seeing what can be done rather than saying what cannot be done under guidelines. Where are the holes? What can we do? As Uel said, it is about using a bit of imagination.

The Chairperson: How do other costs such as fuel, maintenance and landing charges compare North and South? Is there much of a differential?

Ms E McGimpsey: Some of those are airline costs, and some are airport costs. The airlines' bear the fuel costs on any route. I do not know the exact costs of operating from Dublin Airport Authority (DAA), but, as I said in my opening remarks, the overall costs of using the airport are a tiny percentage of an operation. For example, if you were to look at a route profitability study for a northern Europe route from Belfast that operates a couple of times a day, you would probably be looking at somewhere in the region of £15 million, £16 million, £17 million or £18 million in fuel costs in a year alone. So, we are talking big money, and the airport costs form a very small part of any new route development or new route start-up.

Mr Weir: I have two points to make. I agree with you on the comparisons with Edinburgh. That is because, as a case study, Edinburgh would be particularly relevant only if you had a situation where, for example, you had a different air passenger duty in Newcastle and could do a comparison. However, with people shifting about, it will not be all that great whenever you more or less have people on a level playing field.

You mentioned the change that has happened since 2007, and that highlights the two classic consumer responses. In a recession, when people find money, they tend to do one of two things: they look at transport, which is maybe non-essential for a lot of folk, so that reduces the overall demand for it, which is the 7%; or they look to a cheaper version of that. Consequently, there is the general shift downwards in the market but also the shift towards Dublin.

I have a question about the airlines, air routes and the use of particular airports. What is the level of elasticity of their reaction to things such as air passenger duty? Is it a question of making an adjustment, with the result that you can see a relatively large impact, or are they very slow to move? What is the elasticity of demand and response on something of that nature from in the airlines' attitudes towards routes?

Ms E McGimpsey: I think that the report highlights the number of factors that are influencing airlines' decision-making. Yes, you could make a change to APD that could knock that route up from their top five routes to their top three routes and into a new route. However, it is a factor. We cannot say that x number of new routes will come on board within the next two years because of a change in APD, although that is not to say that it is not something that we should look at in more detail.

Mr Weir: I appreciate that. I do not want to put words into Damien's mouth, but he talked earlier about APD as the golden bullet or certainly the biggest single factor, although it is not just as straightforward as an instantaneous switch. However, you are saying that there is a reasonable level of elasticity in the market in respect of the decisions that are made. Airlines will take a fairly calculated look at the financial situation and where profits can be made. Variations can then lead to a change in attitudes, at least in the medium term.

Mr Coleman: There is an interesting matrix in the report. I have not had a detailed look at it, but it looks at elasticities, time and cost factors, and different market segments. Airlines look at their markets in respect of different uses. A business passenger high-yield route needs frequency, whereas they look at social, domestic and pleasure use as much more elastic on their time. Therefore they might —

Mr Weir: Presumably airlines will also take a different attitude to short-haul and medium-haul routes. I do not want to start a fight between you all, but, even in Northern Ireland, we have seen particular operators switch between the City Airport and the International Airport, for example. There have been switches in that direction, with a route that was withdrawn mysteriously reappearing in one of the other airports a few months later. It is the same with Dublin. There can be movement. I suppose airlines look to see where the advantage is at any particular time.

Mr Hoey: It is opportunism; that is the market structure.

Mr Weir: Yes, and it will be a lot more responsive in respect of short-haul flights, given their nature.

Ms E McGimpsey: There are two things there. Airlines can move their planes very easily. They can have an aeroplane in Munich one day and in Belfast the next; that is not a problem. It is not about the

positioning of the aircraft or making that decision. However, the factors that influence the decision to move in the first place make it a much longer process. Airlines are very flexible with the aircraft but not with the decision-making.

Mr Weir: Yes; I understand that.

Mr Hoey: There is also the issue of the spectrum of air carrier that you are looking at, Peter. Part of the answer to your question may be that different airlines are impacted by different issues. As Ellie said in the opening statement, it may well be that an Emirates is not influenced by the same set of rules or constraints as a Ryanair. I am sure that a massive assessment is done on whether British Airways, or one of the other major global flag carriers, should set up in a market. As is covered in the report, it may be that interlining, connectivity, going through their own hub, for example, are all major considerations for airlines. In the grand scheme of things, air passenger duty — or, at least, short-haul air passenger duty — is not a major influencing issue.

The issue with United Airlines was that what we were experiencing here was so out of kilter with what was available in Dublin. An airline sitting in Chicago looked at a little island over here and said, "There are two airports exactly beside each other on the map. The tax is nothing at that one, but, 90 minutes or two hours up the road, there is a tax. That is ridiculous, so we will take that route away." The point was made earlier about the intervention of the Chancellor of the Exchequer, which we appreciated. However, the more important intervention was that of the chief executive officer of United Airlines. He basically said, "Listen: I am dealing in a world of reality. I have a company that is possibly bigger than the economy of Northern Ireland. This does not make sense to me, and I will take the route away unless you change it." Thankfully, it was changed, which at least gives us a bedrock on which to work.

The point is that it differs between airlines. If tourism and our economy are to flourish, we need to influence direct access connectivity between ourselves and Dublin. Dublin has been very clever about how it has done it. It focused on that even five years ago when, quite frankly, the whole bottom could have fallen out of things. Dublin is now back into growth mode. It has achieved that by impacting the issues that affect the airlines at the base level. Dublin has looked at air passenger duty and how it incentivises airlines at an airport charge level. It has looked at facilities and how it markets. A large part of Dublin's marketing is done here in an attempt to extend its footprint and draw more people down because of the lack of choice here.

In April 2013, VisitBritain did a report that looked at aviation, connectivity and the economy. One interesting finding in that report is that direct connectivity produces 20 times more business than a connection over a hub. Direct access is essential. I am not for one second decrying Heathrow, because Heathrow is vital to Northern Ireland, as, indeed, is diversification into other hubs. However, direct access from the market adds so much more. A Polish tourist will not find their way to Belfast via Heathrow when they can fly direct to Dublin, Edinburgh or somewhere else. You need to find a way of developing and sustaining direct access.

Mr Tierney: I will expand on a point that Uel made, which is related to a point that I made earlier. Different airlines have different priorities. We have to remember that more than 90% of the aviation business in Northern Ireland travels back and forward between here and the UK. The bulk of that business is carried by low-cost carriers such as Ryanair and Easyjet. Those carriers are particularly influenced by APD. Those are the ones for whom APD is the single biggest factor. Ryanair is our primary carrier. Every time we have a discussion with Ryanair about new routes or expanding existing routes, the first question that it brings to the table is about APD.

APD has a significantly stronger effect on low-cost carriers than on the other carriers that Uel talked about in respect of direct access to northern Europe and further afield. However, those carriers carry most of the passengers out of Northern Ireland every year. That is where the impact is, and that is why the change in APD for the higher bands has not had the same impact across the rest of the aviation sector. The vast majority of our business is with low-cost carriers between here and the UK, and that is where the influence of APD is strongest.

Mr Cree: That is very interesting. I found the elasticity charts very interesting, but we have probably talked about that long enough.

We aspire to have a link with Canada. We obviously start off from the position that we are at. There are 12 flights from Dublin. How will you go about trying to secure that link?

Mr Hoey: There are 19 flights from Dublin now. Another link is about to open up. Next year, Aer Lingus will fly seven a week, Air Canada rouge will fly seven a week, and Air Transat is programmed to five a week. Therefore the problem has been compounded rather than improved.

We have a strong case history. We have plenty of material that shows the link between here and Ontario, in particular, and other further-afield parts of Canada. We talk regularly to three airlines about this subject. You will have heard from the officials earlier that the Minister of Enterprise, Trade and Investment is co-joined with us in the effort to re-establish a Belfast to Toronto link and was out there in the past two weeks.

We have the history, and we can show that the linkage is there. Some five million people in Canada claim Irish ancestry, but two thirds of those claim ancestry from the nine counties of Ulster. Therefore if there is to be a route, in theory, it ought to be into Belfast or Derry; it ought to be into the northern part rather than focused entirely on Dublin. We are working on that.

As Ellie said, the airlines are looking for proof of a market; they are looking for evidence that they can put on a programme that will make sense over time. They cannot just look at a product that will do well for two weeks in the summer; they want to be sure that they can do it over a period in the summer. Most pertinently, they are looking for some imaginative support to get it up and running. We were successful in getting Continental Airlines— which mutated into United Airlines — on the New York link because we had an air route development scheme which was allowable at that time, and £1.2 million was invested as an incentive to the airline to set up the route. Over the past eight years, that £1.2 million has, at a conservative estimate, generated about £150 million of economic value back into Northern Ireland. Therefore as far as foreign direct investment (FDI) projects go, such development projects are no-brainers, for want of a better word.

As far as Canada goes, and America for that matter, that is one of the key things that we need to look at in conjunction with an air transport strategy. United Airlines operates a 175-seat aircraft here; it has 159 seats in the back end of that aircraft and 16 in the front. It can easily fill the 159 seats every day, but they have always found a challenge in this market in getting the corporates to fill the 16 seats at the very high price that they can get at the front end.

Conversely, the issue in Dublin is that, because of the level of competition, United Airlines has to discount the back-end of the aircraft in order to fill the leisure end, but it fills the front end every day. There has been a bit of coverage of it lately, and it has all been batted back with regard to tax havens, tax incentives and one thing or another. However, this is why they fill the front end every day: the 10 largest multinationals that invest in Ireland — Intel, IBM, Pfizer, Google, Apple and so on — generate more than 30,000 direct jobs. They have been encouraged to come into the market, and they generate those jobs directly. OK, they are not punished with regard to tax, but the 30,000 people who are working in those 10 multinationals fill the front end of each of Delta's, American's, United's, US Airways's, Air Canada's, Emirates's and Etihad's aircraft every day. Without ever putting a passenger in the back-end of the aircraft, the routes are viable. Such is the strength of the economy that has been generated through the existence of those companies in the market that the airlines do not need to fill the back-end.

Therefore the biggest challenge for us — in tandem with developing an air transport strategy — is the need to develop in parallel the kind of inward investment strategy that brings those companies into the market. That might be done through the devolution of corporation tax or some other imaginative step. The two things are conjoined. If you do not have the right kind of business, you cannot develop long-haul markets. One thing that I would say about the change in air passenger duty — which, in theory, ought to have given us a leg-up to get the Belfast to Toronto route back on the map — is that it has simply allowed us to preserve the United Airlines link to New York. Had we not changed air passenger duty, that would have been gone within a week.

At present, we are standing still. There are a number of other things that we need to do to develop the long-haul market, but, first and foremost, we must identify incentives — be they incentives within EU law that have already been discussed or, more pertinently, imaginative marketing incentives — that will give people a couple of years of a leg-up to get those routes re-established, and then we can move forward. However, we need to deploy imagination in order to help things forward. I am sorry for the long-winded answer.

Mr Cree: No, that is very interesting; it is food for thought. I appreciate the link between FDI and the air routes. However, I am a little concerned. My papers tell me that there are 12 departures a week. Were extra departures added this summer?

Mr Hoey: Twelve departures for where?

Mr Cree: Air Canada and so on.

Mr Hoey: Yes. Those departures come online from April next year. They have already been announced.

Mr Cree: I would hate to be fed duff gen. *[Laughter.]*

Mr Hoey: No. It could not happen.

Mr Cree: Sorry about that. Thank you.

Mr Mitchel McLaughlin: There is a strong argument for, and agreement on, the need to address this issue, but we are dealing with not just European law but the British Government's policy, which seems to be fairly settled. We are talking about imagination and creativity, which, if we are to be honest, may be in short supply. It requires a collaboration between your sector and ourselves. Perhaps we can reduce the discussion.

I understand that the people at the table are competitors, but if we had a project that we could champion, as the United issue provided, you could command attention. If we can develop a proposition of nil cost to the Treasury, we may get a bit of imagination and flexibility back. An agreed project will not be easy. There are only three of you at the table, and if you could only see us in the Assembly trying to find common ground. If we could work this out on the basis that we believe that we have a case that we can demonstrate and are moving forward on a project-led, evidence-based proposition. I would like to hear from you at some stage.

Mr Hoey: You are quite right: there are three of us at the table, and we each have our own issues to attend to. At the end of the day, we are all running businesses. We have been in discussion with DETI and, to a large extent, set out our parameters for this issue. We do not believe that there is a great deal of requirement to intervene in the UK market, as it is probably over-served. We already spoke about its level of maturity. Nor do we feel that there is any requirement to encourage people to fly off to Florida or the Canaries.

I would counterbalance one point made earlier about the outbound travel industry. Much as it is seen as a drag on the economy — it is easy to see it that way as it sends people elsewhere to spend their money — it supports a huge number of jobs in the travel trade and the infrastructure to operate the industry here and in the UK. There is a great deal of value in it.

Where we have got to with DETI, and where this project probably needs to be crystallised, is that the three of us probably have different agendas and imperatives. I am sure that we could come up with 10 or a dozen routes. It would not be one route because I could say that the only thing of importance here is Belfast to Toronto. There have to be a number of things for connections that are important.

The easy way to measure it — and, again, I took it from VisitBritain — is to look at the powerhouse economies or cities of the world, which is what they are called. There are only four in Europe. We are connected to London and Paris; however, we are not connected to the Rhine/Ruhr area of Germany, nor are we connected to Milan. Those seem to be the places that matter in Europe.

There are six or eight places that matter in America, New York being the primary one. Equally, we need to find a way to be better connected to the BRIC economies, to Mexico and to South Korea. Perhaps we will never be directly connected to them, but a project that we feel is valid is to look at a good one-stop option to hit those economies, whether through an Emirates, an Etihad, a Turkish or any other airline.

Northern Ireland needs to be able to tap into those markets directly. By way of comparison, Emirates operates a service from Newcastle in the northeast of England; it opened 150 seamless one-stop markets to Newcastle by that one route. Newcastle Airport handles £174 million of freight and more than £150 million worth of travel on that one service each year. That is an example of a single project that could make a difference. Equally, I understand that getting routes to airports in Germany,

Scandinavia, London City Airport, Schiphol, Toronto, Boston and Chicago are all valid projects, yet we send people in large numbers down the road to Dublin.

Mr Mitchel McLaughlin: I am trying to streamline the argument if we can. There are three competitors sitting at the table. If we are going to take forward three projects or 10 projects so that it is all-encompassing, we will probably lose the point of it.

In answer to Lesley, we have been given information today and you are able to update it. That is how fast the situation is moving and how fast our competitors are moving. In the meantime, we are doing scoping studies and are not negotiating with anybody. There is also going to be procurement to bring in additional people such as consultants and whatever else. Unless we can cut to the chase, goodness knows where we are going to be this time next year.

A particular example was given, which as that, in extremity, we got the attention of the Chancellor. He responded and that was to save an airline. What we have to do is to try to develop an argument. If it is not quite as potent as saving an airline or making an immediate and urgent intervention, it should be an agreed position through which we are presenting a proposition for building and developing our economy. It cuts to the chase in a way, gets us into the game and starts the necessary negotiations. By the time we complete this study, it will be out of date and it will have limited value to the negotiations. I want to get at the job and I do not think that we are getting there.

Mr Hoey: I appreciate that very much. I will defer to my colleagues to get their view. However, we could be in danger of generating a lot of paper and ending up with a report that will gather dust on a shelf and be recycled in several years' time as toilet paper. That has happened before. We need outputs and actions, as we are in an industry that requires outputs. We cannot continue to function unless we get economic outputs.

Mr Mitchel McLaughlin: If you can give our Ministers a project to pursue, the policy development will be dragged along and — we are talking about aeroplanes — move into the slipstream.

Ms E McGimpsey: Belfast City Airport is more than happy to work with Uel and Damien on that. Perhaps that project is not about what the end goal is. It might not be a route-specific project or about the top 10 routes but a means of getting those routes sold.

Mr Mitchel McLaughlin: That is exactly it.

Ms E McGimpsey: I am certainly more than happy to give it consideration.

Mr Coleman: It would also be the means to show how easily that would be turned into economic outputs.

Mr Mitchel McLaughlin: Exactly. If you can demonstrate the effect. That will also convince those colleagues in the Assembly who remain to be convinced. They are trying to protect what we have. If they can be convinced that this is an opportunity for expansion and development, it will be easier all around.

Mr D Bradley: Some of the ground has been covered already. Uel, you said that Dublin is the main comparator and that it has taken a number of proactive decisions to consolidate its position. One of those was the pre-clearance of passengers on transatlantic flights. Will you give us some detail about what is involved in that?

Mr Hoey: I could in so much as I have enough detail on it, Dominic. I think that pre-clearance facilities first emerged in Shannon Airport some years ago as a result of a stopover there. They were later extended to Dublin and taken on in a much larger way because of the volume of activity there. I am given to understand that it is run through the American authorities — the provision of those facilities is a decision for the American authorities, and they are funded by them. It is a bit like the eponymous rail link to the airport. You need to break even with the level of activity that you have to make the facility pay. I do not know precisely what that is, but it is a distance above what we have. We could say that we have 100,000 passengers travelling transatlantic; Dublin has 1.6 million or 1.4 million, and the game is lost and we will never get anywhere close to that. However, it is not much above 100,000 that it would start to work. It is a bit of a chicken-and-egg situation.

We are on a small island, and Dublin has all the advantages of pre-clearance. We know from our trade people here, and, again, I go back to the issue that I quoted earlier to Leslie, that it is not so much about the leisure traffic. The average leisure passenger will travel from Derry or Coleraine to Belfast and be quite happy to fly through here and stand in a queue in Newark airport behind 500 other people and wait their turn to go through. The business person, whom the airline needs at the front end of the aircraft, is not prepared to do that. If they are sitting in the north-west and they can get a limousine provided by an airline to take them directly to Dublin airport and drop them off at the front door, they go through pre-clearance, and when they arrive in New York, they are away. They are doing that, and they are doing it in a big way. It is a challenge for us to provide the same service in order not only to sustain but to aspire to a level that we can develop additional transatlantic links to boost the economy. It is a chicken-and-egg situation, but it is an aspirational thing, and we think that it is important that it is looked at seriously here because we are at a serious competitive disadvantage with Dublin on it.

Mr D Bradley: You also mentioned "The Gathering", which is the tourism initiative in the South. Do you have any indication of what impact it had on passenger numbers?

Mr Hoey: I do not know. Sorry, I am cutting across.

Ms E McGimpsey: Passenger numbers at Dublin airport have grown by 5% in the past six months, if that adds any detail.

Mr Hoey: I have seen positive numbers quoted. I do not think that it will have affected us that much because it is an external agenda. It is pulling people in. I am in danger of sounding like Ronnie O'Sullivan: I could say something without being able to back it up. Sorry, if that is lost on people. *[Laughter.]* I have heard from airlines, as, I am sure, have my colleagues, that the airline fraternity works on the basis that we should be imaginative enough to seek forgiveness rather than clearance for things. That is how they do it. They get on with the thing, do it and then worry about the consequences when they have developed the economic springboard. As far as the issue here goes, sorry I have lost my train entirely. What was your point again?

Mr D Bradley: I was asking you about "The Gathering".

Mr Hoey: I knew that I would come back to it eventually. I believe that "The Gathering" put about £12 million funding into an initiative to encourage additional access and activity, which, I suspect, has been highly positive. I see the outputs, but I think that the imagination that is deployed around it is that you can probably use that funding to do all kinds of things. You can say to an airline that, as part of "The Gathering", there is an incentive to put on additional flights. You can get all kinds of limbs coming out of such a broad scale initiative. There is nothing to hinder this part of the world doing the same thing and creating a cloak for doing things that apparently cannot be done under stringent European law.

Mr D Bradley: I see that Scotland had a type of gathering some years ago, and now they have an initiative called Natural Scotland to draw people in. Thanks very much for that.

The Chairperson: I was going to ask what you would call the gathering in the North.

Mr Weir: The parade. *[Laughter.]*

The Chairperson: Thank you very much for your presentation and for the question-and-answer session. This has been a very productive session. We realise the urgency of the situation if we had not done so before. Finally, I thank the international airport for hosting us here today.