

## Information

04 November 2009

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### **IRELAND DETERMINED TO BECOME A NO-FLY ZONE?**

#### **Fewer passengers, higher fees creating a 'vicious spiral' says AEA**

Hot on the heels of the Irish air passenger tax, which has added €10 to passenger journeys and contributed to a fall in passenger numbers at Irish airports of 15% this summer, comes the news that Ireland's air navigation provider will increase the fees it charges its airline customers by 17% next year.

The Association of European Airlines, which represents Europe's most important network carriers, has condemned cost-recovery pricing as a substantial contributor to the industry's financial difficulties and an obstacle to recovery. AEA Secretary General Ulrich Schulte-Strathaus explains: *"Air navigation providers, along with some other elements in the air transport value chain, have the ability to recover lost revenues and lost profits by jacking up their prices, because they are monopolies, not governed by the discipline that a competitive market imposes. A cost-recovery pricing regime offers no incentive to cut costs or improve efficiency"*.

In the case of Ireland the situation was exacerbated by the impact of the passenger tax introduced last April. *"It doesn't take a genius to work out what will happen when you put a €10 surcharge on airfares in the middle of the worst recession on record"*, he said; *"your traffic will go into free-fall. If this results in a massive hike in user fees, you have initiated a vicious spiral which, for the sake of the Irish economy and the travelling public, cannot be allowed to take hold"*.

Mr Schulte-Strathaus noted that EU Transport Commissioner Antonio Tajani had written to EU Member States, urging them not to approve increases of levies imposed on airlines by airports and air navigation providers during the market crisis. *"Some have reacted positively, and we applaud their efforts. Others continue to hide their inefficiencies behind the screen of cost-recovery"*.

He called on the Irish Government to scrap the ticket tax and stimulate the market, and at the same time impose efficiency targets on the air navigation provider by freezing user fees. *"Aviation can drive the economic recovery"*, he said, *"and*

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*especially so in the case of islands in the periphery of Europe, which depend upon aviation as a means of trade and tourism. What the Irish government has failed to see is the implication of penalising aviation, and thus jeopardising employment, by the twin burdens of a heavily taxed customer base and an overpriced and underproductive infrastructure”.*

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Note to the Editor: The Association of European Airlines (AEA) brings together 33 European established scheduled network carriers. These collectively carry 366 million passengers and 7 million tonnes of cargo each year, operating 2,617 aircraft serving 662 destinations in 162 countries with 11,585 flights a day. They provide around 394,200 jobs directly, and generate a total turnover of €79 billion