



Air Travel Tax: letter from the Director General of IATA to the Minister of Finance of Ireland, Mr Brian Lenihan, T.D.

21 April 2009

Dear Minister,

Further to my letter of 15 October 2008 to Prime Minister Cowen, I am writing to once again urge your Government to withdraw the Air Travel Tax that came into effect on 30 March this year.

The impact of the Air Travel Tax on aviation in Ireland is dramatic at this time of crisis. Passenger numbers using Irish airports in January were down 10% on the previous year. Flight frequencies - so important to serve Ireland's business sector - are suffering. The number of available seats was down 10% by April but the number of flights had been cut 13%. This is far worse than the EU as an average where seats have been cut 5% over the same period and flights by 6%. As a result Irish competitive advantage over its European competitors is being lost at a time when all possible measures must be taken to support economic growth.

You will no doubt be aware that the Dutch Government recently took the wise decision to abolish the Air Passenger Tax, introduced in July last year. The decision was based on a thorough review and in-depth analysis that established clearly that the tax had created an immediate and significant competitive disadvantage for the Dutch economy. The total financial damage for the Dutch economy was estimated at €1.2-1.3 billion in missed income for airports, airlines, travel agencies/tour operators and from foreign tourists. In addition, the total revenue for the Dutch Government was offset by increases of costs such as additional unemployment.

This Dutch example illustrates that passengers are highly price sensitive since they abandoned Amsterdam airport for other airports in neighbouring countries not applying the tax. Abolishing the tax as part of the Dutch economic stimulus package was absolutely the right decision and will help build a competitive future for the Netherlands.

Furthermore, and for the very same reasons, the Belgian Government late last year revoked a previous decision and decided not to proceed with the introduction of a new Air Travel Tax that would have brought revenue of an estimated € 133 million per annum.

So, while the trend is changing against such aviation taxes as governments now look at the broader economic picture, Ireland is going in exactly the opposite direction by penalising one of its most powerful economic catalysts. This discriminatory treatment that singles out and punishes the aviation industry is particularly ironic at a time when your Government is spending billions to bail out failed industries.

Moreover, there are rumours that a specially appointed Irish tax commission has reported on the desirability of a carbon tax to be introduced in Ireland. I take this opportunity to remind you that the any taxes on fuel used in international air transport are contrary to Article 24 of the Chicago Convention.

The state of the aviation industry today is grim. Demand has deteriorated rapidly by 5.7% over the year. Our loss forecast for 2009 is USD 4.7 billion on top of the USD 8.5 billion incurred last year. Combined with an industry debt of USD 170 billion, the pressure on the aviation industry balance sheet is extreme. It is vital therefore that your Government reverses its discriminatory and punitive treatment of aviation as a matter of urgency and seizes the opportunity to deliver a powerful economic stimulus.

Accordingly, I urge you to follow the examples of your European counterparts and withdraw the Air Travel Tax as a matter of urgency.

I look forward to hearing from you.

Sincerely,

Giovanni Bisignani
Director General and CEO
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Montreal – Geneva

Copy: Mr Noel Dempsey, T.D. Minister for Transport
Mr Colm Barrington, Chairman, Aer Lingus