



Austria Ecological Air Travel Tax: letter from the Director General & CEO of IATA to the Chancellor, Mr. Werner Faymann – copied to the Minister of Transport, Mrs Doris Bures, and the Vice-Chancellor and Minister of Finance, Mr. Josef Pröll.

Geneva, 5 November 2010

Dear Chancellor,

On behalf of IATA and its 230 Member airlines, representing 93% of scheduled international air traffic, I am writing to seek your urgent action to withdraw the proposal to introduce an 'ecological' air travel levy on passengers departing from Austrian airports from 1 April 2011.

In 2010, the contribution of travel and tourism to the Austrian GDP is expected to be €35.2 billion. The industry accounts for 13.4% of total employment (or 1 in every 7.5 jobs) in Austria and export earnings from international visitors are expected to generate 10.1% of your country's total exports¹.

The planned air travel levy would put the Austrian economy at a severe disadvantage through a clear deterioration in the competitiveness of Austrian airlines and airports in comparison to other main EU hub airports and particularly nearby airports in neighboring countries. With the present financial climate, passengers are highly price-sensitive – if flying to, through or from another European destination is less expensive - they will. The tax would be a clear incentive to go from or through other nearby airports, increasing the lengths of journeys and hence the overall carbon footprint. Bratislava is only 70 km from Vienna, Budapest 215 km and Prague some 250 km, all easy driving distances.

As you may know, the Dutch Government decided to abolish its own air passenger tax after in-depth analysis concluded that the tax was a competitive disadvantage for the global Dutch economy. This included missed income for airports, airlines and travel agencies/tour operators, not to mention the loss of expenditure from foreign tourists and business visitors. The total revenue for the Dutch Government was also marginalized by the increase in costs elsewhere such as additional unemployment. The EUR 318 million in additional tax revenue cost the Dutch economy EUR 1.2 billion. For the same reasons, the Belgian Government similarly decided not to proceed with the suggestion to levy an air travel tax in January 2009.

I would be remiss if I did not point out that this unwelcome tax announcement was made at the same time as the 'Bruges Declaration' emerged from the European Aviation Summit last week. It states that it is necessary to "*Maintain and improve a competitive European aviation industry ... in that context, avoid additional burdens (e.g. taxes on aviation) affecting European carriers' competitiveness*". Similarly, during a Q&A session with respect to climate change and why the Commission is bringing aviation into the EU ETS, the EU stated that "*...Compared with alternatives such as a fuel tax or charge, bringing aviation into the EU ETS provides the same environmental benefit at a lower cost to society - or a higher environmental benefit for the same cost. In other words the impact on ticket prices,*

¹ Economic Research by World Travel & Trade Council, available at www.wttc.org/eng/Tourism_Research/Economic_Research/Country_Reports/Austria

airline companies and the overall economy will be smaller for a given environmental improvement.” New taxes are clearly not seen as the right way forward at EU/European level.

Furthermore, we note that the proposed levy is presented as an ‘ecological’ measure. However, as far as we are aware, there are no plans to earmark the funds for ecological purposes.

This is not the time to add new tax burdens to the aviation industry. Europe continues to see the weakest increases in air traffic in global terms and its airlines are at a growing competitive disadvantage. The air transport industry is just starting to recover from skyrocketing jet fuel prices and the recent airspace closures owing to the volcanic ash plume, which caused losses of US\$2.8 billion for European airlines. A new tax at this time would be an unbearable additional burden when European airlines are projected to lose some € 1 billion in 2010.

I believe that the above are compelling reasons not to introduce the proposed Air Travel Levy and I therefore urge you to withdraw the proposal with immediate effect. IATA would be pleased to meet with you to explain this in more detail if you agree.

I look forward to your early reply.

Sincerely,

Giovanni Bisignani
Director General and CEO
IATA – International Air Transport Association
Montreal – Geneva