

# Opinion & Analysis

## State subsidies of internal flights the height of folly



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OPINION**

Short-haul flying may well be the most pollution-intensive form of travel so why is the State subsidising it?

**T**HIS GREAT little nation" was how an AIB bank manager once famously described Ireland in a letter to his kleptocratic client Charles Haughey. The ghost of our late taoiseach must have been looking approvingly down on the Anglo Irish Bank corporate hospitality box in Croke Park in recent days. Despite their role in bringing this great little nation to the brink, the corporate champagne continues to flow.

Another of Haughey's legacies was to approve funding for Knock airport, which he officially opened in 1986. It never made much sense to have an airport there in the first place. But Irish politics and common sense often seem, at best, mere nodding acquaintances.

This week, Aer Arann was advertising flights to any airport in Ireland for a recession-busting €10 each way. Even if you miss out on these specials, you can easily pick up a ticket for €30-€40, which is still well below Irish Rail's Dublin-Sligo ticket price.

On the other hand, you might wonder how anyone could possibly run an aircraft from Dublin to Galway, Sligo, Knock or Kerry and charge passengers just a tenner? An Aer Arann spokesman said that because of the economic crisis, load factors on planes are

down, so these are "loss leader fares, we're taking a hit on them".

And so are the rest of us. For every passenger who boards a flight from Dublin to Knock, the Irish taxpayer chips in about €290 towards their fare. Seriously: €290. Each way. That's about €100 more than a week's dole money (or what bank chief Brian Goggin earns every 18 minutes or so).

A plane with, say, 50 passengers on a round trip from Dublin to Knock lands the taxpayer with a bill for close to €30,000 – even if some of the passengers were themselves only paying €20 for the spin. What's more, short-haul flying is about the most pollution-intensive method possible of getting around.

Taxpayers' money comes in the form of direct subsidies known as Public Service Obligations (PSOs). These are handed out to airlines to prop up internal flights. These subsidies amount to an average direct subvention of over €140 for every single passenger on an internal flight made on the six routes covered by PSOs. Between 2002-2008, these cost the taxpayer almost €100 million. This is no small beer.

Ryanair's boss Michael O'Leary has poured scorn on this heroic waste of money: "At a

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time when we need hospitals, the State is subsidising rich people to fly from Knock and Shannon to Dublin." Ryanair's indignation didn't prevent it from dipping its own beak in the public trough, when it beat Aer Arann last year in a tender to run PSO flights on the Dublin-Kerry route.

Our flights of folly don't end with generous PSOs to fund short-haul flying. Many more millions are poured into subsidising regional airport development, with almost €100 million in the National Development Plan for this very purpose. Its next major subsidy is that aviation fuel is tax and duty free, while airline tickets are VAT-free.

Also, airlines were exempted from the EU's

Emissions Trading Scheme, meaning they don't pay a cent towards their CO<sub>2</sub> emissions. That loophole was finally shut two weeks ago. All flights in or out of EU airports will from 2012 have to buy CO<sub>2</sub> allowances. The EU is also angling to have a global aviation emissions scheme agreed in the climate conference in Copenhagen this December.

Ireland's emissions from aviation have increased by 290 per cent from 1990 to 2003. Across the EU, aviation emissions are growing rapidly. With such extraordinary opaqueness about the true cost of funding them, small wonder airlines are able to continue to offer farcical €10 fares on routes that would be better served with a high quality train or bus system.

While the argument is repeatedly offered that airports have a key role in regional development, it's hard to escape the conclusion that having 11 airports on an island as small as Ireland has had more to do with parish pump politics than balanced, never mind sustainable, regional strategy.

To compound the folly, in the case of Sligo, Galway and Kerry, these hefty subsidies are allowing the airlines to compete with existing rail links. Yes, trains need subsidies too, but the average mainline rail ticket subvention of

€10.70 is a fraction of that paid for internal aviation (road building, with €1.44 billion in the NDP for 2009 alone, is also heavily subsidised).

Irish Rail points out that the 2003 strategic rail review valued its environmental, economic and mobility-related benefits to the State at about €1 billion a year. Railways provided 44.7 million passenger journeys last year, up almost 50 per cent on 2000. Just as well too, given the road congestion this spares.

In another retrograde step, Irish Rail recently announced it was closing its Fastrack package distribution service on economic grounds. Meanwhile, bus workers are preparing to strike later this month in protest at up to 600 planned redundancies.

Economist Richard Douthwaite points out the irony that the most environmentally damaging sectors such as aviation are being feather-bedded rather than penalised by the State. Apart from scrapping the PSOs, he suggests a modest fuel levy on private cars could be used to keep the full fleet of buses on the road. Taxes, he argues, should be directed away from labour and on to consumption, including carbon. Sounds far too sensible to ever catch on here.