

Low-cost carriers: Subsidy hunters – here today, gone tomorrow

Low-cost carriers rely on discounts from airports and public subsidies. If they do not flow to the carriers in rich amounts, the carriers will move elsewhere. Here are just a few examples:

Worth comparison

Established airlines regularly underbid the prices of low-cost carriers. Take, for example, a weekend excursion from Munich to London and back:

Travel date: 13 Nov – 16 Nov 2008
 Booking date: 3 Sept 2008

| | British low-cost carrier | Lufthansa |
|--------------------|--------------------------|-----------------|
| Flight | 130,76 € | 97,66 € |
| 2 beverages | 10,00 € | incl. |
| Transfer downtown | 17,20 € | 9,80 € |
| Total costs | 157,96 € | 107,46 € |

Economy flight for one person, incl. charges, seat reservation, and one piece of luggage weighing up to 20 kg.

EasyJet: Subsidies, yes; employee benefits, no

Just before a controversial support program expires at the Dortmund city airport, the British airline easyJet announces it is pulling out. Now that the low-cost carrier has exhausted heavily subsidised airport charges and marketing support payments, which it had been receiving since 2004, its over 100 Dortmund employees are now looking at uncertain futures. Their English employment contracts offer no protections comparable to German standards in the event of lay-off. The British employer did not pay contributions to German social security providers. And, by the way, the airport's mountain of debt has grown to more than €150 million since 1995. As the main shareholders, the municipal utilities – and thus all the citizens of Dortmund – must assume the entire debt.

Ryanair cutting flights from Hahn

While passenger volume is rising throughout Germany, the numbers for Hahn Airport dropped nearly 6 per cent in the first half of this year. The reason for this is that Ryanair has markedly reduced the number of flights there. At the same time, the Irish airline is now bringing into play a new site located 125 kilometres away. It is developing new connections at the Zweibruecken mini-airport and thus playing the airports off against each other. It is little consolation that the low-cost carrier is reducing its flights also at other locations. Between November and December, for example, Ryanair will reduce the number of flights taking off from Basel-Muehlhausen. Incidentally, before it took its decision, the airline had demanded lower airport charges.

Probe state aid

“Subsidy hunters” of this kind are shouldering taxpayers with enormous sums. Policymakers and the judiciary are well-advised to put a stop to this practice. Lufthansa's legal stance on this issue has also been resoundingly vindicated by the EU Commission's initiation in June of a probe into state aid for the Hahn Airport. The airline has filed a complaint with the appellate Higher Regional Court of Koblenz against the operator of the Hahn Airport for allegedly granting illegal state aid to the low-cost carrier Ryanair. And the German Federal Court of Law is also looking at subsidies paid to Ryanair. For years, the Luebeck mini-airport has been refusing to allow the authorities to examine its contracts with the Irish airlines. Whatever the outcome of these proceedings, Ryanair must finally pay fees that cover airport costs.

Beware of bargains

Some low-cost carriers are becoming ingeniously creative in saddling travellers with additional costs – they are ringing up special check-in fees at the airport, overpriced travel insurance policies, and exorbitantly expensive phone-calling service. The EU is trying to take countermeasures and demanding more transparency. The relevant regulation is expected to go into force at the end of the year, but until then passengers will have to exercise caution when it comes to offers of bargains.