

**York Aviation**

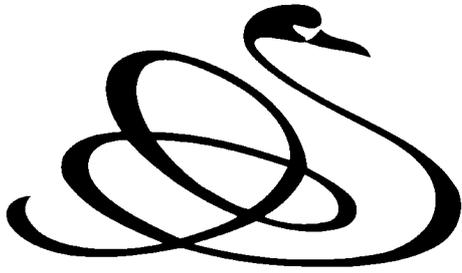
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**EUROPEAN LOW FARES AIRLINE  
ASSOCIATION**  
(in association with the Forum of European  
Regional Airports & the Assembly of  
European Regions)

**SOCIAL BENEFITS OF LOW FARES  
AIRLINES IN EUROPE**

**November 2007**

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## ***Low Fares Airlines in Europe are estimated to support...***

- ***over 26,000 direct jobs***
- ***over 110,000 airport related jobs***
- ***over 288,000 indirect and induced jobs***
- ***total employment in Europe of more than 427,000***
- ***€1.9 billion of Gross Value Added***

***Based on future aircraft orders to 2014, direct jobs supported by LFAs could grow to around 46,000 by this date, delivering €2.2 billion of wages and salaries and supporting around €3.4 billion of GVA.***

## EXECUTIVE SUMMARY

### Introduction

1. York Aviation LLP was commissioned by the European Low Fares Airline Association (ELFAA), the Forum of European Regional Airports (FARE), and the Assembly of European Regions (AER), to undertake a study into the social impact of Low Fares Airlines (LFAs) in Europe. The objective is to increase awareness of the significant social benefits generated by the growth of LFAs, which derive not only from the growth of employment opportunities across Europe, but also from the unprecedented regional connectivity provided by low fare air services.

### Background

2. The role of air transport as a substantial employer and direct generator of economic prosperity is widely acknowledged, as is the industry's ability to facilitate and drive wider economic activity through the connectivity it provides. This role is consistent with the objectives of the single market to create an area without internal frontiers, and of the more recent Lisbon Agenda with its emphasis on competitiveness, productivity, and the creation of jobs.
3. The single market for air transport was implemented gradually in three 'packages' during the course of the late 1980s and early 1990s. This liberalised market made possible the emergence of LFAs, which have since grown to represent around 30% of intra-European point-to-point scheduled passengers. ELFAA members represent around 75% of the total European low fares market and carried over 100 million passengers in the year to June 2007, operating almost 3,000 daily flights.
4. Although there is no single definition of an LFA, there is a common understanding of what an LFA is, based largely on the characteristics of the business model, with features such as modern aircraft with single-class cabins; few or no on board frills; point to point services that are often operated to and from secondary airports; the use of and simple ground facilities; direct (mainly Internet) ticket sales; and a highly-incentivised workforce.

5. ELFAA estimates that approximately 140 million passengers were carried by LFAs within Europe in 2006. The SRS Low Cost Monitor estimates that in 2006 LFAs accounted for 28% of all intra-European capacity and are expected to account for 43% by 2011. 280 European airports now have an LFA presence.
6. The success of LFAs has stimulated greater efficiency and competitiveness across the whole aviation industry. This has had a knock-on effect on the traditional full-service airlines and the charter carriers, as well as on the way in which airports operate.

### Employment & Income Impact of LFAs

7. Our analysis shows that approximately 19,100 full time equivalents (FTEs) were employed by ELFAA members in Summer 2007. We estimate that LFAs as a whole employ around 26,600 FTEs in Europe.
8. We further estimate that the jobs supported by ELFAA members will result in the injection of around €918 million into the European economy in wages and salary payments in 2007, representing an average salary payment of around €48,000. LFAs as a whole accounted for an injection of around €1.3 billion in wages and salaries into the European economy and supported around €1.9 billion of GVA in 2007.
9. Based on planned fleet growth and employment patterns to date, we estimate that the direct employment supported by ELFAA members will increase to around 33,000 FTE jobs by 2014. This level of employment will result in an injection of around €1.6 billion in wages and salaries and support around €2.7 billion of GVA. Assuming similar levels of fleet growth in other LFAs across Europe, we estimate that 46,000 FTEs could be supported by 2014, delivering €2.2 billion of wages and salaries and supporting around €3.4 billion of GVA.
10. We further estimate that the operations of LFAs currently support around 111,400 additional direct jobs at airports across Europe. This 'direct' airport employment includes all types of on site airport employees, including those working in associated on-site airport activities, such as retail and car parking.

11. LFAs also support employment in local and regional economies through indirect (supply chain) and induced (expenditure of wages and salaries earned through direct and indirect activities) effects. We estimate that a further 289,700 jobs are supported in Europe in this way.
12. Across Europe as a whole, we estimate that at least 427,700 jobs are supported directly or indirectly through the activities of LFAs. With the planned growth in LFA fleets by 2014, the total number of jobs supported is estimated to rise to around 740,000.
13. These are jobs which in many cases would not otherwise exist, and which are filled by a wide range of nationalities and from regions where unemployment rates are often high. The majority of these jobs being supported at regional or secondary airports, they can be regarded as truly incremental.

### **Social Impact of Employment**

14. Recent studies by IATA and the ECA show that the substantial cost gap between LFAs and full service carriers is not primarily generated by savings on direct labour costs, but comes from other areas such as reduced infrastructure costs and improved aircraft utilisation. Another study by the UK Civil Aviation Authority (CAA) on the effect of liberalisation on aviation employment concluded that the evidence from the UK is that liberalisation of the aviation market has facilitated growth, has created more jobs, and has not led to any material reduction in the total value of the remuneration package for airline employees.
15. Aside from the absolute number of jobs created, it is important to note that pay rates and terms and conditions, when taken as an overall package of benefits, are attractive and competitive, as they need to be to enable LFAs to fill these jobs in this highly competitive and rapidly expanding market. LFAs also have a strong track record as equal opportunity employers.
16. Despite a perception in some areas that there is a high degree of operational pressure on flying crew, there is no evidence that this is the case; overall flying hours are already strictly regulated and the new aircraft in the fleets of

nearly all LFAs feature the latest flight-deck technology and equipment, specifically designed to reduce the workload pressure on pilots when flying.

17. We are aware that allegations have been made in some quarters that the employees of LFAs receive a lower standard of pay, benefits, and working conditions than is the case in the wider airline industry. Reference has even been made in some quarters to 'social dumping'. We have found no evidence to support such allegations and we are not aware of any other reports which contain any such specific evidence, other than noting unsubstantiated and subjective opinion. Overseas-based staff of LFAs are employed on the basis of operational need, which is in turn determined purely by geographical demand and not by any desire to lower wage costs. It would not make economic or operational sense to move lower wage employees around from country to country as part of an airline's overall operation and the costs would clearly outweigh any potential savings.
18. Although the employees of LFAs work in a highly competitive '24/7' market requiring a high degree of productivity and efficiency, we have seen no evidence of less favourable pay and working conditions of the employees of these carriers that would require legislative intervention. Such intervention would run the risk of placing constraints on the industry, putting growth into reverse and costing jobs.

### **Wider Social Benefits**

19. Recent years have seen an explosion in the level of point to point connectivity primarily driven by LFAs. This rapid growth has brought with it a wide range of social benefits, including new tourism industries, a greater level of European cohesion by connecting peripheral or inaccessible regions, the provision of increased mobility to the growing European labour market, and an enhanced quality of life.
20. The provision of air services is about the provision of connectivity, the ability to move people and goods from one place to another, bringing substantial benefits to society. LFAs have been the primary drivers of the growth in intra-European connectivity in recent years:

- the number of city pairs served by ELFAA members has grown at a rate of around 29% per annum over the period 2003 to 2007 compared with other airlines that have grown their connectivity at only around 5% per annum;
  - LFAs have gone from being active on around 13% of city pairs served in 2003 to over 26% in 2007;
  - between 2005 and 2007 airlines as a whole within Europe expanded intra-European connectivity by 426 city pairs. Over the same period, ELFAA members expanded connectivity by 413 city pairs or around 96% of the total growth in connectivity; and,
  - ELFAA members have expanded connectivity to/from Central and Eastern Europe at an even greater rate since 2003. In 2003, ELFAA members served 14 city pairs, while in 2007 this had expanded to nearly 200.
21. Perhaps the most easily understood benefit for regions of the low fares revolution has been the development of tourism. The role LFAs have played in developing tourism in the EU in recent years stems from their ability to open up new markets, 'damp down' seasonality, and stimulate new traffic rather than diverting existing traffic.
22. The benefits brought to regions by additional visitors include additional local expenditure and jobs which in turn leads to increased demand for goods and services locally through indirect and induced effects. The continued influx of overseas visitors allows greater investment in public services, and the opportunities presented by the expansion of the tourism sector lead to improved investment in training and development and greater opportunity for entrepreneurship and innovation. The growing availability of low fares services has also been a major stimulant to the overseas property market in a number of EU member states.
23. There are a number of areas where LFAs have a particular role to play in promoting European cohesion, allowing people to migrate effectively, and bringing into being a true common market for goods, services, labour and capital. In particular, peripheral areas of the EU can often only be served by LFAs, because their point to point focus and very low costs enable them to operate in these relatively small or immature markets.

24. Quality of life is increasingly a factor in people's decisions about where to live and work. LFAs also influence lifestyle choices by allowing people to visit friends and relatives in other parts of Europe more regularly and more easily. As the EU becomes ever more integrated and more migration takes place, this will become an increasingly important benefit for migrant workers, for students seeking educational opportunities, or for retirees seeking a different lifestyle.

### Conclusions

25. Air transport contributes significantly to the aims and objectives of the European Vision of increasing prosperity and ever closer union between the peoples of Europe. LFAs have a particularly important role to play in driving connectivity across Europe and in supporting employment growth and competitiveness.
26. The Low Fares Business Model has brought very rapid growth of new services and an explosion of improved connectivity within Europe. LFAs now account for around 30% of all scheduled intra-European point-to-point passengers. The competitive impact of LFAs has been felt throughout the industry, including in full-service airlines and at airports.
27. The scale of the employment supported by LFAs across Europe, itself an important social as well as economic impact, is very significant. Across Europe as a whole, we estimate that at least 427,700 jobs are supported directly or indirectly through the activities of LFAs. Allowing for the aircraft currently on order, we estimate that the total number of jobs supported in 2014 would rise to around 740,000.
28. Although these levels of employment arise within the context of a highly competitive market, we have seen no objective evidence that the salaries or working conditions of employees of LFAs are less favourable than comparable conditions in the wider economy. There is therefore no case for legislative intervention in this area. Indeed, any further regulation of labour markets would run the risk of reversing the achievements of liberalisation and will ultimately make it more difficult to achieve the objectives of the Lisbon Agenda.

29. Aside from the direct social benefits that arise from the creation of jobs, there are also wider social benefits that emerge from the connectivity provided by LFAs. The opening up of peripheral or inaccessible regions, and the creation and stimulation of tourist markets, provide an unprecedented level of mobility to the European labour market and contribute to enhanced quality of life for EU citizens.



## 1 INTRODUCTION

### Background to the Study

- 1.1 York Aviation LLP was commissioned by the European Low Fares Airline Association (ELFAA), in association with the Forum of European Regional Airports (FARE), and the Assembly of European Regions (AER), to undertake a study into the social impact of Low Fares Airlines (LFAs) in Europe.
- 1.2 The purpose of this study is to increase the awareness of European air transport stakeholders of the significant social benefits generated by the growth of LFAs following the liberalisation of the European aviation market. These social benefits derive from a range of factors, not least from the growth of employment opportunities across Europe, but also from the unprecedented regional connectivity provided by new low fare air services, and the social mobility and social cohesion that arises from this connectivity.
- 1.3 It is hoped that this study may also complement research currently being undertaken by ECORYS on behalf of the European Commission, investigating the relationship between the creation of a single air transport market in Europe and changes in employment conditions that have taken place at the same time, as part of an analysis of the social effects of the liberalisation of the air transport sector.

### Methodology

- 1.4 Our starting point for this study was to examine the growth in direct employment supported by LFAs and the employment supported at airports across Europe and in the regions they serve by the growth of low fare air services. We therefore prepared a questionnaire that was distributed to ELFAA members<sup>1</sup> asking for current employment, salary and other information relating to the past five years.

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<sup>1</sup> A full list of ELFAA members is attached at Appendix 1.

- 1.5 We also asked for a range of other information concerning the number of passengers carried annually, number of airport pairs served, fleet size (by number of aircraft), number and location of bases, and current average one-way fares. This information enabled us to chart the development of low fares capacity over time, highlight the growth in point-to-point connectivity, and demonstrate the scale of benefits available to consumers from low fares.
- 1.6 Our employment analysis was further supplemented by the database of economic impact studies compiled as part of previous work undertaken by York Aviation for ACI EUROPE<sup>2</sup>.
- 1.7 We also conducted interviews with senior personnel from a number of LFAs, with regional airports, and with regional agencies and stakeholders, in order to illustrate the benefits brought by the growth of LFAs. We have set out these 'case studies' at intervals throughout this report.
- 1.8 We have also drawn on a range of other studies and data sources examining the role of low fares airlines in Europe, including the annual Low Cost Monitor reports that are produced by SRS/rdc, and recent studies undertaken by IATA and the UK Civil Aviation Authority (CAA). We have referenced such reports wherever they are referred to.
- 1.9 Our approach also encompassed an examination of the wider social benefits brought by the growth of LFAs and although it is difficult precisely to quantify some of these benefits, we were able to undertake a series of connectivity analyses focussing on the development of connectivity from LFA bases around Europe over time, making use of OAG data. The results of these analyses are set out in Section 3.

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<sup>2</sup> This includes information on the economic impact of some 58 airports from around Europe.

## The European Single Market and the Lisbon Agenda

- 1.10 The 'common market' within the European Community was intended to eliminate trade barriers between Member States with the aim of increasing economic prosperity and contributing to an ever closer union among the peoples of Europe, as envisaged by the authors of the Treaty of Rome in 1957. In the mid-1980s a more thorough approach to the objective of removing trade barriers was taken through the Commission White Paper of June 1985 and the 1986 Single European Act. The internal market was intended to create an area without internal frontiers, in which the free movement of goods, persons, services and capital would be ensured, and was accompanied by changes in the Community legislative system, designed to encourage adoption of the measures needed for its completion.
- 1.11 More recently, at the Lisbon Summit in March 2000, EU Heads of State and Government agreed on an ambitious goal to make the EU the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth, with more and better jobs and greater social cohesion. As part of this, there was to be an increased emphasis on competitiveness, productivity, and the creation of jobs.
- 1.12 In reviewing progress on the Lisbon Strategy, the European Commission adopted, in April 2005, a set of 'Integrated Guidelines for Growth and Jobs for 2005 to 2008'. This package sets out a comprehensive strategy of macroeconomic, microeconomic and employment policies to redress Europe's weak growth performance and insufficient job creation and was designed to introduce simpler and more focused EU governance by reducing the number of economic and employment policy guidelines to EU Member States and concentrating on core measures to create growth and jobs.
- 1.13 The role of air transport in contributing to these overarching objectives has been well documented and extensively researched and it is commonly acknowledged that the aviation industry is:
- a substantial employer;
  - a direct generator of economic prosperity; and,
  - an important facilitator and driver of wider economic activity through the connections it provides both within the EU and to the rest of the global economy.

1.14 This report does not re-visit the general economic impact of aviation within the EU, but focuses specifically on the employment and social benefits supported by the rapid growth of low fares air services within Europe. We summarise briefly below the developments in the liberalisation of the air transport market which have led to the emergence and growth of Low Fares Airlines.

### Liberalisation of the Aviation Market in Europe

1.15 It is sometimes easy to forget how much has changed in the air transport market over the last 10 to 15 years. Prior to this period, there were effectively only two types of air carrier – scheduled and charter – and there were numerous restrictions on the types of fares that could be purchased, which were often sold to the passenger through intermediaries, such as travel agents or tour operators. Scheduled services were largely operated by national carriers, which faced little or no competition and were often owned or supported by the State, offering connections between main airport hubs in preference to smaller regional airports. Charter services could largely only offer seats as part of inclusive tour packages and operated seasonally, primarily to mainstream holiday destinations. The frequency of flights was not comparable to that offered by low fares carriers today.

1.16 Furthermore, the industry was characterised by a high degree of regulation through bilateral agreements between countries, which limited the number of flights that could operate and the airlines that could operate them. Fares were similarly regulated, either through inter-airline agreements or through Government regulation. Unsurprisingly, given this lack of competition, fares remained very high.

1.17 The freeing up of markets within Europe, not only the aviation market, has always been an objective of the European Community. The creation of a single market for air transport was implemented gradually in three main stages:

- the **'first package'** of measures, adopted in **December 1987**, started to relax the established rules; for example, it limited the right of governments to object to the introduction of new fares, and gave some flexibility to airlines concerning seat capacity sharing;

- the '**second package**', adopted in **June 1990**, opened up the market further, allowing third and fourth freedoms to all Community carriers and offering greater flexibility over the setting of fares and capacity sharing; it also gave all EU carriers the right to carry an unlimited number of passengers or cargo between their home country and another EU country;
- the '**third package**' of measures, which applied from **January 1993**, introduced the freedom to provide services within the EU and, in **April 1997**, the freedom to provide 'cabotage' - the right for an airline of one Member State to operate a route within the national boundaries of another Member State (this single market was also extended to Norway, Iceland and Switzerland in following years). The third package also ensured, for the first time, full freedom to set competitive fares, airlines being no longer required to submit their fares to national authorities for approval.

1.18 This liberalised market prepared the ground for the emergence of LFAs, beginning with Ryanair, which adopted the low fares model in the early 1990s, based on the example of Southwest Airlines in the US, and began to operate flights to the UK from Ireland. easyJet followed in 1995 with flights from its base at Luton Airport.

1.19 Since that time, the sector has grown at a phenomenal rate, with LFAs now accounting for around 30% of all intra-European point-to-point scheduled passengers. ELFAA members represent around 75% of the total European low fares market and carried over 100 million passengers in the year to June 2007, operating almost 3,000 daily flights.

1.20 In July 2006, the European Commission made a proposal for modernising and simplifying the legal framework for the internal air transport market, consolidating the three existing regulations of the 'third package' into one. It will be vital to ensure that these proposals build constructively on the significant benefits brought by the liberalisation of the aviation market in Europe to date and do not restrict further growth and competition. Any further regulation should be carefully targeted to support the undistorted development and competitiveness of the market.

**The Low Fares Business Model**

1.21 There is no single definition of an LFA: indeed, there is no unique way of referring to such airlines, with phrases such as ‘low cost carriers’ and ‘no frills airlines’ also in common usage. However, there is a common understanding among the travelling public of what an LFA is, and this comes largely from the characteristics of the business model used. Although business models can vary between individual carriers, there are enough common features to generate an overall picture of what constitutes an LFA.

1.22 We set out some of the key features of the low fares business model in **Table 1.1** below.

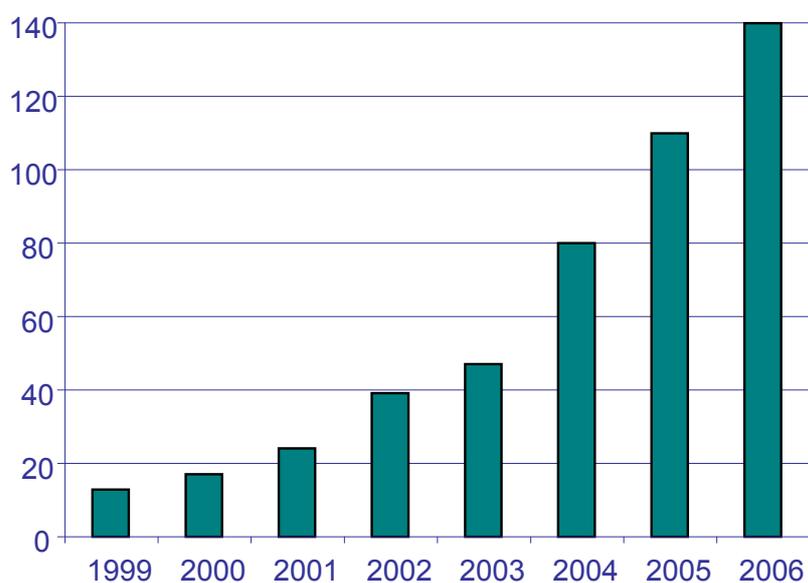
<b>Table 1.1 Characteristics of Low Fares Business Model</b>	
<b>Feature</b>	<b>Benefits</b>
Modern aircraft fleet, often with single aircraft type	Lower maintenance and training costs; fuel efficiency; better crew utilisation
Single class cabin	Reduced cabin crew costs; higher seat density
Point to point services	Reduced complexity – no transfers
Few or no on board frills	Reduced cost of on board service
Extras charged separately	Cost and price transparency (e.g. reduced hold baggage and associated costs); and additional revenue, enabling lower fares
Direct (mainly Internet) Ticket Sales and no sales via travel agents	Direct relationship with customer; reduced cost of sales
Strong Load Factor Management	Better fleet utilisation, higher ancillary revenue
Use of secondary airports	Lower airport charges, less congestion in the air and on the ground
Simple ground facilities	No requirement for cost of premium terminal facilities (e.g. airbridges)
Short turnaround times	Higher aircraft utilisation
Highly incentivised workforce	Higher employee productivity

1.23 In contrast to the low fares business model, most national carriers have continued to operate a business model which mainly retains most of the traditional features and has become known as the ‘full-service’ model. This report therefore retains this terminology for clarity.

## The Current State of the Market

1.24 ELFAA estimates that approximately 140 million passengers were carried within Europe by LFAs in 2006 (see **Figure 1.1** below). ELFAA members carried approximately 75% of this overall market.

**Figure 1.1:**  
**Passengers Carried by Low Fares Airlines within Europe 1999 to 2006**



Source: ELFAA Analysis (includes non-ELFAA members)

1.25 The SRS Low Cost Monitor<sup>3</sup> estimates that in 2006:

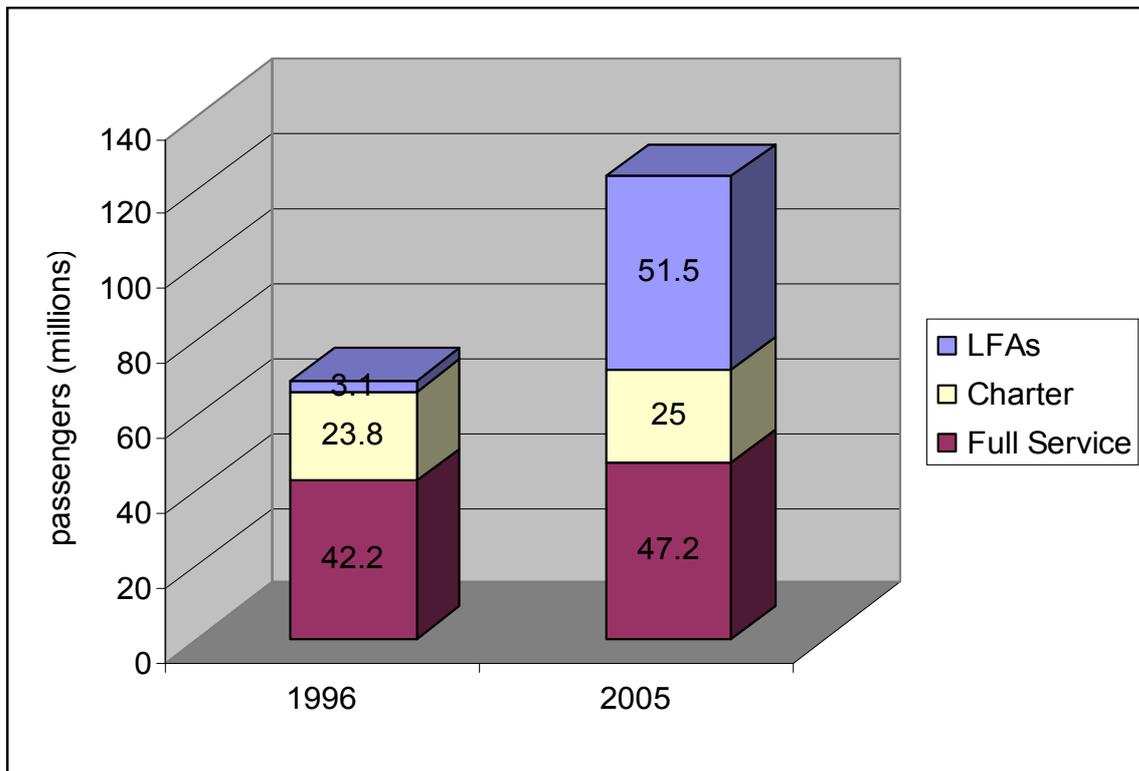
- there were 2,263 individual routes operated by LFAs;
- LFAs accounted for 28% of all intra-European capacity and are expected to account for 43% by 2011;
- 280 European airports now have an LFA presence;
- Poland had the largest recent growth of LFA traffic, increasing LFA capacity by 89% over 2005

<sup>3</sup> SRS Low Cost Monitor 2007, rdc.

1.26 In June 2007, ELFAA members were operating some 467 aircraft with an average aircraft age of less than 4 years. This compares with the world average aircraft age of more than 11 years<sup>4</sup>.

1.27 The growth of LFA traffic can also be illustrated by examining UK Civil Aviation Authority (CAA) data for international traffic between the UK and Europe over the period 1996 to 2005, as set out in **Figure 1.2** below.

**Figure 1.2: Growth of International Traffic between the UK and Europe 1996 to 2005**



Source: UK Civil Aviation Authority (CAA) Data

<sup>4</sup> IATA.

- 1.28 It can be seen from Figure 1.2 above that almost all the growth in international traffic from the UK to Europe within this period has been generated by LFAs and that LFAs now carry more international scheduled passengers from the UK to Europe than full service airlines. It is expected that a similar pattern will be followed in other EU countries.
- 1.29 An important characteristic of this growth is the extent to which LFAs 'stimulate' traffic; in other words, the extent to which they carry passengers who would not otherwise have travelled, or might have travelled by other modes of transport. This is in contrast to the extent to which LFAs draw traffic away from other airlines (scheduled or charter), which is often referred to as traffic 'substitution'. ELFAA's most recent study on the benefits of low fares airlines<sup>5</sup> suggests that around 60% of traffic is stimulated and around 40% is substitution. A recent study by the UK CAA<sup>6</sup>, based on analysis of the UK market, confirms that stimulation is a significant factor in overall growth, although it notes that the extent of substitution of charter traffic might be greater than previously thought, and that the way in which stimulation works varies significantly depending on the specific routes operated.
- 1.30 It is also important to note that LFAs do not just carry leisure passengers. They also carry a significant proportion of business travellers, who have taken advantage of lower fares with fewer restrictions, and an increased choice of routes from regional airports. CAA statistics suggest that business travellers make up around a fifth of LFA traffic<sup>7</sup>. The CAA also notes that low fares services are likely to have been of particular benefit to small and medium sized businesses when expanding their businesses abroad, as a result of the lower cost travel opportunities created.

### **The Impact of LFAs on the Aviation Industry**

- 1.31 The growth of LFAs over the last 10 years and more has not been an isolated phenomenon, but has stimulated a general trend towards greater efficiency and competitiveness throughout the aviation industry. This has had a knock-on effect on the traditional full-service airlines and the charter carriers, as well as on the way in which airports operate. We examine this impact below.

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<sup>5</sup> The Benefits of Low Fares Airlines to Consumers, Regions & the Environment, ELFAA, 2004.

<sup>6</sup> 'No-frills carriers: Revolution or Evolution?' (CAP 770), UK CAA, November 2006.

<sup>7</sup> Ibid: para 4.16.

### **Impact on Airlines**

- 1.32 Full-service airlines have been forced to make efforts to respond to the competitive challenge posed by LFAs, but have found it difficult to compete on the range of destinations, frequencies and fares offered by LFAs. Charter carriers have not had to compete on cost to the same extent, but have seen their market share eroded as LFAs offer increasing numbers of scheduled flights to holiday destinations that were previously only available through package tours.
- 1.33 A recent study sponsored by the International Air Transport Association (IATA)<sup>8</sup> shows that the cost gap between European network airlines and the leading LFAs is increasing rather than getting narrower, and now ranges from around 60% in the case of Ryanair to around 40% in the case of easyJet.
- 1.34 The study also analyses where these cost gaps lie, and demonstrates that although full-service airlines have managed to reduce their unit costs in sales and distribution since 2001, the LFAs have matched or exceeded these savings over the same period. The largest cost gaps can be seen in sales and distribution, aircraft utilisation, and maintenance costs (resulting from a much younger fleet of aircraft), and also in infrastructure and passenger service costs, where LFAs can achieve significant cost advantages through the use of secondary or regional airports with lower operational costs.
- 1.35 It is interesting to note that IATA found that labour costs (flight deck and cabin crew) account for only a relatively small proportion of the cost gap and that, where there is a difference, it largely reflects differences in labour productivity rather than basic wage rates. We return to this issue in the next section.

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<sup>8</sup> Airline Cost Performance, IATA Economics Briefing No. 5, An Analysis of the cost base of leading network airlines versus no-frills, low-cost airlines, July 2006.

### Impact on Airports

- 1.36 Airports across Europe have also benefited from the emergence of LFAs. Increased competition and lower air fares have resulted in very high rates of growth at regional and secondary airports in recent years. This has led to the emergence of low cost airports at the same time as low fares airlines, with airports having to increase their competitive advantage by lowering costs and increasing efficiency. This, accompanied by increasing privatisation of formerly state owned airports, has led to significantly increased passenger throughput and increased revenues at regional airports across Europe.
- 1.37 Much of this increased revenue has resulted from regional airports seeking volume growth by being able to attract low fares airlines through much more competitive landing charges than had previously been offered. At the same time these airports have increased their non-aviation revenues by exploiting commercial opportunities, such as retail or car parking, to a far greater extent than before. Many airports now make the majority of their profit from non-aviation revenues.
- 1.38 The increased use of secondary and regional airports has also enabled growth to take place within the industry without the need for large scale infrastructure investment. LFAs require much less costly airport infrastructure than the full-service carriers and the use of secondary airports by many LFAs frees up runway slots at the larger hubs.
- 1.39 Airports and the LFAs that serve them often work in partnership to market new services and to make the route and destination attractive to business and leisure passengers alike.
- 1.40 In order to fully realise the benefits that can be brought by low fares services, it essential that regional airports are allowed to continue to benefit from the liberalisation of the market by being able to compete freely as commercial enterprises and without additional regulation, except where monopoly airport ownership makes this necessary.

### **CASE STUDY – FRANKFURT HAHN AIRPORT**

*Hahn is the second airport serving the city of Frankfurt (along with Frankfurt Main), and handled 3.7 million passengers in 2006, up from 1.4 million in 2002, and only 20,000 in 1997. For 2007, the Airport forecasts growth to around 4.3 million passengers. The rapid increase in passenger numbers can be directly attributed to the arrival of low fares services at the Airport, after Ryanair commenced services to London in 1999. In 2002, Ryanair made Frankfurt Hahn its second base in continental Europe. Today low fares services are also provided by Iceland Express and Wizz Air, and combined, these three airlines account for around 95% of passenger numbers.*

*Employment on the Airport site has grown rapidly over the same period, rising more than 400% from 600 in 1997 to over 3,150 in 2007. Whilst the Airport's cargo throughput has also grown over a similar time period, the Airport highlights that there is a clear link between the passenger growth resulting from low fares airlines, and growth in employment. Similarly, companies based on site have also grown, from 55 in 1997, to 118 in 2007.*

*The viability of the Airport, and therefore its strength as a driver of employment in the area, has been improved dramatically by the arrival of low fares airlines. In addition to the aviation income, the critical mass of passengers delivered by these airlines has permitted more shops to be opened (which are only sustainable with higher passenger throughput), offering significant non-aviation related income, and improving the Airport's financial position. The Airport sees the range of shops available as an important way of making the Airport experience more enjoyable for passengers and has also found that the local community has started using the facility as a shopping centre.*

*A recent survey undertaken by the Airport reveals how important the facility is to the regional community. Around 80% of all travellers start their journey in the Frankfurt/Hahn area, with only 20% of traffic originating abroad. The survey also questioned travellers on whether they would still have made their journey if there had been no low fares services from Frankfurt/Hahn Airport. Whilst 61% said they would still have made the journey (either by alternative flight, or train), a significant 39% stated that without low fares services from their regional airport, they would not have travelled. Within the area, the Airport now serves as the largest bus station interchange in the area, with significant links to Frankfurt, Mainz, Heidelberg, Offenbach, Cologne, Saarbrücken and also across the border to Luxembourg. All of these services are also available to local residents, adding value to local transport connectivity.*

### **CASE STUDY - EINDHOVEN AIRPORT**

*Eindhoven Airport lies approximately 130 kilometres south of Amsterdam in the Netherlands and is served by three LFAs (Ryanair, Transavia, and Wizz Air), and three regional carriers (Airlinair, KLM Cityhopper and OLT). In 2006, the Airport handled 1.14 million passengers, up from 0.37 million passengers in 2002.*

*The growth of low fares routes at Eindhoven was triggered by the launch of services by Ryanair in 2001. This has brought growth of between 150,000 and 250,000 passengers per annum. The Airport's view is that the routes offered from Eindhoven by Ryanair acted as a catalyst to further growth by proving that low fares services were sustainable. The growth of the LFA sector has brought growth of between one and three new destinations annually, exceeding the growth from traditional regional airlines. Currently around 22% of airport users are travelling on business, whilst the remaining 78% are leisure travellers. The total number of business passengers is now greater than the total number of passengers using the Airport before the arrival of the low fares carriers, highlighting their importance to both leisure and business travellers.*

*The arrival of low fares services has also directly contributed to the sustainability of the Airport's own business, not only through aviation related income, but also through wider commercial income, such as car parking and retail business, for which a critical mass of passengers was necessary to attract shops. This has also helped secure the facility for other airlines as well. Currently, the Airport generates direct employment for around 800 people, making it one of the largest single employment generators in the region - equivalent to the employment supported by the local university. There is a push to attract high-tech, high-value industries within the region served by Eindhoven, led by Brainport Eindhoven, a high-tech business park with Philips Electronics as its largest occupant. The Airport has been tasked with helping to link this business cluster with others in Europe to ensure mutual success. Whilst this will bring jobs to the region, it is the high calibre of those jobs and the associated training that will provide real social benefit.*

*The location of Eindhoven Airport means that it faces competition from a number of other airports, including Niederrhein, Dusseldorf, Amsterdam and Brussels Zaventem. Before the arrival of Ryanair and subsequent carriers, many passengers used these airports because the fares were more competitive and the range of destinations was far greater. However, the range of destinations and the fares now available from Eindhoven have allowed travellers to fly from their local airport. Socially, this is an important factor because around 70% of the Airport's users are local residents, thus saving them travel time, eliminating unnecessary road miles, and making air travel more convenient.*

*The Airport operator believes that low fares airlines have stimulated a definite downward pressure on airport costs and a drive to improve productivity. This is seen as an advantage, bringing Eindhoven Airport in line with other industries where such cost pressures have existed for much longer.*

## **2 EMPLOYMENT & INCOME IMPACT OF LFA ACTIVITIES**

- 2.1 This section assesses the current levels of employment and Gross Value Added (GVA) supported by members of the European Low Fares Airline Association (ELFAA) across Europe, and provides estimates for the employment levels supported by LFAs as a whole across Europe. It also assesses the levels of employment at European airports which can be attributed to the existence of LFAs.
- 2.2 The basis for this assessment is data collected via a questionnaire survey of ELFAA members. This questionnaire was distributed to the ten ELFAA members, who together account for around 75% of the total European low fares market. The data received was analysed in conjunction with York Aviation's existing database of airport employment in Europe, collected during previous work for ACI EUROPE in 2003, from which airport employment densities and productivity assumptions have been derived. Of the ten questionnaires sent out, nine were returned to us with detailed information, representing around 97% of the total passengers carried by ELFAA airlines. Informed estimates were made for the other carrier on the basis of separate information such as annual reports and accounts.
- 2.3 We then examine a range of broader employment issues, such as the impact of low fares operations on employee productivity, remuneration, and working conditions, and whether liberalisation has had a positive or negative effect in these areas. We also consider other social impacts arising from employment issues and address allegations of 'social dumping' that have been made in some quarters.
- 2.4 The wider social impact of LFAs, stemming from the connectivity they provide, is examined in the next section of this report.

### **Direct Airline Employment**

- 2.5 Our analysis shows that approximately 19,100 full time equivalent employees (FTEs) were employed by ELFAA members in Summer 2007. Based on this conclusion, we estimate that LFAs as a whole employ around 26,600 FTEs in Europe.

- 2.6 The LFA business model assumes point-to-point operations, as opposed to the hub and spoke network model used by traditional airlines. This requires a multi-hub strategy that incentivises LFAs to establish bases away from their 'home' countries. This pattern of operation has led to a spreading of the employment impact of LFAs across Europe at their various bases. Employees therefore enjoy the advantages of working for a multi-national airline, but are also able to return home to family and friends at the end of a working day, rather than spending a lot of time away from home.
- 2.7 LFAs have, therefore, entered labour markets across Europe, providing new opportunities for employment, improved training and skills development, and strong options for career progression. In **Table 2.1** we set out the employment distribution of Low Fares Airlines direct impact based on the responses of ELFAA members.

<b>Table 2.1: Low Fares Airline Employment in Europe 2007 (Full Time Equivalent)</b>	
<b>Country</b>	<b>Rounded</b>
U.K.	11,800
Netherlands	2,700
Ireland	2,000
Norway	1,800
Denmark	1,300
Italy	1,300
Germany	1,100
Slovakia	900
Spain	900
Poland	700
Switzerland	600
Hungary	500
Baltic States, Belgium, Bulgaria, Czech Republic, France, Greece, Portugal and Romania.	1,100
<b>Total</b>	<b>26,600</b>
NB. Columns may not sum due to rounding.	
<b>Source: ELFAA Members and York Aviation</b>	

- 2.8 Based on information provided by the airlines responding to the questionnaire, we estimate that the 19,100 FTE jobs supported by ELFAA members will result in the injection of around €918 million into the European economy in wages and salary payments in 2007. This represents an average salary of around €48,000. In 2003, the average salary in the EU15 was €33,089<sup>9</sup>. Even after allowing for a 5% growth in the average salary per annum, the average salary paid by ELFAA members remains over €7,000 higher than the estimated EU15 average for 2007 (€40,200). Although figures for the EU25 average salary were not available, the gap between this and the average salary paid by ELFAA members is likely to be even greater.
- 2.9 In total, we estimate that ELFAA members will account for around €1.6 billion of GVA in the European economy. Using the information provided by ELFAA members as a base, we estimate that, in total, LFAs accounted for an injection of around €1.3 billion in wages and salaries into the European economy and supported around €1.9 billion of GVA in 2007.
- 2.10 The direct employment supported by ELFAA members has risen dramatically in the last few years, as might be expected considering the extent of the growth in LFA traffic, and this can be seen from **Table 2.2** below. In 2003, we estimate that the then ELFAA membership employed around 10,200 ftes. This grew steadily to around 14,600 FTEs in 2006. There has then been substantial growth in the last year, from 14,600 to 19,100 FTE jobs. It should be noted that this period includes the purchase of BA Connect by Flybe, which accounts for a proportion of this growth. The recent acquisition of GB Airways by easyJet will add further to these figures in the near future.

<b>Table 2.2: Employment of ELFAA Members 2003 – 2007 (Full Time Equivalents)</b>	
2003	10,200
2004	11,300
2005	12,700
2006	14,600
2007	19,100
<b>Source: ELFAA Survey &amp; York Aviation Analysis</b>	

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<sup>9</sup> Eurostat Yearbook 2006/07.

## Future Impact

- 2.11 We have also considered the likely future impact of LFAs in terms of their direct employment.
- 2.12 LFAs will need to recruit many new employees in coming years as their businesses expand. This can be seen from the number of orders for new aircraft being placed by LFAs. For example, Ryanair firmed options on a further 27 Boeing 737-800s in May 2007 worth \$1.9 billion at list price, for delivery by 2012, which will bring Ryanair's total firm orders for B737-800s to 308. Wizz Air has recently placed an order for 50 additional Airbus A320s, increasing its firm commitments to 82 of this aircraft type for delivery by 2014. And easyJet has some 120 aircraft on order for delivery for delivery within the next few years.
- 2.13 Based on planned fleet growth and current and past employment patterns of ELFAA members, we estimate that the direct employment supported by ELFAA members would increase to around 33,000 FTE jobs when all these orders are realised (i.e. by 2014) . This level of employment would result in an injection of around €1.6 billion in wages and salaries and support around €2.7 billion of GVA.
- 2.14 Assuming similar levels of fleet growth in other LFAs across Europe in the coming years, we estimate that the level of employment supported could grow to around 46,000 FTEs, delivering €2.2 billion of wages and salaries and supporting around €3.3 billion of GVA.
- 2.15 Given the multiple-base strategy of LFAs, it is not possible to be specific as to the countries where the employment benefits will be felt as this will relate to aircraft basing decisions. However, it is likely that the growth benefits will result in a wider spread of LFA related employment as new bases are opened up.

## **Direct Airport Employment**

- 2.16 We have also estimated the airport employment impact of LFAs by using data collected from the questionnaire in combination with data from York Aviation's existing airport employment database derived from our work with ACI EUROPE. This study identified an average airport employment density across Europe in 2001 of around 950 employees per million passengers. However, productivity growth in the industry since this date has been strong. Consequently, we have applied a productivity growth factor of 3% per annum to rebase this density to 2007. This equates to a current density of around 800 jobs per million passengers.
- 2.17 Combining this employment density with the passenger throughput of LFAs at European airports and allowing for the existing airline component within this density, we estimate that LFAs currently support around 111,400 additional direct jobs at airports across Europe.
- 2.18 It is important to note that this 'direct' airport employment estimate is made up of all types of on site airport employees, including not only those directly associated with the operation of LFA flights (such as ground handling agents etc.) but also those working in associated on-site airport activities, such as retail and car parking. To the extent that LFAs have stimulated traffic growth, these jobs will be net additional.

## **Indirect & Induced Employment**

- 2.19 In addition to the employment directly supported by LFAs and that supported at airports at which they operate, these airlines also support employment in local and regional economies through indirect (supply chain) and induced (expenditure of wages and salaries earned through direct and indirect activities) effects. Again, we have used our work for ACI EUROPE to estimate the magnitude of this effect for LFA operations in Europe.
- 2.20 The study identified that for every 1,000 direct jobs supported at airports, a further 2,100 jobs were supported through indirect and induced effects in the national economy. On this basis, we estimate that a further 289,700 jobs are supported in Europe through indirect and induced impacts of LFA operations.

## Summary of Employment Impact

- 2.21 We summarise the overall current employment impact arising from LFA activity in **Table 2.3** below. In total, LFA operations support over 427,900 jobs through direct, indirect and induced activities. Given that the majority of these jobs are supported at regional or secondary airports, they can be regarded as truly incremental jobs rather than substitution jobs.
- 2.22 It should be noted that this figure does not include employment supported by either the expenditure of individual passengers in the regions served by these airports or by the facilitating effect on the economy more generally of the connectivity that LFAs provide. These impacts are discussed in more detail in Section 3.

<b>Table 2.3: Total Employment Supported by LFAs in 2007</b>	
Direct LFA Employment	26,600
Airport Employment	111,400
Indirect & Induced Employment	289,700
<b>Total</b>	<b>427,700</b>
Note: Columns may not sum due to rounding.	
Source: ELFAA Survey & York Aviation Analysis.	

- 2.23 With the planned aircraft orders as described above being realised by 2014 and direct employment in LFAs rising to around 46,000 FTEs, we estimate that the total employment supported by LFAs, including employment at airports and indirect and induced effects, would rise to around 740,000 FTEs in 2014.

### Social Impact of Employment

- 2.24 In the previous section we summarised how the liberalisation of the air transport market within Europe led to the emergence of LFAs and to radical changes across the whole of the aviation industry. In this section we have set out the current employment impact of LFAs, which is in itself a significant social benefit. However, it is also important to consider the social issues from a wider perspective than simply numbers of jobs created. For example, it is important to address potential concerns that liberalisation and the emergence of LFAs has adversely influenced the remuneration or the working conditions of employees within the industry. Have the cost savings generated by LFAs been achieved at the expense of employees?
- 2.25 We have already noted that a recent study by IATA showed that the substantial cost gap between LFAs and full service carriers is not primarily generated by savings on direct labour costs, but comes from other areas such as reduced infrastructure costs and improved aircraft utilisation. Another study<sup>10</sup> for the European Cockpit Association (ECA) confirms this and suggests that only 3% of the cost gap between LFAs and full service carriers comes from labour costs (see **Table 2.4** below).

<b>Table 2.4: Percentage Cost Advantage of Low Fares Airlines over Full Service Airlines by category of business</b>	
Greater seat density	16%
Reduced station costs & handling	10%
Cheaper airports/landing fees	6%
No in-flight catering	6%
No agents commission	6%
Higher a/c utilization	3%
<b>Lower crew costs</b>	<b>3%</b>
Reduced sales / reservation costs	3%
Maintenance/single a/c type	2%
Reduced administration & overheads	2%
<b>Source: Europairs Report for ECA</b>	

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<sup>10</sup> Upheaval in the European Skies: Low Cost Carriers in Europe, European Cockpit Association, 2<sup>nd</sup> edition, July 2006.

2.26 The 3% crew costs advantage achieved by LFAs is achieved through increased employee productivity, which arises from a number of factors including:

- more efficient rosters and numbers of sectors operated by crew;
- fewer or no overnight stops for crew away from their home base; and
- the way in which remuneration packages are structured, placing a greater emphasis on productivity; up to 40% of an employee's remuneration can come from productivity payments.

2.27 Such productivity improvements increase competitiveness and are in step with productivity improvements achieved in European industry generally. They are also in step with the expectations of the Lisbon Agenda, as referred to above and in the previous section.

2.28 It is important to note, however, that these savings are achieved within the already legally defined working hours for airline crew as set out by the requirements of Council Directive 2000/79/EC, commonly known as the 'Aviation Directive'. This Directive arose from an agreement of March 2000 on the organisation of working time of mobile staff in the air transport sector concluded between the European Airline Association (AEA), the European Transport Workers' Federation (ETF), the European Cockpit Association (ECA), the European Regional Airline Association (ERA) and the International Air Carrier Association (IACA). The Directive sets the maximum annual working time at 2,000 hours, of which not more than 900 hours may be 'block time', i.e. the time between an aircraft pushing back from its stand to the time it arrives on stand at the end of the flight.

2.29 It is interesting to note that the Federal Aviation Administration (FAA) regulations in this regard are less limiting, with an equivalent limit of 1,000 block hours per annum for so-called 'Part 121' operations (i.e. operations with aircraft with more than 30 passenger seats).<sup>11</sup> This means that US based pilots can fly more hours per annum than any EU based pilots.

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<sup>11</sup> Federal Aviation Administration Flight Time Limitations and Rest Requirements, Federal Register, Vol. 50 No 138, 18 July 2005.

2.30 Another study which touched on the issue of the impact on employment conditions was the report in 2004 by the UK Civil Aviation Authority (CAA) on the effect of liberalisation on aviation employment<sup>12</sup>. This report was undertaken primarily to address concerns relating to a possible Open Aviation Area between the EU and the US and examined the impact of liberalisation on employment in the aviation sector in the UK and Europe as a way of evaluating this.

2.31 The report notes that general economic theory suggests that it is not always true that increased competition always drives wages down and cites OECD work which shows a connection between strong competition and better productivity and employment outcomes. The report also makes the fundamental point that sustainable job creation must be even more important than employees' wage levels or terms and conditions, noting that:

*"If the firm goes out of business, the question of whether or not the employees are getting a good pay deal becomes somewhat irrelevant. If it is right that regulatory restrictions on growth in an area of the business (such as exist in transatlantic aviation) make it more difficult for incumbent firms to remain viable, then the possibility of those firms being forced to exit the market must be considered. It follows that the removal of such restrictions, and restrictions on foreign investment, could be the best means of seeking to ensure the continued existence of those firms and the jobs that they provide."<sup>13</sup>*

2.32 A number of other points emerged from the CAA's study:

- cross-border investment, allowed by liberalisation of free flows of capital, creates and can save jobs; an example of this would be the Virgin Express takeover of EuroBelgian Airlines;
- no evidence was found by the CAA of the employment of non-UK staff at lower wage rates than those based in the UK; and

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<sup>12</sup> The Effect of Liberalisation on Aviation Employment (CAP 749), CAA, March 2004.

<sup>13</sup> Ibid: para. 2.4.

- a number of changes in the way labour is deployed reflect general changes in the labour market as a whole; for example, the increased focus on performance-related pay is a development seen in many other sectors of the economy; the trend towards increased outsourcing was another example which the CAA considered was “a development largely unconnected with aviation liberalisation”.

2.33 The CAA concluded overall that:

*“the evidence from the UK is that liberalisation has facilitated the growth of the aviation market and has in fact created more jobs”<sup>14</sup>*

and,

*“there has not been a notable reduction in the total value of the remuneration package for airline employees as a result of liberalisation.”<sup>15</sup>*

and,

*“The conclusion of this paper is that full liberalisation of ownership and control rules should benefit labour, rather than disadvantage it.”<sup>16</sup>*

## Conclusions

2.34 It is important to re-iterate the social benefits that arise from the sheer scale of employment supported by the activities of LFAs across Europe, and we have already noted that over 427,700 FTE jobs are supported by these activities. These are jobs which in many cases would not otherwise exist, and which are filled by a wide range of nationalities and from regions where unemployment rates are often high. Allowing for current aircraft orders, we estimate that total employment would rise to around 740,000 FTE jobs in 2014.

2.35 Aside from the absolute number of jobs created, it is important to note the following features that characterise these jobs:

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<sup>14</sup> Ibid: para. 5.2

<sup>15</sup> Ibid: para. 3.1.5.

<sup>16</sup> Ibid: para. 5.10.

- pay rates and terms and conditions, when taken as an overall package of benefits, are attractive and competitive; it would not be possible for LFAs to fill these jobs in this highly competitive and rapidly expanding market if they were not able to offer attractive packages; the case studies of three LFA airlines, which we have included in this section of the report, illustrate this;
- as we have demonstrated in Section 2, the jobs are filled by employees from a wide variety of nationalities and cultural backgrounds which brings a number of benefits, not least having multilingual cabin crew from a variety of EU countries. This can be an important safety consideration on board aircraft carrying passengers from a wide variety of EU countries;
- LFAs have a strong track record as equal opportunity employers, and in particular do not impose the very narrow kind of age and height restrictions that used to be a feature of the industry in the past. One LFA we consulted stated: *“We don’t care who they are what they look like and what their past experience is; if they have the right attitude, enthusiasm and drive we will employ them!”*
- despite a perception in some areas that there is a high degree of operational pressure on flying crew, there is no evidence that this is the case; overall flying hours are already strictly regulated and the new aircraft in the fleets of nearly all LFAs feature the latest flight-deck technology and equipment, which is designed to reduce the workload pressure on pilots when flying.

2.36 We are aware that allegations have been made in some quarters that the employees of LFAs receive a lower standard of pay and benefits and working conditions than is the case in the wider airline industry. Reference has even been made in some quarters to ‘social dumping’. We have found no evidence to support such allegations and we are not aware of any other reports which contain any such specific evidence, other than noting unsubstantiated and subjective opinion.

2.37 Social dumping is characterised by the moving of a firm's operation to a location in which competitive advantage can be gained from lower employment costs. This scenario in no way applies to the operations of an airline, where overseas-based staff are employed on the basis of operational need, which is in turn determined purely by geographical demand and not by any desire to lower wage costs. It would not make economic or operational sense to move lower wage employees around from country to country as part of an airline's overall operation and the costs would clearly outweigh any potential savings.

2.38 Although the employees of LFAs work in a highly competitive '24/7' market which requires a high degree of productivity and efficiency (a requirement that characterises the whole of the modern day aviation industry and indeed of industry generally), we have seen no evidence that the liberalisation of the aviation market in Europe and the consequent rapid growth of LFAs, have led to any deterioration of the pay and working conditions of the employees of these carriers that would require legislative intervention. This would run the risk of placing constraints on the industry that would put growth into reverse and cost jobs. As we have already noted, the objectives of legislative intervention would be entirely nullified if the consequences of such action were a loss of jobs.

#### **CASE STUDY - RYANAIR**

*Ryanair was established in 1985 as a regional airline operating out of Ireland. In 1991, the airline underwent substantial restructuring to become Europe's first LFA. Today the Airline operates a fleet of over 130 Boeing 737-800 aircraft, with a further 171 on order, and is Europe's largest LFA.*

*Ryanair offers a number of benefits to its employees, some of which could be considered more attractive than those offered by full service carriers. Ryanair offers salaries for entry-level flight and cabin crew that are similar to, and in some cases better than, full service carriers. Pay is made up of a combination of basic pay and payments based on numbers of hours flown, a model also used by some full service carriers. At present, Ryanair's average salary is €52,499 per annum. All employees are entitled to share options and Ryanair also provides a pension scheme, with the majority of staff on a stakeholder pension scheme. In some cases, staff who have been with the Airline for longer, or have negotiated different schemes, are on defined contribution schemes, or in limited cases, final salary schemes. Ryanair also offers travel concessions to its staff and their relatives, the airline's very extensive route network making this a facility highly valued by employees.*

Another of the key benefits is that the business model requires that aircraft should not overnight away from their home base unlike the aircraft of full service carriers. Staff therefore always return to their home base each day, unless the aircraft is unavoidably held up by weather or technical problems, which ensures a more stable home life, something not always guaranteed by full service carriers, where shift patterns can lead to regular time away from home. For pilots, the shift roster is a fixed 'five days on, four days off' pattern, offering certainty as to working days. Again, this contrasts with highly variable shift patterns at some other airlines.

As a rapidly growing business, the company offers good training opportunities and rapid promotion is possible. All training and promotion is in line with strict regulatory requirements. For pilots, the typical length of service before being promoted to Captain is three years, subject to flying time and regulatory requirements. This compares with up to ten years at the full service carriers. Similarly for cabin crew, the typical period for promotion is around 12-18 months after initial training. In addition, cabin crew benefit from transferable skills, such as sales training, which benefits the Airline for the period of employment, but provides transferable skills that can be used in other fields should the staff choose to leave the business. Ryanair is also providing employment and associated skills development in some of the more remote and deprived regions of Europe, as new routes are brought on stream to airports that previously had few if any scheduled services. Ryanair also engages in charity work in the wider community and provides a platform on which employees can raise money for this charity, including in-flight promotions. In 2006/7 the charity selected for support was ORBIS: a non-profit organization striving to eliminate avoidable blindness and restore sight in the developing world, which also operates a 'flying eye' hospital.

### **CASE STUDY – EASYJET**

easyJet was formed in 1995 as a low fares airline initially operating two domestic services out of Luton Airport in the UK. Today it operates a fleet of 137 aircraft and carries over 33 million passengers per annum to airports throughout Europe.

The airline now employs over 5,000 people and its rapid expansion means that it has to compete vigorously in the labour market to attract the best people: between April 2006 and April 2007 it recruited 635 pilots and 1500 cabin crew, and it offers pay in the upper quartile of the range for the industry. Associated employee benefits are numerous and include a pension scheme, sick pay, a 'loss of licence' scheme for pilots, staff travel benefits, an employee recognition scheme ('Go the Extra Mile'), and award-winning share plans for employees.

As an employer, easyJet's stated aim is to create a culture in which people feel that the airline is a great place to work. easyJet undertakes surveys of its staff annually and the response rate to the most recent survey was high (at 70%) and demonstrated that 60%

felt 'satisfied' with their pay, 82% 'very satisfied' with the company overall, and 92% saying that the training provided was 'good to very good'. The airline sets out to provide a predictable roster, offering a stable lifestyle to its employees, and a safe and productive working environment. Some 30% of staff recruited to the airline have had the company recommended to them by current employees. The market for pilots is cyclical and very competitive, but there is no shortage of recruitment interest for cabin crew, with 500 people showing up at a recent jobs fair in Madrid.

Employee representation is via recognized Trade Unions and a Business Council, which is elected by everyone in the airline and meets twice a year under the chairmanship of the company's People Director. There is also a policy of keeping employees informed of and involved in the company's activities; various channels of communication are used to this end, including a company-wide Intranet. A recent example of employee involvement is the introduction of a new uniform which was designed by employees themselves.

easyJet recognizes that it is growing its business operating within an evolving European context, and that transnational working is therefore essential to its business success. As a result it seeks to take a positive stance towards the agreed EU employment framework.

easyJet also has a policy towards charitable donations and devotes efforts to a single cause each year: currently, this is the Anthony Nolan Trust, which campaigns for leukaemia donors. Employees are closely involved in fundraising efforts.

### **CASE STUDY - WIZZ AIR**

Wizz Air is a low fares airline focusing on the markets of Central and Eastern Europe. Its largest base is Katowice Airport in Poland, from where its first flight took off in May 2004. Today Wizz Air has 6 operating bases in the region: Katowice, Warsaw, and Gdansk in Poland; Budapest in Hungary; Sofia in Bulgaria; and Bucharest in Romania; offering flights to close to 50 destinations. Wizz Air will open its 7th base in Poznan, Poland in January 2008. The airline currently carries around 4.6 million people per annum on a fleet of 13 new aircraft, and has current commitments for close to 80 new aircraft. Wizz Air's business objective is to make flying affordable to the citizens of Central and Eastern Europe, using the slogan 'Now We Can All Fly'.

The airline employs staff from a number of different countries within the EU including Hungary, Poland, Romania, Bulgaria, the UK, Holland, Germany and France just to mention some. Wizz Air currently employs around 500 people, mainly flight and cabin crew. In order to meet this rapid expansion the airline is constantly recruiting flight deck crews, and holds regular assessment days at its bases for potential cabin crew. Both cabin crew and pilots are paid on an incentivised basis, with basic pay topped up with sector pay for actual flight legs completed, within the laid down limits.

*The airline mainly recruits cabin crew from the area local to the airport at which they will be based. Whilst the salaries for these staff may be lower than could be expected for some Western European markets, they are very competitive with other well paid jobs in their home region. Furthermore, because some of the airline's hubs are away from the major cities, this brings very good salaries away from the capital cities and into the regions. Many of those employed by the airline are graduates, who view the job as desirable, providing good opportunities for travel (including through staff discount schemes) and good salaries. Because of its dynamic growth, the Airline offers good career opportunities to cabin crew, with rapid promotion possible for good candidates once they have fulfilled the legal minimum requirements.*

*Pilots are recruited both locally and internationally and salaries are competitive on an international basis, making them exceptionally good for the region in which the Airline is based, perhaps comparable to senior executive positions of firms based in the region. As with cabin crew, pilots can achieve rapid promotion to Captain, and on to training/management pilot roles as a result of the need to fill positions through expansion. Whilst salaries may be lower than for some full service carriers in the region, pilots can be promoted considerably more quickly than with traditional carriers. Opportunities to earn a higher level of pay come much sooner. Additional benefits include the provision of Loss of Licence Insurance, Health and Accident Insurance, and Life Insurance (offered to all employees). Some Central European pilots, who had previously moved to Asia because of the lack of flying opportunities at home, have now taken the opportunity to move to Wizz Air. Without the growth of this company (and other low fares airlines in the region), these opportunities would not exist as there is limited growth by the region's traditional carriers.*

*Wizz Air provides the necessary operational training to its flight and cabin crews, but also provides additional transferable skills, such as sales training and customer service training for cabin crews, and people management skills for senior crew members.*

*The Airline supports a number of charities within the regions it flies to, and has an active program to provide educational opportunities to school children, including visits to the airline and talks by its staff.*

*Socially and economically, the Airline provides opportunities which did not exist before the growth in low fares airlines. 40% of its passengers are flying on business, for education, or to their place of work (migrant workers from Central Europe who now live and work in Western Europe), highlighting the role the airline's low fares have played in allowing migrant workers, and their families to move around the European Union. Wizz Air's low fares have also benefited regional and small companies who would previously not have been able to afford to fly by traditional carrier. This has undoubtedly facilitated the generation of additional trade.*

### **3 WIDER SOCIAL IMPACT**

3.1 In this Section we examine the role LFAs play in supporting social and economic development in Europe through the services they provide. Recent years have seen an explosion in the level of point to point connectivity primarily driven by LFAs. This rapid growth has brought with it a wide range of social benefits:

- creating new tourism industries and supporting the growth of higher value-added tourism products;
- promoting European cohesion by connecting peripheral or inaccessible regions within the EU and contributing to the turnaround of their economies;
- providing mobility to the growing European labour market and consequently promoting the efficient allocation of labour resources; and
- contributing to enhanced quality of life in a modern society.

3.2 Below, we discuss these issues in more detail, presenting arguments and supporting evidence at a Europe wide level but also provide some case study examples that focus on how LFAs and the services they provide have brought benefits to European regions.

#### **Driving Connectivity**

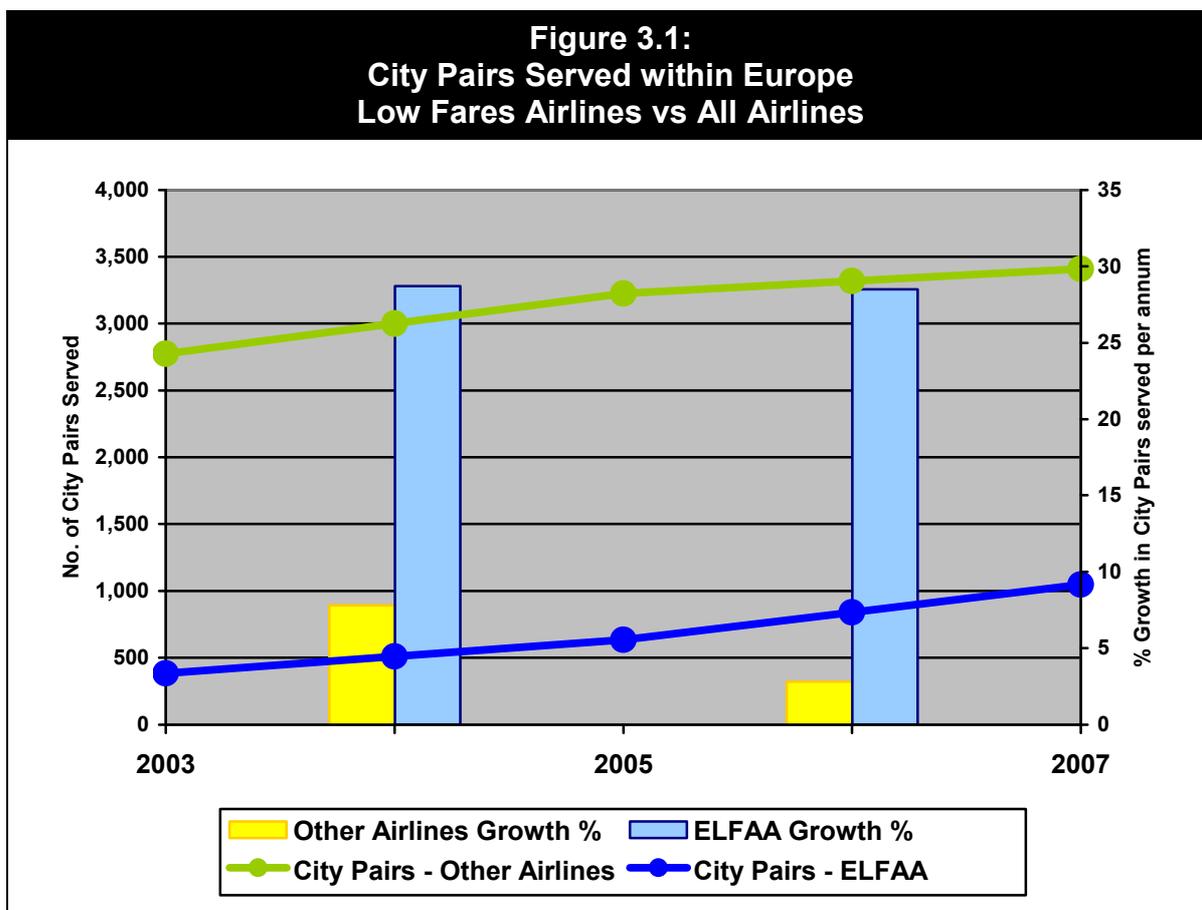
3.3 Central to the delivery of social benefits from air services is the issue of connectivity. As we have described in Section 2, the operation of air services supports employment and prosperity in airlines, airports, suppliers and, through the inputs of these, in regional economies. However, the provision of air services is about the provision of connectivity, the ability to move people and goods from one place to another, which also brings substantial benefits to society. Unfortunately, these benefits are not quantifiable in terms of job or income generation and it is, therefore, necessary to consider a wider range of evidence in evaluating them.

- 3.4 One of the defining features of the rise of LFAs has been their role in opening up new markets and massively expanding the connectivity available to cities and regions. As a starting point for our evaluation of the social benefits of LFAs, we have examined below the role of LFAs in expanding connectivity in Europe.
- 3.5 In **Table 3.1** we set out an analysis of the number of city pairs served within Europe based on information from the OAG<sup>17</sup> flight schedules. This analysis is further illustrated in **Figure 3.1** below.

<b>Table 3.1: Number of City Pairs Served within Europe</b>				
	<b>2003</b>	<b>2005</b>	<b>2007</b>	<b>Annual Average Growth Rate</b>
ELFAA Members	383	634	1,047	29%
Other Airlines	2,776	3,226	3,410	5%
All Airlines	2,979	3,594	4,020	8%
NB: Columns do not sum as some city pairs are served by both ELFAA members and other airlines				
<b>Source: OAG</b>				

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<sup>17</sup> Official Airline Guides



3.6 The results of this analysis are clear and stark. LFAs have been the primary drivers of the growth in intra-European connectivity in recent years. The number of city pairs served by ELFAA members has grown at a rate of around 29% per annum over the period between 2003 and 2007 compared with other airlines that have grown their connectivity at only around 5% per annum. LFAs have gone from being active on around 13% of city pairs served in 2003 to over 26% in 2007. Between 2005 and 2007 airlines as a whole within Europe expanded intra-European connectivity by 426 city pairs. Over the same period, ELFAA members expanded connectivity by 413 city pairs or around 96% of the total growth in connectivity. In other words, the rapid growth in connectivity that has been witnessed in the European air transport market in recent years has come primarily from LFAs.

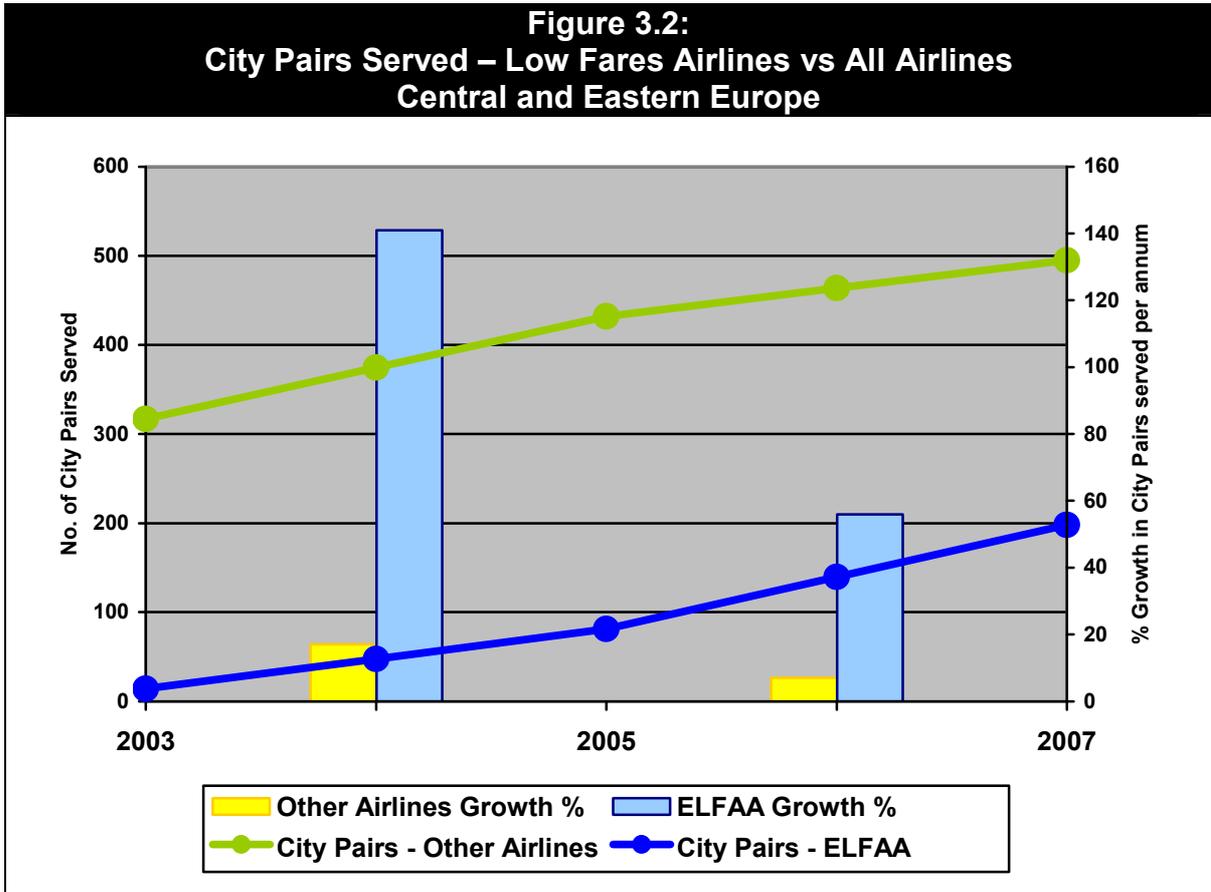
**Social Benefits of Low Fares Airlines**

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3.7 This rapid expansion, bringing air service connectivity to more and more regions within Europe, is central to understanding the wider social benefits brought by LFAs. These benefits stem from this massive expansion in people’s ability to travel and, very importantly, the ability to travel at affordable cost. Below, we discuss in more detail some of the key areas and instruments of social benefit, providing supporting evidence and examples.

3.8 It is also particularly interesting to note the influence that LFAs have had on the level of connectivity in Member States that have joined the EU more recently. By way of illustration, we have repeated the city pair analysis shown above but limited it to flights to/from Central and Eastern European countries. The results of this analysis are shown in **Table 3.2** and in **Figure 3.2** below.

<b>Table 3.2: Number of City Pairs Served within Central &amp; Eastern Europe</b>				
	<b>2003</b>	<b>2005</b>	<b>2007</b>	<b>Annual Average Growth Rate</b>
ELFAA Members	14	81	198	94%
Other Airlines	317	432	495	12%
All Airlines	325	480	596	16%
<b>Source: OAG</b>				



3.9 This shows clearly that ELFAA members have expanded connectivity to/from Central and Eastern Europe at a staggering rate since 2003. In 2003, ELFAA members served 14 city pairs, while in 2007 this had expanded to nearly 200. Connectivity provided by other airlines has also grown over this period but at nowhere near the rate of that offered by LFAs. In a very real sense, LFAs have helped to put the more recent member states on the air transport map and, as we will describe further below, they have brought with this very real social benefits.

## Tourism

3.10 Perhaps the most easily understood benefit for regions of the low fares revolution has been the development of tourism. The importance of tourism in bringing prosperity, jobs and associated social and economic development is often under-estimated. According to Eurostat it directly accounts for around 4% of the EU's GDP and, if its influence on other sectors is included, it generates around 11% of EU GDP and supports around 24.3 million jobs. Its influence is expected to grow substantially in the future. Eurostat further suggests that around 25% of all tourism trips in Europe involve air travel.

3.11 The role LFAs have played in developing tourism in the EU in recent years stems from three characteristics of their development:

- **opening up new markets** – the low fares model has enabled these airlines to operate routes that would not previously have been economically viable or provided a fit with the traditional airline hub and spoke network model. This has enabled the development of new tourism economies in regions that would previously never have been accessible from large parts of the EU;
- **'damping down' seasonality** – in the past, mass market tourism destinations and niche products have relied heavily on charter carriers operating within traditional 'holiday seasons', i.e. sun destinations in summer and ski destinations in winter. The growth of LFAs has led to a marked departure from this pattern, with services operating year round. LFAs also offer greater flexibility in terms of timing, with services throughout the week (often with lower fares) rather than the traditional charter model of limited weekly rotation patterns. This has helped particularly in the development of higher added value, short break tourism; and
- **stimulated traffic rather than diversion** – a key feature of LFA success has been their ability, through the use of low fares, to access new or stimulated demand. In other words, in terms of tourism development, the passengers they are transporting are, to a large extent, passengers who would not otherwise have travelled and consequently the trips they make are additional and not simply moving tourism demand from one region to another.

3.12 The benefits that these additional visitors bring to the regions they visit are clear:

- additional expenditure is injected into the local economy, which in turn supports jobs in tourism-focused industries, such as hotels, restaurants and tourist attractions;
- the greater prosperity brought through the growth of the tourism industry leads to increased demand for goods and services locally through its own indirect and induced effects;
- the increasing prosperity of the local economy and the continued influx of overseas visitors allows greater investment in key public services; and
- at a more micro level, the opportunities presented by the expansion of the tourism sector lead to improved investment in training and development, in turn leading to higher skills levels in the labour force, and greater opportunity for entrepreneurship and innovation.

3.13 Again, it is important to recognise the extent to which the development of LFAs has impacted particularly on the recent accession states. As we have described above, LFAs have been particularly instrumental in developing the connectivity available to Central and Eastern European states, many of which are now amongst the fastest growing air transport markets in Europe. This growth has helped these states to accelerate the development of their tourism products and consequently to bring expenditure and investment to regions and cities that had previously had few links with the rest of Europe. An example of this is the Silesia region of Poland, whose experience we describe in more detail in the Case Study.

3.14 However, it is not just the new member states that have benefitted from LFA growth. Traditional tourism destinations have been able to expand and diversify, or more effectively enter international markets, as new routes have opened up. With people moving away from the traditional 'package' tourism offered by tour companies, traditional destinations, particularly islands and peripheral regions, are working with LFAs to evolve their tourism offer and ensure that their economies and communities, which are often heavily dependent on tourism, are able to survive and prosper in this new environment.

3.15 A further consideration in relation to the social benefit brought to regions by LFAs and linked to tourism development is the regeneration of local housing stock. The growing availability of low fares services has been a major stimulant to the overseas property market in a number of EU member states. The availability of cheap flights has made the ownership of weekend or holiday homes much more attractive and has lowered the overall cost to such an extent that it is a viable option for many more people. The impact on the regions where such investments are made can be substantial.

3.16 At the outset, the investment in new building can give a substantial boost to the construction industry within the regions and the propensity, particularly in more rural areas, to renovate older properties can have a substantial impact on regenerating the housing stock. However, the simple injection of investment into the local economy from the purchase and development of such properties is only part of the impact. There are a number of additional benefits to be considered:

- the construction of new 'holiday' properties and the regeneration of older properties can substantially increase the bed space offered within a region and increase the range of properties available. Most owners do not expect to use the properties throughout the year and consequently seek to operate them as holiday lets at other times. There is, therefore, a feed across into building the region's tourism product, particularly in terms of the quality of offer;
- the new investment in the local economy directly supports construction activity but also brings new expenditure into the economy, supporting employment and activity in other sectors; and
- the increased prosperity and investment, combined with increases in tax receipts in the region from this development, enable improvements to be made to local services and infrastructure that would not be possible without the development of LFA services.

3.17 Research undertaken in 2003 in and around the Limousin region and Limoges Airport, examining the impact of the Ryanair service from Stansted, identified an injection into the local economy of around €165 million from expenditure on new properties and on the renovation of existing premises. Prior to the arrival of Ryanair at Limoges, connections were very limited and there was little opportunity for the region to benefit from this type of investment. The success of the Stansted service and the benefits it has brought to the local area have been a key driver in the efforts of the Chamber of Commerce (as operator of the Airport) to bring more services to the Airport, in particular from LFAs. Ryanair now serves Limoges from its bases at Stansted, East Midlands and Liverpool.

### Promoting European Cohesion

3.18 As we have seen, an ever increasing proportion of people now use low fares air services to travel within the EU. This clearly demonstrates the important role played by air transport in connecting the different points within the European Union. In a very real sense air transport has a key social role to play in improving and enabling cohesion within the EU, allowing people to migrate effectively and bringing into being a true common market for goods, services, labour and capital.

3.19 There are a number of areas where LFAs have a particular role to play considering the nature and cost of the services they offer:

- Europe and, more precisely, the EU is a very large area: its heart, both economically and politically, is in the centre of that area and, in consequence, it has peripheries that are often disadvantaged not only by their traditional geographic location but now by their distance from the heart of the EU. This is demonstrated in **Figure 3.3**: areas in Scandinavia, Southern Europe (particularly islands) and in Eastern Europe are at substantial distances from the traditional core. Air service connectivity is therefore central to EU cohesion for these areas and can make a major contribution to the prosperity of these local economies. However, it is often only LFAs, with their point to point focus and very low costs, that can operate in these relatively small or immature markets;

**Figure 3.3:  
Map of the European Union**



- one of the core pillars of the EU is the establishment of a common labour market, whereby citizens of any member state are able to work anywhere within the EU. The most obvious barrier to this is the distances involved and the cost of transport. However, there is increasing evidence to suggest that LFAs are facilitating this market to an extent that has simply not been possible in the past. This has become most obvious in relation to skilled workers from Eastern Europe using LFA services to ‘commute’ to countries such as the UK and Ireland to work for periods of time on a regular basis.

Migration of labour within the EU is a not a new phenomenon. Some economic sectors, particularly hospitality and construction, have drawn labour from across Europe for some time. However, this has usually

involved the individuals migrating either permanently or for significant periods of time. LFAs are helping to create a labour market that is more fluid, in which individuals 'commute' back and forth and are more able to lead a family life, living or working away from home and travelling back regularly. The UK CAA has noted this impact and examined the issue in relation to the UK–Poland market in its recent research on LFAs<sup>18</sup>, noting that in 2000 there were only 5 scheduled services between the UK and Poland, whereas at the time of writing the report there were 27 scheduled services linking 12 Polish cities to 12 UK airports. The research also identifies the growth in 'Visiting Friends and Relatives' (VFR) traffic<sup>19</sup> on EU-UK routes as key evidence of the role LFAs are playing in facilitating the movement of labour, noting that between 2000 and 2005 inbound traffic on these routes grew from around 24% to around 36% of traffic. Over the period, VFR traffic has been the fastest growing segment. In 2000, it made up around 39% of EU-UK inbound passenger traffic. By 2005, this had grown to 45%;

- LFAs have produced substantial social benefits by 'democratising' air travel. Through the lower fares made possible by their business model, LFAs have brought air travel within the budget of more and more people and hence allowed them to access the benefits associated with travelling, such as the ability to experience different cultures, visit new places, meet different people and better understand the society we live in. This is a benefit that is simply impossible to measure but not one that should be dismissed.

### Quality of Life Benefits

- 3.20 As Europe becomes more prosperous and individuals become wealthier the quality of life benefits from air services are becoming increasingly important. The ability to travel, particularly abroad, is increasingly a factor in people's decisions about where to live and work.

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<sup>18</sup> No-frills Carriers: Revolution or Evolution? – UK CAA (November 2006).

<sup>19</sup> VFR traffic would be generated by family members or friends visiting the migrant worker or the worker travelling home to see friends and family.

- 3.21 For some, it is simply about the ability to travel easily and frequently, and these people want to be near an airport with an extensive range of connections at an affordable price. Regional and secondary airports with either LFA bases or a range of low fares services are increasingly seen as an important part of the quality of life offered by a region, along with factors such as good infrastructure, good services, quality affordable housing and a strong labour market. These services help to provide an appropriate environment for attracting high skilled labour to come and live and work in a region.
- 3.22 For others, as described above in relation to migrant workers, LFAs have an important quality of life role in terms of their lifestyle choices. They allow people to visit friends and relatives in other parts of Europe more regularly and more easily. As the EU becomes ever more integrated and more migration takes place, this will become an increasingly important benefit. This is equally true for migrant workers as for students seeking educational opportunities or for retirees seeking a different lifestyle.
- 3.23 Whatever the reason, air travel is increasingly an accepted norm for modern life. LFAs, through their efficiency and the ever increasing range of business and leisure markets they serve, are an essential part of this picture.

### **Conclusion**

- 3.24 In this section we have demonstrated that the social benefits derived from the operations of LFAs are not restricted to direct and indirect employment benefits but go much wider than this in providing connectivity benefits to many regions of Europe that were not previously well connected, creating new tourism opportunities, providing social mobility, and enhancing quality of life.

### **CASE STUDY – REGION OF CARCASSONNE LANGUEDOC-ROUSSILLON**

*Carcassonne is located approximately 100 kilometres south east of Toulouse, in the Languedoc-Roussillon region of France. Ryanair is the only airline currently serving the Airport and provides links to six destinations in Ireland, Belgium, and the United Kingdom. In 2006, the Airport handled some 427,000 passengers, a rise of around 70% over 2003.*

*In 2004, Ract Madoux undertook a study to examine the economic impact of Ryanair services at the airport<sup>20</sup>, albeit at a time when only Brussels Charleroi and London Stansted were being served. Nevertheless Ract Madoux was estimated that the direct impact of these services in 2004 was €8.4 million<sup>21</sup>, whilst indirect impact was estimated at €64 million<sup>22</sup>. The induced impact was estimated to be €272.4m. Total income impact therefore (€8.4m plus €135m plus €272.4m) was estimated at €415.8 in 2004. The study also estimated that there were 180 on site jobs, 912 'indirect' jobs, and 1,958 'induced' jobs, making a total of 3,049 jobs overall supported by the Airport.*

*The commencement of services by LFAs has brought several notable benefits, according to the local Chamber of Commerce, which manages the Airport. The first of these is the value added to the local property market as a result of direct low fares air links. Secondly, additional services have built up locally around the Airport, and these are benefiting local communities. In particular car rental facilities, new restaurants and improved taxi services all offer employment or social benefits. A recent survey by the Chamber suggests that the average length of stay of passengers arriving by air in the summer is 12 days and in winter 8 days, with an average daily spend of €62.7 per person.*

*From an economic point of view, the Chamber of Commerce believes that the services have offered more opportunities to local firms to expand their business. It has also been highlighted that the nature of services being operated all year round (rather than just seasonally) has led to benefits to the tourism industry in the winter, when traditionally very few visitors would come to the area. The most recent Chamber survey estimated an injection into the local economy of some €43 million during the winter months alone.*

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<sup>20</sup> Study into the Socio-Economic Impact of Ryanair on the region of Carcassonne and its Environs, December 2004, Ract Madoux.

<sup>21</sup> This includes direct employment and employment within the supply chain.

<sup>22</sup> This is the total expenditure by passengers in the region.

### **CASE STUDY – REGION OF SILESIA**

*The Province of Silesia is located in the south of Poland near the national border with Slovakia and the Czech Republic. Amongst the 16 provinces of Poland, Silesia is 14th in terms of area but 2nd in terms of population, being the most industrialized and urbanized region of Poland. Katowice Airport in Pyrzowice serves the region, with an estimated 11 million people living within 100 km of the airport: a catchment much larger than many airports in Europe. In 2002 the airport was handling around 200,000 passengers per annum, but with the arrival of low fares services this throughput has grown dramatically to around 1.5 million in 2006 and an estimated 2.1 million in 2007. The Airport is forecast to continue to grow to handle 3.5 million passengers by 2010. To accommodate this growth a new terminal was opened in 2007 and a further terminal and refurbished runway are planned for 2012.*

*The arrival of low fares services at Katowice Airport has generated around 2,000 new employment opportunities at the facility, and the Regional Government estimates that every 100,000 passengers at the Airport, bring around \$1 million of additional spend in the region. The boom in Poland's low fares airline business reflects to some degree the strong development of air transportation between Poland and the UK, a result of the British and Irish labour markets opening up to Poles following EU accession. Whereas before EU enlargement, passengers could fly directly to the UK only from Warsaw and Krakow to London or Manchester, short-term migrants now routinely fly to several UK airports from almost every Polish airport.*

*Unemployment in the region has fallen from 15% to a current level of 10%, and currently there is a shortage of Class A office space (the highest level) within Katowice city centre, despite there being a surplus of this level of office space until recently. Hotel occupancy has increased in recent years from around 30% to around 80%, and the Regional Government cites the arriving passengers as a major contributor to this: furthermore, additional hotels have been constructed, and existing hotels improved, benefiting tourists and business travellers alike. The Regional Government is strongly supportive of the positive catalytic effects of air travel, and as such has plans for economic zones and business parks close to Katowice Airport.*

*Although it is only one factor in the overall economic growth in the city, the arrival of the low fares airlines is cited as a valuable asset by the Regional Government, by offering greater flexibility to businesses and providing more direct destinations and better frequencies, particularly to international points.*

*One of the primary benefits brought to the region by the services has been the ability of migrant workers and their families to travel more freely and at lower cost. Additionally, the region has strong links with Germany, and low fares airlines have facilitated increased VFR (visiting friends and relatives) traffic, linking the Polish communities in Germany with those in the region.*

### **CASE STUDY – REGION OF CATALUNYA**

*The Catalunya region of Spain is served by three major airports: Barcelona, Gerona and Reus. Barcelona is the largest of these airports, handling 30 million passengers in 2006, and is served by a number of low fares carriers including easyJet, Germanwings, Clickair and Air Berlin. Gerona Airport is located 90 kilometres north east of the city of Barcelona, and handled 3.6 million passengers in 2006, up from 540,000 in 2002. It is served by Ryanair, Transavia and Wizz Air. The other airport in the region, Reus, is located 105 kilometres south west of the city, and handled nearly 1.4 million passengers in 2006, up from 760,000 in 2002, with Ryanair being the only scheduled carrier. Both Reus and Gerona also attract charter flights as part of Inclusive Tour (IT) packages.*

*Gerona has seen the greatest social and economic impact from the low fares carriers. The town has a population of only 100,000, yet the Airport handles close to 4 million passengers, and around 50% of these remain in the immediate area. The local economy is dominated by tourism, and the arrival of the low fares airlines has changed the profile of this traffic. Typically around 70% of travellers to Gerona now arrive by LFA, with charter carriers struggling to attract demand.*

*The arrival of LFAs has created a more year round demand for accommodation and tourist offerings, extending the period of spend to local businesses, and benefiting local communities by reducing the seasonality of employment. Typically, the length of stay has shortened for travellers visiting the region, with more short breaks and long weekends than previously experienced, when charter carriers brought passengers to the region for a minimum of a week. However, although the length of stay has reduced, the spend per night has increased, with travellers paying for better quality hotels and restaurants, leading to the latter being improved, to the benefit of both tourists and locals.*

*The region now aims to use Gerona Airport as a catalyst to expand the business sector and become less reliant upon tourism. A new conference centre is being built near the Airport and land has been purchased close by to build a business park. Such a business park should provide higher value jobs and attract higher earning employees into the town.*

*Gerona has also particularly benefited from improved public transport links, dominated by bus services from the town and the Airport. It is also hoped to add a high speed rail link to the Airport, which will benefit the wider region, not only through further job creation at the Airport, but also through improved accessibility for local residents and businesses.*

## 4 CONCLUSIONS

- 4.1 Air transport contributes significantly to the aims and objectives of the European Vision of increasing prosperity and ever closer union between the peoples of Europe. LFAs have a particularly important role to play in driving connectivity across Europe and in supporting employment growth and competitiveness, both of which are key objectives of the Lisbon Agenda.
- 4.2 The Low Fares Business Model has brought very rapid growth of new services and an explosion of improved connectivity within Europe. LFAs now account for around 30% of all scheduled intra-European passengers. The competitive impact of LFAs has been felt throughout the industry, including in full-service airlines and at airports.
- 4.3 The scale of the employment supported by the activities of LFAs across Europe, itself an important social as well as economic impact, is very significant. We estimate that around 26,600 FTE jobs are directly supported by LFAs currently and that this figure is set to almost double by 2014, based on current aircraft orders.
- 4.4 Using known employment densities at European airports, in combination with the passenger throughput of LFAs, and allowing for the existing airline component within this density, we estimate that the operations of LFAs currently support around 111,400 additional direct FTE jobs at airports across Europe.
- 4.5 Across Europe as a whole, we estimate that at least 427,900 FTE jobs are supported directly or indirectly through the activities of LFAs. Allowing for current aircraft orders, we estimate that the total employment supported will rise to around 740,000 FTE jobs in 2014.

- 4.6 Although these levels of employment arise within the context of a highly competitive market, we have seen no objective evidence that the salaries or working conditions of employees of LFAs are less favourable than comparable conditions in the wider economy. There is therefore no case for legislative intervention in this area. Indeed, any further regulation of labour markets would run the risk of reversing the achievements of liberalisation in generating employment, improving connectivity and mobility, and will ultimately make it more difficult to achieve the objectives of the Lisbon Agenda.
- 4.7 Aside from the social benefits that arise from the creation of jobs, there are also wider social benefits that emerge from the connectivity provided by LFAs. This leads to the opening up peripheral or inaccessible regions, the creation and stimulation of tourist markets, providing an unprecedented level of mobility to the European labour market and contributing to enhanced quality of life for EU citizens.



**APPENDIX A**  
**ELFAA MEMBERS**



**easyJet.com**  
Come on, let's fly!

**flybe.com**

**myair.com**

**norwegian.no**

**RYANAIR.com**  
FLY CHEAPER

**SKY**  
EUROPE

**Sterling.dk**

Sverigeflyg holding AB  
**gotlandsflyg.se kullaflyg.se**

**transavia.com**

**W!ZZ**



**APPENDIX B**

**EASYJET CREW NATIONALITIES**



<b>Cabin Crew</b>		
<b>Nationality</b>	<b>Total</b>	<b>% of Total</b>
Blank	128	4.1%
American	4	0.1%
Argentinian	1	0.0%
Australian	39	1.2%
Austrian	2	0.1%
Bahraini	1	0.0%
Belgian	11	0.4%
Brazilian	7	0.2%
British	1824	58.3%
Canadian	2	0.1%
Costa Rican	1	0.0%
Czech	12	0.4%
Danish	1	0.0%
Dutch	19	0.6%
Egyptian	3	0.1%
Estonian	1	0.0%
Finnish	8	0.3%
French	279	8.9%
Greek	19	0.6%
Hungarian	14	0.4%
Indian	1	0.0%
Irish	30	1.0%
Italian	167	5.3%
Korean	1	0.0%
Lithuanian	2	0.1%
Maltese	1	0.0%
Mauritian	3	0.1%
Mexican	2	0.1%
New Zealander	3	0.1%
Norwegian	1	0.0%
Philipinos	2	0.1%
Polish	40	1.3%
Portuguese	26	0.8%
Romanian	1	0.0%
Russian	1	0.0%
Slovakian	12	0.4%
Slovenian	2	0.1%
South African	1	0.0%
Spanish	188	6.0%
Swedish	7	0.2%
Swiss	65	2.0%
Turkish	1	0.0%
Venezuelan	1	0.0%
Zimbabwean	1	0.0%
<b>Grand Total</b>	<b>3128</b>	<b>100.0%</b>

<b>Flight Crew</b>		
<b>Nationality</b>	<b>Total</b>	<b>% of Total</b>
Blank	147	8.5%
American	3	0.2%
Australian	11	0.6%
Austrian	3	0.2%
Belgian	74	4.3%
Brazilian	1	0.1%
British	865	50.0%
Canadian	1	0.1%
Danish	71	4.1%
Dutch	148	8.6%
French	62	3.6%
German	92	5.3%
Greek	5	0.3%
Icelandic	1	0.1%
Irish	35	2.0%
Italian	34	2.0%
New Zealander	7	0.4%
Norwegian	7	0.4%
Spanish	13	0.8%
Swedish	50	2.9%
Swiss	99	5.7%
<b>Grand Total</b>	<b>1729</b>	<b>100.0%</b>