German air travel takes a hit – but not due to “flight shame”

Passenger numbers at German airports recently fell for the first time since December 2017. The decline is largely due to economic reasons, such as the cyclical slowdown and lower supply due to airline bankruptcies. Air travel is increasingly coming into the focus of climate-policy regulation. Traffic at regional airports may be hit most. In contrast, large airports are likely to see passenger numbers increase further. “Flight shame” looks set to remain a niche phenomenon.

In September and October 2019, passenger numbers at German airports fell for the first time since December 2017. The decline amounted to 0.2% year-on-year in September and even 1.4% year-on-year in October. This downtrend is in line with the general slowdown in German air traffic, which started around the turn of the year 2018/2019.

What are the reasons for this development? Overall economic activity has weakened and is dampening demand. Companies often cut back on business trips when they need to reduce expenses quickly. At the same time, the tourism business remained healthy during the summer because household consumption was robust. The good labour-market situation and above-average wage increases provided a boost.

Rather, supply-side difficulties appear to be behind the recent downtrend. Airline bankruptcies have reduced the number of available seats, particularly on domestic flights. Air travel to European destinations is not booming either due to the cyclical slowdown, Brexit-related uncertainties and consolidation moves at the European level. Most recently, the failure of a large tour operator led to flight cancellations.

All in all, the slowdown in German air travel growth is largely due to economic reasons. “Flight shame”, or individual passengers’ decision not to fly for climate-protection reasons, is unlikely to have played a major role. Most passengers still highly value their personal mobility.
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Air travel increasingly coming into the focus of climate-policy regulation

What is going to happen next? Air travel is increasingly coming into the focus of German climate-policy regulation. Under the recent climate package, taxes on flights will be raised by up to EUR 17 per ticket from April 2020, depending on the distance travelled. At the same time, VAT on train tickets will be reduced. This is likely to make more passengers go by train, at least for domestic travel.

A look at the past may help to gauge the effect of the flight tax hike. When the tax was introduced in Germany in 2011, low-cost airlines in particular thinned out their flights at regional airports. Typical customers of such airlines tend to respond more sensitively to price changes than business travellers at larger airports. In addition, if ticket prices are low, the price increase triggered by a lump-sum tax is proportionately higher. Some airlines shifted part of their business to airports near the borders, for example in the Netherlands, France or Poland. And the passengers followed suit. Many regional airports have not seen their passenger numbers rise back to the 2010 level (i.e. the year before the introduction of the tax) even by 2018. The planned tax increase is therefore likely to hit smaller regional airports again.

Over the last few years, air passenger numbers mainly increased at larger airports. Numerous customers got used to the flight tax after some time, particularly since efficiency gains and intense competition in the sector tend to dampen prices. Customers will probably get used to the announced higher tax level as well, particularly since there is usually no viable alternative to flying for travelling across middle to long distances. As economic activity picks up again, air travel in Germany is likely to increase moderately, too, if less dynamically than at the global level. In contrast, “flight shame” looks set to remain a niche phenomenon.

National regulatory burdens on air traffic obviously sum up to a competitive disadvantage for national suppliers (airlines and airports) in this highly globalised sector. They make it more difficult to invest in more efficient aircraft or airport modernisation. The fact that a number of airlines got into trouble (and ultimately went bankrupt) in a highly competitive market during the last few years is not exclusively, but to some extent due to such additional burdens.

Original in German published on November 22, 2019: "Dämpfer für den Luftverkehr in Deutschland, aber nicht wegen Flugscham"
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