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Date 20 April 2023

**Subject: Draft law on the development and operation of airports and air navigation services (case 941)**

Dear Members of the Environment and Communications Committee,

The International Air Transport Association (IATA) represents some 300 airlines or 83% of global air traffic. We would like to respectfully address the Members of your Committee about the introduction of an ISK 200 per flight leg passenger / alternate airport fee, currently under consideration. We understand that this fee will significantly impact the Icelandic aviation industry, unjustifiably burden airlines at a very sensitive moment of the aviation recovery.

According to the scarce information available, the passenger fee is planned to help finance the development and construction of alternate rural airports in Iceland. While we understand the importance of connectivity to and from remote areas, developing and managing such critical infrastructures is, primarily, a public responsibility and should be based on sound evidence, including demand indicators, which we ignore in the case in reference.

We would also like to highlight that even when in possession of verified economic data and demand forecasts, the Government continues to be the sole responsible for developing the necessary land-use planning and management studies, which we have also failed to see in the case in reference. Finally, financing such infrastructures should resort to public investment. It is also imperative to state that once airports are functioning, users already pay for such infrastructure use. In fact, from a legal perspective, it is quite difficult to argue that airlines and passengers would finance (i.e. subsidize) the construction of public airports, while the whole Icelandic economy would benefit from the connectivity, as well as direct, indirect economic gains. We would respectfully suggest the Government and the Members of your Committee to conduct the necessary studies regarding demand and evaluate the market for sustainable means of financing for alternate airports.

To place the burden of financing alternate airports on airlines has a significant impact on airlines' operational costs, and since it does not affect all airlines equally it can represent a form of discrimination, and a competitive disadvantage for some air carriers.

As stated before, such financing schemes like the one proposed by the Icelandic Government, are unfamiliar in Europe, and especially in the Nordic countries, where we find several airport network operators. While we see some examples of developments in that region where Governments aim for regional development, the proposed financing concepts do not burden or discriminate against airlines specifically—which is the absolute opposite to the financial model the Icelandic Government is proposing, targeting only one economic agent.



Furthermore, any form of additional cost to the aviation industry would come at a very susceptible moment. The industry is about to leave behind the Covid pandemic, as passenger and tourism numbers are rising again, and will hopefully achieve pre-pandemic levels in the near future. While inflationary pressure is already adding to the problem, further cost increases like the proposed passenger fee, are not an encouraging step and would not sufficiently value the importance of tourism for Iceland.

In conclusion, the airline industry acknowledges and appreciates the Icelandic Government's efforts in dynamizing the air connectivity in the country; however, we kindly ask the Government and the Member of your Committee to consider abandoning the introduction of the passenger / alternate airport fee and, on the contrary, to adopt policies such as the provision of financial or other types of support to the airline industry until its full recovery - which would add value by increasing connectivity and tourism numbers, and consequently bring additional jobs, increase in GDP, and provide the general direct and indirect tax revenues to the Government, which could be used in turn to finance needed public services and infrastructure.

We remain available to discuss this subject further at your convenience.

Yours sincerely,

A handwritten signature in grey ink that reads "Catrin Mattsson".

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