



# The Second ICAO Meeting on the Sustainable Development of Air Transport in Africa

## **SESSION 6 – AVIATION FUNDING AND FINANCING: SUPPORTING INVESTMENT WHILE KEEPING LEVIES AT ADEQUATE LEVELS**

# 1. How do taxes and other levies imposed on aviation affect market demand for air transport?

- State taxes, where levied, have been detrimental to air traffic growth resulting in significant reductions of demand for air travel, capacity reductions and personnel lay-offs;
- Such taxes negatively impact economic activity, growth and employment;
- High taxes decrease the competitiveness of national air transport industries with no positive effect for the environment, or worse, diversions of air traffic flows to neighbouring countries with considerably longer distances to departure airports adding to the passenger carbon foot print,

- Airports and airlines are competing globally for connecting, business and leisure travellers and additional cost for travellers represents a competitive disadvantage
- States should refrain from imposing taxes on aviation on a national or multi-national level which are not reinvested into aviation development.
- The tourism industry and business communities are heavily reliant on cost efficient and effective access to air transport;
- The strategic positioning and economic competitiveness of a region is highly dependent on its accessibility to air transport;

**ACI is opposed in principle to all government taxation on air transport which may create impediments to the development of air travel and trade and is extremely concerned over the proliferation of taxes imposed on international air transport. National aviation taxes should be abolished as they are detrimental to connectivity – especially for smaller markets.**

## 2. What are the challenges encountered by States in adhering to ICAO's policies on charges and taxation?

- Some states have challenges with reinvesting aviation revenues into air transport infrastructure; and imposing taxes on national or multinational aviation when taxes are not reinvested in aviation development.
- This flouts ICAO's policy of cost- relatedness.
- ACI recommends that Governments should impose charges only for services and functions which directly relate to and benefit civil aviation operations, and should not impose any charges for functions which are the primary responsibility of governments.

### 3. What tools (e.g. robust metrics) may be used to evaluate and show to decision-makers the impacts of excessive levies on aviation growth?

- Governments to recognize Market Based Measures (MBM's) within a global framework as the most effective method of addressing cost of carbon emissions for the aviation industry.
- ACI will continue to support ICAO's work on the economic liberalisation of international air transport. We will raise the issues of capacity constraints and long-term infrastructure needs with States and promote accelerated liberalisation of allcargo service.

## 4. What best practices can be shared for funding of aviation infrastructure and financing of necessary enhancements?

- Any charges, levies or fees imposed by a government authority on air transport should benefit the air transport industry and should not be used for other purposes. Charges, levies or fees levied to finance specific programmes should be withdrawn when these programmes are completed. All surplus income from these charges should be reassigned to support civil aviation in order to reduce any potential additional government charges.
- An increase in existing charges should be imposed only after consultation with the industry.
- Government Federal funding
- In many states, governments have decided that, under the right economic conditions, they can successfully turn to the private sector for the financing and operation of airport infrastructure. Today, private sector participation can be found increasingly in different countries around the world.
- Concessions

# Funding alternatives for airports

- Government/Concession Loans;
- Public Utility Corporation Funds (Pension funds are stable & low risk)
- Commercial Loans;
- Private Public Partnership;
  - Build Operate Transfer (BOT);
  - Build –Leaseback

# Airport Funding risks in Africa

- Construction Risk
- Airline Structural Changes
- Recession/Terrorism/Civil war/Oil Shock
- Technology Changes
- Operational and Interface Risk
- Traffic/Revenue Risks
- Regulatory/Legal Risks
- Developing Country Risks