

Impact of Levies on Air Transport Sustainability

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I have a dream that one day Governments and Politicians will accept the facts not as fiction but as facts, that taxation on air travel is NOT the most optimal revenue model but rather the most distortionary option for raising revenue.



Factors limiting connectivity

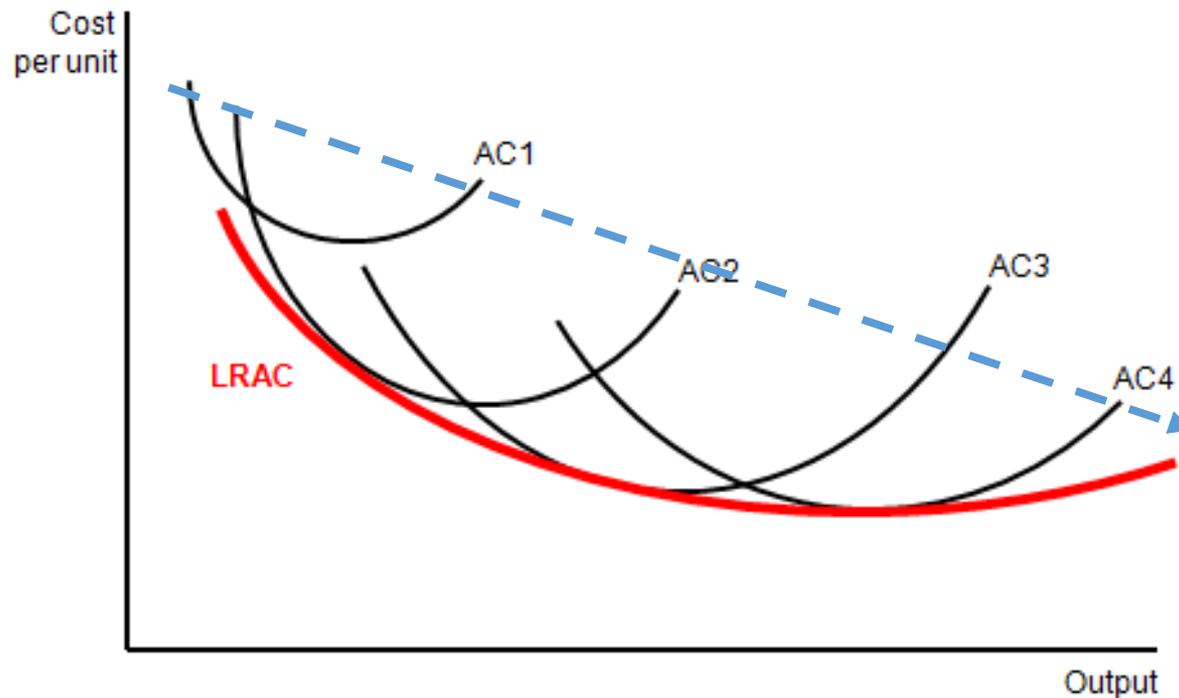
1. Policy such as **taxes**;
2. Regulatory framework;
3. Availability and use of infrastructure.

Demand facts

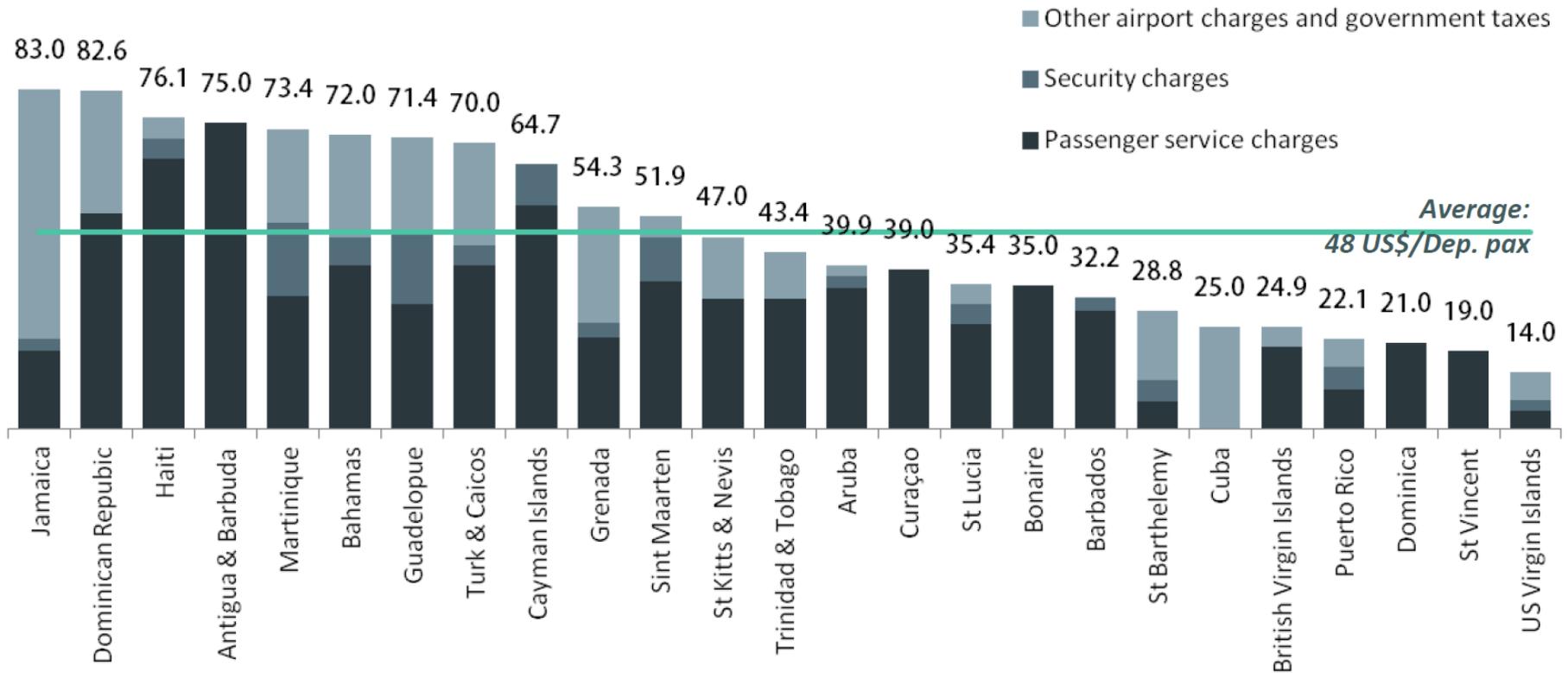
- Increases in airfare lead to lower passenger traffic demand.
- Air travel is more price-elastic for leisure travelers than business travelers.

Null Hypothesis: If the cost of travel decreases – the demand for travel will increase.

Long run average cost curve



Passenger related charges (passenger service, security and others) in the Caribbean in 2014

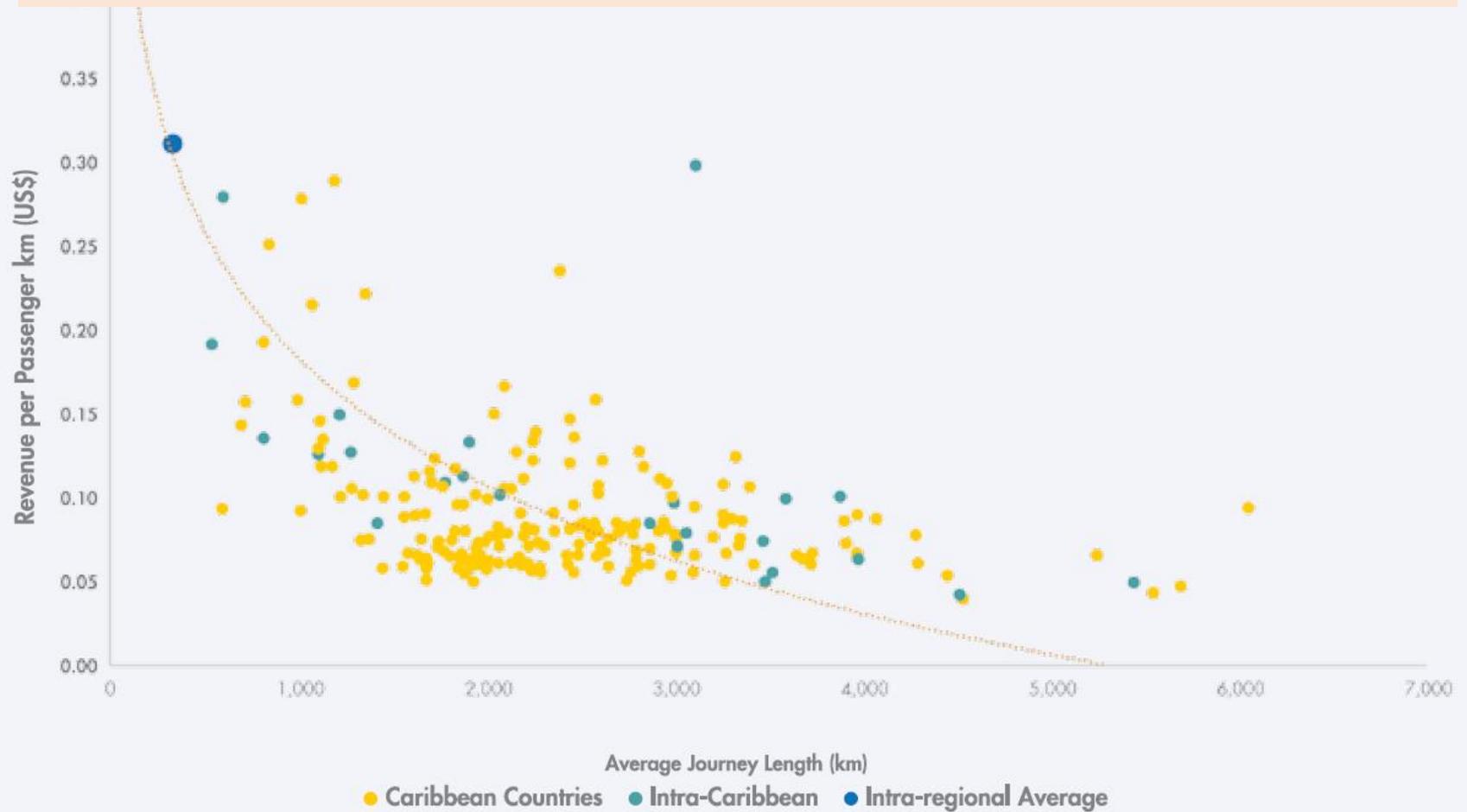


Taxes, fees and charges (TFCs) – June 2018

	BASE FARE	TAXES	FEES AND CHARGES	FULL FARE	TFCs/FULL FARE (%)
<i>Intra-regional</i>					
BGI (BARBADOS) – SVD (ST. VINCENT)	298	52.16	121.7	471.86	37%
ANU (ANTIGUA) – SVD (ST. VINCENT)	210	21	213.9	444.9	53%
POS (TRINIDAD) – KIN (JAMAICA)	400	85	125.79	610.79	35%
NAS (BAHAMAS) – PLS (TCI)	213	98.13	60	371.13	43%
BGI (BARBADOS) – GRE (GRENADA)	198	34.66	136.04	368.7	46%
SLU (CASTRIES, SAINT LUCIA) – BGI (BARBADOS)	150	11.26	182.08	343.34	56%
<i>Extra-regional</i>					
BGI (BARBADOS) – MIA (MIAMI, USA)	640	148.6	58.91	847.51	24%
POS (TRINIDAD) – PTY (PANAMA CITY, PANAMA)	459	158.8	60	677.8	32%
NAS (BAHAMAS) – JFK (NEW YORK, USA)	328	69.7	85.81	483.51	32%
UVF (VIEUX FORT, SAINT LUCIA) – MIA (MIAMI, USA)	665	86.5	124.91	876.41	24%

Source: LIAT, CAL, Bahamasair, AA, Copa, CDB

Yield vs Distance by Country



Small markets and short sector lengths are worsened by taxes, fees and charges (TFCs) that further increase the cost of travel.

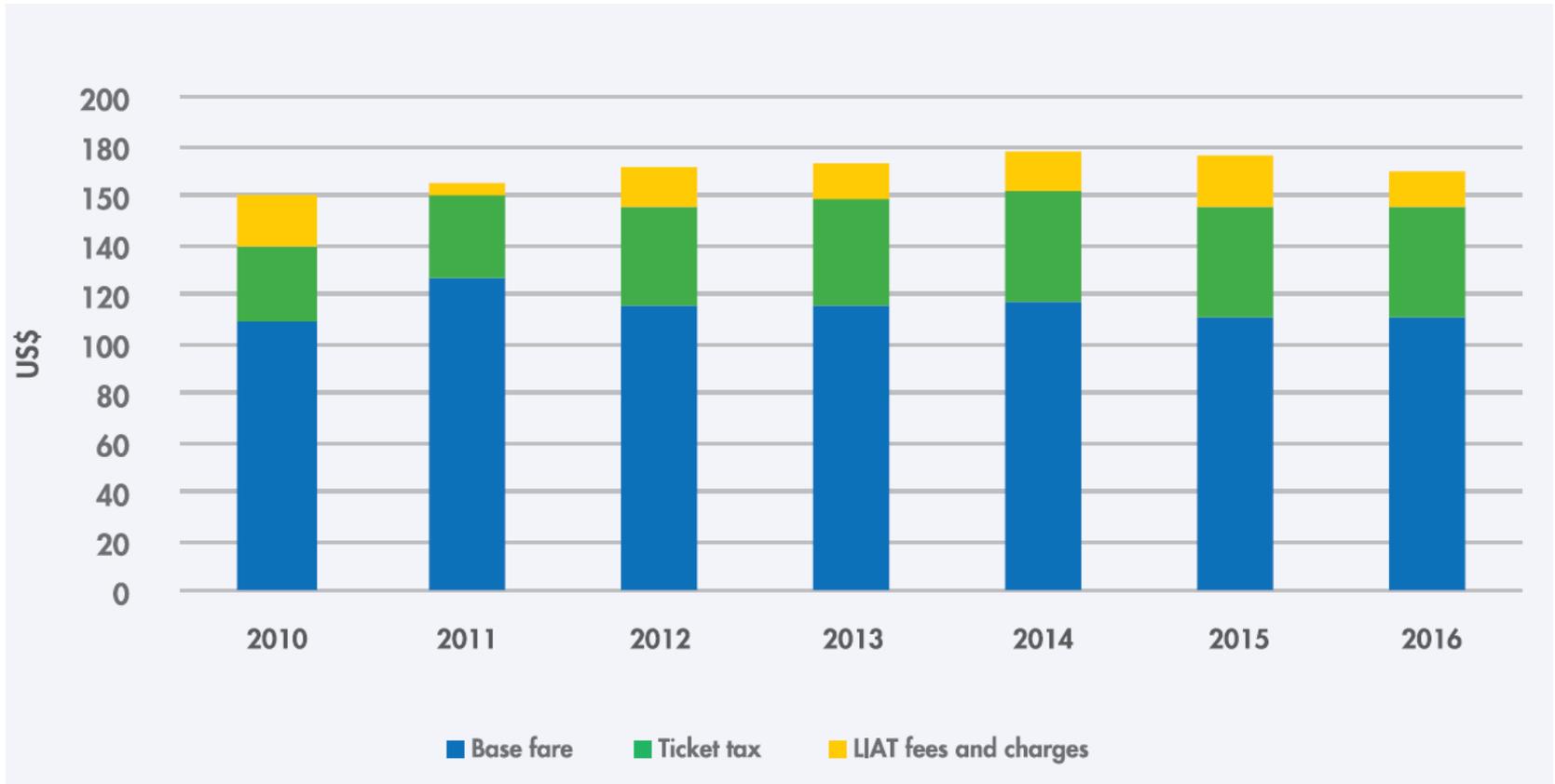


Shifting Innovation – throwing the ball away Government to Private Sector



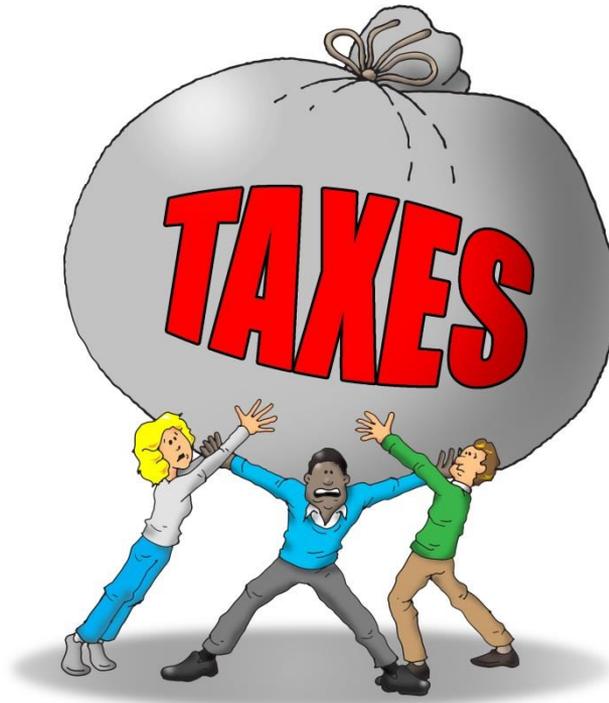
Image sourced from
manilafootball.com

Example from LIAT Airlines



Source: LIAT; IATA; CDB

The burden of taxes is amplified with depreciating currencies.



Recommendations



Regional approach to
aviation taxes and
fees (single security
checks)

Greater transparency

separate the uses of taxes and fees to travellers and shippers in much more detail.

Tax breakdown		
Code	Description	Price
GC	Papua New Guinea: Terminal Facility Charge	PGK 10.00 each
NX	Airport Security Charge	PGK 10.00 each
UN	Papua New Guinea: Value Added Tax	PGK 44.30 each
YQ	Surcharge	PGK 15.00 each
YR	Surcharge	PGK 125.00 each

Image sourced from:
garamut.wordpress.com

Fair share of responsibility
on both airlines,
governments, airports and
other players to
communicate to users.

Governments will need to re-think, re-look and re-establish their tax policy.



Ease the burden so the air lift can work!



Image sourced from
dissolve.com

Thank
you



“The hunting figures add up, but it looks like someone’s been doing a little gathering off the books.”