

**ACI Africa / AFRAA / CANSO / IATA / ICAO**  
**AIRPORTS AND AIR NAVIGATION USER CHARGES WORKSHOP**

**Venue: ICAO Western and Central African (WACAF) Office, DKR**  
**13 March 2023 / 09h30 – 10h30**

AFCAC: Secretary General, African Civil Aviation Commission - Ms. Adefunke Adeyemi

ICAO: Regional Director, ICAO Western and Central African (WACAF) Office–Mr. Prosper Zo'o Minto'o

AFRAA: Secretary General – Mr. Berthe Abderahmane

CANSO: Director Africa Affairs, Civil Air Navigation Services Organization – Mr. Thabani Myeza

IATA: Regional Director, Airports, Passenger, Cargo, Security & Facilitation – Mr. Kashif Khalid

Ladies and Gentlemen

Good morning,

I am honoured to participate in this AIRPORTS AND AIR NAVIGATION USER CHARGES WORKSHOP, and I would like to thank the organisers for putting up a very comprehensive agenda for these two days.

I would like to recognize the presence of Mr. Patrick Lucas, our Vice President and Chief Economist, who has come all the way from Montreal and who will lead two main sessions: later today on the modernization of the global policy frameworks on airport charges, and tomorrow on the economic challenges faced by airports focusing on the regional perspective.

This is again testimony of the importance given by ACI Africa on the subject of user charges in Africa and on the need to provide a balanced view on the whole issue of airport taxes and charges.

Let me now provide you with the latest update on the state of the airport industry worldwide and for Africa.

With the removal of travel restrictions and quarantine requirements for vaccinated travellers in 2022, there has been an upsurge in demand across many markets.

As the COVID-19 pandemic shaped many near-term policy decisions over the last three years, the global economy continues to face a number of challenges in 2023.

From the never-ending conflict in Ukraine to a looming economic slowdown in many major economies, including in Africa, the risks are unfortunately more than ever present to disrupt the current encouraging pace of the recovery from the pandemic, with the greatest economic threat being that of the significant increase in inflation.

On the encouraging side, many analysts believe that the inflation rate has already peaked and will eventually subside in 2023, facilitated by aggressive monetary tightening by central banks.

As aviation is very much linked to such macroeconomic factors, the impact of prices and disposable income remain important determinants of air transport demand.

Thus, uncertainty regarding a swift recovery of the aviation industry remains omnipresent, especially in the near term.

Global passenger traffic finished the year 2022 at 72% of 2019 levels.

Market segments vary markedly, with international passenger numbers at 60% of 2019 levels whereas domestic was at 79%.

With 2019 as a baseline, the total passenger traffic in Africa, on the other hand, recorded a drop of 66% in 2020, 50% in 2021 and 22% in 2022.

With a continued reliance on international travel, Africa continues to be vulnerable to external shocks.

The domestic traffic in Africa will recover to the 2019 level as from this year itself whereas for the international traffic to reach the level of 2019, we need to wait until 2024.

Let me now turn to challenges and hopes for the African air transport industry.

The Yamoussoukro Decision launched in 1999, and 19 years after, with the SAATM in 2018, both initiatives of the African Union and resting on the fundamental principle of the liberalization of the African air market, constitute without doubt the hope of Africa for its economic prosperity.

We are trying to follow the footsteps of the European Union or at least try to replicate the model of the European Union when it comes to a unified market.

But, we are still far from this philosophy as the European and African historical circumstances and approaches are fundamentally different.

While the European Union places greater emphasis on economic prosperity and security through the establishment of a common market and a common European identity, the African Union, on the other hand, entrenches the doctrine of sovereignty while in the same breath attempting to promote integration.

This is precisely one of the weaknesses of the implementation of the SAATM, trying to have a unified air market amidst each State jealously safeguarding its sovereignty status encompassing its protectionism approach.

Historically, the success of the European Union started with a group of only six affluent countries, while the African Union started with all 53 countries, at that time, that vary widely in population, economic size, and per capita income, amongst others, with the result that we all know.

It is therefore very important that we do not repeat the same mistake when it comes to the SAATM with Africa constituting a much larger geographical area to cover with far fewer resources.

We have a golden opportunity to make history and, here, I have to place on record the new SAATM Pilot Implementation Project and its African States cluster approach, spearheaded by the new dynamic and committed Secretary General of AFCAC, Ms Adefunke Adeyemi.

My humble advice here is to lay emphasis more on the development of the air market segment-wise based on African States sharing similar economic affinities and regulations and complementing economic integration rather than on other parameters.

Zooming now on the topic of this workshop, I have been hearing a lot of noise around African airports levying high user charges, with a deliberate attempt, at times, to confuse between charges and taxes, which fundamentally reach different pockets at the end of the day.

I mean taxes are levied and collected by the Government whereas airport charges are levied and collected by airports, most of the time, under the strict approbation of the Government.

Rest assured that ACI Africa continues to advocate against the undue taxation of air travel in Africa.

It is a fact that several countries throughout the world impose a hierarchy of taxes, where one tax is levied on top of another tax, for various goods and services sold within its borders.

While it can be appropriate to apply a tax on goods and services sold, allowing for a tax to be applied on another tax generally is not acceptable.

For aviation, the application of a tax on a tax magnifies the already negative impact of taxes on aviation.

For example, in Africa, Value Added Tax (VAT) and sales tax account for about 12% of the estimated tax receipt from aviation.

Let me share with you a few examples in Africa where VAT is applied on other aviation taxes.

Democratic Republic of Congo applies 16% VAT on domestic flights, on top of all levies, including other taxes such as the Tourist Development Fund tax.

Madagascar applies 20% VAT on International passengers for their security levy and secondary airport infrastructure charge.

Mauritania applies 14% VAT on the international Passenger Service Charge.

and Morocco applies 20% VAT on domestic airport security tax.

Therefore, it is clear that charges are not a threat to aviation growth, but an objective and legitimate necessity to cover airport costs, like in any other industry.

Therefore, our efforts, in Africa, should be geared and focused on the removal of unreasonable and unjustifiable taxation imposed on aviation by certain States rather than repeating, time and again, the rhetoric that the cost of travel is expensive in Africa and that airports are the culprit and that they must reduce the airport charges to decrease the air fares and hence the cost of travel.

On the other hand, ACI Africa strongly advocates that all airport charges must be set in consultation with airlines, as per the ICAO regulatory framework, which means that airports must listen very carefully and take into full consideration the airlines' inputs when determining their investment plans, operational needs, and consequently their charges. However, this needs to be a two-way street – airports need to understand airline plans for the future regarding expansion, markets served and fleet. This allows airport operators to invest in the infrastructure more effectively and deliver on both airline and passenger needs over the longer term.

In essence, this means that we need to find better ways to work together that allows airports to operate as businesses regardless of their ownership and management model but also strikes a balance with the needs of users. This is where we need to learn from existing airport charges policies and build on them to provide greater flexibility based on different market contexts.

There is no denying the fact that both airports and airlines will benefit from a progressive implementation of the SAATM coupled with lower taxes. This will stimulate aviation and increase connectivity and competition on all fronts. It will also improve the airport and airline bottom line. Most importantly, it will potentially lower the cost to consumers (passengers) with broader socio-economic impacts for all.

Let me not dwell too much on this issue as Patrick will be going into much more details on the subject today and tomorrow.

On this note, Ladies and Gentlemen, I thank you all for your attention and wish you a great workshop.