



## ASSEMBLY — 39TH SESSION

### ECONOMIC COMMISSION

#### Agenda Item 40: Economics of Airports and Air Navigation Services — Policy

#### ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Presented by 54 Contracting States<sup>2</sup>, Members of the African Civil Aviation Commission (AFCAC))

#### EXECUTIVE SUMMARY

This working paper presents developments observed in economic regulation of airports and air navigation services. It also highlights the effects of excessive taxation, the proliferation of interchangeability of taxes in the form of charges and prevalence of monopoly of service providers which are all detrimental to the sustainable development of international air transport. It recommends that States should take into consideration relevant ICAO policies and ICAO Assembly Resolution A38-14 when imposing taxes and charges on international air transport.

**Action:** The Assembly is invited to:

- a) request ICAO to continue to sensitize Member States through regional seminars and workshops, to adopt and implement ICAO's policies on economic regulations of airport and air navigation services and on charges;
- b) request the Council to address concerns on the practice of imposition of taxes by some States without due regard to relevant ICAO's guidelines and policies;
- c) urge States to adopt ICAO's policies on user charges, including consultation with users; and
- d) urge States to appreciate the adverse effect of exorbitant taxes on international air transport and the need to comply with ICAO's guidelines and policies on taxation of air transportation.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D — <i>Economic development of air transport</i>
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<i>Financial implications:</i>	The activities referred herein will be undertaken through the resources available in 2017–2020 Regular Programme budget and /or from extra budgetary contributions.
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<sup>1</sup> English and French versions provided by AFCAC.

<sup>2</sup> Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Ivory Coast, Democratic Republic of the Congo, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, Sudan, Swaziland, Togo, Tunisia, Uganda, United Republic of Tanzania, Zambia and Zimbabwe.

<i>References:</i>	Doc. 8632, <i>ICAO's Policies on Taxation in the Field of International Air Transport</i> Doc.9082, <i>ICAO's Policies on Charges for Airports and Air Navigation Services</i> ; Doc. 9587, <i>ICAO Policy and Guidance Material on the Economic Regulation of International Air Transport</i> Assembly Resolution A38-14 (Appendices A,D and E)
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## 1. INTRODUCTION

1.1 Due to globalization, the role of air transport is becoming more significant in economic and social development, and in the expansion of trade and international travel. ICAO, whose main objective is to promote the safe, secure and sustainable air transport development, must necessarily continue to encourage Member States to take the responsibility conferred on them by Article 28 of the Chicago Convention.

1.2 States are expected to abide by ICAO Standards and Recommended Practices (SARPs) and relevant Manuals in the provision of airports and air navigation facilities and services. States are further expected to follow the provisions of *ICAO's Policies on Charges for Airports and Air Navigation Services* (Doc 9082), and Article 15 of the Chicago Convention. Similarly, *ICAO's Policies on Taxation in the Field of International Air Transport* (Doc 8632) should be applied by States.

1.3 In some States, charges are imposed without considering the guidance of ICAO's Policies, as set out in Doc 9082, including the principle of consultation with stakeholders, thus posing a challenge to the growth and sustainable development of air transport in general and to airlines in particular.

## 2. DISCUSSION

2.1 The practice of imposing unjustified aeronautical charges arises from not taking into consideration ICAO's policies and manuals on the economic regulation of airports and air navigation services.

2.2 There is a prevalence of monopoly of service providers, especially in the provision of fuel, ground handling, catering services, etc., in some States where these services are yet to be liberalized. These service providers often charge exorbitant prices even where traffic volumes permit otherwise. The same situation applies to Passenger service charges which are often neither transparent nor related to the services being provided.

2.3 In the field of International Air Transport, Doc. 8632 supplements Article 24 of the Convention which makes a conceptual distinction between "charge" and "tax" and recognizes the uniqueness of international civil aviation and the need to accord tax-exempt status to certain aspects of the operations. However, high taxes are still being imposed interchangeably in the form of charges or disguised as service charges by some member States. Consequently, these result in higher costs to airline operators and ultimately to the end users.

3. **CONCLUSION**

3.1 Imposition of unjustifiable aeronautical charges and excessive taxes as well as the prevalence of monopoly in service provision are of great concern as they unduly stifle demand for international air services due to the high cost of tickets and freight as these charges and taxes negatively impact consumers and the growth of international air transport.

4. **ACTION**

4.1 Thus, the Assembly is invited to note the challenges arising from the non-observance of ICAO's policies on charges and taxes especially the charges and taxes imposed on international air transportation and to consider the recommendations made in the Executive Summary.

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