



WORKING PAPER

ASSEMBLY — 37TH SESSION

EXECUTIVE COMMITTEE

Agenda Item 17: Environmental protection

TAXATION ON EMISSIONS FROM AIRCRAFT ENGINES

(Presented by the Kingdom of Bahrain)

EXECUTIVE SUMMARY

The present paper deals with ongoing attempts at imposing taxes for emissions emanating from aircraft engines as a means of limiting such emissions and with the fears and expected negative effects of such actions on all airline companies, particularly those of developing countries.

Action: The Assembly is invited to:

- a) urge States and regional groupings that intend to levy taxes on emissions emanating from aircraft engines to reconsider this matter and postpone action until the subject is discussed in all its aspects and agreement is reached on guidelines approved by ICAO;
- b) effectively consider the perspectives of IATA; and
- c) urge States and specialized agencies to search for effective means to reduce emissions, such as shortening air routes and encouraging the use of natural fuels, and not to resort to taxation, which is a non-productive means of solving the problem.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective C, <i>Environmental Protection</i> – <i>minimize the adverse effect of global civil aviation on the environment.</i>
<i>Financial implications:</i>	No additional resources required.
<i>References:</i>	Chicago Convention of 1944 Outcome of the 4th Worldwide Air Transport Conference, 1994 Outcome of the 5th Worldwide Air Transport Conference, 2003 Doc 8632, <i>ICAO's Policies on Taxation in the Field of International Air Transport</i>

1. INTRODUCTION

1.1 Extremely difficult economic conditions have characterized the past decade for the air transport industry. Peaking on 11 September 2001, the dire economic straits continued to unfold with the

effects of the war in the Gulf, the SARS epidemic and many other similar developments, the latest of which was the global financial crisis, with its attendant decrease in demand on air travel and the multiplication of losses. Each time the industry, led by IATA, expended serious efforts to reduce costs and put the industry on the road towards regaining its strength and profitability, another new obstacle appeared. The latest such obstacle is the prospective taxation of emissions from aircraft engines, in contravention to article 24 of the Convention on International Civil Aviation and the policies of ICAO included in Doc. 8632. This would not only create a major obstacle for airline companies, particularly those of the developing countries that can hardly face more mounting costs, but would also limit their ability to contribute to the international air transport market.

1.2 Are Taxes a Means of Solving the Problem: In this respect we question whether the funds to be levied from the industry will be used to reduce emissions and to solve the environmental problems, such as by planting trees or improving air quality, as the Executive Chief of IATA Mr. Giovanni Bisignani had asked. Or is it only to make more money and pump it into the treasuries of States without it benefitting the air transport industry and without it improving the efficiency of the air fleets and encouraging scientific research on the use of new fuels that have a lesser impact on the environment? States and competent international organizations are fully convinced that those taxes will not achieve their goals and solutions and alternatives that do not overburden the industry must be found, especially in the light of the present economic conditions and the accrued losses of the past two decades.

2. **FEARS**

2.1 As you are well aware, States and organizations including the Arab Civil Aviation Authority have given this subject utmost attention. The Kingdom of Bahrain, in its capacity as Chair of the Commission on Air Transport of the Arab Civil Aviation Authority, has discussed the matter extensively, but is apprehensive regarding the following:

- 1) taxation by one region will drive other States and regions to impose the same kind of taxes with the result that the air transport industry would be the only loser;
- 2) such taxation would limit the participation of airlines from developing countries. This would be a violation of the recommendations of the 4th Worldwide Air Transport Conference of 1994 and the declaration of the 5th Worldwide Air Transport Conference of 2003;
- 3) subjecting the air transport industry to additional economic crises, particularly in light of its present condition; and
- 4) such taxation would be counter-productive, as far as protection of the environment is concerned, particularly that no global mechanism for organizing this matter has been agreed upon under the umbrella of ICAO.

3. **ALTERNATIVES**

3.1 While we all recognize that environmental protection is a priority that enjoys the acceptance and attention of all Member States, we feel that such protection should come from a range of operational and manufacturing actions that achieve this goal, especially that the contribution of aviation to

environmentally polluting gases is minimal compared to other industries and means of transportation. Among the most important of such actions are:

- 1) shortening of air routes. IATA's efforts in this respect have been effective and resulted in shortening many routes and saving millions of tons of fuel leading to the elimination of millions of tons of gases that pollute the environment;
- 2) encouraging scientific research in the field of manufacturing fuel-economizing aircraft engines;
- 3) encouraging scientific research to develop new kinds of fuel that are less polluting to the environment; and
- 4) establishing operational incentives for airline companies to retire their older fleets.

4. CONCLUSION

4.1 The world recognizes that the air transport industry is a major driving force of development. Therefore, it must be maintained and assisted in performing its role by not over-burdening it with taxes and fees that would only limit efficiency and participation, especially by airlines of developing countries.

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