ENHANCING AIR TRANSPORT CONNECTIVITY

Section 7: Taxes, Fees and Charges

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INTRODUCTION

- On average, Africans travel by air once in 15 years; an American about 1.8 times a year and a European about 1.1 times a year.

- By making air transport more affordable, air transport within Africa can be significantly increased within a short time

EXCESSIVE CHARGES ON PASSENGERS

- Passenger charges and taxes are generally much higher in Africa in comparison to other regions

- The table below shows a dozen highest and lowest passenger charges at some African international airports for international passengers.

HIGHEST & LOWEST INT'L PAX CHARGES (USD) 12 AFRICAN AIRPORTS

HIGHEST

No.	Country	Airport	Charge
1	Ghana	Accra	100.00
2	Djibouti	Ambouli	83.33
3	Cote D'Ivoire	Abidjan	60.60
4	Burkina Faso	Ouagadougou	54.59
5	Nigeria	Lagos	50.00
6	Seychelles	Mahe	50.00
7	Gabon	Libreville	42.45
8	Central Africa Republic	Bangui	40.44
9	Chad	N'djamena	40.44
10	Guinea-Bissau	Bissau	40.42
11	Kenya	Nairobi	40.00
12	Sierra Leone	Freetown	40.00

LOWEST

No.	Country	Airport	Charge
1	Eritrea	Asmara	20.00
2	Somalia	Mogadishu	20.00
3	Gambia	Banjul	15.50
4	Lesotho	Maseru	12.93
5	Kingdom of Morocco	Marrakech	12.69
6	Tunisia	Tunis	11.93
7	Botswana	Gabarone	11.43
8	Algeria	Algiers	11.07
9	Benin	Cotonou	9.10
10	Sudan	Khartoum	7.94
11	Swaziland	Manzini	4.84
12	Libya	Tripoli	4.76

Source: IATA Airport, ATC & Fuel Charges Monitor 2013

EUROPE-- HIGHEST & LOWEST PASSENGER CHARGES -2013

HIGHEST

No.	Country	Airport	Charge
1	United Kingdom	London Heathrow	61.68
2	Germany	Frankfurt	31.10
3	France	Paris - CDG	30.03
4	Spain	Madrid	29.37
5	Cyprus	Larnaca	28.26
6	Belgium	Brussels	27.49
7	Italy	Rome Fiumicino	25.07
8	Spain	Barcelona	23.63
9	Denmark	Copenhagen	23.31
10	Germany	Dusseldorf	20.92

LOWEST

No.	Country	Airport	Charge
1	United Kingdom	London Gatwick	19.04
2	Romania	Bucharest	18.54
3	Portugal	Lisbon	17.49
4	Greece	Athens	16.10
5	Turkey	Istanbul	15.00
6	Sweden	Stockholm - Arlanda	13.64
7	Germany	Berlin Schonefeld	12.05
8	Finland	Helsinki	10.93
9	Italy	Palermo - PMO	10.00
10	Bulgaria	Sofia	7.94

Source: IATA Airport, ATC & Charges Monitor 2013

MIDDLE EAST AIRPORTS WITH HIGHEST & LOWEST CHARGES

HIGHEST

No.	Country	Airport	Charge
1	Lebanon	Beirut	34.00
2	Israel	Tel Aviv	24.07
3	United Arab Emirates	Abu Dhabi	20.42
4	United Arab Emirates	Dubai	20.42
5	Iran	Tehran	20.35

LOWEST

No.	Country	Airport	Charge
1	Iraq	Baghdad	12.88
2	Israel	Jerusalem	11.09
3	Qatar	Doha	10.99
4	Jordan	Amman	8.47
5	Kuwait	Kuwait	7.01

Source: IATA Airport, ATC & Fuel Charges Monitor 2013

ASIA/PACIFIC - AIRPORTS WITH HIGHEST & LOWEST PAX CHARGES

HIGHEST

No.	Country	Airport	Charge
1	Papua New Guinea	Port Moresby	25.07
2	Sri Lanka	Colombo	24.43
3	Thailand	Bangkok	21.77
4	Japan	Tokyo	20.38
5	Malaysia	Kuala Lumpur	17.95
6	Vietnam	Hanoi	16.00
7	Singapore	Singapore	15.63
8	Korea Republic	Seoul	15.32
9	China	Beijing	14.70
10	China	Guangzhou	14.70

LOWEST

No.	Counter	Airport	Charge
1	Nepal	Katmandu	11.06
2	Myanmar	Yangon	10.00
3	Pakistan	Karachi	9.57
4	Pakistan	Lahore	9.57
5	Bangladesh	Dhaka	6.43
6	India	Mumbai	5.18
7	India	Calcutta	5.18
8	New Zealand	Wellington	4.07
9	India	New Delhi	3.25
10	Hong Kong	Hong Kong	2.96

Source: IATA Airport, ATC & Fuel Charges Monitor 2013

EXCESSIVE TAXES AND CHARGES ON FUEL (contd)

- Globally, fuel accounts for about 30-36% of an airline's operational cost whilst in Africa this ranges from 45% -55%

- Fuel prices at some stations in Africa are over twice the world average

- Often, civil aviation ministry officials understand this. However, their counterparts in the Ministries of Finance often do not

- Airlines often put fuel surcharge on tickets to compensate for increasing fuel prices

- This unfortunately puts ticket prices way beyond the means of the majority of African people

BETTER WAYS TO COMMUNICATE

- We spend a lot of time and effort communicating to ourselves, to the converted, to the players in the aviation industry

- We general fail to get our message across to the ministers responsible for finance

- The result is that often aviation gets very limited budget allocations from central government

- We need to focus our communication messages to those to be converted

- We need to speak in a language they understand in terms of facts and figures, costs and benefits, & opportunity cost in budget allocation in the aviation sector

BETTER WAYS TO COMMUNICATE (contd)

- Sensitizing passengers and shippers of high taxes is also important so that they in turn will advocate for lower taxes

- We may need communication messages to influence those not directly in the aviation industry to also speak positively on our behalf to governments

- This includes the Ministries of Tourism, the hotel industries, the taxis and logistic businesses whose businesses are closely allied to aviation

GUIDANCE TO ENSURE INFORMATION IS CLEAR, PRECISE AND COMPLETE

- When lobbying, need verifiable & specific facts and figures

- There is opportunity to highlight successes where governments have a clear appreciation of the benefits of aviation & ensure that taxes do not negatively affect the development of aviation

- Good examples are the Middle & Far East (especially China)

- The governments there invested in excellent infrastructure that is attractive to customers & have attracted passengers and shippers through their hubs

ENSURE INFORMATION IS CLEAR PRECISE (contd)

- Middle East economies reaping huge benefits from aviation

- The same in China where Government massively invested in airports and related infrastructure

- This facilitated a huge expansion of the aviation industry with enormous benefits to the economy

PROFESSIONAL LOBBYISTS

- Perhaps we may need to make use of professional lobbyists just like what other industries do

- This may help to effectively get our messages to where it really matters.

- Lobbyists are experts in this area and they are likely to do a better job that we have not been able to do so far.

THE CASE OF AFRICA

- There persists in Africa a perception that air transport is for the elite of society and hence some governments have no hesitation in over-taxing it

- This has been detrimental to the development of African aviation

- Result is that connectivity between several city pairs, particularly in West and Central Africa, is poor

- Often, many passengers have to connect to African destinations via other continents, further adding to the burden of African aviation customers

- AFRAA and IATA have joined hands in lobbying to reduce charges, fees and taxes on fuel, and indeed some progress has been noted as follows:

POSITIVE EXAMPLES IN AFRICA

- In Angola, fuel taxes in 2012 were reduced by 20% with the resulting industry savings of about US$ 110 million annually

- In Ghana, the Government reduced by 75% the stabilisation fund cross- subsidy on the country's jet fuel price formula, saving airlines US$ 37 million annually;

- In Seychelles, the government replaced a 15% GST on a ticket with a VAT zero-rated for international travel, saving airlines US$ 22 million annually.

- In W. & C. Africa, the air navigation service provider, ASECNA, agreed to continue to freeze charges from the region for 8 consecutive years.

SECURITY FEES

- Following events of 9/11/2001 in USA, a raft of security measures were put into place world-wide

- This has often resulted in passengers having to pay extra security fees

- Airlines world-wide had also to invest in enhanced security measures

- Even though security is a State responsibility, the security charges have contributed to additional burden to the travelling public as well as shippers.

CONCLUSION

- Aviation taxes, fees and charges are very high worldwide but more so in Africa

- A way round this challenge is to come up with communication and lobbying strategies focusing on those that need to be convinced

- The communication need to be simple, data-driven and easy to understand
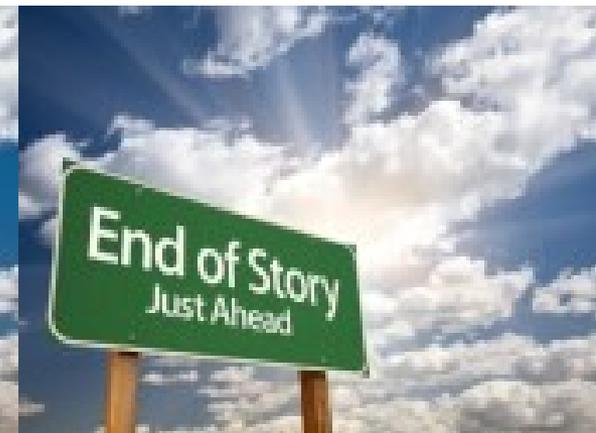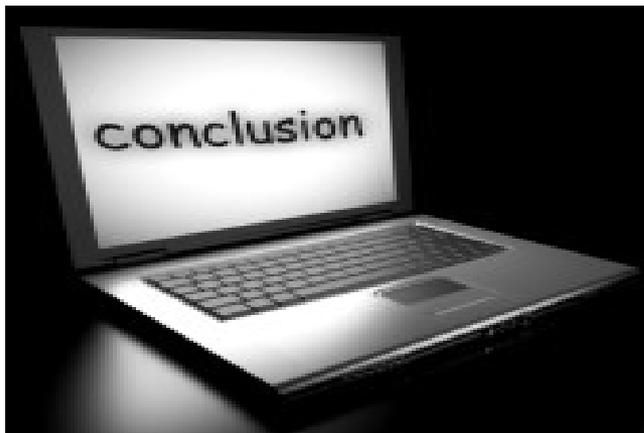
Thank You Very Much
Asante Sana
Merci Beaucoup
Gracias Tanto
Muito Obrigado
شكرا جزيلا

Thank You!