

Impact of Levies on Air Transport Sustainability

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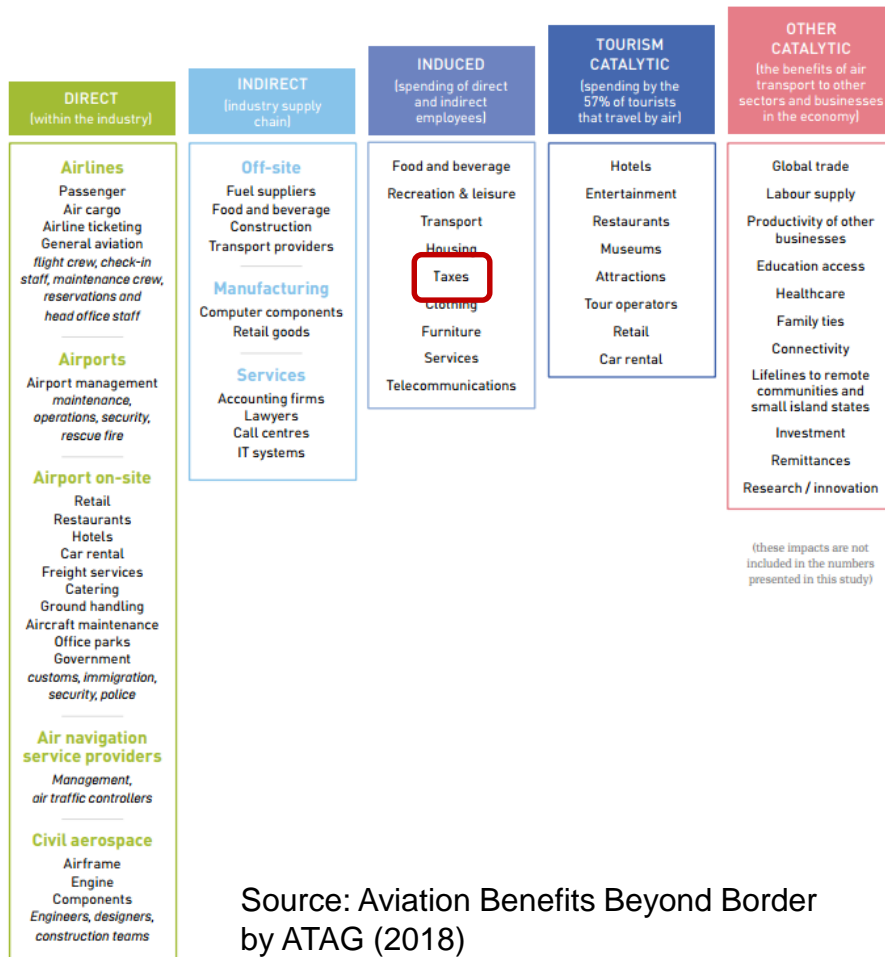
Taxes versus charges

- **Charges:**
 - Levied for **services and functions** which are provided, directly related to, or ultimately beneficial for, civil aviation operations;
 - Charges reflect the underlying **costs** of providing services and infrastructure.
- **Taxes:**
 - A tax is a levy that is designed to raise **national or local government revenues**;
 - Taxes are not applied on a cost-specific basis.

A highly heavily taxed mode of international transport

- Even though the ICAO Council recommends that states “refrain from imposing charges which discriminate against international civil aviation in relation to other modes of international transport” (Doc 9082, Section I, Paragraph 2 ii), international civil aviation remains heavily exposed to taxation;
- Other modes of transport are heavily subsidized

Aviation benefits



Source: Aviation Benefits Beyond Border by ATAG (2018)

65.5 million

Jobs supported by aviation worldwide¹

\$2.7 trillion

Aviation's global economic impact (including direct, indirect, induced and tourism catalytic)²

3.6%

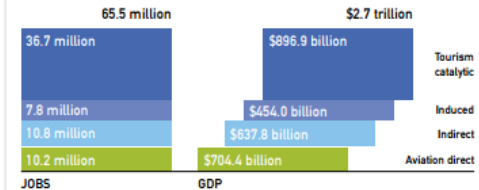
Global GDP supported by aviation³

4.4x

Aviation jobs are, on average, 4.4 times more productive than other jobs⁴. By opening markets and enabling knowledge transfer and other catalytic effects, aviation also makes jobs in other sectors more productive. Globally, each aviation job generates \$108,700 in gross value added (GVA).

Beyond the industry

Aviation's global employment and GDP impact²



DIRECT JOBS



525,000
Airport operators⁵
(operations, planning, engineering)

5.6 million
Other on-airport⁶
(retail, car rental, government agencies such as customs and immigration, freight forwarders, some catering)

2.7 million
Airlines⁵
(flight and cabin crews, executives, ground services, check-in, training and maintenance staff)

1.2 million
Civil aerospace⁶
(engineers and designers of civil aircraft, engines and components)

233,000
Air navigation service providers⁷
(air traffic controllers, executives)

20th

If aviation were a country, it would rank 20th in size by GDP (similar to Switzerland or Argentina)¹¹

All employment and GDP figures are for 2016, unless otherwise stated, to give a single set of data for one year. Where available, traffic and financial statistics data are for 2017.

These figures represent the benefits that aviation activities deliver to the global economy. They do not include other economic benefits of aviation, such as the jobs or economic activity generated when companies or whole industries exist because air travel makes them possible. They also do not include the intrinsic value that the speed and connectivity of air travel provides or domestic tourism and trade. Including these would increase the employment and global economic impact numbers several-fold¹⁰.

The figures in Aviation: Benefits Beyond Borders should be viewed as a snapshot of the aviation sector in 2016-2018 and not as part of a trend. Differences in data sources mean the reports are not directly comparable.



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Global Economic Prospects

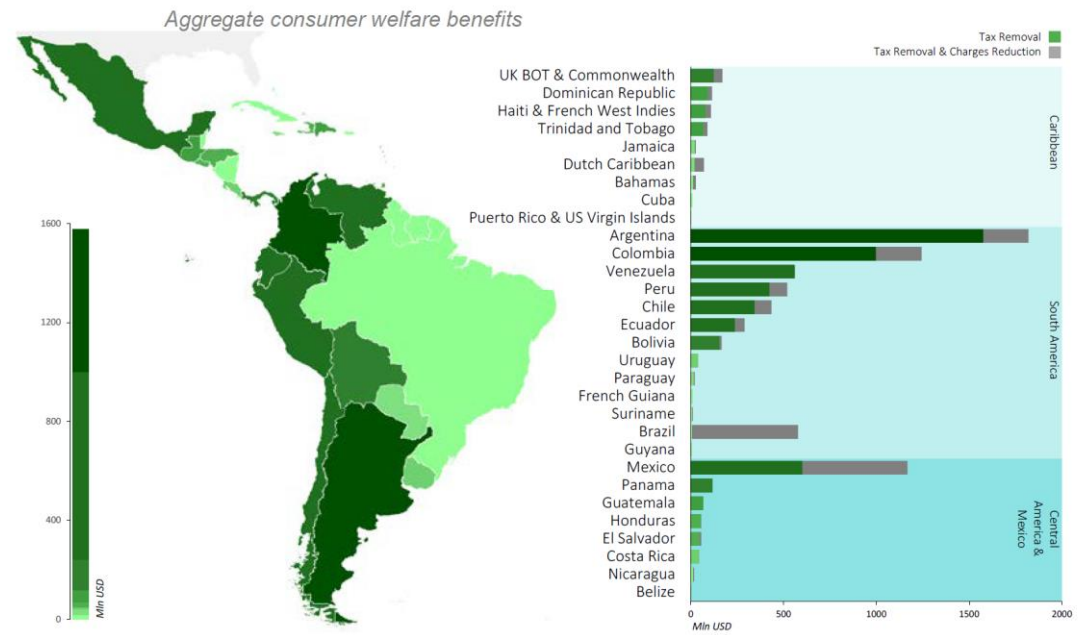
Darkening Skies



- **Global growth to slow to in 2019**
- **Moderating global trade and investment**
- **Protectionism; heightened trade tensions**
- **Tightening of financing and credit**
- **Lost momentum in some major emerging markets**

Case study: LAC Region

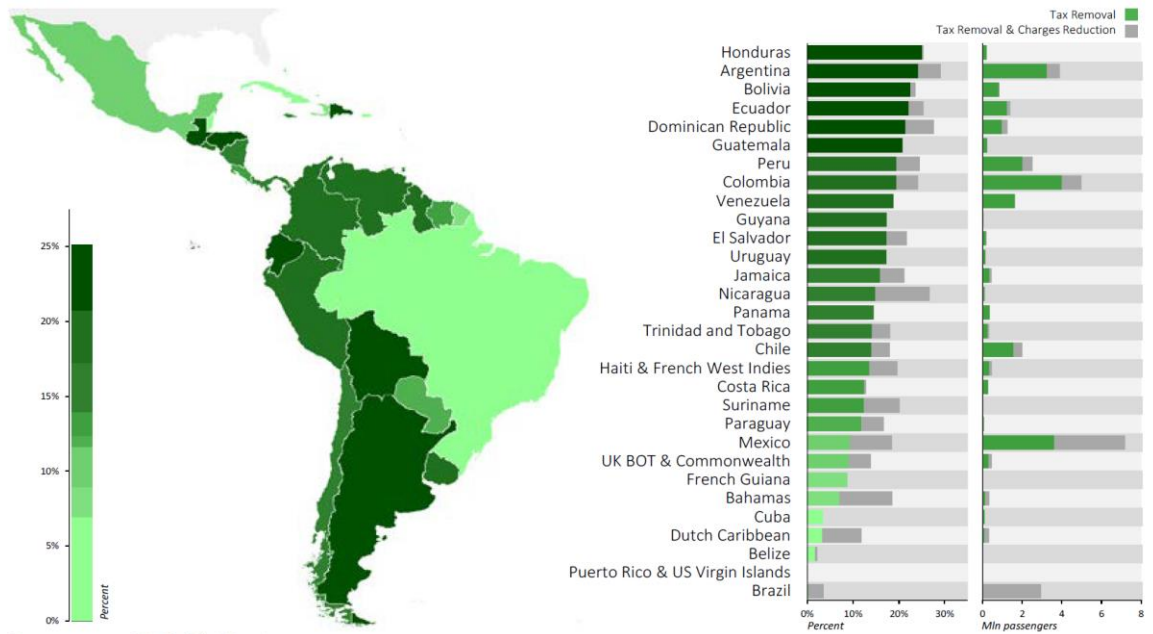
Figure 1.3 Argentina, Colombia, Mexico and Venezuela show the highest consumer benefits of removing aviation taxes.



Source: SEO NetCost - SEO Amsterdam Economics: Economic benefit of reducing taxes in Latin America and the Caribbean

Figure 5.10 Passenger increases differ by country, mostly depending on the current tax regime and national aviation market sizes

Plotted in green is the relative and absolute effect of removing aviation taxes on passengers. The grey bars show the additional effects of also reducing aviation charges.



Source: SEO NetCost - SEO Amsterdam Economics: Economic benefit of reducing taxes in Latin America and the Caribbean

Case: the Air Passenger Duty (APD) of the UK

UK AIR PASSENGER DUTY

THE COST

£146 
PER DEPARTING LONG HAUL PASSENGER

£13 
PER DEPARTING SHORT HAUL PASSENGER



£31 billion

TOTAL AMOUNT OF APD PAID BY PASSENGERS IN 21 YEARS



THE UK HAS THE LARGEST RATE OF AVIATION TAX IN THE WORLD

824%

HOW MUCH APD HAS INCREASED BY SINCE IT WAS INTRODUCED IN 1994

ABOLISHING APD WOULD

CREATE
61,000
NEW JOBS 

BOOST UK GDP BY

1.7%



BY 2020

APD DOESN'T WORK - THE IRISH EXAMPLE

INTRODUCED APD IN
2009

TRAFFIC FELL BY

7 million passengers



SCRAPPED APD IN
2014

TRAFFIC ROSE FROM

23 TO 32 million passengers

Policy implications

- ACI urges States to uphold and actively support the implementation of ICAO resolutions on the taxation of international air transport (Doc. 8632: ICAO's Policies on Taxation in the Field of International Air Transport);
- ACI urges all States to impose levies only to recover the costs of providing services and functions which directly relate to and benefit civil aviation operations;
- Taxes on international air transport services should only be levied in a **justifiable, equitable** and **non-discriminatory** manner.
- Taxation can possibly distort competition between airports located in different countries and between modes of transports



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voice of the
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