TAXES AND CHARGES IN AFRICAN AVIATION

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Introduction

Safe, secure, affordable, efficient air transport system with good connectivity is critical to African and indeed world economies, by facilitating business and tourist travel and transportation of goods in addition to creating employment, among other benefits. On average, Africans travel by air once in 15 years whilst an American travels 1.8 times a year while a European they travel about 1.1 times a year. By making air transport more affordable, the approximately 60 million Africans that travelled in 2011 can be significantly increased within a short time.

Despite the critical role that air transport plays and its significant contribution to the economies of African countries, governments’ policy makers continue to view air transport as a luxury service for the elite. Directly and indirectly, air transport supports 6.7 million jobs in Africa and contributes US$67.8 billion in GDP according to ATAG. Despite this, many African governments and airport service providers have tended to burden airlines and airline users with high taxes, fees and charges. This is in complete disregard to the fact that airlines across the continent are going through periods of critical financial crisis and struggling for survival.

ICAO Stipulations on Charges and Taxes

According to ICAO, fuel for international air transport should not be taxed. ICAO also prohibits the taxation of fuel arriving (and remaining) in a plane from a different country.

It is also common in BASAs to prohibit the taxation of fuel for international flights.

ICAO makes a distinction between charges and taxes as follows:

- Charges are based on cost of service and the revenue is retained by the aviation sector
- Taxes are levies to raise government revenues which are applied to non-aviation purposes

ICAO Council Resolution on Charges and Taxes are as follows:

- There should be no fiscal aims behind the charges.
- Charges should be related to costs.
- Charges should not discriminate against air transport compared with other modes of transport.

Excessive Taxes and Charges on Fuel

African aviation fuel is generally overtaxed. The range of levies and taxes on fuel come under various creative names and descriptions which include the following:

- Royalty fee
- Airport fee
- Export duty
- Airfield fee
- Bridge fee
➢ Throughput fee
➢ Airport duty Government fund
➢ Levy
➢ Concession fee
➢ Redevance fee
➢ Hydrant fee
➢ Railage fee
➢ ISC fuel charge
➢ Asecna fee
➢ Excise duty

The various taxes, duties, levies and charges on fuel contravene global norms and handicap the African aviation industry. Globally, fuel accounts for about 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. This has a very adverse impact on the competitiveness of African airlines. Often civil aviation ministry officials understand this. However, their counterparts in the Ministries of Finance do not appreciate the severe negative impact of such taxes and charges on not only aviation but also on the wider economic development of their States that can be brought about by a well-managed and efficient aviation sector. A coordinated effort focused on growth is needed. Taxes—particularly the crippling state fuel taxes—must be removed to gain broader economic benefits.

Airlines often put fuel surcharge on tickets to compensate for increasing fuel prices. It is estimated that most airlines would recover about 40-70% of their additional fuel costs through surcharges. This unfortunately puts ticket prices way beyond the means of the majority of African people, most of who have never been at an airport.

**High Passenger Taxes and Charges**

In addition to fuel taxes, other taxes are also generally higher in Africa in comparison to other regions and relative to the quality and availability of services and facilities to carriers and air transport users. Figures 1 and 2 show the various passengers related taxes and charges (in 2011) as well as aircraft landing charges that are applicable at some African airports. Attempt is made to compare these taxes and charges among African destinations with taxes and charges at airports in certain selected countries outside Africa.

**Figure 1:** Passenger Taxes and Charges (US$) at 36 African Airports ranked Highest to Lowest

<table>
<thead>
<tr>
<th>No</th>
<th>Airport</th>
<th>Int</th>
<th>Reg¹</th>
<th>No</th>
<th>Airport</th>
<th>Int</th>
<th>Reg²</th>
<th>No</th>
<th>Airport</th>
<th>Int</th>
<th>Reg³</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ambouli (Djibouti)</td>
<td>85.89</td>
<td>68.71</td>
<td>13</td>
<td>Entebbe</td>
<td>40.00</td>
<td>20.00</td>
<td>25</td>
<td>Durban</td>
<td>26.18</td>
<td>19.82</td>
</tr>
<tr>
<td>2</td>
<td>Accra</td>
<td>75.00</td>
<td>50.00</td>
<td>14</td>
<td>Kinshasa</td>
<td>30.46</td>
<td>30.46</td>
<td>26</td>
<td>Conakry</td>
<td>30.00</td>
<td>25.00</td>
</tr>
<tr>
<td>3</td>
<td>Malabo</td>
<td>68.02</td>
<td>46.86</td>
<td>15</td>
<td>Dakar</td>
<td>38.84</td>
<td>38.84</td>
<td>27</td>
<td>Johannesburg</td>
<td>26.18</td>
<td>19.82</td>
</tr>
</tbody>
</table>

¹ ² ³Regional (Reg.) passengers means depending on the country a passenger who is travelling either within the continent or Sub-regional Economic Community
International Passengers departing from 13 African Airports are charged between US$40 to US$85. Included in this group are major destinations such as Accra, Abidjan, Ouagadougou, Nairobi and Entebbe. Djibouti has the highest charges at US$89 per passenger (departing and arriving). At another 9 airports passengers are charged US$30 to US$40.

From these figures, it is also difficult to easily discern any logical correlation between the level of charges on one hand and the level of services, facilities and infrastructure available at some of the destinations to justify such high level of charges.

To see how African airports stand in comparison to other regions, Figure 2 shows taxes and charges at selected destinations in the various sub-regions against selected airports outside Africa. Four countries from each of the four African sub-regions are taken and compared with countries selected from 3 other regions (Middle East, Asia/Pacific and Europe). With the exception of North African countries the majority of selected African airports charge passengers significantly higher than the selected airports in the other regions.

Figure 2: Passenger Tax and Charge Comparison at Selected Airports
Airports in West African region have highest charges, with charges as high as US$75 per passenger in Accra, with some airports in East Africa charging US$40. Passengers in North African airports enjoy the lowest passenger taxes with Tripoli charging US$5 followed by Khartoum, Casablanca and Cairo (US$12-15). However, generally passengers departing from the selected African airports pay higher than passengers departing from Middle East and selected European airports, Beirut being the exception.

**Taxes for Reducing Demand**

Some governments have justified the application of high fuel charges and taxes on the premise that fuel taxes and charges (levies) promote fuel efficiency and reduce demand. Such an argument cannot hold water in Africa where the alternative means of long distance transport are very limited.

Air transport remains the most efficient and economical means of transport to help the social and economic development of regions and countries and on the continent.

**Domestic Aviation**

ICAO does not cover member States’ tax policies for domestic aviation. The USA applies a fuel tax on domestic air carriers and general aviation aircraft; receipts are held in a Trust Fund and are prohibited by law from being used for non-aviation purposes.

Some domestic aviation fuel is already taxed in Europe.

**EU Emission Charges**

The widely condemned EU Emission charges are another cost element which will further hurting the industry. According to analysis by Thomson Reuters Point Carbon the cost for airlines of joining the European Union’s Emissions Trading Scheme in 2012 will be approximately €1.1 billion ($1.5 billion) using a carbon price of €12 per ton, or a total of €10.4 billion between now and the end of 2020. The specific figures or African airlines are not available suffice to say that this will be another burden for them to shoulder.

The fear is that such a unilateral measure will encourage some governments in Africa to come up with their own schemes to raise general revenue for the Government which will further hurt the industry. One country in East Africa was mulling the idea of an AIDS levy to be imposed on all tickets to help raise funds to curb the AIDS menace.
High Taxes in the Industry

According to survey carried by A4A, taxes levied on aviation exceeded US$14 billion in USA, corresponding to 25% of a typical airfare.

The equivalent figure for the European Union is US$7.3 billion, equivalent to an estimated 14-15% of passenger revenues in Europe.

The equivalent figures for Africa not available to assess the extent of charges and taxes in Africa.

Effects of Taxes, Charges and Fees on Ticket Cost

Whatever the type of charges and fees, whether they are directly collected from the passenger or the airline, it all adds up to the cost of travel which ultimately will be borne by the passenger as the airline will pass on these charges to the passengers as cost of ticket. Airlines may use different methods to allocate various costs to ticket prices on various routes, however in the end it will be passed on to the travelling passengers.

In order to realize the huge potential existing in the continent, all stakeholders need to work together to reduce the cost of travel so as to make it affordable to a larger sector of the African population who currently are excluded from the use of air transport because of the high fares, among other reasons.

Conclusions

What is clear is that with the current cost structure of African carriers, it is very difficult to survive the increasingly fierce competition and withstand the forces lined-up against. These forces are marginalizing our airlines from the international routes. This is only a prelude for the continent to be completely driven out from the air transport industry including intra-African routes. It is to the common interest of all stakeholders including airports, governments, regulators, Regional Economic Communities (RECs) and continental organizations such as the AU, AFCAC, AFRAA and ACI Africa to support the growth of indigenous African carriers. This way, African airlines will thrive and re-capture their rightful market share. African governments and airports need to take long-term and strategic view.

Many of the carriers that compete with African airlines come from an operating base with significantly low cost giving them the competitive edge over African carriers. This also enables the foreign carriers to benefit.