



DRAFT CONCEPT NOTE

CAPACITY BUILDING WORKSHOPS ON THE ECONOMIC OVERSIGHT AND REGULATION FOR SUSTAINABLE DEVELOPMENT OF AIR TRANSPORT IN AFRICA

(1st)

for AFCAC member States of the EAC, IGAD, SADC and COMESA Regional Economic Communities, from 25th -27th March, 2020, Addis Ababa, Ethiopia

(2nd)

for AFCAC member States of ECCAS, ECOWAS and UMA Regional Economic Communities

from 30th March to 1st April, 2020, Lagos, Nigeria

I. INTRODUCTION

1. The civil aviation industry plays an important role of connecting people and the world. A strong and sustainable African civil aviation industry is catalytic to economic growth and development, contributes to the integration agenda of the continent, connects Africa and the rest of the world, facilitates tourism and movement of goods and services and contributes to the integration agenda of the African Union (AU).

2. The Single African Air Transport Market (SAATM) was launched during the 30th Ordinary Summit of the African Union Assembly of Heads of State and Government held in Addis Ababa, Ethiopia, on 29 January 2018. The SAATM is an AU Agenda 2063 flagship project which aims at liberalizing the air transport market in Africa through the full implementation of the provisions of the Yamoussoukro Decision (YD). The full implementation of the YD through the SAATM will result in increased tourism, trade, employment, continental integration and easy movement of people and goods; socio- economically transforming the Continent – a key objective of the AU Agenda 2063. This being supported by the fact that Africa has the most potential for growth, being a comparatively young industry and servicing a large and rapidly developing population. Studies have shown that the SAATM will result in an increased growth of traffic in the African continent. This growth must be facilitated for the benefit of States, Airlines and the travelling public, in general.

3. For Africa to realize the objectives of the AU Agenda 2063, ensure sustainable development of Air Transport and realize the benefits of socio-economic development promised by air transport, there is a need for a robust regulatory framework, adequate infrastructure, qualified and competent human resources and sustainable financing among others. While each of these factors present different challenges to the African Civil Aviation industry, the issue of economic oversight and regulation presents a substantial challenge and threat to the sustainability of air transport in Africa. This leads to among others, underdeveloped air transport industry, poor connectivity, high costs of operations, which limit the functions and catalytic importance of civil aviation in socio-economic development and continental integration.

4. The International Civil Aviation Organization (ICAO) has developed relevant policies and manuals relating to:

- i) ICAO Policies on Charges for Airports and Air Navigation Services (Doc. 9082).
- ii) ICAO Policies on Taxation in the Field of International Air Transport (Doc 8632-C/968).
- iii) Manual on Privatization in the Provision of Airports and Air Navigation Services (Doc 9980).
- iv) Manual on the Regulation of International Air Transport (Doc 9626).
Policy and Guidance Material on the Economic Regulation of International Air Transport (Doc 9587).
- v) Airport Economics Manual (Doc 9562)

The African Civil Aviation Policy (AFCAP) Chapter Five, part 5.7 on aviation tariffs and charges requires member States to fix tariffs and charges in consultation with the users of their services and in accordance with ICAO policies and file those tariffs and charges with the regulatory authority.

5. Despite the existing policies on economic oversight and regulation of air transport, there have been a proliferation of charges and taxes on aircraft importation, aircraft spare parts, passenger tickets and cargo in many African countries. There are also evidences of 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 in Africa.

6. The impact of these have over the years, negatively affected the competitiveness of African airlines, cost of products and indeed, on the consumer's choice of destination and competition with third party airlines. It has also affected the ability of aviation to meet demand as well as impede economic growth. In some States, national regulation on taxes and charges are not compliant with ICAO's Policies, as set out in Doc 9082, while in some others, the ICAO core principles of non-discrimination, cost relatedness, transparency and consultation with users have not been effectively and in a comprehensive manner been incorporated into national regulations, thus posing a serious challenge to the growth and sustainable development of air transport in general and to airlines in particular.

7. Concerns have been raised at various fora on the need to address this issue. Some of the instances include:

- a) The forum to present a consultant report following a study commissioned by the Economic Community of West African States (ECOWAS) and undertaken by the International Air Transport Association (IATA), on charges, taxes and fees in aviation in the sub-region (Accra, Ghana 11-13 June, 2018);
- b) The recently convened ICAO Continental Aviation infrastructure Gap Analysis for Africa (Abuja, Nigeria 19-21 March 2019);
- c) The AUC-AFCAC Workshop on Capacity Building on YD Regulatory texts; and
- d) The Aviation Stakeholders forum held in Dakar, Senegal (28 - 29 January, 2019).

8. In order to reverse this untoward trend and improve the competitiveness of air transport on the continent, AFCAC, on behalf of the fifty-four (54) Contracting States, presented a Working Paper **A39-WP/150¹ EC/16 10/8/16**, on Economics of Airports and Air Navigation Services at the 39th Session of the ICAO Assembly. The Paper elaborated on the effects of excessive taxation, the proliferation of interchangeability of taxes in the form of charges and prevalence of monopoly of service providers as been detrimental to the sustainable development of international air transport. The Paper requested ICAO 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. In this respect, the ICAO Assembly Resolution, **A40-9: Consolidated statement of continuing ICAO policies in the air transport field**, requested the Council and the Secretary General to disseminate and promote ICAO's air transport policies and associated guidance to and amongst Member States.

9. Consequently, it has become imperative to bring the major stakeholders (decision and policy makers as well as experts) together to succinctly address the conceptual distinction between taxes, charges and other levies putting into consideration, the uniqueness and international nature of the aviation sector. Hence, AFCAC proposes two continental capacity building workshops aimed at raising awareness on the relevant policy documents and economic regulation manuals on airports and air navigation services. The capacity building workshops

will give a general analysis of the current situation in Africa, share the existing policies and manuals and finally recommend an action plan for implementation.

II. OBJECTIVES OF THE CAPACITY BUILDING WORKSHOPS

10. The main objectives of the Capacity Building Workshops are to:
 - a) Sensitize Member States through regional workshops, to adopt and implement ICAO's policies on economic regulations of airport and air navigation services on aeronautical charges;
 - b) Address concerns on the practice of unilateral imposition of taxes on international air transport services by some States without due regard to relevant ICAO's guidelines;
 - c) Advocate for States to remove all government taxes on air transport passengers;
 - d) Advocate for States to adopt ICAO's policies on user charges, including consultation with users;
 - e) 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;
 - f) Enhance expertise on economic oversight of airports and ANSPs;
 - g) Develop recommendations on a continental action plan to address high taxes, charges and fees on air transport.

III. THE SESSIONS

10. The 3-Day sessions of the workshop will involve:
 - a). Sensitization on the existing policy documents and relevant application.
 - b). Sensitization on the Economic Manuals on Airports and ANSPs.
 - c). Sharing of experiences from selected Member States.
 - d). Development of continental action plans to address high taxes, charges and fees on air transport.

IV. EXPECTED OUTCOMES

11. In line with the objectives of the meeting, the following are the expected outcomes:
 - a). Good understanding by the Member States' Experts and regulators on the application of the taxes, charges and fees on air transport.
 - b). Thorough understanding (by Representatives of Ministries; Departments and Agencies responsible for taxes and charges) of the existing policies and applicable ICAO policies, manuals and documents on taxation, charges and economic regulation of Air Transport.
 - c). Shared experiences among Member States.
 - d). Developed continental action plans to address high taxes, charges and fees on air transport.

V. PARTICIPANTS

12. The following entities will be invited to participate in the meeting:

- Member States Directors General of Civil Aviation Authorities;
- Airports Authorities/Companies and Air Navigation Service Providers;
- Ministries, Departments and State Agencies responsible for taxes and charges;
- Civil Aviation Authority Experts in charge of air transport regulation;
- African Union Commission;
- Regional Economic Communities (RECs);
- African Airlines Association (AFRAA);
- Representative of ICAO, IATA-Africa, ACI-Africa and CANSO; and
- Other Partners, as appropriate.

The participants will cover their costs related to travel and accommodation.

VI. DATES AND VENUES OF THE CAPACITY BUILDING WORKSHOPS

13. The workshops will be held **Addis Ababa, Ethiopia** for AFCAC member States of the EAC, IGAD, SADC and COMESA Regions, to be held from 25th to 27th March, 2020 and **Lagos, Nigeria** for member States of the ECCAS, ECOWAS AND UMA, to be held from 30th March to 1st April, 2020.

The host States will provide meeting venue, interpretation services (English and French only), working lunches and refreshments. AFCAC will cover costs related to four (4) resource persons.

VII. FURTHER INFORMATION

14. For more information, please contact:

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