



New Airport Tax in Israel: letter from the Director General of IATA to the Minister of Transport and Road Safety of Israel, Mr Israel Katz

26 August 2009

Dear Minister,

I am writing on behalf of IATA and its 223 Member airlines, representing 93% of scheduled international air traffic, to seek urgent action by the Israeli Government to support aviation, business and tourism in Israel through a reduction in the tax burden on the aviation industry – at no immediate cost to Israeli government revenues.

Our industry makes a big contribution to Israel where, in 2009, travel and tourism are expected to generate IRR 49 billion (or US\$ 12 billion) and 211,000 jobs (7.6% of total employment). Export earnings from international visitors and tourism goods are expected to generate 6% of total exports in 2009¹. This contribution and the competitiveness of Israel are now under severe threat due to the economic crisis affecting airlines and the unfortunate tax burden. Whilst aviation is the largest single contributor to national economic development through tourism, trade and inward investment, passenger demand is increasingly sensitive to the price of tickets. As a result, airlines are experiencing greatly reduced yields with an estimated revenue loss this year of 25%.

The crisis being experienced in aviation is unprecedented. As a consequence of the severe global economic downturn, IATA is forecasting an airline industry loss of USD 9 billion in 2009, following on from the USD 10 billion loss for 2008. A number of airlines are being forced out of business because of these losses, others are forced to utilise their cash reserves in the hope of surviving the downturn, all are cutting capacity and all are suffering from a significant cut in their margins. Almost all are reducing staff, salaries or benefits.

A number of governments are realising that taxing air transport and air travellers is counterproductive and uneconomic. Recent examples include:

- The Netherlands Government earlier this year abolished the Air Passenger Tax after determining that it was actually costing more than it raised.
- In Belgium, plans to introduce a new Air Travel Tax in Belgium were abandoned for similar reasons.

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¹ http://www.wttc.org/eng/Tourism_Research/Tourism_Economic_Research/Country_Reports/Israel/

Against this background and to provide much needed financial relief to airlines, I strongly urge you please to

- withdraw as soon as possible the Airport Tax ranging from US\$ 4.09 to US\$ 2.45 per passenger arriving on international flights, levied by the Israel Airport Authority; and
- as a minimum and urgent first step, make the administrative changes necessary to allow airlines to recharge the Airport Tax to their passengers

I should be grateful if you would give this request your urgent consideration. We are of course willing to meet and discuss this issue and possible actions in more detail.

Sincerely,

Giovanni Bisignani
Director General and CEO
IATA – International Air Transport Association
Montreal – Geneva

Copy: Mr. Haim Romano, CEO, EL AL Israel Airlines Ltd
Mr. Gadi Tepper, CEO, Arkia Israeli Airlines Ltd
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