



South Africa Carbon Tax: letter from the Director General & CEO of IATA to the Minister of Transport of South Africa, Mr J.S. Ndebele

Geneva, 29 March 2011

Dear Minister Ndebele,

I'm writing to you with regard to the recent announcement by the South African Treasury to introduce a nation-wide carbon tax as part of the 2012 budget. I am deeply concerned that this tax will have major ramifications for the aviation sector, as well as for other sectors of the South African economy that rely heavily on air transport, including tourism and trade. Not only does the announcement appear to contradict earlier government statements against similar taxes elsewhere (including the UK) but it may also set a dangerous precedent for other countries to follow by way of reprisal. Ultimately, it is South Africa's economy that will be a net loser of these measures.

While aviation is a relatively small contributor to climate change (the UN's Intergovernmental Panel on Climate Change currently suggests that aviation is responsible for 2% of the world's man-made CO<sub>2</sub> emissions) it takes its climate change responsibilities very seriously. The entire sector is working conscientiously to minimize its collective impact, guided by ambitious targets to 1) improve carbon efficiency by 1.5% annually from now to 2020; 2) halt the net growth of its carbon emissions as from 2020; and 3) bring its net carbon emissions down to 50% of 2005 levels by 2050. Industry is inviting governments to support these targets.

IATA does not support the use of taxes as a means to address emissions. In fact, punitive economic measures, such as taxes, do nothing to reduce aviation's environmental impact and might even slow down emission reductions as taxes would deprive the industry of the resources it needs to invest in emissions reduction measures.

As pointed out in the recent National Climate Change Response Green Paper (2010), transport systems form the backbone of South Africa's socio-economic activities through enabling the movement of people and products. South Africa is also a particularly carbon-intensive destination, and relies extensively on long haul flights from key international tourism markets. A carbon tax would put in jeopardy the very substantial benefits delivered to South Africa's society and economy, which is not what the sector needs, nor what the travelling public wants.

In this context, I would draw your attention to the International Civil Aviation Organization (ICAO), which calls upon its 190 Contracting States – including South Africa – to eliminate “all forms of taxation on the sale or use of international transport by air” including all taxes levied on passengers. The Treasury's proposals are doing exactly the opposite. In any case, Article 24 of the Chicago Convention, to which South Africa is a signatory, stipulates that a fuel tax can only apply to fuel used on domestic air services whereas fuels used for international operations must be tax-exempt.

Finally, IATA emphasizes the importance for governments to recognize that aviation is a truly global industry requiring a global framework to address the issue of global climate change.

I urge you to oppose strongly the proposals for a carbon tax and to seek its urgent withdrawal. We stand ready to work with you on this matter and also on working through ICAO to develop an appropriate global framework, rather than unilateral, punitive and ineffective measures at national level.

Sincerely,

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