



Fact Sheet

Aviation Charges, Fees and Taxes

Driving commitment for greater cost-efficiency and operational improvements from industry partners and achieving a more balanced customer-supplier relationship between airlines on the one hand and airports and Air Navigation Service Providers (ANSPs) on the other, has always been a priority for IATA's member airlines.

Now, as aviation emerges from the unprecedented decline in passenger demand as a consequence of governments' response to the COVID-19 pandemic, recovery and repair of damaged balance sheets is a priority, and the focus on cost-efficiency is more important than ever.

However, while relief measures such as waivers, payment deferrals, and discounts on aeronautical charges were provided to airlines during the first year of the pandemic, in 2021, airports and ANSPs pushed through some \$2.3 billion in fee increases. Proposed airport and ANSPs increases for 2022, if granted, will likely be 10 times higher.

Increasing infrastructure charges, fees and taxes will stall a sustainable industry recovery and damage international connectivity that is only now being restored. Unfortunately, airports and ANSPs do not face much competitive pressure, and many seek to recover the revenue they estimate was "lost" during the pandemic.

IATA therefore calls for immediate action from infrastructure providers and decision makers to play their part in the recovery of air connectivity instead of placing the financial burden of this crisis on the back of their customers. To address the continuing financial impact of the pandemic, airports and ANSPs need to:

- **Implement sustainable cost control measures and follow best practice examples to maintain cost cutting measures in and beyond 2022**
- **Adjust infrastructure to actual traffic volumes and maximize the efficient use of existing infrastructure before considering new investments**
- **Manage expectations and obligations of shareholders who benefitted from good returns and dividends paid before the crisis**
- **Access capital markets to secure bonds or raise commercial loans as airports and ANSPs are still seen as safe investments**
- **Make full use of available government aid and employment support schemes.**

IATA is directly engaged with airports, ANSPs as well as governments and tax authorities to mitigate the impact of increasing infrastructure cost and work towards a sustainable recovery of the industry.

A key priority for IATA continues to be achieving effective economic regulation of airports and ANSPs, in order to drive cost efficiencies and prevent providers from abusing their market power.

Inappropriate capital investment can easily lead to a higher level of charges, which adversely impacts airlines that are struggling to restore weakened balance sheets even as they bring back capacity to meet returning demand. This results in reduced long-term economic and financial gains. This vicious cycle can be avoided by designing investments in agreement with the airline community, balancing impact, demand, service and cost.

Aviation charges, taxes & climate change

The introduction of new airport or airspace user charges, or the modulation of existing charges, to address aviation's CO2 emissions, undermines the progress achieved to establish a coherent and effective policy framework to address aviation's impact on climate change. The emergence of a patchwork of charges purporting to address climate change will obstruct the multilateral cooperation required for global progress and may impede sustained climate actions through more appropriate mechanisms.

Such charges also fail to meet agreed international policies, notably the principles that emissions should only be accounted for once and that charges should be related to the provision of infrastructure and services provided.

IATA strongly urges airports and ANSPs to stay within the remit of their role as infrastructure and services providers. Through existing carbon pricing instruments and the cost of fuel, airlines are already strongly incentivized to utilize fuel-efficient aircraft and to operate those aircraft efficiently. Any unilateral action by individual actors, will result in limited or no additional environmental benefit.

The need for airports and ANSPs to become more sustainable and resilient to climate change is also reflected in their capital expenditure plans. While every effort must be made to support aviation's sustainability goals, the same scrutiny and justification is required for investments with an environmental tag, as it is for any other project. Environmental sustainability is a strategic imperative for airport infrastructure and is part of an ongoing effort to secure the future of the aviation industry aiming to protect the environment in a way that is financially sustainable for airports and airlines.

To support the industry in this effort, IATA is working with leading engineers, architects, consultants and Airports Council International to develop guidance and best practice on airport sustainability for its upcoming new release of the Airport Development Reference Manual (ADRM).

Recent aviation fuel and energy tax initiatives, including a move towards taxing fuel for intra-EU flights, are worrisome. The effectiveness of taxation as a means to mitigate emissions or to incentivize decarbonization is at best negligible and only serves to distract from more sustainable and effective measures. We urge governments to review their strategy.