AIRPORTS COUNCIL INTERNATIONAL

Olivier Jankovec
Director General

18 February 2016

Skattedirektoratet
Rettsavdelingen - Særavgiftsseksjonen
P.O. Box 9200 Grønland
0134 Oslo
NORWAY

Re: Proposed amendments to the Regulations on 11 December 2001 no. 1451 concerning Excise Duties ("særavgiftsforskriften") resulting from the parliamentary resolution on 14 December 2015 on air passenger tax.

To whom it concerns,

ACI EUROPE welcomes the opportunity to comment on the Norwegian government's intention to re-introduce an aviation tax on departing passengers from Norwegian airports.

ACI EUROPE strongly recommends that the Norwegian government reconsiders this move, and anticipates that the introduction of any aviation tax may well have a net negative impact, not only on the wider Norwegian economy, but also ultimately upon Norwegian public finances.

While some consideration has been given to the potential economic impact of the aviation tax, this analysis has been limited, with a very narrow focus.

In particular the analysis takes no account of the wider 'catalytic impact' of aviation. This concerns the wider economic activity which is facilitated and stimulated by the presence of air links within a country, and to other parts of the world. The connectivity created by affordable travel (in terms of both time and financial cost) allows tourism, trade and foreign direct investment to take place, which might otherwise not occur. This is particularly the case in geographically-peripheral countries with export-focused economies – such as Norway.

A recent study for ACI EUROPE found that a 10% increase in a country's air connectivity was associated with a 0.5% increase in the GDP per capita of that country[1]. While there are a range of studies in this field, with different specific figures, it has been conclusively demonstrated that air connectivity is a fundamental cornerstone of economic prosperity. This is only likely to become more so the case, as economies become ever more globalised, and as emerging nations seek to both consume more and also to seek out new opportunities within which to invest.

The same study found that Norwegian airports and associated aviation activity had a wider stimulating effect on the Norwegian economy equivalent to over €8.3 billion of GDP each year, supporting almost 60,000[2] jobs. This is separate from and in addition to the significant direct, indirect and induced economic impact which this aviation activity also supports (equal to €6.96 billion of GDP or 63,800 jobs annually).

While the Consultation Paper acknowledges that any aviation tax is likely to have a detrimental impact upon passenger numbers, the logical knock-on consequence is left unaddressed, with speculation only that the tax may have an uncertain impact upon 'other parts of business activity'.

.../...

[1] '*Economic Impact of European Airports – a Critical Catalyst to Economic Growth*', Inter*VISTAS*, January 2015 – available at: https://www.aci-europe.org/component/downloads/downloads/4159.html

[2] Ibid

A reduction in demand for air services due to the imposition of an aviation tax will also adversely impact the air connectivity of Norway. Airlines often depend upon more price-sensitive 'economy' passengers to fill their aircraft, and to make routes financially viable. If an aircraft cannot be filled, frequencies will be reduced, and routes are likely to be halted.

Even in instances where any tax is not passed through to the air fares paid by travellers, Norway will become less attractive as a business jurisdiction to airlines, who will see reduced route profitability and who will therefore be more inclined to deploy their aircraft elsewhere. The end-result will again be a loss of national air connectivity.

This reduced connectivity will inevitably feed through to reduced wider economic activity, as the increased cost and inconvenience associated with travelling to Norway encourages global players to invest in and trade with alternate countries. This will be accompanied by reduced tax yields in affected sectors, and it is therefore entirely possible that the ultimate impact of any aviation tax on the Norwegian public finances will be net negative.

Indeed, it is precisely this dynamic which led Denmark, the Netherlands and Ireland to withdraw their aviation taxes in recent years.[3] These moves followed studies and practical experience which clearly demonstrated the net negative economic impact of these taxes.

Concern is also being raised at a European level, with the European Commission in its recent Aviation Strategy noting that *'aviation taxes and levies applied by Member States over and above the normal profit tax may negatively impact connectivity and competitiveness'*[4] and undertaking to examine the impact of existing aviation taxes.

In light of these experiences, ACI EUROPE strongly advises against the re-introduction of a Norwegian air travel tax. Further work should be undertaken, to better establish the impact upon other business activity in the wider Norwegian economy. At a minimum it would seem prudent to at least await the findings of the European Commission, on the full impact of aviation taxes on the economies of other countries.

ACI EUROPE stands ready to engage further in this process, as required by the Norwegian authorities.

Yours sincerely,



[3] In 2007, 2009 and 2014 respectively

[4] *'An Aviation Strategy for Europe'*, European Commission, December 2015 – available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015DC0598&from=EN