



International Civil Aviation Organization

WORKING PAPER

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ASSEMBLY — 42ND SESSION

ECONOMIC COMMISSION

Agenda Item 26: Economic Development of Air Transport

BARRIERS TO AIR CONNECTIVITY AND CONSUMERS

(Presented by Airports Council International (ACI) and Ethiopia)

EXECUTIVE SUMMARY

Burdensome political and economic barriers hinder the realization of the full socio-economic benefits that airports, airlines, and the broader aviation ecosystem make towards the Sustainable Development Goals (SDGs). These barriers continue to persist in many jurisdictions, which hinders mobility, imposes costs on consumers of air transport and limits the positive economic multiplier of aviation. These barriers include, among others, 1. Limited implementation of liberalization of air transport in certain markets, 2. Discriminatory and distortionary taxes levied on aviation, 3. High concession fees to operate airport infrastructure, and 4. Burdensome visa and entry requirements.

Action: The Assembly is invited to:

- a) recognize that the barriers to air travel listed in this Working paper continue to impede equitable connectivity and the full realization of aviation's socio-economic benefits;
- b) encourage States to reaffirm the commitments to air-transport liberalization made at the ICAO 41st Assembly under Resolutions *A41-24 – Aviation's Contribution Towards the United Nations 2030 Agenda for Sustainable Development*, and *A41-27 – Consolidated Statement of Continuing ICAO Policies in the Air Transport Field*; and
- c) encourage States to implement *ICAO's Policies on Taxation in the Field of International Air Transport (Doc 8632)* within their jurisdictions and to invite all appropriate national authorities to take account of Doc 8632.

<i>Strategic Goals:</i>	This working paper relates to the Strategic Goal – <i>The Economic Development of Air Transport Assures the Delivery of Economic Prosperity and Societal Well-Being for All.</i>
<i>Financial implications:</i>	No

¹ English, Arabic, Chinese, French, Russian and Spanish versions provided by ACI.

References:	<i>ACI Policy Brief: Taxation of international air transport and airports – Economic benefits and costs, 2020</i> <i>ACI Airport Economics Key Performance Indicators</i> <i>IATA World Air Transport Statistics</i> <i>IATA Why Tourists Need E-Visas More than Ever (2024)</i> <i>Air Transport Action Group's (ATAG) Aviation: Benefits Beyond Borders, 2024 Edition</i> <i>Doc 8632, ICAO's Policies on Taxation in the Field of International Air transport, 3rd Edition, 2000</i> <i>Doc 9082, ICAO's Policies on Charges for Airports and Air Navigation Services, 10th Edition, 2024</i> <i>UNWTO UN Tourism reports openness is back to pre-pandemic levels (2024)</i>
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1. INTRODUCTION

1.1 The International Civil Aviation Organization's (ICAO) Strategic Plan 2026-2050 includes the Aspirational Goal of aviation "to serve as an integral part of a thriving, connected, accessible, inclusive, and affordable transport system for people and goods, contributing to socio-economic development, while ensuring no country is left behind." According to the Air Transport Action Group's (ATAG) 2024 edition of *Aviation: Benefits Beyond Borders*, aviation supports some 86.5 million jobs worldwide today, contributing 3.9% of global economic activity, transporting a third of world trade by value, enabling 58% of tourist arrivals and connecting people all over the planet. Aviation also has an essential role in achieving the 2030 UN Sustainable Development Goals (SDGs).

1.2 In addition to rising income levels across the globe, another key driver in the growth of passenger traffic has been a continuous decline in the price of travel, linked to advances in aircraft technologies and efficiencies in service delivery. The deregulation of the aviation market in the 1980s and ongoing liberalization of air transport paved the way for increased choice, competition, and connectivity, which has ultimately benefited passengers (consumers) by reducing the overall cost of air transport.

1.3 Despite the demonstrated role of aviation in advancing the SDGs, persistent policy and fiscal barriers continue to undermine air connectivity and impose unjustified burdens on consumers. These barriers include, 1. Limited implementation of liberalization of air transport in certain markets, 2. Discriminatory and distortionary taxes levied on aviation, 3. High concession fees to operate airport infrastructure and 4. Burdensome visa and entry requirements.

2. AIRLINE AND AIRPORT COSTS

2.1 Airports are capital-intensive, immobile, inherently risky investments and infrastructure operators face many high fixed costs. This includes the cost of constructing fixed assets, and the cost of financing infrastructure. Similarly, like airports, many airline costs are fixed or semi-fixed. An example of this is aircraft fuel and oil, among others, where prices are largely dictated by global markets. Fuel and oil could make up as much 30% of airlines' operating expenses especially on international scheduled traffic. In consideration of these financial constraints, minimizing the exogenous costs and barriers that are imposed by government on aviation stakeholders will ultimately translate into lower costs for the traveling public.

3. LIMITED IMPLEMENTATION OF LIBERALIZATION HINDERING CONNECTIVITY

3.1 The liberalization of air transport is an enabler of tourism and economic development. Liberalization translates into formalized market access through bilateral agreements that remove restrictions on air transport among States. Reducing protectionist policies leads to greater competition among suppliers of air transport, innovation, and choice for consumers, resulting in traffic growth that stimulates job creation and increases regional gross domestic product (GDP). Industry studies show traffic growth averaged between 12% and 35% after liberalization of air services agreements.²

3.2 Air connectivity becomes an important byproduct of liberalization. In the context of airports, connectivity could be defined in two ways: direct connectivity, or the total number of direct scheduled flights offered by airport X to all other airports; or indirect connectivity, defined as the total number of indirect connections offered by airport X to other destinations via an intermediate airport. The combination of the two is indicative of overall connectivity levels for a given airport.

3.3 In many parts of the world, a lack of political commitment, protectionist policies, slow economic regulatory adoption, and institutional bottlenecks hinder progress toward market liberalization and market access. Accelerating liberalization and implementation of regional agreements (e.g., the Single African Air Transport Market (SAATM), the Association of Southeast Asian Nations (ASEAN)) is therefore critical. States are encouraged to reaffirm commitments made at the ICAO 41st Assembly under Resolutions *A41-24 – Aviation’s Contribution Towards the United Nations 2030 Agenda for Sustainable Development*, and *A41-27 – Consolidated Statement of Continuing ICAO Policies in the Air Transport Field*.

4. AIR TRAVEL AND HIGH TAXATION

4.1 International air transport is heavily taxed. Some States use taxes on airline tickets to generate revenues that have the same impact as tariffs on imports or exports. Passengers base their purchasing decision on the all-in airfare; discriminatory and excessive taxation elevates consumer costs and dampens demand for air travel, thereby constraining aviation’s contribution to inclusive economic growth.

4.2 An important distinction should be made between charges and taxes. As outlined in *ICAO’s Policies on Charges for Airports and Air Navigation Services* (Doc 9082), a “charge is a levy that is designed and applied specifically to recover the costs of providing facilities and services for civil aviation, and a tax is a levy that is designed to raise national or local government revenues, which are generally not applied to civil aviation in their entirety or on a cost-specific basis.”

4.3 In line with *ICAO’s Policies on Taxation in the Field of International Air Transport* (Doc 8632), taxes uniquely imposed on air transport or discriminating in favour of other modes of transport contradict ICAO policies. Based on an Airports Council International (ACI) study, “*Policy Brief: Taxation of International Air Transport and Airports – Economic Benefits and Costs*,” removing the US\$90 billion tax burden on air transport would result in an increase of 5.2 million jobs and over US\$180 billion in global GDP.

5. INFRASTRUCTURE COSTS AND HIGH CONCESSION FEES

5.1 The large capital outlay and complexities involved in planning, obtaining approvals for, and constructing new airport infrastructure mean that a level of risk is associated with the long-term horizon of these investments. That is, capital investments are concentrated over the short term, whereas cash flows

² InterVISTAS-ga2, 2006. *The Economic Impacts of Air Service Liberalization*.

and an expected return on invested capital are perceived over the longer term. In addition to these capital costs, in certain jurisdictions, especially those with private sector involvement, airport operators are often required to pay a fee to governments for the right to occupy land and/or operate. These concession fee payments represent a fixed cost to airport operators.

5.2 Lease or concession fee payments to governments amount to as much as 23% of the overall airport costs on average; it is as much as 30% for airports with private stakes as compared to 15% for government-owned and operated entities, and many of the world's largest hubs in places like Asia-Pacific, South America and the Middle East have concession fee payments that represent more than 50% of total operating expenses.

5.3 Governments have a fiscal responsibility to achieve an adequate return on their land and real estate assets, so concession fees should be fair and proportionate. Excessive fees add costs to airport operators and, through user-pay cost-recovery mechanisms, have important implications for infrastructure users and the travelling public. A judicious balance needs to be struck between lowering the cost of travel for the travelling public and increased connectivity versus government objectives to monetize airport assets so as to alleviate financial pressures.

6. RESTRICTIVE VISA REQUIREMENTS

6.1 International and intra-regional mobility continues to face challenges due to visa regimes, which may be addressed through harmonized digital solutions and reciprocal arrangements between States, such as mutual visa waivers, regional e-visa platforms, and fast-track entry protocols for frequent and business travellers. According to data from UN Tourism 47% of the world's population is required to obtain a traditional visa prior to travelling³. ACI supports a shift away from complex visa and travel authorization frameworks toward interactive digital solutions.

6.2 While maintaining secure borders is paramount, there exist opportunities to modernize many visa acquisition processes. Several States have made strides by adopting electronic visas, or e-visas, which represent a positive advancement in streamlining travel processes. E-visas serve as effective tools for governments, allowing for improved border management and facilitating seamless mobility for both tourists and business travellers.⁴

6.3 While the implementation of e-visa systems has facilitated travel and improved access, concerns have emerged regarding the monetization of the e-visa process. Third-party intermediaries and unofficial service providers may exploit the system by charging excessive fees, misleading applicants, or operating without proper authorization. To safeguard both national security and public trust, strict oversight should be exercised over e-visa service providers through clear guidelines, accreditation, and regular audits.

7. CONCLUSION

7.1 The combination of barriers and onerous costs imposed on air transport hinders its development and the benefits that are generated for local communities and the broader economy. Despite progress in liberalizing air transport globally, persistent implementation gaps, such as restrictive market access, limited infrastructure, high operational costs, fragmented regulatory frameworks, and uneven

³ UN Tourism reports openness is back to pre-pandemic levels (2024)

⁴ Why Tourists Need E-Visas More than Ever (IATA, 2024)

application of regional liberalization initiatives (open skies or multilateral air service agreements), continue to impede equitable connectivity and the full realization of aviation's socio-economic benefits.

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