

CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES

(Montreal, 19 - 28 June 2000)

Agenda Item 4: **Determinants of the economic regulation of airports and air navigation services**
Agenda Item 5.2: **Elements for consideration with regard to ICAO policy**

PEAK/OFF-PEAK CHARGING

(Presented by the International Air Transport Association)

SUMMARY

IATA objects to any system of peak/off-peak charging, a system that only arbitrarily redistributes costs between different users. An airline has no opportunity to adjust to such a system in an efficient way due to the complex task of scheduling its operations.

1. Introduction

1.1 Few airports around the world have introduced peak/off-peak charging schemes, while others have abandoned them. Certain congested airports believe that peak pricing can be a good management tool to eliminate congestion. ANS providers have so far not introduced peak pricing, but discussions regarding the principles for such a charging scheme have taken place in various fora.

1.2 Basic ICAO principles prescribe that charges levied to recover the costs to build, maintain and operate airports and ANS facilities should be cost-related and non-discriminatory. This has invariably resulted in an average cost pricing regime whereby the charge is set by calculating a unit price that is based on the cost for the provision of specific services, divided by the expected number of traffic-units. Accordingly, all operators at an airport or in a specific airspace pay the same unit price for the same type of service.

2. Discussion

2.1 A peak/off-peak pricing scheme means that different charges are levied during different time periods. The known schemes are supposedly revenue neutral for the airport. Such charges are therefore just a reallocation of the cost burden from the users operating during the off-peak hours to those operating during the peak with the intent of shifting operations from the peak.

2.2 Airline scheduling is dictated by the market. Schedules are constructed in response to passenger and cargo demand. Scheduling is one of the most difficult tasks an airline has - trying to optimise aircraft utilization within the constraints of airport curfews, increasing environmental restrictions, crew availability, and many other factors. Experience has shown that where peak/off-peak charges have existed, it has not had a significant effect on the distribution of traffic from peak periods to off-peak periods.

2.3 Were an airline to reschedule its flights to avoid peak periods at one airport, it may well encounter a peak period at the destination airport, or en route. Further, a previous off-peak period at an airport may well become a peak period, or vice versa.

2.4 The shortage in airport capacity is handled worldwide by “slot-allocation” procedures when demand exceeds supply. A charges system would not add any value to this procedure; slot coordination takes a global view in addressing capacity shortages at airports.

2.5 Capacity costs should be considered as joint costs to all users; it is difficult to allocate capacity fairly without influencing all users. They benefit jointly from the availability of an airport or ATC system that has not been developed for any single user. All users should contribute their fair share to the joint costs. Therefore, an average cost pricing regime, as employed in general practice, is considered the most fair, transparent and equitable charging regime.

3. IATA Position on Peak/off-Peak Charging

3.1 IATA strongly opposes any system of peak/off-peak charging. Such demand-altering pricing schemes could only have an effect if users have control over their demand patterns. This is not the case. Peak charges will therefore only increase the costs for those users operating during the peak periods and may discriminate against certain users. Further, the transparency of airport/ANS charges deteriorates with peak/off-peak charges.

4. Action by the Conference:

4.1 IATA invites the Conference to note IATA’s opposition to peak pricing, and the reasons why, while reaffirming ICAO’s basic charging principles of non-discrimination and cost-relationship.

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