

## **CONFERENCE ON THE ECONOMICS OF AIRPORTS AND AIR NAVIGATION SERVICES**

(Montreal, 19 - 28 June 2000)

### **Agenda Item 5.2.1: Airport charging principles**

#### **CHARGES DISCOUNTS**

(Presented by the International Air Transport Association)

##### **SUMMARY**

A number of airports offer discounts or rebates, mainly to stimulate new or increased traffic. This paper presents IATA's view that discounts or rebates are acceptable only under certain conditions.

### **1. Introduction**

1.1 A number of airports offer discounts on charges, which can also be referred to as rebates. Some are officially published, while others are not. Most are used as marketing tools to increase volume or attract new traffic. The argument in favour of such discounts is that they are aimed at increasing the total business, thereby benefiting all users, especially where the "single-till" principle is applied.

### **2. Discussion**

2.1 According to existing ICAO and IATA principles, charges should be cost-related, non-discriminatory, and equitably applied. Charges structures should ideally be simple, and preferably a single charge should be applied. Further, IATA maintains that no group of users should be given special treatment with regard to charges.

2.2 Airports have offered discounts as an incentive to develop their business, and airlines have taken advantage of any such incentives. Start-up cost support through assistance with incentives for a limited time for new city-pairs, for example, is acceptable and appreciated. IATA, however, only supports rebates or discounts that are cost-related and non-discriminatory. Any other rebates could be regarded as anti-competitive or a distortion of the market.

2.3 Discounts or rebates can be said to distort the cost-relationship, and viewed as selective subsidies, which contravene the spirit of Article 15 of the Chicago Convention that states that there should be

no discrimination between users of aeronautical facilities. The non-discriminatory element should include the requirement for such incentives to be published.

### 3. **The IATA view**

3.1 If discounts are to be offered, they should comply with the following principles:

- Any discount or rebate offered must be available to **all** operators and should be published
- Discounts should not distort competition
- Discounts that are intended to stimulate traffic should be time limited
- Existing user charges must not increase as a result of discounts being granted to new operators or introduction into operation of “no-frills” facilities

3.2 IATA can accept discounts or rebates if they comply with the principles outlined above, but at any rate strongly objects to volume discounts or rebates.

### 4. **Action by the Conference:**

4.1 The Conference is invited to consider the conditions outlined by IATA under which discounts can be accepted.

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