

Peak/Off-Peak Charges

Peak/off-peak charges are not an effective means of easing capacity constraints.

SITUATION

A peak/off-peak charges scheme means that different prices apply during different time periods. Certain congested airports and ANSPs believe that peak pricing can be a good management tool to eliminate congestion.

Few providers around the world have introduced peak/off-peak charging schemes, while others have abandoned them.

IATA POSITION

IATA opposes peak or congestion charging as it redistributes costs between different airline users arbitrarily. Peak charging is largely ineffective in addressing the problem it is supposed to resolve. It can even make matters much worse by introducing distortions into the overall network.

Airlines have little opportunity to adjust to such a system in an efficient way due to the complex task of scheduling such operations. The challenge is to maximise aircraft utilisation and optimise aircraft rotation within the constraints of airport curfews, opening hours, increasing environment restrictions, crew availability, and many other factors.

In addition, the market dictates airline scheduling, as schedules are constructed in response to passenger and cargo demand.

KEY CONSIDERATIONS

- 1 All charges must be cost-related, transparent and non-discriminatory to meet ICAO Policies¹.
- 2 Capacity constraints should not be used to increase revenue.
- 3 Capacity costs should be shared fairly amongst all users.
- 4 Slot co-ordination is the main tool that can address capacity shortages at airports.
- 5 Peak periods can vary from one airport to another and through time, so peak charges at one airport or ANSP can have an adverse impact on the network as a whole.
- 6 Peak/off-peak charges have been proven to be ineffective.

¹ ICAO Doc 9082/7 - paragraphs 23v) & 41v)

Charges Discounts & Incentives

All airlines should benefit from traffic growth at an airport through reduced charges.

SITUATION

Many airports and ANSPs offer discounts as an incentive to develop their business and airlines take advantage of such incentives. Support for start-up costs, e.g. for new city pairs, which for a limited time, are acceptable and appreciated by airlines. Rebates and discounts can only be supportive if they are cost-related and non-discriminatory.

IATA POSITION

When discounts or rebates are offered, they should comply with the following principles:

- Must be available to all operators
- Should be published and transparent
- Should not distort competition
- Must be time limited
- Should not be cross-subsidised through other charges
- Should be cost-related, non-discriminatory and meet ICAO Policies¹

However IATA strongly objects to volume discounts or rebates. According to ICAO and IATA principles, charges should be cost-related, non-discriminatory and equitably applied. No group of users should be given special treatment with regard to charges.

Volume discounts can distort competition and be viewed as selective subsidies. This contravenes the spirit of Article 15 of the Chicago Convention that states there should be no discrimination between users of aeronautical facilities.

KEY CONSIDERATIONS WHEN NEW DISCOUNTS OR INCENTIVES ARE PROPOSED TO USERS

- 1** Engage all airlines in a full consultation to review the proposed discounts or incentives.
- 2** Ensure charges are cost-related, non-discriminatory and fairly distributed amongst all users to meet ICAO Policies.
- 3** Analyse the operational impact and network effect on aviation stakeholders.
- 4** Set discounts and incentives with clear and measurable objectives.
- 5** Limit discounts and incentives in time, scope and amount.
- 6** Publish full details officially for transparency purposes.
- 7** Conduct regular reviews and discontinue discounts if they do not meet stated objectives.
- 8** The European Court of Justice ruled for the elimination of volume discounts in Portugal².

¹ ICAO Doc 9082/7 – paragraphs 22, 23v) & 41v)

² ECJ judgment Case C163/99 EC vs Portugal – Paragraph 52 “where as a result of the thresholds of the various discount bands, and the levels of discount offered, discounts (or additional discounts) are enjoyed by only some trading parties, giving them an economic advantage which is not justified by the volume of business they bring or by any economies of scale they allow the supplier to make compared with their competitors, a system of quantity discounts leads to the application of dissimilar conditions to equivalent transactions.