

Concession Fees, Royalties & Airport Rent

Removing rent and excessive concession fees will have a positive effect on the Government, the airport, the airlines and most importantly the paying passenger.

Governments have been collecting concession fees, royalties and rent from airports since the first airports were divested to local airport authorities or private concessionaires. These fees originally were supposed to ensure that governments would be 'no worse off' financially after transferring airports to local airport authorities and private entities. Governments would achieve a reasonable rate of return for their contribution to the infrastructure previously provided.

SITUATION

Although most governments have withdrawn from ownership and investment activities in airports, concession fees, royalties and airport rents have remained in place. This is an additional cost to airlines and passengers without anything in return from the Government. Instead of paying 100% of the costs of airport infrastructure, passengers and airlines now often pay even more (up to 150%). As airports have no alternative than to transfer these costs directly to airlines or passengers, the additional costs will eventually lead to higher ticket prices and reduced demand, seriously damaging the aviation industry and reducing the wider tourism and other economic benefits to the countries concerned. Governments can best achieve their economic objectives by reducing airport costs/charges to stimulate growth, not by penalising the aviation industry that acts as a major catalyst for this growth.

IATA POSITION

A decrease in the level of aviation charges and ticket prices will have a huge positive impact on a country's aviation and tourism industry. This has been shown by several independent studies on the sensitivity of air travel demand to price, especially within the leisure travel market.

The growth in air traffic, tourism and economic activity related to lower aviation costs alone, will offer significant benefits to a country's economy and will therefore completely off-set any reduction in direct revenue from rent, royalties or concession fees.

Airports and the tourism industry are two of the most important economic engines of many countries. Growth in these sectors guarantees additional jobs and revenue for the government.

KEY REASONS WHY AIRLINES AND AIRPORTS SHOULD NOT PAY RENT AND HIGH CONCESSION FEES OR ROYALTIES TO GOVERNMENTS

- 1 Airlines and their passengers already pay 100% of the infrastructure costs at airports.
- 2 Rent, royalties and concession fees are effectively an additional tax on air travel.
- 3 Rent, royalties and concession fees will eventually be transferred to higher ticket prices.
- 4 Governments provide no service to airports, airlines or their passengers in return for rent, royalties or concession fees.
- 5 Rent, royalties and concession fees act as a restriction on economic growth and tourism.