



# Ground Handling Charges at Monopoly Locations

Ground handling services should be provided on a competitive basis and ground handling charges should be market-determined. If specific conditions do not allow competition, there must be meaningful consultation with the airlines.

## INTRODUCTION

In the absence of competition in the provision of ground handling services at airports, some handlers who benefit from the monopoly situation have on certain occasions sought excessive charges unrelated to the level of service and market prices. Abusive ground handling charges negatively impact the airlines' costs while the monopoly situation can also lead to suboptimal service quality and efficiency in the delivery of essential ground services. Excessive turnaround costs for airlines also impact traffic growth with a corresponding negative impact on airport revenue.

## IATA POSITION

IATA supports competition in the provision of ground handling services at airports to ensure they are cost effective and that airlines are subject to market determined ground handling charges. Handlers should not maximize revenue from ground handling charges but should rather ensure cost-based pricing of such charges as stated in ICAO's guidance<sup>1</sup>.

Where a monopoly exists, the market should be opened up to effective competition. If the specific market and/or technical conditions at an airport do not allow competition to materialize, meaningful consultation must take place between the monopoly provider and the airlines on the appropriate level of charges to apply, while the offer of ground handling services should be tailored to airlines' operational needs.

To ensure meaningful consultations, transparency is crucial<sup>2</sup> for verifying that charges are cost-related, cost effective and non-discriminatory, and users shall be provided with full and adequate information on the assumptions behind the costs underpinning the calculation of charges.

Finally, and in compliance with ICAO's policies, airport operators should not impose excessive concession fees on ground services providers as revenue from ground handling concession must not be maximized<sup>3</sup>.

## KEY CONSIDERATIONS WHEN DETERMINING GROUND HANDLING CHARGES

- Ground handling charges shall be market-determined through competition to ensure that they reflect the most cost-effective level for the provision of optimal ground handling services.
- Experience has shown that market-determined ground handling charges through competition provide the best outcome: ICAO states that competition may have the beneficial effect of reducing ground-handling charges without compromising the quality of the service provided<sup>4</sup>, while the European Commission has noted the benefits of competition since the opening up of ground handling services to competition in 1997 through the Ground Handling Directive<sup>5</sup>, namely more choice for the airlines, improved effective service levels and lower fares for the passenger.
- If there is a monopoly on the provision of ground handling services at an airport, meaningful consultation with the airlines based on transparent information is necessary to verify that airlines are subject to cost-related and effective ground handling charges.

<sup>1</sup> ICAO Doc 9587 (third edition) model clause on ground handling refers.

<sup>2</sup> IATA's position papers on Transparency and Airlines Engagement in Consultations refer.

<sup>3</sup> ICAO Doc 9082 (ninth edition) paragraph 10 of section II refers.

<sup>4</sup> ICAO Doc 9562 (third edition) paragraph 5.37 refers.

<sup>5</sup> Council Directive 96/67/EC of 15 October 1996 on access to the ground handling market at Community airports.