

WORLDWIDE AIR TRANSPORT CONFERENCE: CHALLENGES AND OPPORTUNITIES OF LIBERALIZATION

Montreal, 24 to 29 March 2003

- Agenda Item 2: Examination of key regulatory issues in liberalization**
2.3: Fair competition and safeguards

**GEORGIA'S VIEW ON CERTAIN ASPECTS OF LIBERALIZATION
(TARIFF POLICY)**

(Presented by Georgia)

SUMMARY

This paper contains Georgia's view on the need for a two-phase tariff policy in the adaptation phase of the development of liberalization.

Action by the Conference is in paragraph 2.

REFERENCES

Doc 9626, *Manual on the Regulation of International Air Transport*
Doc 9587, *Policy and Guidance Material on the Economic Regulation of International Air Transport*
Proceedings of the Fourth Worldwide Air Transport Conference

1. INTRODUCTION

1.1 The most important element in market access is undoubtedly the tariff for carriage and the conditions for its use.

1.2 It may be considered that the two-level system of tariff approval, which includes agreeing upon the tariff from the beginning at the level of the air carriers and then its approval at the level of the aviation authorities, has become obsolete. It does not meet the consumer's requirements and it does not help

the development of competition between designated carriers. Life has shown that it is expedient to transform this system.

1.3 While supporting the need for the development of the liberalization process (phased, but progressive), we consider that what is necessary and desirable is the phased liberalization of the tariff policy which should become one of the guarantors of healthy, permanent competition. However, one must not forget about the need for a code of conduct for the designated air carriers which should include, among other factors, such elements on tariffs as not allowing dumping or the unjustified raising or excessive lowering of prices.

1.4 In this regard, in analysing the existing practice of competition among air carriers and taking into account the many facts of unhealthy competition, we consider that it is necessary for States to have the corresponding means to intervene when pricing problems arise that affect the consumers' interests.

1.5 We realize that the creation of any mechanisms "for the development of liberalization" may hinder the very process of phased, but progressive liberalization, as a result of which the use of these mechanisms may be considered expedient only in the adaptation phase of phased liberalization.

1.6 In summary, the tariff policy in the adaptation phase of the development of liberalization is a two-phase policy:

Phase 1 Approval of basic passenger tariffs only in that State, party to an agreement, where carriage begins, taking into account the right granted to carriers to raise them (+5%) or lower them (-20%), with full liberalization of cargo tariffs.

Phase 2 Use of passenger tariffs by air carriers according to the principle of "double disapproval".

2. ACTION BY THE CONFERENCE

2.1 The Conference is invited to note the need for phased liberalization of the tariff policy, taking into account the sovereign rights of States to take decisions according to their own approach to tariff policy liberalization matters.