CHAPTER VI: NON-IATA INTERNATIONAL AIR TARIFFS

In Chapters I and IV of this book both scheduled and non-scheduled, both IATA and non-IATA tariffs have been studied. In Chapters II, III and V, IATA and its scheduled international air tariffs have been the focal point. This sixth Chapter deals with all those international air tariffs, which are not determined through the IATA ratemaking machinery. It should be recalled that of all existing international air tariffs by far the great majority are scheduled IATA tariffs. In fact, almost all scheduled international air tariffs are IATA tariffs. The most important group of non-IATA international air tariffs consists of non-scheduled or charter international air tariffs. These tariffs are the subject of paragraph II of this Chapter. Before that, in paragraph I, attention will be paid to the limited number of existing scheduled international air tariffs of non-IATA airlines. Another group of non-IATA international air tariffs is formed by so-called Government ordered international air tariffs. These Government ordered tariffs can relate to both scheduled and non-scheduled international flights. They are the subject of paragraph IV of this Chapter.

During recent years, several attempts have been made to bring IATA airlines and charter only international airlines closer together in the international tariff field. IATA’s abortive attempt to open up the Association to charter only international airlines is an example hereof. Another example, which will be discussed in detail in paragraph III of this Chapter, are the negotiations which have been taking place, during recent years, between IATA airlines and charter only international airlines for the purpose of reaching agreements on uniform minimum international charter tariffs. These negotiations have, however, not yet yielded any tangible results.

International passenger charter flights are considerably more numerous than international cargo charter flights. Consequently there are far more international charter fares than there are international charter rates, and, therefore, the emphasis in this Chapter will be more on charter fares than on charter rates.

The main difference, of course, between IATA tariffs on the one hand and most non-IATA international tariffs on the other, is that the former are uniform tariffs, determined on an inter-carrier basis through the IATA ratemaking machinery, whereas the latter are individual tariffs, basically determined by each individual airline in accordance with the proverbial forces of the marketplace, the law of supply and demand. It should be noted, however, that both kinds of tariffs are under Governmental control. IATA tariffs, however, have probably been under heavier Governmental scrutiny than non-IATA tariffs. One sort of non-IATA international tariffs, the international charter tariffs, have during recent years attracted more and more Government interest, and consequently, as shall be seen hereunder, Government control. This increased Government interest in, and control of international charter tariffs goes hand in hand with the tremendous

growth, which international charter transportation has undergone during
the past fifteen years.(5)

I. Scheduled International Air Tariffs of Non-IATA Airlines

Only some six percent of the total number of tonne-kilometres
performed in scheduled international air services are performed by
international airlines which are not members of IATA.(6) Grosso modo
there are two reasons, why certain scheduled international airlines
have stayed outside IATA. The first reason is more or less political
in nature. The second is economic.

Many socialist countries have kept their flag carriers outside
IATA for what can be called a political reason, namely, their overt or
implied reluctance against a capitalistic trade association of profit-
minded international airlines. In other countries, a number of air-
lines, and sometimes their Governments have thought it to be economically
desirable to stay outside IATA. By not joining the Association, these
airlines can try to undercut the inter-carrier agreed IATA tariffs
and service standards, and thus gain a competitive advantage over their
IATA counterparts.

Aeroflot, the flag carrier of the USSR, is the largest non-
IATA airline in the world. Although its number of international air
services is rather limited, Aeroflot is definitely the big "absentee"
in IATA.(7) Its example to remain outside IATA was followed by Balkan
Bulgarian Transport of Bulgaria, Interflug of the German Democratic
Republic, Malev of Hungary and Tarom of Romania. Three other East
European airlines, however, have joined IATA. They are CSA of
Czechoslovakia, JAT of Yugoslavia and LOT of Poland. CAAC,(8) the
flag carrier of the People's Republic of China, is not an IATA member
either. Whether the decision of the above-mentioned socialist countries'
airlines not to join IATA was entirely politically motivated or not,
remains a fact that they do not compete with IATA tariffs. In
general, they charge IATA or IATA inspired tariffs on their scheduled
international air services.(9)

The tariffs of these non-IATA airlines of socialist countries
are of little concern to IATA. The Association is much more worried
about airlines which have stayed outside IATA for economic competitive
reasons. The ability of such airlines to undercut the IATA agreed
tariff structure will largely depend on the willingness of Governments
to cooperate. Whenever the flag carrier or carriers of a particular
country are IATA members, their Government will usually not allow a
non-IATA airline of another country to fly to that first country at
tariffs which are lower than those agreed upon in IATA. Such a
permission would definitely put its own IATA flag carrier or carriers
at a competitive disadvantage both on direct and on through services.(10)
At this point it should be recalled that the bilateral air transport
agreements of countries, whose national air carriers are not IATA
members, usually do not refer to the IATA ratemaking machinery. Instead
they mostly provide that tariffs shall be determined by the designated
air carriers of the two countries concerned, under Governmental
approval.(11)

Classical examples of non-IATA scheduled tariff competition
are the fares and rates offered by the scheduled non-IATA airlines
Loftleidir of Iceland,(12) Air Bahama, a Loftleidir subsidiary, and
Luxavia of Luxembourg.

Loftleidir maintains scheduled air services from New York and
Chicago to Reykjavik, and through services from there to Great Britain,
Luxembourg and Scandinavia. Upon the insistence of the British and

106