

**61ST CONFERENCE OF
DIRECTORS GENERAL OF CIVIL AVIATION
ASIA AND PACIFIC REGION**

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**AGENDA ITEM 6 : ECONOMIC DEVELOPMENT OF
AIR TRANSPORT**

**PROTECTING CONSUMERS BY ENSURING
SAFE AND AFFORDABLE AIR
CONNECTIVITY**

(Presented by International Air Transport Association (IATA), co-sponsored by Association of Asia Pacific Airlines (AAPA))

SUMMARY

This paper reviews the growing focus on consumer protection regulation and the alignment of passenger rights frameworks with consumer needs. In Asia-Pacific, rapid air travel growth, diverse service models, greater use of intermediaries and more first-time travellers have increased unmet expectations, complaints and regulatory attention. The paper proposes complementing the ICAO Core Principles on Consumer Protection with a model handbook that can be adopted by governments and industry stakeholders to ensure that consumers understand their rights and responsibilities through all stages of the journey process, from booking to arrival.

Ensuring safe and affordable air connectivity for all requires a competitive and dynamic airline industry in which air carriers are able to innovate and differentiate themselves from their competitors. Commercial freedoms have delivered very significant benefits to passengers through lower fares and greater choice and connectivity. These freedoms are now under threat from economic re-regulation.

PROTECTING CONSUMERS BY ENSURING SAFE AND AFFORDABLE AIR CONNECTIVITY

1. INTRODUCTION

a) The International Civil Aviation Organization (ICAO) has been aware of the issue of consumer regulation since the Fifth Worldwide Air Transport Conference in 2003, which concluded that States should take steps to avoid the legal uncertainty that could arise from the extra-territorial application of national laws. In 2012, ICAO carried out a study on the effectiveness of consumer protection regulations. By the time of the Sixth Worldwide Air Transport Conference in 2013, ICAO acknowledged that more and more States were enacting consumer regulations in the field of air transport and that a coordinated approach was needed.

b) In response to these developments, and most notably the proliferation of national passenger rights regimes, ICAO adopted a set of Core Principles on Consumer Protection in 2015. The Core Principles acknowledge that passengers benefit from a competitive air transport sector, especially one which offers choice and a variety of service offerings. Accordingly, the Core Principles note that government authorities should have the flexibility to develop consumer protection regimes which strike an appropriate balance between protection of consumers and industry competitiveness and which take into account States' different social, political, and economic characteristics.

c) Consumer protection is a growing priority for Asia-Pacific as the region faces sustained air travel growth, including a sharp increase in first-time travellers and more complex booking, fare and disruption scenarios. Industry data link fragmented passenger information, diverse service models, third-party bookings and unclear disruption guidance to misaligned expectations and avoidable complaints, underscoring the need for proactive education. A practical Air Passenger Handbook would help passengers understand their rights, responsibilities and due diligence obligations across the journey, supporting better outcomes for consumers while reducing the need for overly prescriptive regulation.

2. DISCUSSION

2.1 UNDERSTANDING AND ADDRESSING PASSENGER PREFERENCES

Consumer research offers a valuable insight into passenger preferences. Safe, affordable connectivity is the number one priority for passengers, and more so in an era when inflationary pressures are challenging the budgets of both households and firms. This creates a potential tension between aviation consumer protection regimes and the interests of the very passengers that such regimes are intended to protect.

This extends to interventions that affect commercial and pricing freedoms, including airlines' liberty to market their products and services freely as provided for by many liberal air services agreements. Industry polling shows that travellers are familiar with product unbundling and understanding what is and isn't included in a given fare. For the most part, passengers value the freedom to choose a basic fare and add the additional that they require for a specific journey, such as baggage, seat selection or priority boarding.

Passengers are equally clear what they want in the unfortunate cases where journeys are disrupted, with a key priority being relevant and timely information, along with appropriate care and assistance and onward travel to their destination.

Ensuring that consumers have access to relevant information at all stages of the journey process is a common goal for both governments and industry stakeholders. Informed consumers are empowered consumers. Following this logic several governments and industry stakeholders are developing guidance materials and “handbooks” to ensure that passengers can make informed choices throughout the journey process from the time of booking through to arrival.

Information also plays an important role in ensuring that passengers are aware of what is required of them and that they have responsibilities as well as rights. Relevant considerations include having complete and valid documentation for the entire journey, ensuring that potentially dangerous items including electronics and lithium batteries are packed and transported properly and stressing the importance of complying with crew instructions throughout the flight.

By ensuring that consumers are properly informed, and by extension protected, *ex ante*, such documents can mitigate the need for more burdensome *ex post* consumer protection instruments. The ICAO Core Principles already recognize the important role of information in delivering consumer protection, therefore providing all relevant information in a single source is a logical extension to the Core Principles.

2.2 SAFEGUARDING COMMERCIAL AND PRICING FREEDOMS

Air passengers have access to a wide and diverse network of routes around the world. They also have access to an extensive variety of fares tailored to their needs and travel purposes. Air carriers are able to offer low fares to an ever-greater number of passengers as a result of air fare pricing freedoms which enable air carriers to offer a range of fare types, each with different terms and conditions, in response to demand and competition in the market.

Commercial freedoms support a dynamic, competitive aviation sector resulting in consumers being able to choose between a wide range of carriers offering a diverse set of product offerings. In many States commercial freedoms are accompanied by pricing transparency rules to ensure that consumers are well informed and understand the terms and conditions that apply to their journey.

The aviation sector mirrors developments in other industries. Product personalization and customization are wider trends in consumer-facing retail sectors. Consumers increasingly demand the ability to configure products and services to their specific requirements rather than being forced to purchase according to a standardized template. This pattern can be seen in sectors as diverse as the automotive and apparel industries.

However, there is a growing trend for consumer protection regulations limiting the ability of air carriers to set their own prices and policies, and their ability to compete not only in the type of services that they offer, but also in the conditions that they consider appropriate to provide that service. Such regulations erode the rights incorporated in many air services agreements that allow carriers to price and distribute their services freely.

Regulations that restrict no-show policies and sequential coupon use rules or which limit overbooking undermine sophisticated revenue management practices that airlines have implemented in order to protect their inventory. Similarly, regulations that mandate certain amenities being included in an air fare restrict airlines’ freedom to unbundle their product and passengers’ ability to customize their journey to their specific requirements. All of these regulations impact an airline’s ability to offer low

fares and offer air connectivity on low-margin routes. In turn, these regulations limit access to air travel for lower income consumers and limit access to regional markets and remote communities.

2.3 CONCLUSION

In light of the discussion above, the following may be concluded:

- a) Achieving the goal of safe and affordable air connectivity for all requires a competitive and dynamic airline industry, where air carriers are able to compete, innovate and differentiate their service offerings;
- b) With rapid growth in air travel and an increasing number of first-time passengers, Asia-Pacific will benefit from a consumer education approach that helps travellers understand their rights, responsibilities, and journey expectations, reducing complaints while supporting effective and proportionate consumer protection
- c) Air passengers need to be informed of their rights and responsibilities at all stages of the journey process. Empowering consumers by ensuring that relevant information is provided in a timely and accessible manner can mitigate the need for burdensome consumer protection regulations. An industry Air Passenger Handbook would be an invaluable resource for both governments and industry stakeholders to provide this information in a standardized, single-source form; and
- d) The commercial and pricing freedoms contained within many air services agreements play an important role in enabling air carriers to offer affordable connectivity.

3. ACTION BY THE CONFERENCE

The Conference is invited to:

- a) request the industry to develop an Air Passenger Handbook as described in this paper;
- b) request ICAO to establish a multidisciplinary group with the participation of States and industry to develop the Handbook; and
- c) encourage States to safeguard the commercial and pricing freedoms that are critical to ensuring safe and affordable air connectivity for all.

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