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AGENDA ITEM 6: ECONOMIC DEVELOPMENT OF AIR TRANSPORT

MANAGEMENT OF DOMESTIC AIRFARE REGULATION IN VIET NAM: LEGAL FRAMEWORK AND POLICY RESPONSES TO FUEL PRICE VOLATILITY

(Presented by Viet Nam)

INFORMATION PAPER

SUMMARY

This information paper provides an overview of Viet Nam's regulatory framework governing domestic economy-class airfares under the Civil Aviation Law No. 130/2025/QH15 and its implementing regulations. It also shares Viet Nam's experience in maintaining market stability during periods of significant fuel price volatility through regulatory oversight, market monitoring and policy support measures. The paper is submitted for information.

MANAGEMENT OF DOMESTIC AIRFARE REGULATION IN VIET NAM: LEGAL FRAMEWORK AND POLICY RESPONSES TO FUEL PRICE VOLATILITY

1. INTRODUCTION

1.1 The aviation sector has faced increasing operational challenges in recent years due to fuel price volatility, supply chain disruptions, aircraft shortages and geopolitical developments. These factors have significantly affected airline operating costs and the affordability of air transport services.

1.2 Against this background, Viet Nam continues to apply a market-based pricing mechanism for domestic air transport while maintaining appropriate regulatory oversight to protect consumers and ensure the sustainable development of the aviation market.

2. DISCUSSION

2.1 Legal framework for domestic airfare regulation

2.1.1 From 1 July 2026, domestic airfare regulation has been governed by the Civil Aviation Law No. 130/2025/QH15 together with its implementing legislation.

2.1.2 Under the current framework, domestic economy-class basic airfare is subject to a maximum price established by the Ministry of Construction based on technical appraisal by the Civil Aviation Authority of Viet Nam (CAAV).

2.1.3 The applicable maximum fares are prescribed according to five distance bands, ranging from VND 1.6 million for short-haul socio-economic routes to VND 4.0 million for routes exceeding 1,280 kilometers (exclusive of VAT and airport-related charges).

2.1.4 The regulatory framework clearly distinguishes between:
- the basic airfare; and
- optional ancillary services selected voluntarily by passengers.

2.1.5 While the Government establishes the maximum fare ceiling, airlines remain free to determine actual selling prices below that ceiling according to market demand, booking period, load factor and commercial strategy.

2.2 Regulatory approach

2.2.1 Viet Nam applies a market-oriented regulatory model rather than direct price control.

2.2.2 Under this approach:
- airlines determine commercial pricing;
- the Government establishes the regulatory framework;
- CAAV supervises market implementation and ensures compliance.

2.2.3 The fare ceiling contributes to:
- protecting passengers against excessive price increases during peak seasons;
- maintaining affordability;
- preserving competition among airlines.

2.2.4 Since no minimum fare is prescribed, airlines retain full flexibility to offer promotional fares and revenue-management pricing.

2.3 Policy response to fuel price volatility

2.3.1 During the first half of 2026, military conflict in the Middle East resulted in a sharp increase in international Jet A-1 fuel prices, creating substantial cost pressures for airlines worldwide.

2.3.2 As fuel represents one of the largest components of airline operating costs, the increase had a direct impact on domestic airline operations.

2.3.3 In response, CAAV implemented several measures, including:
• continuous monitoring of fuel price developments and airline operations;
• assessment of impacts on airline capacity and domestic airfare;
• policy recommendations concerning fuel-related taxation;
• coordination with relevant authorities regarding fuel supply security;
• engagement with airlines to maintain operational stability.

2.3.4 CAAV also proposed temporary policy options for consideration by the competent authorities, including a time-limited fuel surcharge mechanism linked to extraordinary fuel price fluctuations, while ensuring transparency and proportionality.

2.4 Lessons learned

2.4.1 Viet Nam's experience indicates that:
a) a market-based pricing mechanism combined with proportionate regulatory
oversight can effectively balance commercial flexibility and consumer protection;
b) continuous market monitoring enables timely policy intervention during periods of abnormal market disruption;
c) coordinated action among aviation authorities, fuel suppliers and airlines is essential to maintaining market stability;
d) temporary policy measures should remain targeted, transparent and proportionate to exceptional circumstances.

2.5 Future direction

2.5.1 CAAV will continue to:
• strengthen market surveillance;
• enhance airfare monitoring through digital technologies;
• improve market forecasting capability;
• maintain flexible regulatory tools to respond to extraordinary market conditions while preserving fair competition and consumer interests.

3. ACTION BY THE CONFERENCE

3.1 The Conference is invited to note the information contained in this Paper.

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