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WORKING PAPER

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Agenda Item 3: Strengthening regulatory and institutional frameworks

3.2: Enhancing air connectivity through progressive economic and regulatory aviation frameworks for international air transport

PRACTICAL REFERENCE MATERIAL FOR CIVIL AVIATION AUTHORITIES ON THE ADMINISTRATIVE AND OPERATIONAL EXECUTION OF AIRLINE MERGERS

(Presented by Republic of Korea)

EXECUTIVE SUMMARY

Airline mergers require aviation authorities to address not only merger approval, but also operating authorizations, traffic rights and slot management, airline designation, air carrier business licenses and air operator certificates (AOCs), aircraft registration and safety oversight. In times of severe industry distress such as global pandemics, airline consolidations serve as vital mechanisms to prevent the loss of essential air connectivity and enhance the resilience of the international air transport system. By facilitating seamless and timely administrative execution, Civil Aviation Authorities (CAAs) directly contribute to safeguarding systemic resilience. Where the airlines concerned operate international services, several jurisdictions may be involved at the same time, and the procedures and requirements applied differ between them. This gives rise to additional costs, delays and legal or operational uncertainty for airlines and authorities alike. Full mergers are infrequent, so that experience is not accumulated within any single State. Existing ICAO policy and guidance material addresses the substantive criteria applicable to ownership, control and designation, but does not describe the administrative steps by which a merger is carried out once it has been approved. This paper invites Member States to share their experience and requests ICAO to consider developing practical reference material that aviation authorities may use.

Action: The Conference is invited to:

a) conclude and recommend as set out in section 3.

Strategic Goal:	This working paper relates to Strategic Goal: *The Economic Development of Air Transport Assures the Delivery of Economic Prosperity and Societal Well-Being for All.*
Financial implications:	No additional resources are required beyond those already provided for in the Programme budget.
References:	Doc 9587 - *Policy and Guidance Material on the Economic Regulation of International Air Transport* Doc 9626 - *Manual on the Regulation of International Air Transport*

1. INTRODUCTION

1.1 The Republic of Korea recently experienced a major airline merger and encountered several practical challenges in reviewing issues from the perspective of aviation authorities, including merger approval, operating authorizations, traffic rights and slot management, safety oversight, and consumer protection.

1.2 During acute disruptions such as pandemics, airline mergers serve as vital instruments to preserve essential air connectivity and enhance sector resilience. By facilitating the timely execution of consolidations without undue administrative friction, Civil Aviation Authorities (CAAs) play a pivotal role in ensuring the continuity of international air services.

1.3 As a key structural development in post-crisis recovery, airline consolidations increasingly involve both full-service network carriers and associated low-cost carriers (LCCs). Because these transactions cross-cut multiple operational and economic domains—ranging from air services agreements (ASAs) and commercial licensing to aircraft registration and safety oversight—they require proactive, coordinated review among CAAs.

1.4 In the recent Korean case, an integrated airline required not only domestic merger approval by the aviation authority, but also several amendments or procedures involving foreign aviation authorities, such as air carrier business licenses and aircraft registration.

1.5 Throughout this process, the Korean authorities observed a lack of practical multilateral reference material detailing the administrative mechanics of cross-border merger execution. Substantial administrative efforts were needed to consult bilaterally on slot continuity, operational authorizations, and registration procedures. This demonstrates that without standardized guidance, both designating and receiving States face recurrent administrative burdens, delays, and procedural uncertainty.

1.6 This experience is not particular to one State. The same questions arise whenever a merger has cross-border effect. However, Member States with limited experience may have difficulty identifying these issues in advance. Delays may then arise from uncertainty about the approvals required.

2. DISCUSSION

2.1 When an airline merger occurs, aviation authorities need to comprehensively review rights and obligations under ASAs, allocation of traffic rights and slots, airline designation, air carrier business licenses and air operator certificates (AOCs), aircraft registration, safety oversight, and post-merger monitoring.

2.2 In international aviation, multiple jurisdictions may be involved at the same time, including the designating State, transit States, the State of Registry, and the State of the Operator. It is, therefore. necessary to identify and coordinate in advance the relevant approval and amendment procedures required by each aviation authority.

2.3 In addition, Member States may apply different procedures or request additional requirements during the merger process, such as approvals, documentation, operational arrangements, or amendments to existing authorizations. This may create practical difficulties for airlines and aviation authorities, and may result in additional costs, delays, and legal or operational uncertainty.

2.4 Existing ICAO policy and guidance materials, *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587) and *Manual on the Regulation of International Air Transport* (Doc 9626) establishes substantive criteria for airline ownership, designation, and fair competition. However, it does not address the administrative mechanics required to execute an approved merger. This paper fully respects established International Civil Aviation Organization (ICAO) economic policies and focuses strictly on closing this practical implementation gap.

2.5 Moreover, facilitating timely merger execution directly reinforces global aviation resilience. Protracted administrative friction can impede restructuring, jeopardize vulnerable routes, and disrupt vital air services. Developing practical reference material to streamline these cross-border procedures will enable CAAs to better safeguard international connectivity during recovery and structural transitions.

2.6 Therefore, if ICAO develops practical reference material identifying the licensing, registration, operational requirements, safety oversight, and international coordination issues that aviation authorities should review in airline mergers, it could support Member States in improving their legal and institutional frameworks and strengthening their capacity to respond to airline mergers.

3. **CONCLUSION**

3.1 The Conference is invited to conclude that:

a) airline mergers require aviation authorities to carry out a range of administrative and operational procedures in addition to merger approval;

b) the timely and coordinated administrative execution of airline mergers directly contributes to the resilience of the international air transport system and prevents the disruption of vital air connectivity, particularly during periods of crisis and structural recovery;

c) where the airlines concerned operate international services, those procedures involve several jurisdictions at the same time, and differences in the procedures and requirements applied may result in additional costs, delays and legal or operational uncertainty; and

d) full mergers are infrequent and no reference material on those procedures is available, so that Member States with limited experience may face difficulty and delay in carrying them out.

3.2 The Conference is invited to:

a) recommend that Member States be encouraged to share with ICAO their experiences in airline mergers, including legal and regulatory adjustments and practical challenges encountered during the merger process;

b) recommend that ICAO be requested to consider developing, drawing on actual cases shared by Member States, practical reference material focusing on the administrative and operational execution procedures (e.g., integration of AOCs, aircraft registration, slot transfers, and maintaining designated airline status) that aviation authorities may use in relation to airline mergers; and

c) note [that the Republic of Korea expresses its readiness to actively support this initiative by providing ICAO with comprehensive case studies and administrative models.

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