



WORKING PAPER

ASSEMBLY — 39TH SESSION

ECONOMIC COMMISSION

Agenda Item 39: Economic Regulation of International Air Transport — Policy

**PROGRESS ON CONSUMER PROTECTION POLICY IN THE REPUBLIC OF KOREA
AND STRATEGIES FOR PROACTIVE CONSUMER SATISFACTION**

(Presented by the Republic of Korea)

EXECUTIVE SUMMARY

This working paper presents the recent progress of the consumer protection policy in the Republic of Korea and outlines some new proactive strategies for achieving consumer satisfaction.

Action: The Assembly is invited to:

- a) note the information provided in this working paper; and
- b) encourage Member States to consider the suggestions proposed in paragraph 3.

<i>Strategic Objectives:</i>	This working paper relates to Strategic Objective D – <i>Economic Development of Air Transport</i> .
<i>Financial implications:</i>	Not applicable
<i>References:</i>	Not applicable

1. INTRODUCTION

1.1 The Republic of Korea (ROK) recognizes the fruitful accomplishments of the ICAO Council toward adopting core principles on consumer protection and a new long-term vision for air transport liberalization in June 2015.

1.2 There has been some progress toward harmonization between the ROK's consumer protection regime and the ICAO's core principles on consumer protection in the air transport sector. This progress could be shared with Member States to aid sustainable growth in air transport.

1.3 In addition, the ROK would like to suggest strategies for accommodating an information technology-oriented business environment with proactive methodologies.

2. SHARING EXPERIENCE

2.1 The ROK's air transport volume has increased – ranking 6th in the world in recent years – in order to serve the demands of international passengers and cargo. The number of passenger complaints – mainly related to excessive ticket cancellation charges (54.2%) – has also increased from 1,597 in 2000 to 6,789 in 2014.

2.2 To cope with public expectations and demand, the government of the ROK has created a new department overseeing air transport consumer protection in the Ministry of Land, Infrastructure and Transport (MOLIT). In addition, a notice of procedure was prepared to address consumer protection issues such as information disclosure to passengers, carrier liability in flight delays, cancellations, overbooking, total price indication, refunds and tarmac delays.

2.3 To ensure the appropriate implementation of consumer protection principles, the ROK will utilize a government monitoring function to check the practical processing of complaint resolution related to national air carriers as well as foreign carriers that fly to and from the ROK.

2.4 Each airline's contract of carriage will be reviewed by experts to seek an appropriate balance between protection of consumers and industry competitiveness.

2.5 Based on the drafted rules, airlines should establish a point of contact (telephone, e-mail, etc.) so that consumers can easily reach the responsible personnel or department in order to solve problems without language-related difficulties.

3. STRATEGIES TO COPE WITH A NEW BUSINESS ENVIRONMENT

3.1 The air transport industry is facing rapid changes in the types of airline operations (domestic short haul, international long haul), differentiation of services (full service, low cost), ticketing-money transactions, and the dissemination of information.

3.2 Due to the advent of advanced information technology, the flying public now utilizes all the benefits of high-speed data communication and has become accustomed to real time information searching and sharing, as well as the selection of goods and services. To cope with these high expectations, existing consumer protection approaches should be revised and updated. As an example, despite increasing consumer preference for the e-ticket, some airlines retain a clause in their contracts of

carriage stating USD 150.00 will be imposed as a handling charge per lost ticket. Flight status and related changes – including delays, cancellations, and gate change information – can easily be delivered to passengers through mobile phone and Internet network services in real time with minimal economic burden to airlines.

3.3 Despite the above-mentioned issues, airlines have been hesitant in introducing proactive strategies for consumer protection. This is easily verified in IATA documents that emphasize the small margins of the air transport industry. IATA also emphasizes the importance of consumer education despite the relative ease and practicality of educating airline staff with the aim of increasing consumer satisfaction (an airline’s contract of carriage is approximately 45 pages and is rarely fully read by passengers prior to ticketing).

3.4 In order to encourage sustainable growth in the air transport industry, consumer protection policies should evolve toward seeking consumer satisfaction. Furthermore, airlines should reframe the concept of cost to that of investment in the area of consumer satisfaction for the sustainable growth of air transport.

3.5 In light of the issues detailed herein, the stakeholders in air transport – including government, industry, and other experts – must work to develop proactive consumer strategies to cope with the advancing e-business environment.

4. **CONCLUSION**

4.1 The ICAO Assembly is invited to consider the suggestions proposed in paragraph 3.

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