



WORKING PAPER

ASSEMBLY — 42ND SESSION

ECONOMIC COMMISSION

Agenda Item 26: Economic Development of Air Transport

**PROPOSAL FOR THE DEVELOPMENT OF STANDARD MONITORING INDICATORS
TO PROMOTE FAIR COMPETITION IN INTERNATIONAL AIR TRANSPORT**

(Presented by the Republic of Korea)

EXECUTIVE SUMMARY

This paper proposes the development of standard monitoring indicators aimed at ensuring a fair competitive environment in the international air transport sector. Following the Republic of Korea's previous submission to the 40th International Civil Aviation Organization (ICAO) Assembly (A40-WP/388, EC/33), which emphasized the importance of safeguarding fair competition under the Global Air Transport Plan (GATP), this paper highlights the need for internationally standardized tools to promote fair competition while ensuring consumer welfare. It invites ICAO and its Member States to consider establishing standardized indicators to better monitor and enhance air transport liberalization while ensuring consumer protection and sustainable market development.

Action: The Assembly is invited:

- a) ICAO to consider initiating the development of standard monitoring indicators to enable objective assessments of fair competition across markets;
- b) Member States to share best practices and experiences in applying such indicators; and
- c) ICAO to explore the incorporation of these tools into future updates of the GATP or related guidance document.

<i>Strategic Goals:</i>	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
<i>Financial implications:</i>	Nil
<i>References:</i>	A40-WP/388-EC/33 — Enhancing Fair Competition and Safeguards for the Sustainable Growth of International Air Transport

1. INTRODUCTION

1.1 The liberalization of international air transport, underpinned by the International Civil Aviation Organization's (ICAO) Global Air Transport Plan, has contributed significantly to enhanced market access, increased connectivity, and improved consumer benefits.

1.2 The Republic of Korea has continuously supported ICAO's efforts to facilitate balanced growth in international air transport. In this regard, Korea presented A40-WP/388 during the 40th Assembly to emphasize the importance of fair competition and safeguard mechanisms.

1.3 In light of recent changes in Korea's air transport market—particularly the completion of a major full-service carrier (FSC) merger and the anticipated consolidation of low-cost carriers (LCCs)—has raised concerns over a monopolized market structure and reduced consumer welfare, highlighting the urgent need to strengthen consumer protection.

1.4 These significant shifts in Korean air transport market demonstrate a broader global relevance and the need for Member States and ICAO to collectively examine ways to maintain healthy competition while safeguarding consumer interests.

2. EFFORTS IN ASSESSING THE IMPACT OF RECENT CHANGES

2.1 The Republic of Korea has undertaken academic and policy-based initiatives to monitor how the recent changes impacted international air passenger market. These include efforts to assess changes in consumer welfare and competitive dynamics following airline mergers, while further proposing policy implications in promoting both fair competition and consumer protection.

2.2 A key tool in this assessment has been the Herfindahl-Hirschman Index (HHI)—an internationally recognized index of market concentration widely used across industries. The HHI in conjunction with consumer surplus metrics—combined with income and price elasticity—enables a comprehensive understanding of the competitive environment and its implications for passenger benefit and underscore the need to monitor fair air transport markets.

3. NEED FOR STANDARDIZED MONITORING INDICATORS

3.1 The evolution of the global air transport market—frequent air transport-centric alliances, mergers, or privatization of State-supported carriers—necessitates robust tools to assess market fairness.

3.2 The absence of standard international monitoring indicators makes it difficult for Member States to objectively evaluate the impact of market changes on fair competition and consumer outcomes. To foster a more equitable and liberalized global air transport environment, it is imperative to develop tools that facilitate robust inter-State comparisons, thereby empowering Member States to make sound and evidence-based policy decisions.

3.3 By promoting the development of such indicators, ICAO can support Member States in crafting balanced policies that align with the Global Air Transport Plan's (GATP) goals of liberalization, fair competition, and sustainable development.

3.4 The Republic of Korea's experience confirms that reliance on academic models alone is insufficient for international policy decisions. Rather, ICAO-led standardization of such tools can ensure broader applicability and consistency.

3.5 An HHI-based framework, adaptable to both international and domestic contexts, can help Member States monitor evolving market concentration, assess the effects on fares, service frequency with air connectivity, and evaluate changes in consumer surplus and satisfaction.

3.6 These indicators would not serve regulatory purposes per se but instead provide empirical grounds for informed decision-making by national authorities, while enabling ICAO to facilitate dialogue and coordination on policy responses.

4. ALIGNMENT WITH ICAO OBJECTIVES

4.1 The proposed development of standardized monitoring indicators is well aligned with the objectives of the GATP, particularly in promoting fair and open markets, supporting evidence-based policymaking, improving transparency in market performance, and protecting consumer welfare within a liberalized air transport environment. It also reflects ICAO's commitment to providing technical support and strategic guidance to its Member States in managing emerging challenges in the aviation sector.

5. CONCLUSION

5.1 The Republic of Korea reaffirms its support for the ICAO's GATP and calls for strengthened global cooperation to ensure that liberalization leads to sustainable, equitable growth.

5.2 The Republic of Korea stands ready to contribute its technical experience and data-driven insights to the collective advancement of this initiative.

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