



ASSEMBLY — 42ND SESSION

ECONOMIC COMMISSION

Agenda Item 26: Economic Development of Air Transport

ENHANCING ECONOMIC ACCESSIBILITY OF AIR TRAVEL

(Presented by Bangladesh)

EXECUTIVE SUMMARY

This paper highlights growing concern over limited regulatory oversight of airline ticket pricing, particularly in developing States where affordability of air travel remains a key public priority.

This paper addresses the critical issue of air fare affordability, particularly in developing States, in the context of limited regulatory oversight on airline ticket pricing. While concerns have grown over fare volatility during peak travel periods or in emergency situations or on monopoly routes, particularly affecting lower-income passengers, the paper argues that imposing strict price controls may undermine the commercial flexibility of airlines that need to maintain viable operations and provide consumer choice and invest in service quality.

Drawing on ICAO's principles outlined in Doc 9626 and Doc 9587 and considering the International Air Transport Association (IATA)'s position on pricing freedom, the paper proposes the need for a balanced, proportionate regulatory approach. Rather than imposing rigid fare controls, governments are encouraged to strengthen oversight mechanisms—that focus on transparency, fair competition, and ethical pricing during emergencies—particularly in critical or high-demand scenarios— while preserving airlines' ability to price services based on market dynamics.

Action: The Assembly is invited to:

- a) acknowledge the growing concern over air ticket pricing and affordability, particularly during peak travel and emergency periods;
- b) encourage States/Administrations to review and modernize civil aviation legislation to enable proportionate economic oversight of airfares that protects public interest, while respecting commercial freedom of airlines; and
- c) request the International Civil Aviation Organization (ICAO) to consider updating policy guidance on fair and transparent airfare practices, focusing on proportional regulatory oversight.

<i>Strategic Goals:</i>	This working paper relates to Strategic Goal: <i>The Economic Development of Air Transport Assures the Delivery of Economic Prosperity and Societal Well-Being for All</i>
<i>Financial implications:</i>	No significant financial implications are anticipated for States or ICAO.
<i>References:</i>	Doc 9587, <i>Policy and Guidance Material on the Economic Regulation of International Air Transport</i> Doc 9626, <i>Manual on the Regulation of International Air Transport</i> (Part IV)

1. INTRODUCTION

1.1 The liberalization of air transport has significantly improved global connectivity and efficiency while competition remains at the core of the airline pricing strategy. A key aspect of this liberalization has been the freedom of airlines to set fares based on market forces; a policy sought after by the International Air Transport Association (IATA).

1.2 In many States, Civil Aviation Authorities (CAAs) lack a statutory mandate to regulate airfares. This regulatory gap has raised concerns, particularly during peak travel seasons—such emergencies, holidays or on monopolistic routes, where sudden fare increases may limit access to essential air services for passengers. Such outcomes are inconsistent with International Civil Aviation Organization’s (ICAO) policy objectives, which aim to safeguard the public interest and promote an accessible and economically sustainable air transport system.

1.3 This paper explores the consequences of limited regulatory oversight in airfare pricing and advocates for a comprehensive review of existing practices. It proposes that States consider implementing proportionate and effective oversight mechanisms to ensure that air travel remains economically accessible, consistent with ICAO’s mandate to serve the public interest.

2. DISCUSSION

Background

2.1 ICAO affirms that air transport should serve the public interest and that airline tariffs, including airfares, should be fair, reasonable, and non-discriminatory. This principle is emphasized in both the *Manual on the Regulation of International Air Transport* (Doc 9626, Part IV, Chapter 4) and the *Policy and Guidance Material on the Economic Regulation of International Air Transport* (Doc 9587). Together, these documents provide a coherent and comprehensive policy framework on airline tariffs. While the principles promote equity, they do not necessarily imply the need for price controls.

2.2 The article on tariffs within the Template Air Services Agreement (TASA), as presented in Doc 9587, offers model provisions on airline tariffs for inclusion in bilateral and multilateral air services agreements. These templates accommodate a range of regulatory approaches—traditional, transitional, and fully liberalized—enabling States to adopt pricing frameworks to their national contexts. While such provisions establish regulatory options, in practice, airline ticket pricing is largely driven by market dynamics and industry practices. IATA asserts that airlines must retain the freedom to set fares based on commercial considerations, a principle already embedded in many Air Services Agreements, allowing market-based pricing without requiring prior government approval.

2.3 Airline pricing is complex and driven by factors such as route demand, seasonality, operational costs, and competition. Price flexibility allows airlines to offer a range of fares (e.g., advance purchase, non-refundable, flexible) to cater to different customer needs while ensuring route sustainability. But in the absence of regulatory oversight on air ticket prices, these practices have in some instances contributed to non-transparent fare structures.

2.4 Sudden fare increases during emergencies or holidays often result from demand surges and limited capacity, not of exploitative pricing. Blanket regulation control could discourage airline responsiveness, reduce service levels, and diminish the very affordability governments aim to protect.

Key Issues and Considerations

2.5 In many States, especially developing countries, the lack of regulatory oversight on airfare pricing has led to public dissatisfaction—particularly during peak travel seasons, emergencies, or on routes with limited competition—where sudden fare surges restrict access. Additionally, discriminatory pricing based on purchasing power, digital access, or booking channels further exacerbates inequities. Imposing strict price controls may threaten route viability and reduce market competition, but the fundamental problem remains in the inadequate consumer protection and in the lack of pricing criteria within the CAA regulatory framework.

2.6 Existing economic regulation frameworks in civil aviation frequently lack provisions to monitor or address pricing criteria. Consequently, the limited involvement of CAAs in economic oversight has resulted in unregulated fare surges during periods of high demand or emergencies, with limited competition, absence of consumer redress mechanisms for unjustified or excessive fares. Rather than imposing strict fare controls or requiring airlines to file prices in advance, States may consider adopting a modernized and balanced economic oversight approach. This approach would emphasize transparency in fare structure, ethical pricing during emergencies, oversight of anti-competitive practices, and raising public awareness of fare options and passenger rights, thereby balancing consumer protection with market competitiveness.

2.7 The lack of affordability and access in current air transport conditions contradicts ICAO's policy emphasis on equitable, accessible air services, especially for developing States and vulnerable communities. Strengthening regional cooperation and enhancing ICAO guidance can support this goal by setting benchmarks, promoting best practices, and ensuring fair and inclusive access to essential air services.

3. CONCLUSION

3.1 Addressing growing concerns over airfare affordability, equity, and transparency—especially during peak travel periods and emergencies—requires a modernized and balanced economic oversight framework. While affordability is a shared objective of States, ICAO, and industry stakeholders, it is essential to differentiate between fair pricing practices and direct fare regulation. A balanced approach that safeguards consumer interests, promotes transparency, and maintains commercial pricing freedom is vital for sustaining service quality and expanding air connectivity. To this end, ICAO and its Member States should collaborate to update oversight mechanisms in a way that ensures air transport remains affordable, transparent, and resilient—particularly in remote and developing markets.

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