

CAD announces new display requirements for ticket prices at airlines' direct sales outlets and arrangements for fuel surcharges

The Civil Aviation Department (CAD) today (September 21) announced a new set of price display requirements for the sale of airlines' air tickets at their direct sales outlets to enhance transparency and enable consumers to make informed choices. Under the new display requirements, airlines will need to provide the final price of air tickets at all times and provide a breakdown of the final price to show all "must pay" elements of the ticket fare in each quotation/transaction at their direct sales outlets. If an airline wishes to levy a passenger fuel surcharge (PFS) as part of the final price, it will be required to clearly show the level levied by the airline as with other "must pay" elements. The above arrangements will take effect from November 1.

The CAD announced in January 2016 that airlines would no longer be approved to levy a PFS from February 1, 2016 onwards for flights originating from Hong Kong until further notice. The CAD then commissioned a consultancy study on international trends and practices on regulation of fuel surcharges and to recommend how fuel surcharges should be regulated. The initial findings, released in 2017, concluded that there was a global trend of liberalisation of fuel surcharges to enhance competition and recommended that the CAD take a similar approach for fuel surcharge regulation. A further review was conducted by the CAD recently on the way forward for fuel surcharge regulation in the long run.

"The further review noted that the global trend of deregulating fuel surcharge to enhance competition, as highlighted in the consultancy study, echoed with the progressive liberalisation policy in Hong Kong's air services regime. It also noted that the fuel cost was part of the operating costs of airlines that had to be recouped in any case, be it as part of the basic ticket fare or as a separately listed surcharge. Individual airlines should be allowed to make their own commercial decisions on whether to levy a fuel surcharge. The key is to encourage competition and to ensure transparency in price display to facilitate consumers in making informed choices," a spokesman for the CAD said.

"With over 120 airlines serving over 220 destinations at Hong Kong International Airport, Hong Kong has a very competitive airline business. Different kinds of flight services, ranging from premium to budget airlines, enable market forces to keep air ticket prices competitive. The advance of technology, including the availability of price-comparing websites, also enhances consumers' ability to assess the prices offered by different airlines and in turn enhances competition," the spokesman added.

With a view to further encouraging competition amongst airlines while at the same time stepping up efforts to help consumers make more informed choices, the CAD will impose a new set of price display requirements for airlines' air ticket sales at their direct sales outlets. Under the new requirements, all airlines are required to meet the requirements in the display of ticket prices at their direct sales outlets for flights originating from Hong Kong, as follows:

1. clear display of total "must pay" price (i.e. the price which a passenger must pay for the purpose of boarding a flight). Elements of the "must pay" price include the applicable airfare, PFS (if levied by the relevant airline), Air Passenger Departure Tax, Passenger Security Charge and Airport Construction Fee. The information must be displayed at all times throughout the booking process in each quotation/transaction;
2. provision of a breakdown of all the elements (including any PFS which may be levied by the individual airline) of the all-inclusive "must pay" price; and
3. if there are optional price supplements (e.g. extra baggage allowance, travel insurance, etc) in addition to the "must pay" ticket fare, each of them must be offered on an opt-in basis (i.e. consumers will determine whether to purchase these supplements by making a positive selection, e.g. ticking the respective boxes on the relevant page of airlines' booking website, etc).

Airlines which comply with the above display requirements may separately list the PFS in the price breakdown, with effect from November 1. That is, all tickets issued on or after November 1 for flights that originate from Hong Kong may include a PFS as determined by individual airlines. For tickets issued before November 1 but for travel after this date, no PFS is payable unless the ticket is reissued due to passenger's circumstances. Airlines that do not levy PFS are also required to comply with the price display requirements for transparency.

"As at today, the majority of airlines providing passenger services in Hong Kong are already in compliance with the new display requirements. The remaining airlines that are currently enhancing their booking systems to meet the price display requirements are allowed a grace period of six months. Consumers are encouraged to look out for the final price, which includes all "must pay" elements of the tickets during price comparison, and contact airlines for clarification in case of doubt. We will closely monitor the implementation of the new display requirements," the spokesman said.

The CAD has consulted stakeholders on this new requirement and received general support for the liberalisation of fuel surcharges and price display requirements. The airlines and the Travel Industry Council have agreed on the implementation arrangements of the price display requirements. The Consumer Council and the Competition Commission also support the liberalisation and

the enhanced transparency requirements. The Competition Commission sees the liberalisation and transparency as a step forward in ensuring that airlines compete on a level playing field.

With regard to the current time-limited resumption of cargo fuel surcharge (CFS), it will remain in effect until end-2019. From January 1, 2020 individual airlines may, based on their commercial considerations, set CFS at a level based on their own circumstances or choose not to include such a surcharge.