

IATA followed the practice prevalent in the shipping industry and established an international tariff "conference." The hope was to both facilitate and regulate air commerce. As individual nations started to negotiate bilateral air agreements, starting with the 1946 U.S.-U.K. "Bermuda I" Agreement, nations found it expedient to adopt IATA's tariffsetting machinery as a substitute for bilateral regulation of carrier fares. This simplified the regulatory task of monitoring, evaluating and setting fares for each of the scores of air treaties a country had negotiated. In general, IATA tariffs were set to allow the maintenance of viable operations by all nations' air carriers, even carriers with high cost structures. The result was a regime of stable air services.

This regime, consisting of bilateral air treaties condoning multilateral cartel pricing by the carriers through IATA, was sustained through the 1940s, 1950s and early 1960s. During this period, international air commerce was growing due to rising demand as national incomes rose, and due to several leaps in technology. Every year, new nations joined the ranks of those with national flag carriers, new routes were launched and new aircraft types were put into service. Nations and carriers were content to maintain a regime with high tariffs in order to prevent national carriers from becoming a drain on the public treasury.

However, by the 1970s a number of new economic forces started to undermine the IATA tariff regime including new competition from non-IATA and charter carriers, discounting among IATA carriers and growing consumer pressures.

As the industry faces the 1990s, it still retains the structure of bilateral air agreements established by the Chicago Convention. However, the use of IATA to establish fares for the thousands of international air markets has been greatly reduced. With increasingly competitive and deregulated markets, the relevance of IATA pricing