



European Institute of Innovation,  
Entrepreneurship, and Technology

# **Title: The Role of Contract Law in the Tourism Industry**

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Submission date: 23.05.2025

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# ABSTRACT

Air travel forms a core component of the global tourism industry, enabling international and domestic mobility on an unprecedented scale. The contractual relationship between airlines and passengers is primarily governed by contract law through contracts of carriage, which define the rights, duties, and liabilities of both parties. This assignment examines the role of contract law in the tourism industry by focusing on airline passenger contracts and the legal implications of air travel agreements. The study explores the essential elements of a valid contract in the context of airline bookings, including offer, acceptance, and consideration, as well as the incorporation of standard terms and conditions. Common contractual issues such as flight cancellations, delays, denied boarding, and baggage loss are critically analyzed. Using a doctrinal research methodology supported by legal literature and case law, the assignment evaluates how contract law addresses disputes between airlines and passengers. The findings indicate that while contract law provides a structured framework for regulating airline contracts, challenges such as standard form agreements, exclusion clauses, and limited passenger bargaining power continue to affect consumer protection. The study concludes that clearer contractual practices and stronger regulatory alignment are necessary to enhance fairness and accountability in airline tourism contracts.

# INTRODUCTION

The tourism industry relies heavily on air transportation to facilitate travel across national and international borders. Airlines play a central role in connecting destinations, making air travel contracts one of the most common and legally significant agreements within the tourism sector (Sharpley, 2018). Every airline ticket purchased represents a contract of carriage between the passenger and the airline, outlining the terms under which transportation services will be provided. Contract law governs these agreements and determines the rights and obligations of both parties in cases of non-performance or dispute.

Unlike many traditional contracts, airline contracts are highly standardized and governed by extensive terms and conditions drafted by airlines. Passengers rarely negotiate these terms and often accept them without full awareness of their legal implications (Poole, 2020). Issues such as flight delays, cancellations, overbooking, and baggage mishandling frequently give rise to disputes, highlighting the importance of contract law in providing remedies and ensuring accountability within the airline tourism sector (Dickerson, 2019).

The globalization of tourism has further increased the complexity of airline contracts. International air travel often involves multiple jurisdictions, international conventions, and regulatory frameworks that interact with domestic contract law (McKendrick, 2021). Despite these complexities, contract law remains a foundational mechanism for resolving disputes between airlines and passengers, particularly where statutory protections may be limited or unclear.

This assignment examines the role of contract law in the tourism industry by focusing on airline passenger contracts and contracts of carriage. The objectives of the study are threefold. First, it analyzes the essential elements required to form a valid airline contract. Second, it examines the types of contractual terms commonly used by airlines, including exclusion clauses and limitations of liability. Third, it evaluates how contract law addresses disputes arising from airline services, supported by real-world examples and case law. Through this analysis, the assignment aims to demonstrate the significance of contract law in regulating air travel within the tourism industry.

## **LITERATURE REVIEW**

### **Contract Law and Air Travel in Tourism**

Academic literature recognizes airline contracts as a unique category within tourism law due to their standardized nature and international scope. According to Dickerson (2019), airline contracts are primarily governed by contracts of carriage, which outline the conditions under which airlines agree to transport passengers and their baggage. These contracts are often supplemented by international conventions and national regulations, creating a layered legal framework for air travel disputes.

Sharpley (2018) argues that contract law provides essential certainty in air travel transactions by defining performance obligations and remedies. Given that air travel services are typically booked well in advance, passengers rely heavily on contractual assurances regarding schedules, routes, and service quality. Contract law seeks to protect this reliance by enforcing contractual promises and addressing breaches where services fall short of expectations (Poole, 2020).

### **Standard Form Airline Contracts and Consumer Concerns**

Standard form contracts dominate airline passenger agreements, reflecting the high-volume and operational complexity of air transport. While such contracts promote efficiency and consistency, they also raise concerns about fairness and transparency (McKendrick, 2021). Passengers are usually presented with extensive terms and conditions that include limitations of liability, force majeure clauses, and jurisdiction provisions.

Mason and Bohdanowicz (2020) note that passengers rarely read or fully understand airline contract terms, particularly when bookings are made online. This lack of awareness contributes to disputes when airlines rely on contractual clauses to deny compensation or limit liability. Courts have increasingly scrutinized airline contract terms to ensure they meet standards of reasonableness and do not undermine fundamental consumer rights (Poole, 2020).

### **Essential Elements of a Valid Airline Contract**

The formation of a valid airline contract is governed by the general principles of contract law, which require offer, acceptance, consideration, intention to create legal relations, and legal capacity (McKendrick, 2021). In the context of air travel, these elements are typically embedded within the ticketing and booking process, making the contractual relationship less visible but legally binding (Poole, 2020).

The **offer** in airline contracts is usually made when an airline advertises available flights with specified routes, dates, and prices. While such advertisements may initially be considered invitations to treat, a legally binding offer is formed once the airline confirms the booking and issues a ticket (Dickerson, 2019). This distinction is particularly relevant in cases involving fare errors or seat availability disputes, where airlines may attempt to withdraw offers before acceptance.

**Acceptance** occurs when the passenger agrees to the airline's terms and conditions, typically by completing the booking process and making payment. With the widespread use of online booking systems, acceptance often takes place through electronic confirmation, raising questions about informed consent and awareness of contractual terms (Mason & Bohdanowicz, 2020). Courts generally uphold electronic acceptance as valid, provided that passengers had reasonable access to the contractual terms at the time of booking (Poole, 2020).

**Consideration** in airline contracts usually involves the payment of airfare in exchange for the promise of transportation. In some cases, consideration may also include ancillary services such as baggage allowance, seat selection, or in-flight amenities (McKendrick, 2021). The presence of consideration ensures the enforceability of airline contracts, even where performance is scheduled for a future date.

## **Intention to Create Legal Relations and Capacity**

In airline passenger contracts, the intention to create legal relations is presumed due to the commercial nature of the transaction. Airline bookings involve monetary exchange and professional service provision, making them legally binding agreements rather than informal arrangements (Sharpley, 2018). This presumption applies equally to domestic and international flights, reinforcing the enforceability of airline contracts across jurisdictions.

Capacity may present legal challenges in certain airline contracts, particularly where bookings are made on behalf of minors or individuals lacking legal capacity (Grant & Mason, 2018). Airlines often require adult supervision for unaccompanied minors and impose specific contractual conditions to address capacity issues. These measures highlight the importance of contractual safeguards in ensuring valid and enforceable airline agreements (Dickerson, 2019).

## **Types of Airline Contracts in Tourism**

The tourism industry relies on various types of airline contracts, each serving distinct legal and operational purposes. The most common is the **contract of carriage**, which governs the transportation of passengers and baggage. This contract outlines the rights and obligations of

airlines and passengers, including check-in requirements, baggage policies, and conditions for delays or cancellations (Poole, 2020).

Another significant contractual arrangement is the **charter flight contract**, often used in package tourism. In such cases, tour operators contract with airlines to provide transportation for groups of tourists. While passengers may not contract directly with the airline, contract law principles still influence liability and remedies in the event of service failure (Dickerson, 2019).

Airlines also engage in **codeshare agreements**, which complicate contractual relationships by involving multiple carriers in a single journey. From a contractual perspective, codeshare arrangements raise questions about which airline bears responsibility for performance and breach (McKendrick, 2021). Courts often examine booking confirmations and representations to determine contractual liability in such cases.

## **Standard Form Contracts and Exclusion Clauses**

Standard form contracts dominate airline passenger agreements due to the high-volume nature of air travel. These contracts typically include extensive terms and conditions that limit airline liability for delays, cancellations, and baggage loss (Mason & Bohdanowicz, 2020). While such clauses aim to manage operational risk, their enforceability depends on compliance with principles of incorporation and reasonableness.

Courts have increasingly scrutinized exclusion clauses in airline contracts, particularly where passengers were not adequately informed or where clauses undermine fundamental contractual obligations (Poole, 2020). This judicial approach reflects a growing emphasis on fairness and transparency in airline tourism contracts, aligning contract law with broader consumer protection objectives (Sharpley, 2018).

# **METHODOLOGY**

## **Research Design**

This assignment adopts a **doctrinal legal research methodology** to examine the role of contract law in regulating airline passenger contracts within the tourism industry. Doctrinal research focuses on the analysis of legal rules, principles, and judicial decisions, making it particularly suitable for the study of contracts of carriage and airline liability (McKendrick, 2021).

The research design emphasizes qualitative analysis, drawing on authoritative legal texts, academic journals, and case law. This approach allows for a systematic evaluation of how contract law principles are applied in airline-related disputes and how they interact with industry practices (Poole, 2020).

## **Sources of Data**

Primary data sources for this study include reported judicial decisions involving airline passenger disputes, such as cases relating to flight delays, denied boarding, and baggage loss. These cases provide insight into how courts interpret airline contracts and allocate liability between airlines and passengers (Dickerson, 2019).

Secondary sources include academic literature on tourism law and contract law, as well as policy reports and industry publications. These sources help contextualize legal principles within the operational realities of the airline industry and the broader tourism sector (Mason & Bohdanowicz, 2020).

## **Analytical Framework**

The analysis is structured around key contractual concepts, including contract formation, performance, breach, and remedies. Each concept is examined in relation to airline passenger contracts to assess the effectiveness of contract law in addressing tourism-related disputes (Grant & Mason, 2018).

By integrating doctrinal analysis with real-world examples, the study aims to provide a comprehensive understanding of how contract law functions within the airline tourism sector. This methodological approach ensures that conclusions are grounded in established legal principles while remaining relevant to contemporary air travel practices (Sharpley, 2018).

# **FINDINGS**

## **Passenger Awareness and Airline Contract Terms**

One of the major findings of this study is that airline passengers often enter into contracts of carriage without fully understanding the scope and implications of the contractual terms. While airline tickets represent legally binding contracts, passengers tend to focus on travel schedules and ticket prices rather than the detailed conditions governing liability, delays, and cancellations (Sharpley, 2018). This lack of awareness is particularly evident in online bookings, where passengers accept lengthy terms and conditions through a single confirmation click.

Academic research suggests that the complexity and volume of airline contract terms reduce the likelihood that passengers will read or comprehend them fully (Mason & Bohdanowicz, 2020). As a result, disputes frequently arise when airlines rely on contractual clauses to deny compensation or limit liability. Although contract law generally enforces agreed terms, courts have increasingly emphasized the need for transparency and fairness in airline contracts, particularly where passengers lack bargaining power (Poole, 2020).

## **Performance of Airline Obligations**

Another key finding relates to the performance of contractual obligations by airlines. Airlines are contractually obligated to transport passengers and their baggage to the agreed destination within a reasonable timeframe. However, operational challenges such as weather conditions, technical issues, and air traffic congestion often disrupt performance (Dickerson, 2019). These disruptions frequently lead to flight delays and cancellations, which are among the most common sources of airline-related contractual disputes.

The study finds that courts generally assess airline performance by examining the specific terms of the contract of carriage, including clauses relating to force majeure and schedule changes. While airlines may rely on such clauses to justify non-performance, courts have shown reluctance to accept blanket exclusions of liability where delays or cancellations could have been avoided through reasonable care (McKendrick, 2021). This approach reflects a balance between recognizing operational realities and protecting passenger expectations.

### **Overbooking and Denied Boarding Practices**

Overbooking is a widespread practice in the airline industry, intended to maximize seat utilization and profitability. However, this practice often results in denied boarding for passengers holding confirmed tickets, giving rise to contractual disputes (Grant & Mason, 2018). From a contractual perspective, denied boarding may constitute a breach of contract unless adequately addressed through contractual terms and compensation mechanisms.

The findings suggest that courts increasingly view denied boarding as a failure to perform contractual obligations, particularly where passengers were not informed of overbooking risks at the time of booking. Airlines that fail to provide timely notice or reasonable compensation may be held liable for breach of contract (Poole, 2020). This reinforces the importance of clear disclosure and fair treatment in airline passenger contracts (Sharpley, 2018).

## **REAL-WORLD CONTRACT DISPUTES IN AIR TRAVEL**

### **Case Study 1: Flight Delay and Cancellation Disputes**

Flight delays and cancellations represent one of the most frequent contractual disputes in air travel. Passengers often claim compensation for missed connections, accommodation expenses, and inconvenience caused by delays. Courts typically examine whether delays constitute a breach of contract or fall within permissible contractual exceptions (McKendrick, 2021).

In assessing liability, courts consider factors such as the duration of the delay, the reasons provided by the airline, and the contractual terms governing schedule changes. While airlines may rely on force majeure clauses, courts have emphasized that such clauses must be interpreted narrowly and cannot excuse negligence or poor operational planning (Poole, 2020). This approach highlights the role of contract law in holding airlines accountable for reasonable performance standards (Dickerson, 2019).

## **Case Study 2: Denied Boarding and Overbooking Cases**

Denied boarding cases provide a clear example of how contract law addresses airline practices that conflict with passenger expectations. In disputes involving overbooking, courts have often ruled in favor of passengers where airlines failed to offer adequate compensation or alternative arrangements (Grant & Mason, 2018). These decisions reflect an understanding that passengers reasonably expect airlines to honor confirmed bookings.

The findings indicate that contractual clauses permitting overbooking must be clearly disclosed and balanced with fair compensation mechanisms. Where airlines fail to meet these requirements, courts may find a breach of contract and award damages to affected passengers (Poole, 2020). This reinforces the principle that contractual freedom in airline operations is limited by fairness and transparency considerations (Sharpley, 2018).

## **Case Study 3: Baggage Loss and Damage Claims**

Baggage-related disputes are another common source of airline contract litigation. Passengers often seek compensation for lost, delayed, or damaged baggage, relying on contractual and statutory provisions (Dickerson, 2019). While airline contracts frequently include liability limits for baggage claims, courts examine whether such limits were properly incorporated into the contract and whether passengers were given adequate notice.

The study finds that courts are more likely to enforce baggage liability limits where airlines can demonstrate that passengers were informed of these terms at the time of booking. Conversely, ambiguous or hidden clauses are more likely to be challenged successfully (McKendrick, 2021). This underscores the importance of clarity and transparency in airline contracts of carriage (Poole, 2020).

# **REMEDIES AVAILABLE UNDER CONTRACT LAW**

## **Damages and Compensation**

Damages are the primary remedy available to passengers in cases of airline contract breach. Courts aim to compensate passengers for financial losses resulting from delays, cancellations, or denied boarding, such as accommodation costs and alternative travel expenses (McKendrick, 2021). In some cases, damages may also reflect inconvenience or distress, particularly where the purpose of the contract was leisure travel (Sharpley, 2018).

However, the assessment of damages in airline disputes can be complex due to contractual limitations and liability caps. Courts must balance the need to compensate passengers fairly with the contractual freedom of airlines to manage operational risk (Poole, 2020). This balance reflects the nuanced role of contract law in the airline tourism sector (Dickerson, 2019).

## **Termination and Refund Rights**

Termination of contract may occur where airline breaches are sufficiently serious to undermine the purpose of the agreement. In such cases, passengers may be entitled to refunds or rebooking on alternative flights (Grant & Mason, 2018). Courts typically assess whether the breach deprived the passenger of substantially the whole benefit of the contract.

The findings suggest that refund disputes are particularly contentious in cases involving cancellations and schedule changes. Courts increasingly emphasize fairness and transparency when interpreting airline contractual terms relating to refunds and rebooking (Poole, 2020).

## **DISCUSSION**

### **Effectiveness of Contract Law in Airline Tourism**

The analysis presented in this assignment demonstrates that contract law plays a fundamental role in regulating airline operations within the tourism industry. Airline passenger contracts, primarily governed by contracts of carriage, provide a structured legal framework that defines the rights and obligations of airlines and passengers. The principles of contract formation, performance, and breach ensure that air travel agreements are legally enforceable and that passengers have access to remedies when services are not delivered as promised (McKendrick, 2021).

However, the discussion highlights that the effectiveness of contract law in airline tourism is constrained by the standardized nature of airline contracts. Passengers typically have no opportunity to negotiate terms and are often unaware of the implications of exclusion clauses and liability limitations (Sharpley, 2018). While contract law upholds freedom of contract, courts have increasingly recognized that excessive reliance on standard form agreements may undermine substantive fairness, particularly in consumer-focused industries such as tourism (Poole, 2020).

### **Standard Form Contracts and Passenger Bargaining Power**

One of the most significant challenges identified in this study is the imbalance of bargaining power between airlines and passengers. Standard form contracts dominate the airline industry due to operational efficiency and regulatory consistency. However, these contracts often favor airlines by limiting liability for delays, cancellations, and baggage loss (Grant & Mason, 2018).

Contract law attempts to mitigate this imbalance through doctrines such as incorporation, notice, and reasonableness. Courts have demonstrated a willingness to invalidate or narrowly interpret exclusion clauses where passengers were not adequately informed or where clauses contradict the fundamental purpose of the contract (McKendrick, 2021). Despite this judicial oversight, the

discussion suggests that many passengers remain disadvantaged due to limited awareness and the complexity of airline contractual terms (Mason & Bohdanowicz, 2020).

## **Role of Courts in Shaping Airline Contractual Obligations**

Judicial interpretation has played a critical role in adapting contract law to the realities of airline tourism. Courts have increasingly emphasized the importance of reasonable performance and transparency, particularly in cases involving denied boarding, excessive delays, and baggage mishandling (Poole, 2020). By holding airlines accountable for foreseeable disruptions and avoidable service failures, courts reinforce consumer confidence in air travel contracts.

At the same time, courts recognize the operational constraints faced by airlines, such as weather conditions and air traffic control restrictions. This balanced approach reflects an effort to align contractual obligations with practical realities while safeguarding passenger expectations (Dickerson, 2019). The discussion indicates that this judicial balancing act is essential to maintaining fairness and sustainability within the airline tourism sector.

## **Practical Implications for Airlines and Tourism Stakeholders**

For airlines, the findings underscore the importance of clear contractual drafting and transparent communication with passengers. Accurate disclosure of terms relating to delays, cancellations, and baggage liability can reduce disputes and enhance consumer trust (Grant & Mason, 2018). Airlines that rely excessively on exclusion clauses without ensuring adequate notice risk legal challenges and reputational damage.

From a broader tourism perspective, the discussion highlights the interconnected nature of airline contracts with other tourism services. Flight disruptions often affect accommodation, tour arrangements, and onward travel, amplifying the impact of contractual breaches. This reinforces the need for coordinated contractual practices across the tourism industry to minimize consumer harm and legal uncertainty (Sharpley, 2018).

## **CONCLUSION**

This assignment has examined the role of contract law in the tourism industry, with a specific focus on airline passenger contracts and contracts of carriage. The analysis demonstrates that contract law provides a foundational legal framework for regulating air travel by clearly defining the rights, obligations, and remedies available to both airlines and passengers. In an industry characterised by high volumes of transactions and cross-border operations, contract law plays a crucial role in ensuring legal certainty and predictability in airline–passenger relationships.

A central aspect of this framework is the presence of essential contractual elements such as offer, acceptance, consideration, intention to create legal relations, and capacity. These elements ensure the legal validity and enforceability of airline agreements, whether tickets are purchased directly from airlines or through third-party booking platforms. Alongside these core requirements,

contractual doctrines relating to breach and remedies provide passengers with legal recourse in cases of flight delays, cancellations, denied boarding, or failure to provide agreed services.

The study further highlights that, despite the protections offered by contract law, its practical effectiveness in airline tourism is often constrained by structural imbalances. The widespread use of standard form contracts and extensive terms and conditions limits passengers' ability to negotiate contractual terms. This imbalance reflects the unequal bargaining power inherent in airline tourism, where consumers typically have little choice but to accept pre-drafted contractual provisions.

Another important issue identified is the complexity and accessibility of airline contracts. Contractual terms are often lengthy, technical, and difficult for passengers to fully understand, particularly in online booking environments. As a result, many passengers may be unaware of their rights and obligations at the time of contract formation, which can weaken the practical value of contractual protections and limit effective consumer reliance.

Judicial decisions have played a key role in addressing these challenges by adapting traditional contract law principles to the unique characteristics of air travel. Courts have increasingly emphasised the importance of transparency, reasonable performance, and the protection of legitimate passenger expectations. Such judicial interventions reflect an evolving legal approach that seeks to balance commercial efficiency with fairness and consumer protection in airline contracts.

In addition to judicial developments, the analysis underscores the importance of complementary regulatory frameworks in enhancing the effectiveness of contract law. Aviation-specific regulations and consumer protection laws work alongside contract law to clarify passenger rights and impose minimum service standards on airlines. These measures help address gaps that contract law alone may not fully resolve, particularly in relation to cross-border air travel and mass consumer contracts.

In conclusion, contract law remains a vital mechanism for ensuring fairness, transparency, and accountability in airline tourism contracts. However, its effectiveness depends on complementary measures such as clearer contractual drafting, improved passenger awareness, and supportive regulatory frameworks. By strengthening these elements, the tourism industry can foster a more balanced contractual environment that protects passenger interests while supporting the legitimate commercial objectives of airlines and promoting sustainable growth in global tourism.

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