

IATA ANNUAL GENERAL MEETING



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The Power of Flight

79th AGM and World Air Transport Summit
Istanbul, Türkiye 4 – 6 June 2023

- **Unruly Passengers**
- **Consumer Protection**
- **Airport Slot Reform**

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IATA Deputy Director General



Three key topics on our agenda

- **Unruly passengers**
Latest figures, what they mean, & how we are responding
- **Consumer protection**
Raising performance by ensuring responsibility is shared throughout the value chain
- **Airport slot reform**
If it ain't broke don't fix it



Thank you for joining us today for this look at three key regulatory issues facing airlines at this time.

The first is unruly passengers. We'll look at the latest numbers, what they mean, and our strategy to reduce unruly passenger incidents.

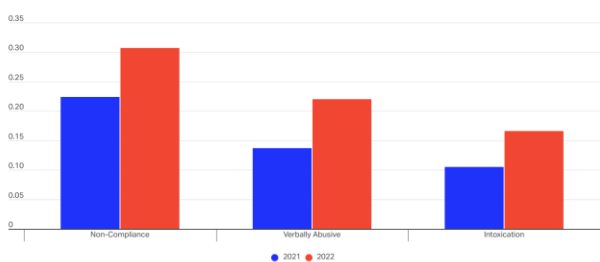
Secondly, consumer protection. With regulations proliferating, it's vital that they reflect the responsibility that all actors in the aviation chain have for ensuring performance.

Thirdly, the question of airport slot regulation reform. Is it needed, and if so, why and where is change required? We will argue that given the success of the slot rules, regulators might be better to remember the adage, "if it ain't broke, don't fix it."

Unruly Passenger incidents increasing

- Unruly incidents are on the rise since the end of the pandemic
- Rate in 2022 increased to 1 per 568 flights
- 2021 rate was one per 835 flights
- Physical abuse incidents showed a worrying jump of 61% over 2021, though these events are still rare

Most Common Unruly Passenger Incident Types
Per 1,000 Flights



Unfortunately, our latest figures show that unruly passenger incidents are rising, post-Pandemic. There was one unruly incident reported for every 568 flights in 2022, so the frequency is increased from the one per 835 flights in 2021.

The chart on the slide shows the rate per 1000 flights for the top three most commonly reported types of unruly incident: Non-compliance with crew, verbal abuse, and intoxication.

Physical abuse incidents notably jumped in frequency, rising 61% over 2021. Fortunately, these instances are still extremely rare.

Non-compliance

Incidents of non-compliance with rules rose 37% in 2022.

In order of frequency of occurrence:

1. Smoking of cigarettes, e-cigarettes, vapes and puff devices in the cabin or lavatories
2. Failure to fasten seat belts
3. Exceeding the carry-on baggage capacity or failing to store it when required
4. Consuming own alcohol



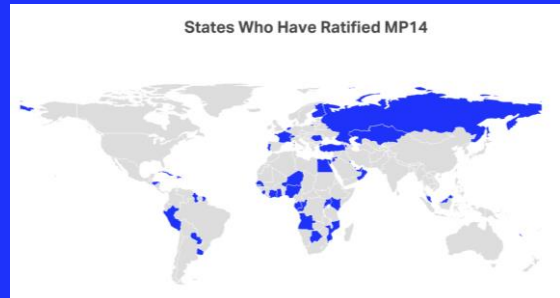
Although non-compliance incidents initially fell after the mask mandates were removed on most flights, the frequency began to rise again throughout 2022 and ended the year some 37% up on 2021. The most common examples of non-compliance were:

- Smoking of cigarettes, e-cigarettes, vapes and puff devices in the cabin or lavatories
- Failure to fasten seatbelts when instructed
- Exceeding the carry-on baggage capacity or failing to store it when required
- Consumption of own alcohol on board

Two-pillar strategy for reducing incidents

DETERRENCE is the key

- Montreal Protocol 2014 (MP14) gives states powers to prosecute unruly pax
- Also gives govts a range of enforcement measures such as spot fines
- Some 45 states comprising 33% of international pax traffic have ratified MP14 so far



The industry takes a zero-tolerance approach to unruly behavior and has a two-pillar strategy for tackling it.

The first is to ensure governments have the necessary authority to prosecute unruly passengers, regardless of their state of origin, and to have a range of enforcement measures that reflect the severity of the incident.

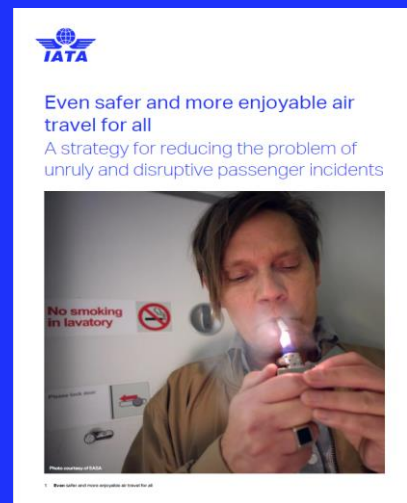
Such powers exist in the Montreal Protocol 14 (MP14), and IATA is urging states to ratify this as soon as possible. To date, some 45 nations comprising 33% of international passenger traffic have ratified MP14.

We're pushing for as many States as possible to ratify MP14. Ratification of treaties can be a lengthy process, which was not helped by the pandemic. But we're confident the number will keep growing steadily.

Two-pillar strategy for reducing incidents

COLLABORATION and BEST PRACTICES

- Partnerships with airport concessions and duty free are important as majority of intoxication incidents are as a result of on-airport drinking
- New guidance published earlier this year offers practical solutions for governments on:
 - Public awareness
 - Fixing gaps that enable unruly passengers to avoid prosecution
 - Fixing enforcement gaps



The second pillar of the strategy is to give airlines greater ability to prevent incidents through collaboration with industry partners on the ground (such as airports, bars and restaurants and duty-free shops), and provide training and exchange best practices between members to ensure crew know the best options to de-escalate incidents.

A new guidance document was published at the beginning of 2022 gathering best practices for airlines and providing practical solutions to governments on public awareness, spot fines, and fixing jurisdiction gaps.

We've also partnered with airports and the duty free industry to raise awareness of passengers of the consequences of unruly behavior. Campaigns such as 'one too many' in the UK have put posters in airport locations, and run adverts on social media.

Consumer protection – a shared responsibility

- More than 100 jurisdictions have introduced consumer protection regulations
- Compensation is always paid by the airline no matter which part of the air transport system is responsible for the delay or cancellation
- This means other actors in the chain have no incentive to improve
- The focus should be on improving the passenger experience – therefore regulation should focus on raising performance of all, especially air traffic management



In the area of consumer protection, more than a hundred jurisdictions have developed unique consumer regulations, with at least a dozen more governments looking to join the group or toughen what they already have.

Whenever there is a delay or a cancellation, where specific passenger rights regulations exist, the burden of care and compensation falls on the airline, regardless of which part of the aviation chain is at fault.

We are therefore urging governments to ensure that responsibility for flight issues is shared more equitably across the air transport system.

The aim of any passenger rights regulation should be to drive better service. So it doesn't make sense that airlines are singled out to pay compensation for delays and cancellations that have a broad range of root causes, including air traffic control failures, strikes by non-airline workers, and inefficient infrastructure.

With more governments introducing or strengthening passenger rights regulations, the situation is no longer sustainable for airlines. And it has little benefit for passengers because it does not encourage all parts of the aviation system to maximize customer service.

EU 261 – reform is vital

- 70+ European Court of Justice rulings go beyond the original intention of the regulation
- The EU should revive the revision of EU261 that was previously on the table .
- A key consideration needs to be ensuring a fairer spread of responsibility across key stakeholders in the aviation value chain



It's clear that reform of EU 261 is needed. The Commission's own data show that delays have increased since the existing EU 261 Regulation was introduced, even as the cost to airlines – and ultimately passengers – has continued to increase.

It has become subject to more than 70 interpretations by the European Court of Justice, each of which serves to take the regulation further than originally envisaged by the authorities.

The European Commission, along with the Council and Parliament, need to revive the Revision of EU261 that was on the table before it was blocked by Member States. Any future discussions should address the proportionality of compensation and the lack of specific responsibilities for key stakeholders such as airports or air navigation service providers.

Such a review is even more needed when the EU Regulation is in danger of becoming a global template, with other countries, including Canada, the US, and Australia, as well as some in Latin America and the Middle East, seeming to consider it a model.

Canada

- Regrettably moving away from previous sensible regulatory regime
- Safety issues used to be explicitly recognized as an area exempt from compensation – now this exception is under threat
- Worse, latest legislation makes airlines 'guilty until proven innocent' for compensation over delays/cancellations



Canada is losing its reputation for good regulation, which is particularly disappointing because it has benefitted from a well-balanced regulatory regime up to now.

An example is the explicit recognition of the primacy of safety, meaning that safety-related problems are not subject to compensation. Unfortunately, Canadian policymakers seem inclined to remove this important exception. Canada has also announced a "guilty until proven innocent" approach to airlines when there are delays or cancellations. These moves appear to be driven by internal Canadian party politics.

One potential bright spot is that the National Airlines Council of Canada has put forward a model for shared accountabilities across the aviation value chain, including increased transparency, data reporting and service quality standards, an approach that could well have merit beyond Canada.

The US – a solution in search of a problem

- Biden Administration considering 261-style legislation, but in fact the market has already done its work
- 10 largest US carriers already offer meals or cash vouchers to customers during extended delays,
- 9 also offer complimentary hotel accommodation for passengers affected by an overnight cancellation



The US Department of Transportation is proposing to mandate compensation for delayed or cancelled flights when their own Cancellation and Delay Scoreboard shows that the 10 largest US carriers already offer meals or cash vouchers to customers during extended delays, and nine also offer complimentary hotel accommodation for passengers affected by an overnight cancellation.

Effectively, the market is already delivering at the same time as allowing airlines the freedom to compete, innovate and differentiate themselves in terms of their service offerings.

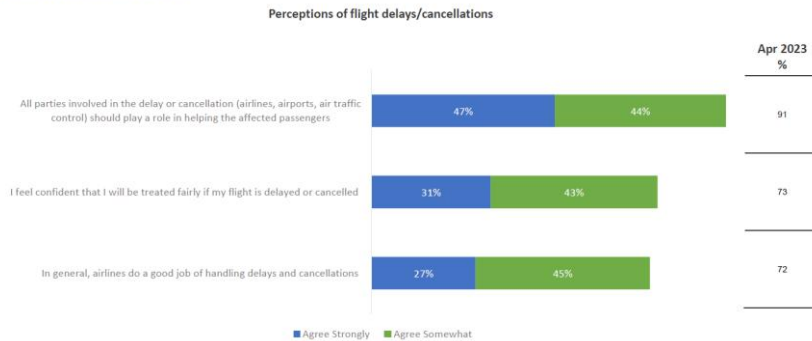
It takes a brave regulator to look at the situation and recognize when 'less is more'. The history of this industry proves that less economic regulation unlocks greater choice and benefits for passengers.

Passengers don't think there is a problem

IATA/MOTIF survey showed passengers think they are being treated fairly

Passenger confidence is high in their perception that treatment will be fair in the event of flight disruptions

4 out of 5 respondents believe that all parties involved should help affected passengers, but a majority remain satisfied with the role played by airlines in the same



There is little evidence passengers, outside of a few rare instances, are clamouring for stronger regulation in this area. An IATA/Motif survey* of 4,700 travelers across 11 markets asked passengers how they were treated in the case of delays and cancellations. The survey found:

- 96% of travelers surveyed reported they were 'very' or 'somewhat' satisfied with their overall flight experience
- 73% were confident they would be treated fairly in the event of operational disruptions
- 72% said that in general airlines do a good job of handling delays and cancellations
- 91% agreed with the statement 'All parties involved in the delay or cancellation (airlines, airports, air traffic control) should play a role in helping the affected passengers'

The best guarantor of good customer service is consumer choice and competition. Travelers can and do vote with their feet if an airline doesn't come up to scratch. Politicians should trust the public's instinct and not regulate away the distinctive business models and choices available to travelers today.

*The IATA passenger insights survey was conducted April 26-May 3 2023 with a sample of 4,700 recent travelers. It covers 11 markets (Australia, Canada, Chile, France, Germany, India, Japan, Singapore, UAE, US, and UK). Sample size in each market was 500 apart from Chile, Japan, Singapore and UAE where it was 300. This Is Motif Ltd prepared the questionnaire and analysis based on data collection and tabulation by Dynata. <https://www.thisismotif.com/>

Slots – “If it ain’t broke, don’t fix it”

- The airport slot rules – governed by the Worldwide Airport Slot Guidelines (WASG) are the unsung hero of the air transport system
- More than 40% of passengers pass through a slot-regulated airport. That’s why globally-harmonized rules are essential
- The story of WASG is one of ever greater efficiency and consumer choice – but this success could be damaged by hasty reform



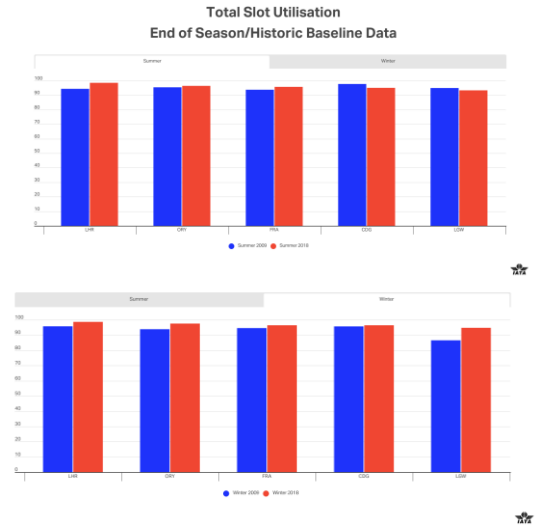
The Worldwide Airport Slot Guidelines (WASG) have been in place for several decades. They are the unsung hero of the air transport system. The WASG have been continually updated, through collaboration between airports, airlines and Slot Coordinators, to reflect trends in the industry and changes in the market.

More than 40% of passengers worldwide pass through a slot-regulated airport. With international schedules needing to coordinate at both ends of the flight, globally-harmonized rules for slot allocation are essential.

Under the WASG, these rules have presided over a period of air transport growth, with greater efficiency and schedule stability, more routes, and greater consumer choice. But this successful story could be damaged if national or regional slot regulations that are supposed to mirror the WASG, such as the European Slot Regulation, are meddled with in ways which undermine the core strengths of the WASG.

Best use of capacity

- Thanks to the discipline of the slot rules, the capacity utilization at the busiest airports has grown to 95-98%
- Flexibility afforded by the 80-20 slot use rule is vital for airlines to operate a sustainable schedule
- Passenger demand fluctuates across a season so crucial that airlines are able to consolidate schedules when required
- In many cases this frees up more ad-hoc slots for other carriers



It is important to remember that the principle reason the Slot Rules exist is to ensure fair allocation of constrained capacity at airports for planning schedules in advance. If there was enough airport (and air traffic management) capacity, the slot rules wouldn't be needed.

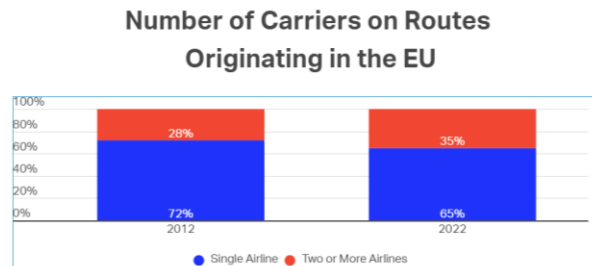
In recent years some commentators have focused on the 80-20 rule of slot coordination, whereby airlines that successfully operate at least 80% of a slot series over a season, are given the right to operate that slot series again the following year. Some suggest that the 80-20 rule does not encourage sufficient use of airport capacity and is inefficient. However, the evidence shows that the opposite is the case.

Thanks to the discipline of the slot rules, the capacity utilization has risen to 95-98% at the busiest airports. The two charts on this slide demonstrate this at 5 key European airports. Comparing 2009 to 2018, the EU Commission's own consultants' data shows that Heathrow, Orly and Frankfurt airports have all squeezed greater utilization, and even at CDG and Gatwick, where utilization has fallen slightly with changes in demand, the numbers are still around 95%. Data for the Winter season (the second chart) shows that utilization has consistently increased. So it's fair to say these airports are operating pretty much at their declared maximum capacity. It's hard to see how increasing the 80% threshold would help to make much difference.

On the other hand, the flexibility of the 80-20 rule is crucial to ensuring efficiency during periods of demand fluctuation. Across a season, demand can change, for example, due to a public holiday in a particular market. The 80-20 rule enables airlines to consolidate schedules and ensure that flights don't fly with lower load factors than would be ideal from an economic or environmental perspective. Also if these slots are able to be returned and re-used by another carrier on an ad-hoc basis, then the overall capacity utilization stays high.

Competition and choice

- Under the slot rules, competition and consumer choice has expanded.
- At the same time, airlines have the confidence to invest in routes because they know they will be able to operate the slot next year
- This creates the ideal balance of stable schedules while new carriers can enter constrained airports



Another aspect of the slot rules is to ensure fair allocation to new carriers wishing to operate at slot-constrained airports. This helps to increase consumer choice and competition.

And the good news is that under the WASG, this has also increased. This chart shows the increase in routes operated by two or more carriers in the EU over the period 2012-2022 – you can see it is now over 35%. And many slot-constrained airports have welcomed new operators. Easyjet, for example, has gone from a start-up to owning probably the largest slot portfolio in Europe with a strategy of operating at primary airports. Their entry and growth at primary airports in Europe occurred with the WASG/Slot Reg in place – it works!

It's crucial, though, that the WASG retains its balance of encouraging more competition while also ensuring that airlines that are allocated slots have the confidence that they will be able to retain them. Ensuring a route becomes successful can often take several years of investment in marketing, aircraft updates and other areas. Passengers want to see stable, reliable schedules as well as greater choice.

Where improvements can be made

- Airport capacity declaration. Too many airports haven't improved their capacity for years.
- And some can't deliver the capacity they promise
- It would also help if regulators made sure that regional/national slot rules were aligned dynamically with the WASG



So, the WASG, and the European Slot Regulation, is performing extremely well. We encourage all governments considering regulating slots to ensure that they are dynamically aligned with the WASG, so that it will reflect best practices as developed by experts from airports, airlines and slot coordinators in real time.

But that is not to say there are no improvements that could be made. The WASG starts with airport capacity declarations – they are the basis on which slots can be allocated. Unfortunately, some airports have made little improvement to their capacity declaration for many years. Surely they can find some efficiency improvements to create more capacity?

Moreover, as we saw last year, some airports found themselves unable to deliver the capacity they had promised. This summer, airlines have planned a full schedule to match the full capacities announced by airports. We trust they will hold up their end of the bargain!

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Q & A

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