

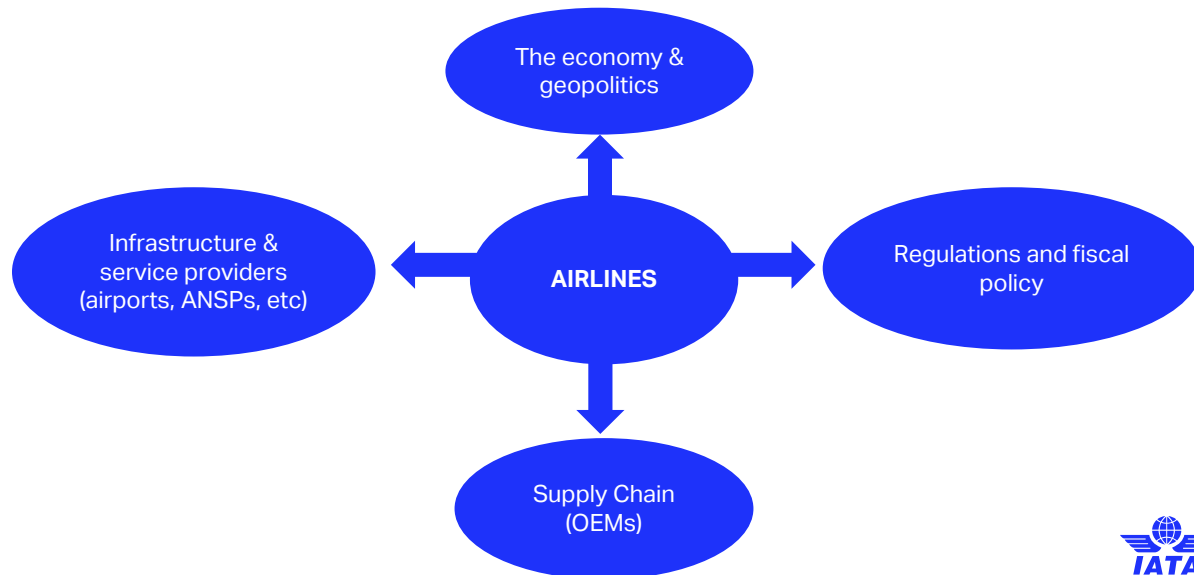
IATA
GLOBAL
MEDIA DAY

Industry and Regulatory affairs Priorities

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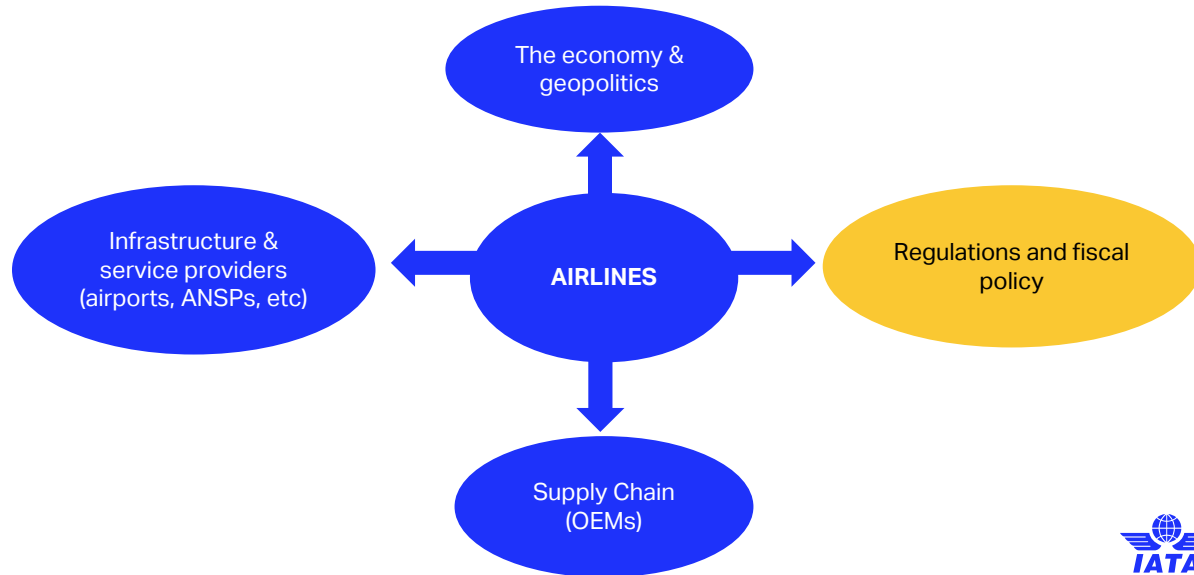


Aviation ecosystem and connectivity



- Airlines want to expand and invest in routes and frequencies, to get more people flying. That has the happy consequence of creating more jobs and prosperity – 86.5 million jobs and \$4.1 trillion dollars of GDP, to be precise.
- But airlines don't operate in a vacuum. As the saying goes, it takes a village to operate an airline network with many critical dependencies. The diagram you see is the ecosystem that impacts and supports the aviation connectivity provided by airlines.

Aviation ecosystem and connectivity



- Today I want to focus on two elements which are part of the 'regulations and fiscal policy' part of this ecosystem: consumer regulation and aviation taxes, which have the potential to support or hinder aviation competitiveness and connectivity.

Consumer Regulation

An uneven playing field

- No other industry is subject to such punitive consumer regulation as airlines
- ICAO Assembly reaffirmed core principles on passenger rights – including proportionality
- Governments should be following this agenda – and using carrots as well as sticks
- But huge divergence exists, especially in Europe. Inconsistent and overlapping regulation is confusing to passengers, adds administrative costs to airlines and creates barriers to competition.



- Airlines a consumer-focused, service organizations operating in a highly competitive marketplace. As with other service industries, passengers who aren't satisfied with their experience with an airline will take their business elsewhere in future.
- Yet, for some reason, airlines are not regulated like other businesses when it comes to consumer protection. I cannot think of an example of another consumer regulation that is as burdensome or punitive as EU261.
- In what other business sector, are you liable for paying several times the cost of the original service in the event of disruption – even those the cause may not even be within the airlines' control?
- Airlines are also treated differently to other modes of transport. For example, while EU261 costs €8bn a year in compensation alone, the equivalent regulation for rail costs €300-500m a year, despite there being 8 times more rail journeys than air journeys within the EU. I'm sure no one thinks it is because the trains are more punctual!
- To encourage innovation and to stimulate competitiveness, global regulations should be proportionate, and harmonized as much as possible, something that is the goal of the International Civil Aviation Organization.
- In line with that goal, a decade ago, ICAO agreed a set of core principles on consumer protection. Among other things, the core principles seek to ensure a balance with the interests of passengers and the ability of airlines to offer choice and value (which of course is also in the interests of passengers).
- If governments aligned with these principles, it would encourage consistency across multiple borders and jurisdictions and enhance passengers' confidence and trust in the aviation

system.

- Governments should be following this agenda. But we are seeing a push to impose prescriptive and burdensome regulation that is a millstone around the neck of airlines' efforts to grow air connectivity.
- Inconsistent global regulation is confusing to passengers, adds administrative costs to airlines and creates barriers to competition. We urge states to follow ICAO's principles.

Affordability is near the top of passenger priorities

- Top priorities for passengers according to independent polling:
1: Safety, 2: Affordability, 3: Sustainability, 4: Reduce delays
- 97% of passengers were satisfied with their most recent flight
- 72% of passengers are confident they will be treated fairly if their flight is delayed or cancelled
- 30% choose to pay to bring a bag on board



- Earlier I mentioned the economic benefits of aviation at the global level. We shouldn't forget that passengers also feel the economics of air travel personally.
- For the last few years, we have polled passengers in 15 markets worldwide twice a year on a variety of issues. They consistently put affordability near the top of their priorities.
- In fact, making travel more affordable is the second most important priority for passengers, behind only safety, and reducing delays and cancellations is the fourth highest priority, after sustainability.
- Importantly for the consumer protection debate, it is notable that 97% of passengers were satisfied with their most recent flight (57% of them were 'very satisfied')
- And 72% of passengers are confident they will be treated fairly if their flight is delayed or cancelled. 70% feel airlines do a good job of handling these circumstances when they occur.
- Also relevant to consumer debates in some parts of the world: only 30% of passengers choose to pay to bring a bag on board. Therefore the majority of travelers either choose an airline where bags are already included in the fare, or don't want to pay for a bag.
- **Polling information:** IATA commissioned Savanta to conduct independent polling on its behalf. The survey referenced was conducted in October 2025. There were 6,500 respondents who had taken at least one flight over the previous 12 months. Markets covered were Australia, Canada, Chile, France, Germany, India, Japan, Singapore, UAE,

UK, USA, the Netherlands, Indonesia, Spain and China. The sample size for all markets was 500, except for Chile, Japan, UAE, Singapore and the Netherlands where it was 300. Each country's sample is divided evenly between travelers who identified business or leisure as the travel they do most often. Data collection and tabulation was conducted by Dynata.

EU261 "Reverse Robin Hood" set to get even worse?

EU 261 costs EUR8bn a year.

Has failed to tackle root cause of service disruption.

It must become more balanced and proportional – to safeguard affordable air travel and vital air connectivity

The EU Council adopted a pragmatic position, but the EU Parliament is proposing amendments that make 261 even worse.



- So, let's review if some of the consumer regulations around the world are in line with these passenger priorities.
- Let's start in Europe. EU 261 costs EUR8bn a year and acts as a "Reverse Robin Hood", taking from 99% of passengers who don't benefit from it
- It fails as an incentive to improve airline performance because the reasons for delays are often not in airline's control.
- Our objectives for the long-promised reform of EU261 has been to refocus it to achieve a balanced, more proportionate regulation that focuses on what passengers really want.
- In June the EU Council adopted a pragmatic position, aimed at restoring a balance and in line with Europe's stated priority to improve competitiveness. The Council Agreement is certainly not perfect, but it contained some elements that we welcomed.
- But the EU Parliament is proposing a whole series of amendments that make 261 even worse:
 - Thresholds: the Council want to move it to 4 hours, the Parliament insists on 3 hours – the longer the threshold, the more time airlines have before delay compensation kicks in, the more chance they have of recovering the disrupted flight rather than being forced to cancel it altogether.
 - Bags: The Parliament wants to include a cabin bag for "free" – although most consumers understand that there is no such thing as a free lunch, and this measure would just increase ticket prices.
 - Extraordinary circumstances: The Council support a non-exhaustive list that prioritizes safety. The Parliament are insisting on a closed list and recognizing every judgement by the European Court of Justice, including such things as not defining the sudden and tragic death of a co-pilot as an extraordinary circumstance. Or safety critical technical defects.

This position flies in the face of operational realities.

- In short, the Parliament's demands do not respond to consumers demands, they do not reflect the complexities of the airline operation and they have been subject to no impact assessment.
- We call on the Council to hold firm to their proposals. It is essential for European connectivity and competitiveness that their vision is adopted.

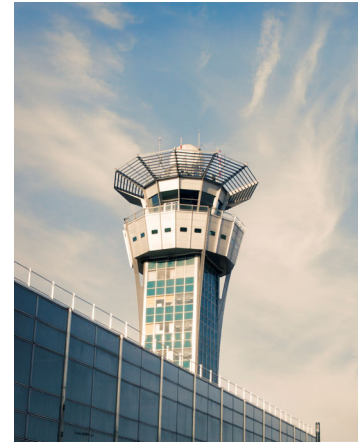
ATC delays have doubled

Delays are a priority issue for passengers, yet the issue is getting worse in Europe

- Between 2015-2024 ATC delay increased 114% while flights only went up 6.7%
- France and Germany are responsible for more than half of all delays.

EU261 is ineffective as a deterrent to delays

EU politicians should be focusing their attention on tackling the causes of disruption at source – prevention is better than cure



- As we have seen, delays are a priority issue for passengers. But EU261 was never designed to address delays, beyond requiring airlines to provide care and assistance to delayed passengers.
- Good regulation works when it creates the right incentives to influence for the regulated entity to change its behavior. But an incentive or a deterrent only works if the party being regulated has control over the problem.
- EU261 fails on delays because it only regulates airlines. Whereas air traffic management is a key reason why delays are getting worse.
- Today we publish a report into air traffic control delays in Europe. It reveals that Air Traffic Flow Management delay increased by 114% between 2015 and 2024
 - In 2015 there were 9.9 million flights and 14.2 million minutes of ATFM delay
 - In 2024 there were 10.5 million flights and 30.4 million minutes of ATFM delay
 - France and Germany are responsible for more than 50% of all delays.
- This is where European politicians should be focusing their attention – adopting measures that will improve the performance, punctuality and resilience of the European aviation network as a whole – the ecosystem I talked about in my first slide. As in so many other aspects of life, prevention is much better than cure.

Contrast in approach: US and Brazil

The United States has withdrawn a passenger compensation bill and is reviewing other rules.

Brazil is proposing a new bill that mandates "free" bags and restricts commercial practices.

The US approach will help boost competitiveness, the Brazil approach will reduce choice and connectivity.



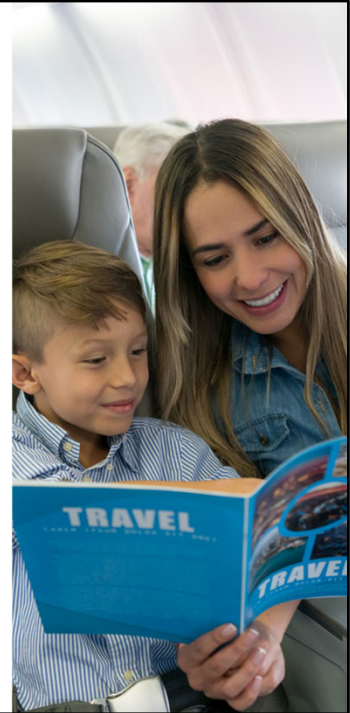
- Let's look at a consumer rights situation in the Americas, contrasting the United States with Brazil.
- In the US, the government has withdrawn a proposed rule on passenger compensation, and looked to revise rules on refunds and advertising of fares. This should be a welcome boost to domestic air transport which has been flatlining this year.
- In Brazil, the government wants to encourage new airlines, including LCCs, into the market, yet its rules threaten to make it uneconomic for airlines to do so.
- Airlines in Brazil already average one lawsuit for every 227 passengers (compared to the US 1 per 1.2 million passengers).
- And a new passenger rights bill has been proposed, which would be a huge backwards step if it becomes law.
 - It mandates free checked and carry-on baggage and restricts other standard commercial practices
 - It represents a serious threat to Brazil's air transport competitiveness, and affordability
 - It will reduce the connectivity that is essential for Brazil's development
- The Federal Senate should reconsider the bill to ensure that consumer protection is balanced with economic sustainability and operational feasibility.
- Re-regulation of what airlines can offer passengers takes us back to the past when fewer people traveled. We don't want to go down that road.

Consumer regulation should focus on what matters to passengers

We support balanced and proportionate consumer protection rules

Competition and deregulation have made flying more affordable, passenger satisfaction is at 97%

Passengers want even more affordability and better punctuality. Consumer rules should be focused on incentivizing this and rewarding innovation .



- We are not against consumer regulation. But we need regulators to take a very different approach to that followed in the EU: regulations that are balanced and proportionate, that create positive incentives rather than simply punishments, and which focus on what really matters to passengers.
- The track record of the industry, supported by smart regulation, is good. Competition is making flying more affordable, and satisfaction is at 97%.
- So regulation should be laser-focused on delivering what passengers want: even more affordability and better punctuality.
- That means keeping costs down, promoting choice, and ensuring the right incentives for better performance are focused on those responsible, so we can achieve our commonly-desired goal of reliable and punctual air services.

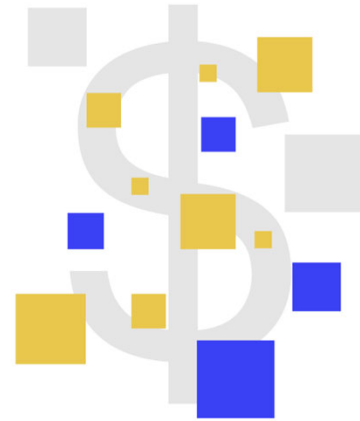
TAX – International fragmentation

The fragmentation of governance over international aviation taxation is of increasing concern.

ICAO's authority and guidance on this is being challenged:

E.g. ICAO calls for Resident-based corporate taxation.

- But UN Tax Committee & UN Framework Convention treaty are exploring a source-state approach
- Would lead to **double taxation**



- The Chicago Convention designates ICAO as the competent authority over international civil aviation matters.
- International Civil Aviation Organization (ICAO) resolutions urge its 193 member states to avoid discriminatory taxes and double taxation on the use of air transport.
- They also encourage countries to reduce and eventually eliminate all forms of aviation-related taxation
- ICAO's authority and the substance of ICAO resolutions is being challenged. We are seeing an increasing fragmentation of governance over international aviation taxation, which is of great concern.
- An example of this is the debate over Resident or Source-state based corporate taxation.
- For decades, international airlines have been taxed in their home country on all the profit derived from international air transport they make anywhere in the world (residence-based). More recently, different UN bodies have proposed that states can choose to tax aviation on the profit accrued in each state (a source-state approach).
- The UN Tax Committee proposed this change, and a similar clause being explored in the UN Framework Convention treaty, which is currently being negotiated and is expected to be adopted in 2027.
- This change is in direct opposition to ICAO guidance. Effectively, one branch of the UN is contradicting another.

Aviation and tax

In 2024 airlines and their passengers paid more than \$60 billion in specific taxes

Equivalent to an average of \$29.5 for a round trip, which is a significant portion of the average round trip fare of around \$400

These taxes dampen the wider economic benefits of air connectivity



- In 2024, an estimated total of USD 60.4 billion was paid worldwide in specific taxes on the use of air passenger transport.
- This is equivalent to an average of USD 29.5 for a round trip, and USD 12.6 on a per flight (segment) basis.
- This taxation reduces affordability, negatively impacts demand, limits the ability of airlines to invest, and dampens the wider economic benefits of air connectivity.

National Taxation developments

National taxes continue to rise. However, the picture is not wholly negative

- UK/Netherlands/Belgium all increasing taxes
- But Germany cancelled further increase and Sweden totally abolished its tax.

Elsewhere in the world there is a pattern of several developing nations proposing or implementing passenger taxes.

A passenger tax is not a fiscal opportunity—it is a connectivity risk.



- Many countries continue to consider or implement passenger taxes.
- The UK, the Netherlands and Belgium are all increasing their taxes next year
- Several developing nations also have taxes such as Kenya, Gabon, Djibouti, Argentina and Mexico
- However, the picture is not wholly negative
- Germany cancelled its increase and Sweden totally abolished its passenger tax.
- **A passenger tax is not a fiscal opportunity—it is a connectivity risk.**

Air passenger taxes do not have public support

- **81%** of passengers believe there are too many taxes on flying (this response has risen 5ppt in the last year)
- **78%** and **72%** of passengers respectively regard taxes on frequent flyers and premium-class flyers as unfair
- **76%** agree that taxation is not the way to make aviation sustainable



Governments: Passenger taxes are unpopular and counter-productive. Instead, focus policies on boosting connectivity



- It is also clear that air passenger taxes do not have public support. In our polling we asked travelers what they think of aviation taxation. The consensus was very clear:
- 81% of passengers believe there are too many taxes on flying (this response has risen 5 percentage points in the last year)
- 78% and 72% of passengers respectively regard taxes on frequent flyers and premium-class flyers as unfair
- 76% agree that taxation is not the way to make aviation sustainable
- So, our message to governments is simple: passenger taxes are unpopular and counter-productive. Instead of imposing taxes, consider ways to boost aviation connectivity to grow your economy.

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Thank you

