Authors' Reply to IATA Opinion Post on *Airline Passenger Rights at the Crossroads*

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EXECUTIVE SUMMARY

In a recent opinion piece [2], IATA characterized our recent study *Airline Passenger Rights at the Crossroads* as "deeply flawed," based on "unrealistic assumptions," and dismissed the findings by attacking the sponsorship of the report rather than the analysis. We welcome this opportunity to correct the record. By responding to IATA's critique point-by-point, we find that their own sources actually vindicate our conclusions:

- **False Equivalence**: IATA attempts to discredit our cost estimates by comparing our specific *delay mitigation costs* against the Commission's *total compliance costs* (which include care, assistance, reimbursement and re-routing costs).
- **Data Vindication**: According to IATA's preferred source, the Commission's 2020 impact assessment, the cost of delay mitigation is just **€0.59 per passenger**—one-third of our conservative €1.73 estimate.
- **Proven Efficacy**: Using a controlled comparison of EU vs. non-EU carriers on identical routes, the data confirms EC261 reduces delays by an average of 4 minutes per flight and up to two-third reduction in delay above 3 hours.
- **Operational Incentives**: The data refutes the "cliff-edge" theory; airlines improve reliability across the board, not just near the 3-hour threshold.

Introduction

As economists who have worked on airline passenger rights for a number of years, we believe in the need for rigorous empirical research backed by sound economic reasoning. To this end, we recently completed a study, *Air Passenger Rights at the Crossroads: Economic Impact of the Proposed EC261 Reform* [1].

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IATA's opinion piece devotes significant space to attacking the identity of the report's sponsor, describing APRA and associated organisations as "claim farms", rather than identifying concrete flaws in our analysis. The funding source is fully disclosed, but it is not relevant to the validity of the economic assessment. Our methodology is drawn from peer-reviewed academic work on passenger rights [3], and all assumptions, data sources and calculations are transparently documented so that any stakeholder can replicate or challenge them. Ultimately, what matters is not who funded the study, but whether its evidence and methods are robust, and on this point, IATA does not identify any substantive error.

Below, we provide a point-by-response to show why IATA's critique is economically unfounded.

1 The Cost Reality: Commission Data Proves Our Estimates are Conservative

Our study focuses specifically on **delay mitigation costs** - the costs airlines incur to avoid long delays and the associated compensation payments mandated by EC261 - to inform the current legislative debate on adjustment of delay compensation thresholds. We estimate that these costs represent, at most, **€1.73 per passenger**. This figure represents a conservative upper bound; the actual cost across all flights is likely lower.

Correcting the IATA Comparison The IATA opinion inaccurately compares our specific estimate of delay mitigation costs with the Commission study's [4] estimate of *total* EC261 compliance costs of €4.40 per passenger and one projection of annual EC261 cost of €8bn[2]. This is a false equivalence.

Total compliance costs include fixed obligations—such as "care and assistance" (hotels and meals) during disruptions—that will remain in place regardless of the current legislative debate on time thresholds. Therefore, "total cost" drastically overstates potential savings from adjustments to the delay threshold.

To accurately assess the impact of compensation thresholds, one must isolate the **marginal cost** of delay mitigation, and weigh it against the benefits to all passengers in the form of improved on-time performance.

Validation via Commission Data Crucially, the Commission study itself implies delay mitigation costs that are significantly lower than our own upper-bound estimate. While the Commission's Impact Assessment (Steer report [4]) does not explicitly state a

[2] This estimate from [5] assumes a 100% claim rate and aggregates delays and cancellations. In fact, more than 70% of the estimated costs refer to cancellations rather than delay [5, table 6].

per-passenger figure for delay mitigation, we derived this value by synthesizing data across multiple sections of their report (detailed in Appendix 1). These calculations reveal an implied cost of **€0.59 per passenger**—approximately one-third of our estimate.

The fact that two distinct methodologies—our own analysis based on airlines' revealed preference [1, section 3.4] and the cost survey underlying the Commission's study—both point to such low figures strengthens the conclusion: the cost of mitigating delays is minimal relative to ticket prices. Compared to the Commission's modeling framework, our estimate of €1.73 remains a safe, conservative upper bound.

Potential Savings from Raising the Threshold Because the cost of delay mitigation under the current regulation is already very small, the potential cost savings from increasing the threshold will be even smaller. Passengers are set to suffer more delays, as the following section shows.

Note on Compensation Payouts Eligible passengers who suffered long delays qualify for compensation; in our study, we estimate the per-passenger value of compensation payouts between €0.53 for short-haul passengers and up to €1.61 for long-haul passengers intra-EU [1, table 1]. Economically, these payouts are transfers from airlines to passengers and should be treated separately from delay mitigation costs.

2 Efficacy: EC261 Successfully Reduces Delays

Identifying the impact of EC261 on airline delays requires a careful empirical approach to control for unrelated causes of flight disruptions, like the weather or ATC congestion. In our peer-reviewed research [3], cited in the study, we develop a specific methodology based on the partial extra-terratorial application of the regulation to isolate precisely the EC261 effect on delay. We estimate an average delay reduction of approximately four minutes per flight.

Responding to the IATA Critique The IATA opinion argues that the lack of a "consistent downward trend" shows that the regulation cannot be "the primary driver of punctuality".

Clearly, EC261 is not the only factor affecting airline delay. First, many confounding factors, such as the collapse in air traffic during the pandemic or changes in airspace fragmentation, ATC capacity etc. have affected delay in recent years. Second, and particular to EC261, is the gradual and uneven implementation of delay compensation following the *Sturgeon* ruling - with both passenger awareness and airline compliance rising gradually and unevenly.

These factors mean that simple before-after comparisons are not informative for understanding EC261 impact on delay.

Best Practice Estimation of EC261 Delay Impact By analyzing "extra-EU" flights (one leg outside the EU), we can compare **EU carriers** (always covered) against **non-EU carriers** (not covered on inbound flights, only on outbound flights). For example, we compare a Lufthansa flight (covered) and a United Airlines flight (not covered) flying from New York to Frankfurt on the same day. The two flights face the same weather and ATC conditions, with the difference in on-time performance helping to isolate the causal effect of EC261.

- This approach holds weather and ATC capacity constant.
- True “apples-to-apples” comparison of flights covered by EC261 and not covered by EC261 operating on the *same route*.

Results (Comparing EC261 covered vs non-covered flights on the same route):

- EC261 reduces arrival delay by 4 minutes on average across flights, with a stronger effect on less competitive routes [3]
- EC261 reduces the risk of long delay by up to two-thirds [1, table 2]

3 US Aviation: An Important Benchmark

The IATA opinion points out that the US aviation market differs from the EU regarding, among other factors, weather and air traffic management.

To account for this indisputable fact, our core estimation method relies on comparing covered vs non-covered carriers operating on the same route, as discussed in detail above.

The data on US domestic flights is provided as a supporting benchmark, to help give context to the EU data. Thus, we do not fall for “comparator fallacy” as IATA alleges.

4 Operational Reality

Finally, IATA argues that airlines are "intrinsically motivated" to be on time because "a grounded plane earns zero revenue." This argument is economically incomplete.

While airlines do face private operational costs from delay (fuel, crew), these are far lower than the social cost—the value of time lost by hundreds of passengers. Without regulation, an airline optimizes only for its own costs. EC261 corrects this market failure by forcing the airline to internalize the passenger's cost to some extent.

The evidence shows that this works. In our peer-reviewed research [3], as already mentioned, we find that EC261 reduces average arrival delay by about four minutes across all flights, not only those at risk of crossing the three-hour threshold. Likewise, in our study [1] (Table 2) we show that, for short-haul flights, the probability of a delay exceeding one hour (well below the compensation threshold) is significantly lower for regulated flights (6.66%) than for unregulated ones (9.71%). Taken together, this indicates that EC261 improves systemic reliability, rather than merely encouraging "cliff-edge" gaming. This is because measures introduced to reduce delays for flights at risk of compensation also tend to reduce other delays. In addition, because compensation is triggered by delay at the final destination, airlines are incentivised to protect connections and increase the likelihood that passengers make their onward flights.

References

[1] Gnutzmann, H. & Spiewanowski, P. (2023). *Air Passenger Rights at the Crossroads: Economic Impact of the Proposed EC261 Reform*, commissioned for APRA by Airhelp. http://gnutzmann.info/Air_Passenger_Rights_at_the-Crossroads_Gnutzmann_Spiewanowski_2025.pdf

[2] Reynaert, T. (2025). *APRA Report Relies on Flawed Comparators and Ignores Long-Term Delay Trends* [Opinion]. International Air Transport Association. https://www.iata.org/en/pressroom/opinions/apra-report-relies-on-flawed-comparators-and-ignores-long-term-delay-trends/

[3] Gnutzmann, H., & Śpiewanowski, P. (2023). *Can consumer rights improve on-time performance? Evidence from European air passenger rights*. Transport Policy, 136, 155–168.

[4] Steer. (2020). *Study on the current level of protection of air passenger rights in the EU*. European Commission, Directorate-General for Mobility; Transport.

[5] PWC, TIS, Steer (2023). *Support study for an impact assessment on new rules for making the passenger rights framework resilient and future proof.* European Commission, Directorate-General for Mobility; Transport.

Appendix 1: Per Passenger Delay-Mitigation Cost According to the Commission Study

Based on the data provided in theSteer (2020) report, the specific per-passenger cost for delay mitigation is not explicitly stated as a standalone Euro figure. However, it can be calculated using the cost breakdown percentages and per-passenger totals provided in **Chapter 4** and the **Executive Summary**.

The estimated cost for delay mitigation in 2018 is approximately **€0.59 per passenger**.

Calculation Breakdown

Here is the step-by-step derivation based on the figures reported in the study:

1. Identify the Cost of Mitigation Measures (Percentage)

According to the Executive Summary (Page viii) and Chapter 4 (par. 4.102, Page 118), the cost of mitigation measures (explicitly noted to include, for example, lease and maintenance costs for spare aircraft) is reported as a percentage of the total airline cost base:

> "*The cost of mitigation measures (e.g. lease and maintenance costs for spare aircraft) contributed approximately **0.4% to the overall cost base**.*"

2. Identify the Regulation 261/2004 Cost Per Passenger

According to Table 4.3 (Page 94) and the Executive Summary (Page viii), the average direct cost per passenger for Regulation 261/2004 compliance (compensation, care, etc.) in 2018 was:

> "***€4.4***"

3. Identify the Share of Regulation 261 Costs vs. Overall Costs

To find the monetary value of the "Overall Cost Base," we must look at what percentage the €4.40 represents.

- **Par. 4.100, page 117** states: "*In 2018, the estimated average cost per passenger generated by Regulation 261/2004 represented nearly **3.0% of the yield**.*" (Note: In this context, yield is used as a proxy for the total cost base/revenue).

- **Figure 4.8 (Page 96)** confirms that for Network carriers, "261 Costs" represented **3%** of the operating cost items share.

4. The Calculation

Using the "Network carrier/Industry Average" assumption that Regulation 261 costs are 3% of the total cost base:

- **Total Cost Base Per Passenger** = (Reg 261 Cost) ÷ (Reg 261 Share %)
    - €4.40 ÷ 0.03 = **€146.67** (Estimated Total Operating Cost per passenger)
- **Mitigation Cost Per Passenger** = (Total Cost Base) × (Mitigation Share %)
    - €146.67 × 0.004 = **€0.586**

Result

In Scenario 3 for the year 2018, airlines faced a cost of approximately **€0.59 per passenger** specifically for delay mitigation measures (such as spare aircraft and maintenance).