ALLIANCE FOR INNOVATION AND INFRASTRUCTURE

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Building on Safe Air Travel

The importance of infrastructure and equipment readiness and recognizing the relationship between consumer confidence and economic health

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Alliance for Innovation and Infrastructure

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Executive Summary

Mobility and freedom of movement are unique and core aspects of the American way of life. Americans depend on air travel for personal and business reasons – whether it is to reunite with families or to conduct professional meetings. Without a reliable travel ecosystem, American citizens, communities, and businesses suffer. Even though commercial aviation continues to be the safest form of travel, an apparent spate of issues and high-profile incidents have impacted consumer confidence in air travel and ultimately the airlines' bottom line. With issues related to aging systems, outdated practices, and maintenance needs, air congestion and aviation infrastructure require upgrades. As the economy grows, more Americans are flying – and current air congestion is unsustainable.

The success of the aviation industry rests on the pillars of safety, reliability, and convenience – qualities that have earned the trust of the flying public. When any of these are compromised, consumer confidence falters. Airlines have developed their own strategies centered on innovation and technology to address these concerns, but when those fall short, public policy has a role to play. Given the industry's vast economic footprint and the sheer volume of Americans who fly, there are clear responsibilities for federal policymakers. One emerging consideration is the use of consumer protection measures to rebuild trust when airline practices fall short – and to make consumers whole when they bear unexpected costs from airline errors or oversights.

In the past, the Federal Aviation Administration (FAA) and U.S. Department of Transportation (DOT) have been tactful in aviation policy, encouraging innovation with performance regulations and employing a light touch to incentivize better practices. Yet an emerging concern is centered on reliability and convenience issues. One way to reduce delays is with preventive maintenance, which can improve reliability and reduce aircraft downtime. Technological advancements, including the use of AI, predictive algorithms, and real-time data monitoring, have the potential to transform maintenance operations. Infrastructure investments in airports across the nation will also be necessary to sufficiently raise capacity to meet increasing demand.

A backlog of aircraft deliveries, labor shortages, antiquated air traffic control systems, and underinvestment in airport infrastructure have all added challenges to a commercial aviation industry that has only recently recovered from COVID-19. Persistent delays and decreased consumer confidence have put the industry under additional pressure. Meanwhile, delays and cancellations continue to have serious economic consequences for travelers and businesses.

Despite efforts to improve operational efficiency, one in five flights fails to depart on time. Growing interest in consumer protection and compensation, including a new advanced notice of proposed rulemaking introduced by DOT, reflects increasing interest in restoring consumer

confidence and incentivizing airline investment in preventive maintenance and related infrastructure and operational priorities.

Moving forward, policymakers must consider all variables and balance oversight with innovation to ensure the effectiveness of the airline industry. Air travel is a vital facilitator of the modern economy and must be managed effectively to ensure safety and growth. This paper explores how improved maintenance practices, infrastructure investment, and careful policy can work together to strengthen consumer confidence and long-term resilience for the American commercial aviation industry.

Introduction

Air travel is, simply put, the safest form of long-distance transport. Incidents are rare, and accidents with casualties are even rarer. Achieving this level of safety has been built on decades of technology improvements, improved regulations, and constant maintenance. Every year, tens of millions of Americans take to the skies to travel across the country. Spanning millions of miles of flight distance, these fliers safely move by this highly efficient travel method to conduct business, vacation and tourism, reconnect with family, attend important life events, and contribute to the economy.

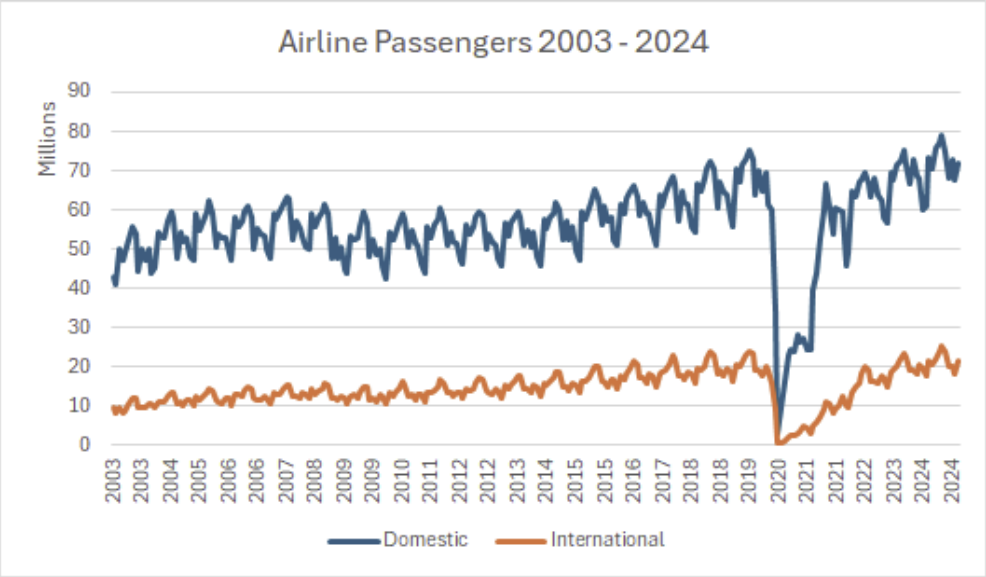
Air travel facilitates billions in commerce on an annual basis, and the reason is grounded in its safety, reliability, and convenience. These factors ultimately induce consumers to fly, making them critical to the expectation of the ticket purchaser. Consumer confidence in those realities is integral to a healthy industry, and if even one of those pillars is impacted, so is the potential for growth in the aviation industry and wider economy it supports. Policymakers therefore have an interest in overseeing and framing rules for this industry to protect the flying public directly and the economy that is dependent on a healthy aviation industry.

Safety

Over the past 20 years, the number of air passengers has increased steadily, with millions of new travelers boarding planes each year. From 2002 to 2019, airlines safely moved nearly 400 million new annual passengers, reaching over a billion passengers transported in 2019 alone when combining domestic and international flights. Due to the high volume of passengers and vast distance covered by planes, virtually no matter how the statistic is calculated, casualties are vanishingly small.[1] Air travel remains by far the safest form of transport, with just 0.01 deaths per 100 million miles, far safer than automobiles or trains.[2] The average American is far more likely to be struck by lightning than die on a commercial airplane. Airlines adhere to strict safety guidelines, and new technology and maintenance procedures must undergo extensive testing and validation. It is truly remarkable how safe and routine modern air travel has become. Even in the

face of news stories and social media posts about recent incidents, the flying public has confidence in the safety of air travel.

Reliability



U.S. Airline passengers 2003 - 2024, U.S. and Foreign Carriers.[3]

With seasonal variation, the number of airline passengers continued upward until the dramatic decline in 2020. With COVID-19 representing uncertainty and government policy mandating travel and health restrictions, air travel collapsed for over a year. The industry was kept afloat by $63 billion in relief from the government, but all airlines and manufacturers suffered greatly.[4] Continued safety, reliability, and convenience to travelers provided by the airlines helped the industry recover by 2023, but the industry still lost the opportunity to serve hundreds of millions of potential passengers since 2020.

COVID-19 has left lasting changes on the aviation industry, and the continued effects of the pandemic are still being felt today. As a result of the decreased demand and production capability from COVID, the commercial aviation industry faces a backlog of approximately 16,000 commercial aircraft, delaying fleet expansion for airlines worldwide.[5] This backlog has forced airlines to extend the lifespan of certain existing aircraft, leading to increased demand for maintenance, repair, and overhaul (MRO) services. This rising maintenance burden is further exacerbated by a shortage of critical replacement parts and a labor deficit across both airlines and manufacturers.[6] Boeing estimates that over the next 20 years, 716,000 new maintenance personnel will be needed to maintain the global commercial fleet.[7] This labor shortage is compounded by competition with the automotive industry for skilled mechanics.[8]

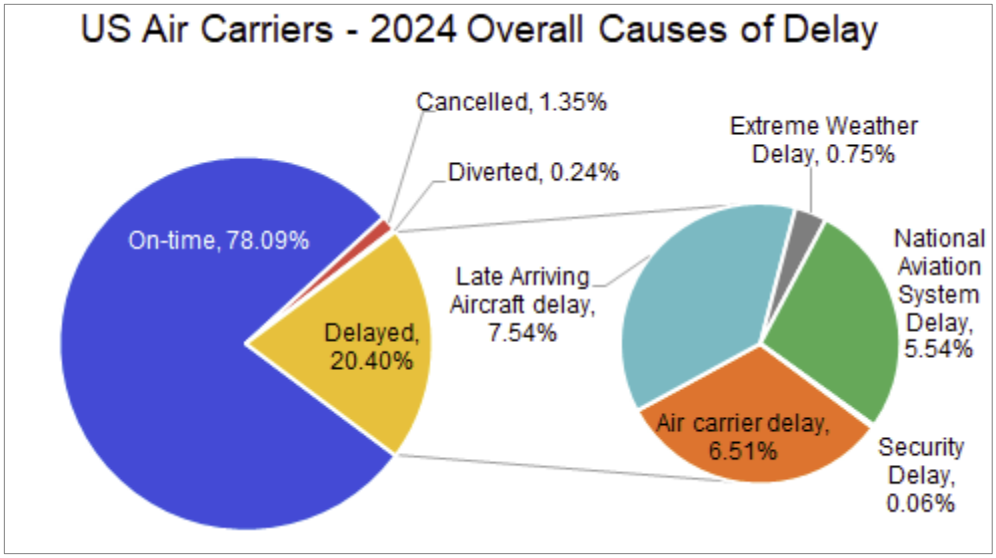
The upshot of all these factors is that reliability in the industry is under question, with consumer confidence potentially dependent on how the industry and policymakers respond. Needed maintenance and personnel shortages can lead to preventable delays, and the consumer often bears the impact for what the airline could have addressed in a timelier manner. These pressures can manifest in costs to the flying public and wider regional and nationwide economies. Those potential externalities must be addressed and internalized to safeguard the longevity of the industry and the unique relationship between aviation and the economy.

Convenience

Another pressing challenge for the industry is convenience and consumer satisfaction. Since 2014, domestic flights have been *on time* 79.51 percent of the time.[9] This means that one in five flights has been delayed or cancelled, which costs travelers significant time and money. Additionally, despite ever-improving technology and operational efficiency, the share of delays has remained largely the same for decades. Millions of flights are delayed each year. According to the DOT, over six percent of delayed flights are delayed by more than three hours, or about 95,000 flights in 2023.[10] That is potentially 6.1 million passengers experiencing severe delays in a single year.[11]

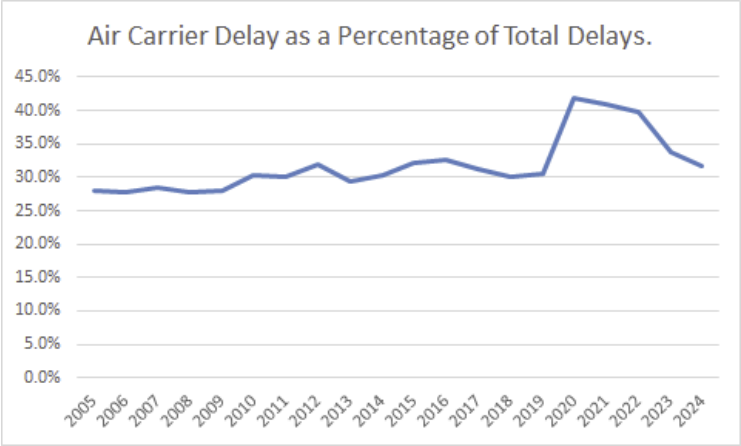
For every flight that gets cancelled or delayed, it creates real economic consequences. Customers may lose hundreds of dollars in flight tickets, miss a connecting flight, need to pay for a hotel, or use a different, less safe mode of transportation. These can be particularly costly and disruptive to families with small children, elderly travelers, and those with limited mobility. Beyond individual inconveniences, there are broader ripple effects. Business deals may fall through, tourists may miss trips, and families may be unable to attend important events due to travel disruptions. Most delays are outside of the control of airlines, but for those that can be avoided, consumers and the economy bear significant externalities. When air travel becomes inconvenient, people may choose to take other, less safe forms of transport, or not travel at all.

Among the various reasons planes are often delayed are: maintenance, crew problems, luggage issues, security reasons, weather, or delays in arriving aircraft that create a ripple effect on subsequent departures. When delays are caused by airline-related factors such as maintenance or crew availability, they are categorized under *air carrier delays*. In 2024, air carrier delays occurred on 6.51 percent of all flights, and represented 31.9 percent of all delays.[12]



DOT Air Travel Consumer Reports - 2024 Overall Causes of Delay[13]

When assessing only the population of delayed flights, the recent historical trend has been that air carrier delays are becoming an increasing share. This peaked in 2020 at over 40 percent of all delays. Since that COVID-related peak, there has been a sharp decrease, but air carrier delays continue to explain a third of all delays. Seeing this share decrease below the trend line of the last two decades should be the shared goal of the industry and policymakers.



Air carrier delay as a percentage of total delays.[14] [15]

Technology plays a critical role in mitigating delays and improving operational efficiency in aviation. Sensors and predictive algorithms can be used to identify and prioritize the most urgent mechanical issues.[16] Air carriers have invested resources into advanced supply chain tracking systems to address vulnerabilities and ensure availability of critical components.[17] Equally important is the improvement of digital infrastructure, where security is a serious concern. In December of 2024, a cyber-attack on a Japanese airline affected two dozen flights and lasted for 30 minutes.[18] A similar attack on a U.S. airline could disrupt hundreds of flights and create

cascading effects for days, likely to the tune of billions in economic losses. In addition to physical systems, digital infrastructure presents a growing area of concern. As air travel systems become increasingly digitized, investing in resilient digital infrastructure and cybersecurity measures is essential to protect operational continuity and maintain consumer confidence.

Airport infrastructure is another variable that must be considered. Rapid growth has driven the need for capacity expansions at existing airports, yet investment continues to fall short of demand, as highlighted in the ASCE 2025 Infrastructure Report Card, which rated America's aviation infrastructure a meager D+.[19] Terminal expansions, in particular, are essential to alleviating overcrowding and enhancing efficiency. However, the ability to manage increasing passenger volumes varies across airports. For example, Miami International Airport has 26.6 percent of its departing flights delayed, while Salt Lake City International Airport has just 16.5 percent of its flights delayed despite having a similar number of flights.[20] This comes after SLC spent $4 billion on new facilities and added capacity between 2020 and 2023, likely helping keep it ahead of most other large airports in the number of delays.[21] Particular attention to regional air infrastructure is likely called for in future investments and policymaking.

Aircraft operations are already designed with efficiency in mind. Computer programs have minimized unnecessary downtime between flights and most airports operate on extremely tight and structured schedules. However, this streamlined system leaves little margin for error, making delays more likely to trigger cascading disruptions across an airline's operations. A significant portion of these delays stem from mechanical issues, which can be further exacerbated by an aging fleet and a shortage of replacement parts.[22] Currently, improvements to maintenance procedures and technology are being developed to minimize these types of delays, but their impact has not yet been reflected in delay statistics.

While preventive maintenance is a core responsibility of airlines from a safety perspective, it can also help address reliability and convenience factors by ensuring equipment and personnel are ready on time and necessary checks are conducted prior to departure time. Here, airlines have their own vested interest. However, public policy may have a role in further incentivizing such timely and preventive maintenance, digital system updates, and other practices to both protect consumers relying on on-time flights and to build confidence for future flyers in a way that preserves and promotes the economy.

Ultimately, consumers buy tickets with a reliance interest on on-time departure. Even when they understand delays can be common, preventable air carrier delays that last longer than three hours are not the responsibility of the consumer to bear, and they create broader economic ripples that harm the aviation industry and nationwide economy. Ensuring a mechanism is in place to both incentivize the aviation industry to minimize these disruptions and protect consumers who are impacted by them is squarely within the mission of the government and good public policy.

The Role of Policy in Commercial Aviation Efficiency

Policy has a profound impact on aviation. Because of its safety and security implications, aviation is one of the most heavily regulated and monitored industries. This largely pertains to safety and alongside strong private investment in innovation is the reason for the industry's strong safety record. Yet policy aimed at incentivizing greater efficiency or curbing the effects of oversights can be just as important.

A critical element of aviation policy is determining when new policies are needed. Sometimes, such as in the aftermath of an incident or crash, the FAA conducts a thorough investigation and enacts changes, as it did in 2018 after a fan blade in an engine failed and created massive damage to the aircraft, resulting in a fatality. The FAA mandated more frequent inspection of the engine in question.[23] Other times, the DOT and FAA have effectively made softer policy changes that incentivized improvements without mandating them.

In recent years, the FAA has added incentives to encourage airlines to update aircraft with satellite-based tracking rather than relying on less efficient radar systems for air traffic control.[24] A 2023 paper estimated that "implementing all four categories of NextGen programs will pay back the $20 billion investment in 7–8 years by generating private benefits from reduced air travel time for passengers and reduced fuel costs." The FAA has already credited NextGen with saving $7 billion in passenger travel time savings.[25, 26] The scale and relationship between reduced travel time and fuel costs and passenger travel savings is critical to note. This indicates that consumers currently bear costs that can be eliminated or protected against with prudent policy improvements.

The exact form of rule or incentive varies, with particular context dictating the specifics. With preventive maintenance, there remains room for policy to help reduce significant delay and cancellations that consumers and the economy bear. Surveying practices from other developed nations provides opportunities for learnings.

EC261 and Consumer Protections

In 2004, the European Union adopted Regulation (EC) No. 261/2004, which established rules for compensating passengers in the event of a cancelled or severe delay of a flight.[27] Passengers can apply for compensation and other support in the case when their flight is severely delayed or cancelled on short notice. Delays of less than three hours do not qualify for compensation, and limitations also exist if the delay or cancellation was out of the control of the airline, such as a weather disruption.

The regulation significantly expanded consumer rights against unreasonable airline delays. By defining such delays clearly, this also serves to protect airlines from liability for events outside their control. Qualifying passengers must apply for compensation, and awareness around the

regulation has grown since its adoption. In 2011, just 10 percent of passengers affected by delays claimed compensation, compared to 60 percent in 2018.[28]

A study determining the effects of EC261 found that the regulation created an average delay reduction of 4.92 minutes overall.[29] The EU typically sees over 20,000 flights each day, and a 4.92 minute reduction on all flights adds up to 16,400 hours.[30] If there are 100 people on each plane, collectively more than 164,000 hours are saved. However, the regulation has not been perfect, and the EU published a study in 2020 that identified several problems with the regulation, including "Poor intelligibility of air passenger rights rules for all stakeholders" and "Disputes resulting from the inconsistent interpretation of extraordinary circumstances."[31] Additionally, the paper reported that the regulation cost airlines €4.4 per passenger in 2018, up from when the regulation was first implemented.

Based on EC261 results, several other countries have adopted similar measures in the years since, including Canada, Brazil, Oman, Saudi Arabia, and Turkey. Today, both the United States and Australia are also considering increasing airline consumer compensation for certain delays and cancellations.

Airline Passenger Rights Proposal

In December of 2024, the U.S. DOT posted an Advanced Notice of Proposed Rulemaking titled "Airline Passenger Rights" which discusses establishing a rule similar to EC261 and other nations in the United States.[32] The notice did not include specific proposed regulations, but discussed the potential need for passenger compensation rules and analyzed how similar regulations work in other countries.

While domestic policy on compensation remains undeveloped, U.S. airlines already comply with similar rules on international routes, offering a useful precedent for how such policies may function in the U.S. context.

The advanced notice of proposed rulemaking from the DOT has been met with support from passenger rights proponents and resistance from airlines. The DOT is waiting for public and industry comments before moving forward with a proposed rule, but it has said that it will likely be similar to the EU or Canadian regulations. In terms of delays caused by aircraft arriving late, the advanced notice of proposed rulemaking invites public comment to inform how such cases should be handled. The notice notes that "Airlines may use the reporting category of 'late arriving aircraft' even if the cause of the late arriving aircraft was due to a circumstance within control of the air carrier."[33]

Supporters of increased passenger protections point out that studies have shown introducing a law similar to the one in the EU would only increase ticket prices by around one dollar.[34] Critics

point out that in the EU, the passenger rights regulations have cost airlines €4.4 per passenger ($4.76), cutting into the airline's profit margin – or being passed on to consumers in their ticket prices.[35] The International Air Transport Association's (IATA) stated profit margin per passenger in North America was $12.40 in 2024.[36] While tickets may be marginally more expensive, available data does not indicate this has negatively impacted ticket sales or flights within or to Europe. There also does not appear to be a significant difference in ticket prices between European carriers subject to the regulations and non-European carriers exempt for certain flights.

Broadly, the rulemaking notice frequently invites public comment to help decide certain variables. The Department of Transportation mentions in the notice that it is likely to stick to previously defined types of delays to determine if a delay is the fault of an airline.[37] However, it seeks public comment on potentially adopting a broader definition for delays, similar to the EU, in which airlines can only avoid compensating passengers who claim delays in the case of "extraordinary circumstances."[38]

Given the significant economic costs and other implications of last-minute delays and cancellations, a form of passenger compensation is a worthwhile consideration for policymakers. Reductions in delay times from the EU regulation show that if implemented well, a consumer rights regulation can improve airplane delays and incentivize efficient operations from air carriers. Potentially billions of dollars currently lost to consumers could be restored – or, perhaps more critically for the airlines, those losses avoided – by reducing air carrier cancellations and delays. This protects consumers who purchase tickets expecting safe, reliable, and convenient travel, invites confidence for more consumers to fly, and boost regional and nationwide economies served by a robust aviation industry.

Considerations

As policymakers look to Europe, Canada, and other developed nations to draw on ideas for bolstering consumer protections, building consumer confidence, and ultimately delivering on safe, reliable, and convenient air travel, they have the advantage of being second movers. While the U.S. is often the birthplace of innovation, learning from the successes and missteps others affords the opportunity for more refined policy at its inception.

While a proposed rule could take many forms, the lack of a formal domestic policy on this type of consumer compensation means U.S. policymakers have broad flexibility to design a tailored approach – informed by existing international experience. To ensure fair compromise with the aviation industry, consumers, and both sides of the political aisle, policymakers may consider:

- Detailing **strict categorization** for what constitutes eligibility for compensation, ensuring airlines are not penalized for things outside their control while consumers have recourse for failures of the airline that cause them harm.
    - This includes reason for delay (i.e., air carrier delays) and length of time or disruption (i.e., three hours or more). Spelling these factors out clearly protects both airlines and consumers and provides objective criteria from which all parties can set expectations.
- While experiences in Europe indicate ticket price increases due to the compensation scheme, **policymakers could set a cap**, such as $1.00 that is either fixed or tied to another metric like inflation.
- Experimentation could **offer opt-in or opt-out language** for consumers to choose participation before buying a ticket.
- The funds could be directed to an industry or government escrow or **trust account** with parameters set for how interest on the funds may be utilized. While poor performing airlines are penalized in the U.S. with fines, those funds remit to the government. Ensuring funds are designated for consumers is a critical element of bolstering consumer confidence while maintaining the policy incentive for airlines to improve performance.
- Policymakers could **target specific performance metrics** to incentivize through this program, such as airlines receiving some alternative form of regulatory relief if air carrier delays and cancellations fall by a fixed metric, even while consumers would retain their compensation benefits for continued preventable air carrier delays and cancellations.
- Finally, U.S. policy, when new, is often initiated with a **pilot program** to gather real-world data. While some form of a domestic pilot program may be warranted, and policymakers may consider it as a transition into a permanent set up, there is a natural experiment already proven from which to learn. In fact, major U.S. airlines operating transatlantic routes are in most cases already subject to compensation regulations, comply with them, and remain competitive.

Conclusion

As the commercial aviation industry continues to rebound after COVID-19 and adapt to lasting challenges, stakeholders and policymakers must prioritize core pillars of air travel: safety, reliability, and convenience. Despite recent high-profile incidents, air transport remains the safest way for Americans to travel. Preventive maintenance, infrastructure investment, and thoughtful policy are helping the industry maintain its efficiency and public confidence. However, with consistent delays and cancellations persisting that not only impact consumers but the wider economy, policymakers should consider sensible policy options to serve travelers.

The Department of Transportation's advanced notice of proposed rulemaking offers a chance to discuss potential improvements and reframe industry thinking. A strong and resilient aviation sector ultimately depends on sustained consumer trust.

As airlines and regulators navigate the demands of a growing and evolving air travel ecosystem, targeted policy interventions may offer the leverage needed to bridge gaps in industry performance and public expectations. Learning from international models and applying uniquely American solutions, the U.S. has the opportunity to tailor consumer protections that not only compensate for disruptions but proactively reduce them. Strategic, well-designed policies – especially those that incentivize timely maintenance and transparency – can reinforce trust, enhance operational reliability, and ultimately ensure air travel continues to support both mobility and economic vitality.

With the success of consumer protection rules in other countries, there are ample natural experiments for U.S. policymakers to draw from in setting our own course. A domestic starting point with the opportunity to craft a uniquely American proposal means that policymakers can set prices, utilize opt-in or opt-out customization for consumers, direct funds to be held in trust accounts, work directly with airlines to calibrate the right incentive, and begin a pilot program to test the efficacy and reception of a policy to protect consumers, bring down delays and cancellations, and improve the economic outcomes for the entire nation.

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