



european regions airline association

Regional aviation at risk: The socio- economic impact of the proposed revisions of EU261

The proposed EU261 revisions could impose substantial additional costs on airlines, with heavy consequences for passengers and regional communities that rely on these vital airlinks.

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Foreword

Europe's regional air connectivity is approaching a critical turning point.

The ongoing revision of EU261 risks creating a paradox at the heart of European transport policy: in attempting to strengthen passenger protection, Europe may ultimately make air connectivity less accessible, less affordable, and, in some regions, no longer available at all.

For Europe's regional airlines, the proposals currently under discussion, particularly those advanced by the European Parliament, would dramatically increase the financial burden associated with delays, cancellations, and disruptions. For carriers operating on already fragile regional routes, these additional costs could threaten their very survival.

And when regional aviation is pushed to breaking point, communities pay the price.

Across Europe, regional air services are far more than commercial transport links. They are economic and social lifelines, connecting communities, especially in peripheral, island and remote regions, to jobs, healthcare, education, tourism, trade and family networks. In many parts of Europe, there is no viable alternative. When connectivity disappears, opportunity disappears with it.

This report demonstrates the scale of what is at stake.

The evidence shows that the current EU261 regime already imposes substantial costs on airlines and passengers alike, while the proposed revisions could double the annual financial burden on the sector. These costs will not simply be absorbed by airlines. They will inevitably translate into higher fares, reduced frequencies, seasonal cuts, and the withdrawal of marginal routes on which regional communities depend most.

The consequences extend well beyond aviation.

Our analysis highlights the enormous socio-economic contribution generated by regional air connectivity. In Sweden and Greece alone, regional aviation supports billions of euros in economic activity and hundreds of thousands of jobs, while sustaining tourism, regional development, and territorial cohesion. Crucially, it also enables access to essential services and opportunities for citizens living far from Europe's major urban centres.

This debate should therefore not be reduced to a simplistic choice between passenger rights and airlines. Europe needs a framework that is proportionate, realistic, and capable of recognising the structural realities of regional aviation.

A one-size-fits-all approach to passenger compensation cannot adequately reflect the diversity of Europe's connectivity needs. Applying identical obligations across fundamentally different operating environments risks weakening the very cohesion and accessibility the EU seeks to strengthen.

Protecting passengers must also mean protecting their ability to afford travel.

The revision of EU261 offers policymakers an opportunity to strike a more balanced outcome, one that safeguards passenger rights without undermining the regional air connectivity on which millions of Europeans rely every day.

The choices made now will shape not only the future of regional aviation, but the future accessibility and cohesion of Europe itself.



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Executive Summary

For more than two decades, Regulation (EC) No 261/2004 (EU261) has governed the rights of air passengers within the European Union, establishing standard entitlements—including fixed-sum compensation, re-routing, and care and assistance—for passengers affected by cancellations, long delays, and denied boarding.

While EU261 has delivered important and widely recognised passenger protections, including harmonised rights to compensation and assistance, improved awareness of passenger entitlements, and stronger incentives for airlines to minimise operational disruptions, the scope and proportionality of these measures are subject to ongoing policy debate. In particular, airlines and industry bodies argue that the European Court of Justice has significantly expanded the regulation beyond its original legislative intent, contributing to legal uncertainty and operational cost pressures.¹

Efforts to revise the regulation have been ongoing since 2011, but negotiations recently regained momentum following the adoption of reading positions by both the Council of the European Union and the European Parliament. The two institutions diverge significantly in their approaches, with the Parliament proposing a more expansive set of obligations for air carriers, including retention of the current three-hour compensation threshold, increased compensation amounts, strengthened re-routing rights, and mandatory automatic pre-filling of compensation and reimbursement claim forms for eligible passengers.

The proposed Parliament revisions to EU261 risk imposing substantial additional costs on airlines—costs that would ultimately be borne by passengers and, in many cases, by regional communities that could lose the air services on which they depend. The existing regime already costs the sector an estimated €8.1 billion annually, and the Parliament's proposals are estimated to nearly double that burden—pushing total annual costs to over €15 billion.² By contrast, the Council's position—including raising the delay threshold from three to four hours—would reduce compensation costs for delays, while compensation related to cancellations would increase with the introduction of pre-filled forms.

The outcome of the negotiations will determine whether the final regulation succeeds in striking a proportionate balance between passenger protection and the commercial sustainability of air services.

Importantly, while airlines may seek to recover some EU261-related costs through higher fares, competitive pressures and passengers' responsiveness to price rises mean that not all additional costs can be fully passed on to passengers. EU261-related liabilities currently add an estimated €5 per passenger per flight segment, with projections indicating that this

¹ IATA (2026), '[European Parliament Doubles Down on Damaging EU261 Revisions](#)', January.

² European Commission (2023), 'Impact assessment report accompanying the documents Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EC) No 261/2004, (EC) No 1107/2006, (EU) No 1177/2010, (EU) No 181/2011 and (EU) 2021/782 as regards enforcement of passenger rights in the Union and Proposal for a Regulation of the European Parliament and of the Council on passenger'; and A4E, IATA and ERA (2025), 'Revision of Regulation 261 / 2004', October, p. 1.

could rise to approximately €10 under the Parliament's proposed reforms.³ **Where route margins cannot sustain the additional cost burden, airlines face a commercial choice between increasing fares, reducing frequencies, suspending services, or withdrawing routes altogether.**

These outcomes are most likely in the regional markets where air connectivity is often most needed. **Regional carriers are structurally more exposed to EU261 than large network or low-cost airlines, and it is communities that rely on air transport, especially those living on islands, and in peripheral or remote regions, that would be most affected.** Regional airlines operate on thinner margins, with higher per-passenger exposure to EU261's fixed-sum mechanism on short-haul routes, where fares are low relative to the €250 liability. For many of the communities they serve—where surface transport alternatives are absent or unreliable—regional air services are the only practical means of reaching economic activities, healthcare, employment, education, and essential goods. Many of these same communities are also heavily reliant on tourism as a significant source of income and employment. **The loss or deterioration of these services would represent far more than reduced connectivity; it would weaken essential economic, social, and logistical infrastructure on which Europe's regional populations depend.**

We illustrate the dependence of these communities on aviation through two case studies.

- In Sweden, where long distances, a sparse and widely dispersed population, industrial hubs located far from the capital, and severe winter conditions make regional aviation essential, regional airports account for 95% of the country's 37 airports. Within this network, 191 routes—just over half of the total—are thin services with fewer than 20,000 seats annually.⁴ Against this backdrop, **in 2025 regional air connectivity supported an estimated €2.7 billion in gross value added (GVA) within regional economies and approximately 51,600 regional jobs.** These impacts arose not only directly through airline operations, their supply chains, and employee spending, but also through the tourism activity enabled by regional air access.
- In Greece, a country of more than 100 inhabited islands alongside mountainous mainland regions with limited surface transport, regional air services form a critical part of national cohesion. In 2025, Greece's air network comprised 1,203 scheduled routes across 39 airports, of which 77% were regional, while more than one-third of the total routes had fewer than 20,000 seats per year.⁵ In this context, **regional air connectivity supported an estimated €8.5 billion in GVA within regional economies and approximately 189,200 regional jobs in 2025.** As in Sweden, these impacts reflect both the direct and indirect contribution of aviation activity and the tourism economy sustained by regional air connectivity.

The significance of regional air connectivity extends well beyond these economic impacts. In both countries, regional air services constitute the principal means by which residents in remote and island communities access healthcare, education and employment, maintain

³ A4E, IATA and ERA (2025), 'Revision of Regulation 261 / 2004', October, p. 1.

⁴ IATA (2026), '[Regional Air Connectivity in Sweden](#)', April.

⁵ IATA (2026), '[Regional air connectivity in Greece](#)', April.

family and social ties, and travel internationally—needs that cannot be adequately met by surface transport alternatives that are either impractically slow or seasonally unreliable.

Policymakers need to carefully consider these impacts to ensure that the final negotiated text does not inadvertently undermine regional connectivity and territorial cohesion, particularly where EU261-related costs may affect the viability of regional routes. A regulatory framework that renders such routes commercially unsustainable risks undermining the very passengers it seeks to protect, depriving them of the connectivity on which they depend. This concern is especially significant given that, in Europe, routes with fewer than 20,000 annual seats represent 44% of the overall network yet account for 91% of all cancelled routes.⁶ In this respect, a more differentiated approach to EU261—one that explicitly accounts for geographic constraints, the absence of viable alternative transport modes, and the public interest role of certain regional operators—would better align passenger protection with the EU’s broader objectives of territorial cohesion and accessibility.

The revision process could offer an opportunity to reconcile these considerations in a more balanced framework. The evidence presented in this note suggests that reform should be guided by this structural reality of regional aviation, rather than a one-size-fits-all application of passenger compensation rules.

⁶ IATA (2026), [‘Regional Air Connectivity in the EU’](#), April.

1 Introduction

The European Regions Airline Association (ERA) has commissioned Oxera Consulting LLP (Oxera) to assess the potential impacts of proposed changes to Regulation (EC) No 261/2004 (EU261), the EU framework governing air passenger rights in cases of cancellation, long delay, and denied boarding. This note considers the effects of the proposed changes on airlines and passengers, with a focus on regional carriers, as well as the wider implications for Europe's regional economies.

The proposed reforms are progressing through the EU legislative process, with the Council adopting its first-reading position in September 2025 and the European Parliament following at second reading in January 2026. While the reforms aim to update and strengthen passenger rights, the current proposals, particularly those advanced by the European Parliament, would significantly expand airlines' obligations under EU261.

In particular, the reforms would extend the compensation amounts due by airlines and extend re-routing obligations. They would also increase the administrative burden and require the introduction of a pre-filled form for compensation and reimbursement.

In practical terms, these changes would materially increase the cost of operating air services. For airlines, and for regional carriers in particular, whose smaller scale and short-haul operating model render them structurally more exposed to EU261's fixed-sum compensation mechanism, these additional costs risk being passed through to passengers in the form of higher fares, or leading to the withdrawal of services. This would create significant consequences for the passengers and regional economies that depend upon air connectivity, particularly in communities where viable alternative modes of transport are absent or limited, such as in peripheral regions, and on islands.

This note examines how the proposed amendments to EU261 could affect the cost base of airlines, with a focus on regional carriers, and how these increased costs could in turn affect fares and the commercial sustainability of routes serving regional communities. It also considers the broader implications for regional economies, including through the potential loss of routes and the erosion of services that are essential to maintaining connectivity across Europe.

The note is structured as follows:

- section 2 outlines the proposed reforms and their implications for passengers and regional airline operations, including potential effects on fares and route networks;
- section 3 examines the broader economic and social impacts on regional and underserved areas, including how changes in air connectivity may affect the economic activity and social welfare of local economies that rely on regional air transport.

2 How do EU261 and the proposed reforms affect passengers?

2.1 What is EU261 and what is being proposed?

2.1.1 The current legislation

EU261 establishes a set of rights for air passengers travelling on flights within the EU, departing from the EU, or arriving in the EU on an EU-operated flight. The obligations are imposed upon the operating air carrier and cannot be contractually waived or limited.⁷

Under the current regime, passengers are entitled to fixed lump-sum compensation when their flights are delayed by three hours or more at the final destination, cancelled without adequate notice, or when they are denied boarding. The level of compensation depends on the distance of the flight: €250 for journeys of 1,500km or less; €400 for all intra-EU flights and other flights between 1,500km and 3,500km; and €600 for flights exceeding 3,500km.⁸

These amounts may be reduced by 50% if the passenger is re-routed and arrives within two, three or four hours (depending on the distance of the flight) of the original scheduled time. In addition, airlines are obliged to provide care and assistance—meals, refreshments, accommodation as necessary, and communications—where flights are delayed by two, three or four hours, depending on the flight distance.⁹

The obligation to pay compensation does not arise where the disruption is caused by 'extraordinary circumstances' that could not have been avoided even if all reasonable measures had been taken. However, the scope of what is defined as an extraordinary circumstance has been progressively narrowed by the European Union Court of Justice, with the result that airlines face an increasingly expansive liability regime.¹⁰

2.1.2 The proposed reforms

Efforts to revise EU261 have been under way since at least 2011, driven by concerns that the regulation was not operating as originally intended and that the financial and operational burden on the aviation sector had grown beyond initial expectations.¹¹

⁷ European Parliament and Council (2004), 'Regulation (EC) No 261/2004 of the European Parliament and of the Council of 11 February 2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights, and repealing Regulation (EEC) No 295/91', *Official Journal of the European Union*, L 46, 17 February 2004, pp. 1–8.

⁸ *Ibid*, Article 7.

⁹ Your Europe website, '[Air passenger rights](#)', accessed May 2026.

¹⁰ Battista, A.U. and Dow, M. (2015), 'ECJ Further Narrows When Technical Problems Qualify as EC 261 "Extraordinary Circumstances"', October.

¹¹ European Commission (2020), 'Study on the current level of protection of air passenger rights in the EU', January; and European Commission (2023), 'Commission Staff Working Document: Executive Summary of the Impact Assessment accompanying the Proposal for a Regulation of the European Parliament and of the Council on passenger rights in the context of multimodal journeys', November.

Although the European Commission published a formal proposal in 2013, this remained stalled for over a decade.¹²

Following this prolonged impasse,¹³ negotiations have recently regained momentum. The Council of the European Union adopted its first-reading position on 29 September 2025,¹⁴ and the European Parliament followed with its second-reading position on 21 January 2026, proposing a number of amendments.¹⁵

The key points of divergence can be summarised as follows.

- **Compensation amounts and delay thresholds:** the Council proposes increasing the delay thresholds that trigger compensation to four or six hours (depending on flight distance), alongside revised compensation levels of €300 and €500. By contrast, the Parliament seeks to retain the current three-hour threshold and to increase compensation levels for the first delay bracket from €250 to €300,¹⁶ thereby expanding the current level of airlines' obligations.
- **Extraordinary circumstances:** the Council supports a broader, more clearly codified list of 'extraordinary circumstances' that would exempt carriers from paying compensation, with the aim of increasing legal certainty while ensuring that carriers are subject to reasonable liability. Extraordinary circumstances would be applicable for three subsequent flights. The Parliament adopts a more restrictive approach, which would be applicable for only one subsequent flight, seeking to avoid any expansion that would materially weaken passenger rights.
- **Re-routing:** the Parliament proposes enhanced re-routing rights, including the ability for passengers to be re-routed on other carriers or, where appropriate, from an alternative airport or by alternative modes of transport. It also introduces a right to self-re-route where the operating carrier cannot offer a timely solution. The Council's position is more limited in this regard.
- **Pre-filled forms:** the Parliament proposes that airlines be required to issue pre-filled compensation and reimbursement forms automatically to affected passengers, while the Council is considering such forms for compensation only. This is expected to increase the administrative burden for airlines and, in turn, overall compensation costs.

¹² European Commission (2013), 'Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EC) No 261/2004 establishing common rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights and Regulation (EC) No 2027/97 on air carrier liability in respect of the carriage of passengers and their baggage by air', March.

¹³ During this period, the Council resumed discussions in 2019 but these were paused following Covid-19. Source: European Parliament (2026), '2013/0072(COD) Air passenger rights', May.

¹⁴ Council of the European Union (2025), 'Position of the Council at first reading with a view to the adoption of a Regulation of the European Parliament and of the Council amending Regulation (EC) No 261/2004 and Regulation (EC) No 2027/97', Document 10015/1/25 REV 1, 29 September.

¹⁵ European Parliament (2026), 'Legislative resolution of 21 January 2026 on the Council position at first reading with a view to the adoption of a Regulation of the European Parliament and of the Council amending Regulation (EC) No 261/2004 and Regulation (EC) No 2027/97', P10_TA(2026)0009, 21 January.

¹⁶ European Parliament (2026), 'Recommendation for second reading on the Council position at first reading with a view to the adoption of a Regulation amending Regulation (EC) No 261/2004 and Regulation (EC) No 2027/97', Report A-10-2026-0001, Amendment 100, May.

2.2 The impact of EU261 on passengers

The effects of EU261 on passengers extend beyond individual compensation claims and are closely connected to issues of airline economics and service provision.

EU261 was introduced to address a clear market failure. Prior to harmonised regulation, airlines faced limited incentives to internalise the full costs that delays and cancellations imposed on passengers, while travellers themselves had limited practical recourse when disruption occurred. The regulation also served to curb certain airline practices—most notably overbooking—by making carriers financially accountable for denied boarding and requiring compensation and assistance when passengers are involuntarily bumped from flights. By establishing uniform and legally enforceable rights across the EU, EU261 created a consistent EU-wide standard of passenger protection, harmonising previously fragmented national regimes.

The regulation has contributed to greater awareness of passenger rights among travellers and, by attaching financial consequences to operational disruption, has created incentives for airlines to invest in greater operational resilience, including more robust scheduling and contingency planning.¹⁷ The prospect of compensation liability creates incentives for carriers to minimise disruption, improve communication with affected passengers, and implement more effective recovery procedures when disruption does occur. For many passengers—particularly those travelling on time-sensitive itineraries or with limited flexibility—these protections provide a meaningful safeguard that would otherwise be absent.

At the same time, the regulation imposes substantial financial obligations and operational challenges on airlines. The current three-hour threshold for shorter routes is particularly difficult for regional airlines to implement in practice. They operate multiple daily rotations, with limited access to maintenance facilities and often without any spare aircraft available.¹⁸ For shorter and regional routes, fixed compensation thresholds can amount to five times the revenue generated on a single flight,¹⁹ creating unintended incentives whereby cancellation becomes commercially preferable to operating a delayed service. These costs also have wider implications for passengers through their effect on fares, route availability, and service provision. The extent to which EU261 costs are passed through into ticket prices or reflected in airlines' network decisions is therefore central to understanding the regulation's broader impact on consumers.

How the costs of EU261 affect airlines and, ultimately, flow through to passengers

Under EU261, airlines must provide fixed compensation for qualifying disruptions unless they can rely on the 'extraordinary circumstances' defence. This framework has generated substantial direct costs. A European Commission impact assessment estimates that the total cost to airlines of paying compensation for delays and cancellations amounts to

¹⁷ Eurocontrol (2024), 'Airlines schedules – a balancing act', December; and European Commission (2024), 'Survey on the awareness of passenger rights among EU citizens' (Eurobarometer), July.

¹⁸ ERA (2025), 'ERA's position on the revision of Regulation 261/2004', March, p. 1

¹⁹ IATA (2025), 'APRA Report Relies on Flawed Comparators and Ignores Long-Term Delay Trends'.

approximately €8.1 billion per year.²⁰ Looking ahead, even if no changes are made to EU261, these costs are projected to rise to €9.2 billion by 2030 and €13 billion by 2050.²¹

Airlines also incur significant administrative and legal costs in complying with the regime. Processing claims, managing disputes, and handling litigation require dedicated resources, with estimates placing these costs at around €1.5 billion per year, or roughly 0.6% of total operating costs.²² While necessary for compliance, this expenditure does not directly enhance service provision. In addition, carriers may need to maintain supplementary operational capacity—such as reserve aircraft, standby crews, or greater scheduling flexibility—to preserve operational resilience and reduce exposure to compensation liabilities.

Taken together, compensation payments for delays and cancellations, operational obligations such as accommodation and rebooking, and administrative requirements including claims handling and compliance can amount to a substantial cost. EU261 therefore represents a meaningful cost component for airlines who operate in a sector characterised by persistently low margins.²³ This impact is also not evenly distributed: smaller carriers, which typically bear higher per-passenger costs, are likely to be more exposed to these costs (see section 2.3).

The proposed reforms by the European Parliament could significantly increase this burden. One of the most consequential proposed reforms is the introduction of mandatory pre-filled compensation and reimbursement claim forms, which airlines would be required to issue automatically to eligible passengers. In practice, accurately identifying eligible passengers, implementing new IT systems, verifying disruption data in real time, and processing claims promptly may create significant operational difficulties for airlines. In addition, the total annual costs of EU261 could nearly double as a result, rising to over €15 billion.²⁴

From a passenger perspective, the most important transmission channel of these costs is indirect: they are largely embedded in ticket prices rather than borne solely by disrupted passengers. Carriers typically incorporate EU261-related expenses into their broader cost base, spreading them across the entire passenger pool. Industry estimates suggest that this currently adds around €5 per passenger per flight segment, with projections indicating a rise to approximately €10 under the proposed reforms.²⁵ While the extent of pass-through depends on market structure and competitive intensity, the overall effect of the Parliament's proposed reforms would be an upward pressure on fares.

²⁰ European Commission (2023), 'Impact assessment report accompanying the documents Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EC) No 261/2004, (EC) No 1107/2006, (EU) No 1177/2010, (EU) No 181/2011 and (EU) 2021/782 as regards enforcement of passenger rights in the Union and Proposal for a Regulation of the European Parliament and of the Council on passenger rights in the context of multimodal journeys', November, p. 31.

²¹ Ibid.

²² Steer (2025), 'Assessment of the cost of regulatory compliance of European Airlines', April.

²³ IATA (2025), 'Airline Profitability Stabilizes with 3.9% Net Margin Expected in 2026', December.

²⁴ A4E, IATA and ERA (2025), 'Revision of Regulation 261 / 2004', October, p. 1.

²⁵ A4E, IATA and ERA (2025), 'Revision of Regulation 261 / 2004', October, p. 1.

As noted above, the impact is unlikely to be evenly distributed across markets and passenger groups. On highly price-sensitive short-haul and leisure routes, which are typically the types of route operated by regional carriers, airlines may face limited ability to pass increased regulatory costs directly through into fares. In these markets, carriers may instead respond through operational and network adjustments designed to preserve profitability, including reduced frequencies, lower capacity, or the withdrawal of marginal routes. By contrast, on routes characterised by passengers who are less price-sensitive or where there is more limited competition, airlines are generally better positioned to recover a greater proportion of EU261-related costs through higher ticket prices. However, the extent to which such costs can be passed on remains constrained. Higher fares may reduce demand and lower load factors, potentially undermining the commercial viability of certain routes if prices increase substantially. Moreover, on 'public service obligation' (PSO) routes, fare caps may further restrict airlines' ability to recover EU261-related costs through price increases.

Beyond fares, EU261 also affects the availability and structure of air services. Airlines assess route viability based on expected revenues relative to operating costs, including disruption-related liabilities. As these latter costs increase, regional routes—particularly those with lower demand, thin margins, or limited frequency—may become commercially unviable. This can lead to reduced frequencies, seasonal suspension of services, or the withdrawal of routes.

The resulting reduction in supply is most likely for regional carriers operating in regional areas, where connectivity depends heavily on regional routes. Passengers in these areas may experience fewer direct connections, reduced schedule choice, and longer journey times due to increased reliance on connecting itineraries. Over time, this can weaken connectivity and reduce accessibility for less densely served regions.

The next section looks specifically at regional carriers and their exposure in these markets.

2.3 The effect on passengers relying on regional air services

Regional airlines, and the passengers who rely on them, operate in a very different environment from large network carriers and low-cost airlines. Their distinct operating model can make them particularly sensitive to the costs associated with EU261.

A structurally fragile model

Regional airlines provide year-round vital connectivity. They serve smaller airports and provide feeder services into larger hubs, connecting communities to economic and political centres and essential services. In some cases, they operate in difficult weather and geographic conditions. Regional carriers typically operate between three and forty aircraft, often from a single base. While many regional carriers operate narrow-body aircraft, they

are also the main operators of small aircraft of 19 to 120 seats, often at high frequencies and to destinations where alternative modes of transport are limited or unavailable.²⁶

These airlines tend to operate with low margins and limited financial headroom. The airline industry as a whole already operates with relatively low margins, with IATA projecting a net margin of 3.9% for 2026 across different airline types.²⁷ According to ERA data, regional airlines' net margins typically range from 1 to 4%.²⁸ Higher costs per seat, lower load factors, and more limited economies of scale mean that regional airlines often have limited capacity to absorb additional costs.

This also means that EU261's fixed-sum compensation mechanism may have a particularly significant effect on regional airlines. Under the current framework, the compensation payable to a passenger is not linked to the fare paid. On short-haul regional routes, a compensation payment of €250 per passenger can, in some cases, exceed the fare paid by passengers by several times.

ERA analysis illustrates the scale of this imbalance: compensation incurred on claimable flights amounts to 276% more than the revenue made on a single flight—equivalent to €2.59 in compensation for every €1 of revenue.²⁹ In practical terms, this means that an airline experiencing a qualifying delay on a high-frequency route may need to operate a further two to three full rotations, on time and without disruption, in order to offset the cost of a single EU261 liability.³⁰ By comparison, passenger rights regimes in other transport modes maintain a closer relationship between compensation and the price paid.³¹

For regional operators, the impact of a given disruption leading to an EU261 claim may also be magnified by the fact that a delayed or cancelled service can affect an entire rotation pattern, and smaller airlines may lack the operational logistics (e.g. spare aircraft or reserve crews) needed to restore a disrupted flight chain promptly. This structural vulnerability is further compounded by the nature of many regional networks themselves: a significant proportion of routes serve island communities and remote or peripheral regions that are more exposed to adverse weather conditions and the operational constraints these bring. Fog, crosswinds, low visibility, and seasonally difficult approaches are common on such routes, and the absence of adequate diversion infrastructure at many regional airports means that disruption, once it occurs, can be both more frequent and more difficult to contain than on mainline routes.

Taken together with rising labour, energy, regulatory and compliance costs, this means that further increases in compensation levels could place additional pressure on regional carriers' already narrow margins.³² According to information provided by regional airlines,

²⁶ Eurocontrol (2022), 'EUROCONTROL Market Segment Update 2022', p. 2.

²⁷ IATA (2025), 'Airline Profitability Stabilizes with 3.9% Net Margin Expected in 2026', December.

²⁸ Information provided by ERA to Oxera.

²⁹ ERA (2019), 'An ERA study into Regulation EU261: passenger compensation for delayed or cancelled flights', p. 13

³⁰ Ibid.

³¹ For instance, rail compensation in the EU is defined as a strict percentage of the ticket price (25% or 50% based on distance). European Consumer Centre Germany (2026), 'Rail passenger rights: compensation for delayed or cancelled trains', March.

³² Steer (2025), 'Assessment of the cost of regulatory compliance of European Airlines', April.

some carriers report incurring between €1.4 million and €9 million annually in direct and indirect EU261-related costs, equivalent to approximately 1–3% of total operating revenues and as much as 17% of total expenditure.³³

Where costs rise in a market characterised by narrow margins, there is often limited scope to absorb those increases, with the result that they may need to be reflected in fares. As a result, some routes may become more difficult to sustain, connectivity for regional communities may be reduced, and the financial resilience of the airlines operating those services may come under further pressure.

Routes at risk and the potential impact on local communities

The significance of this issue is clearer in the broader context of regional air connectivity, which has not yet returned to pre-Covid levels, even as overall European air traffic has recovered. Scheduled services in the regional segment remain 19% below their 2019 levels, making it the slowest of all air traffic market segments in returning to pre-Covid capacity. The number of regional operators in Europe also declined by 60% between 2005 and 2025.³⁴ Capacity has become more concentrated: larger aircraft are serving fewer destinations, and IATA data shows that very short-haul routes—which are most commonly served by regional carriers—declined by 15% between 2015 and 2025, even as longer-haul routes grew significantly.³⁵

ERA member airlines collectively operate an average of 3,223 daily flights across Europe, serving approximately 3 million passengers per airline per year. Importantly, ERA members are the sole operators on more than 1,000 routes.³⁶ On these routes, there is also often no realistic alternative mode of transport. Where a regional airline exits the market, those services are not necessarily replaced.

The regulatory and financial pressures associated with EU261, and in particular with the potential reforms, may influence operational behaviour in ways that compound these connectivity risks. For example, the Parliament's proposal to introduce a right to self-routing at up to 400% of the original ticket price in the event of disruption could substantially increase airlines' financial exposure, potentially imposing costs several times greater than the operational cost of carrying the passenger on the original service, in addition to any compensation payable. Where the cost of operating a significantly delayed flight exceeds the commercial benefit of completing it, airlines may have reduced financial incentive to continue operating disrupted services.

In practice, regional airlines have already reported reducing frequencies on thinner routes in order to improve operational reliability and limit their exposure to compensation liability, as well as moving away from ultra-lean aircraft utilisation models, avoiding overly tight

³³ Information provided by ERA member airlines to Oxera.

³⁴ Information provided by ERA member airlines to Oxera, based on Cirium data for regional operators with their own routes in the 30–100 seat segment; and EUROCONTROL (2026), 'European Aviation Overview', January, p. 15.

³⁵ Information provided by ERA to Oxera, based on IATA Sustainability and Economics data from OAG.

³⁶ Information provided by ERA to Oxera, based on ERA membership data, and data from EUROCONTROL; and CIRIUM and ERA (2025), 'ERA Monthly Market Analysis', December.

rotations that leave little margin for recovery when disruption occurs.³⁷ Taken together, these adjustments mean that regional communities may have less frequent and less efficient air services than would otherwise be the case, and that the airlines providing those services are doing so under greater operational constraints.

The past decade provides a useful illustration of how vulnerable some of these connections can be. The following table provides a non-exhaustive list of European airlines serving regional services that have ceased operations since 2015. In a number of cases, the routes operated by these carriers were reduced or not subsequently restored. According to OAG data, 117 unique routes operated by these airlines since 2020 had not resumed service as of 2025.³⁸ Many of these routes provided essential links between smaller regional communities and major European hubs. While passenger protection costs were not the sole cause of the cessation of the service, regulatory, administrative and financial pressures were among the factors that affected the viability of many of these carriers.

Table 2.1 European airlines operating regional services that have ceased operations since 2015

Airline	Country	Last year of service
EuroLOT	Poland	2015
Air Lituanica	Lithuania	2015
Adria Airways Switzerland	Switzerland	2017
Citywing	Isle of Man, United Kingdom	2017
SkyWork Airlines	Switzerland	2018
Flybmi	United Kingdom	2019
Adria Airways	Slovenia	2019
Astra Airlines	Greece	2019
Flybe	United Kingdom	2020
Orange2Fly	Greece	2021
Stobart Air	Ireland	2021
Ellinair	Greece	2021
Air Antwerp	Belgium	2021
ASL Airlines Hungary	Hungary	2021

³⁷ Information provided by ERA member airlines to Oxera.

³⁸ Information provided by ERA to Oxera, based on OAG data.

Airline	Country	Last year of service
Jota Aviation	United Kingdom	2022
Air Leap	Sweden	2022
Blue Air	Romania	2023
Novair	Sweden	2023
Air Malta	Malta	2024
Nordica & Xfly	Estonia	2025
Eastern Airways	United Kingdom	2025
Blue Islands	United Kingdom	2025
Braathens	Sweden	2025 ¹
CityJet	Ireland	2025 ²
PLAY Airlines	Iceland	2025
Lufthansa City Line	Germany	2026

Source: Information provided by ERA to Oxera, based on OAG data.

In Europe, routes with fewer than 20,000 annual seats account for 44% of the overall network, yet represent 91% of all cancelled routes.³⁹ Notably, 76% of the cancelled routes had fewer than 10,000 seats annually, despite making up only 27% of the total route network.⁴⁰ These low-volume routes, which are primarily operated by regional airlines, typically operate at low frequency, making them difficult to sustain profitably. This is especially relevant for routes operated under PSO designations—services that governments support because they are considered vital to peripheral regions, but would not be commercially viable without public support.⁴¹ PSO contracts are tightly regulated: operators must comply with fixed conditions on frequency, capacity, scheduling and maximum airfares, usually under five-year contracts with limited scope for adjustment.⁴²

This creates an additional constraint. The fare structures on PSO routes do not, and under current rules cannot, reflect the potential cost of EU261 compensation. On short routes (<1,500km), a cancellation gives rise to a €250 per-passenger liability, which may exceed

³⁹ IATA (2026), '[Regional Air Connectivity in the EU](#)', April.

⁴⁰ Ibid.

⁴¹ There are two types of PSO routes. While open-access PSOs do not restrict the operation of air services to one carrier, and therefore receive no subsidy from a Member State, closed-access PSOs receive compensation for restricting access to one carrier. In Europe, the majority of PSO routes are closed access.

⁴² ERA (2025), 'ERA's position on the revision of Regulation 261/2004', March, pp. 2-3.

the maximum permitted fare. As a result, PSO operators may face compensation exposure that cannot readily be reflected in their pricing.

The practical effect may already be visible in reduced commercial interest in bidding for PSO contracts, with direct implications for the communities these routes are intended to serve. PSO routes play a vital role in regional development: they support local economies, sustain employment, facilitate tourism, and help prevent the isolation of peripheral communities by providing access to healthcare, education, business opportunities and social connections with family and friends.⁴³ For many of these communities, such routes represent their principal link to the wider European network. Where viable PSO routes become more difficult to maintain, increased national subsidies may be needed, and existing socioeconomic disparities in peripheral regions may become more pronounced, as discussed further in the following section.

3 How the proposed reforms to EU261 may affect regional economies

3.1 How can EU261 affect regional economies?

For many communities across Europe, particularly those in peripheral, island and geographically isolated locations, regional air services represent the primary—and in some cases the only—reliable link to the wider national and European economy. The potential weakening of these connections, whether through route withdrawals, reduced frequencies or the financial deterioration of the carriers that operate them, would therefore carry consequences that extend well beyond the aviation sector.

The mechanism through which EU261 may affect regional economies is indirect. As set out in the preceding sections, the regulation's fixed-sum compensation structure creates financial pressures that fall disproportionately on the carriers most likely to serve these communities. Where those pressures contribute to fare increases, service reductions or ultimately to route closures, the consequences are felt not by the airline alone but by the local economy and population it serves.

As part of a previous assessment of the economic, social and environmental value of regional airlines in Europe for the ERA, we developed a set of criteria to identify airports serving regional communities.⁴⁴ Using this definition, we estimate that, in 2025, such airports accounted for approximately 35% of total departing seat capacity. Passengers and communities served by these airports are likely to be more exposed than those relying

⁴³ See Oxera (2025), 'The economic, social and environmental value of regional aviation', February.

⁴⁴ We classified whether an airport served a regional community if it met all the following criteria: it offered fewer than 20 million seats in 2025; it was not the largest airport in the country, unless it was the only airport in that country, and it was not located in the same city as the largest airport in the country, or in the same city as an airport with over 20 million seats. For the purposes of this note, airports meeting these criteria are referred to as 'regional airports', while airlines operating flights to or from such airports are referred to as 'regional airlines' or collectively as 'regional aviation'. For further detail, see Oxera (2025), 'The economic, social and environmental value of regional aviation', February.

on major hub airports to any regulatory changes that affect the commercial viability of regional air services.

Regional air services provide far more than passenger transport. These air links facilitate trade, investment and market access for areas facing structural economic disadvantage, while enabling residents to access education, employment and social networks that would otherwise be difficult to maintain. In addition, regional airlines are important local employers and support wider economic activity through supply chains spanning ground handling, maintenance, catering and fuel services.

For peripheral, island and remote communities, they also ensure access to healthcare by connecting patients to specialist treatment unavailable locally, and support critical medical logistics, including the transport of blood products, medicines and human organs. They sustain economic and administrative continuity by carrying freight and essential goods between isolated regions and the mainland, supporting public services and supply chains where no practical alternative exists.⁴⁵ In many regions, these services also fulfil important postal and mail functions, ensuring timely delivery of letters and small parcels where surface transport would be slow, unreliable, impractical or non-existent.⁴⁶

The loss or deterioration of these services would therefore represent more than reduced connectivity; it would weaken essential economic, social, medical and logistical infrastructure on which many of Europe's most vulnerable communities depend.

The case studies that follow illustrate the potential scale of these impacts by examining the economic and social value delivered by airlines serving regional communities in Sweden and Greece. Together, they provide concrete examples of the broader dynamics outlined above and show how changes to EU261 could, in practice, affect communities that rely heavily on regional air connectivity.

3.1.1 How aviation supports regional economies in Sweden

In Sweden, vast distances, dispersed populations and remote communities across regions such as Norrland, Västernorrland, Gotland and Lapland mean that travel to major urban centres, particularly Stockholm, can require many hours by road, rail or maritime services. During winter, severe weather conditions can disrupt surface transport and reduce reliability. In this context, aviation functions as essential infrastructure, connecting regional communities to the wider Swedish and European economy, and enabling businesses and residents to participate fully in national economic and social life.

Yet Sweden's regional aviation network is under significant pressure. Post-Covid recovery in air connectivity has been particularly slow, with Sweden remaining among the slowest countries in Europe to return to 2019 levels—connectivity is still around one-third below its pre-pandemic level.⁴⁷ This slow recovery is not simply a temporary consequence of the

⁴⁵ See Oxera (2025), 'The economic, social and environmental value of regional aviation', February.

⁴⁶ Information provided by ERA to Oxera.

⁴⁷ ACI Europe website, '[Airport Industry Connectivity Report 2025](#)', accessed May 2026.

pandemic; it reflects deeper and more persistent pressures on the commercial viability of regional routes, including regulatory, administrative and financial headwinds that have accelerated a longer-term contraction of the network. Between 2015 and 2025, the total number of scheduled routes fell by 28%—from 505 to 365—with 57 airlines now serving 37 airports, 95% of which are regional.⁴⁸

The routes most at risk are also those that matter most to remote communities. Of the 365 routes operating in 2025, 191—representing 52% of the network—carry fewer than 20,000 seats per annum, broadly equivalent to a small aircraft operating just five times per week. These thin routes are disproportionately concentrated at regional airports and on short-haul domestic corridors, which are likely to be the most difficult to sustain. The pattern of cancellations over the past decade bears this out: of the routes lost between 2015 and 2025, 66% had fewer than 20,000 seats. It is these services—those serving the communities with the fewest alternatives—that are most vulnerable to further closure.⁴⁹

The economic footprint generated by aviation to local communities in Sweden

The economic consequences of losing these connections would be significant. Regional airlines and the airports they serve generate substantial economic value for local communities. Through the use of local labour, suppliers, and operational services, aviation supports activity across the wider economy, creating employment opportunities, sustaining local businesses and contributing to regional development.

Using the methodology set out in the Oxera report, 'The economic, social and environmental value of regional airlines in Europe', we assess the economic contribution generated by regional airlines within Sweden's regional communities in 2025.⁵⁰ This analysis considers the direct contribution of the airlines themselves, alongside indirect supply chain effects and induced impacts generated through employee spending in the wider economy.⁵¹

Beyond its economic footprint, regional aviation catalyses broader economic activity by enabling the passenger flows on which many regional economies depend.⁵² Tourism is a particularly significant channel, with visitors to Sweden's regional destinations relying heavily on air services to reach communities that are not practically accessible by other means.

⁴⁸ IATA (2026), '[Regional Air Connectivity in Sweden](#)', April.

⁴⁹ IATA (2026), '[Regional Air Connectivity in Sweden](#)', April.

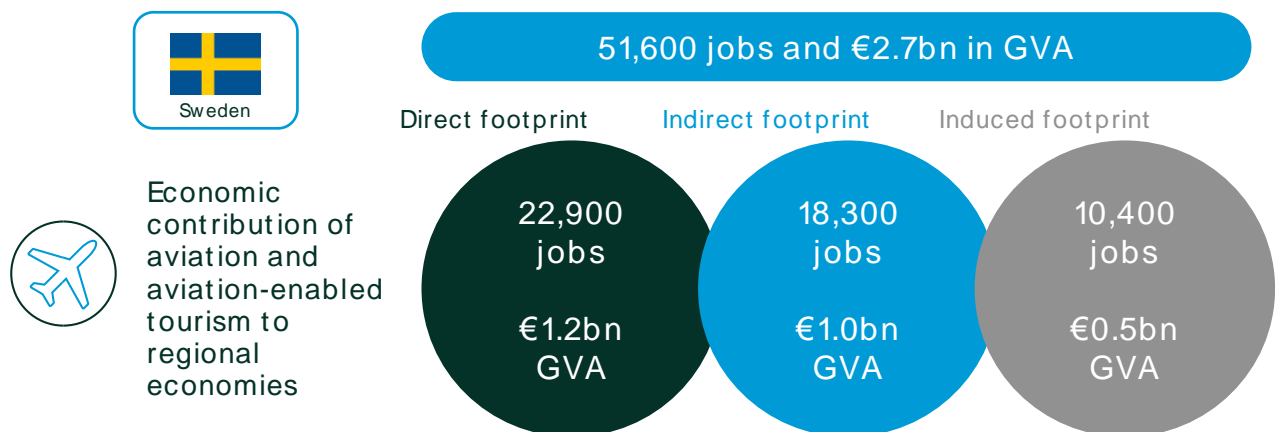
⁵⁰ For the purposes of this analysis, 'regional airlines' refers to all airlines operating services to and from airports serving Sweden's regional economies. These airports were identified using the methodology set out in Oxera (2025), 'The economic, social and environmental value of regional airlines in Europe', February.

⁵¹ To estimate the direct economic contribution of airlines serving these regional airports, we quantified fare revenues associated with flights to and from these airports using 2025 traffic data from OAG and fare data from Google Flights. The analysis was limited to direct flight services. Infrequent flights (defined as those operating less than once per month) were excluded. The indirect and induced economic impacts were estimated using input-output analysis based on Swedish national statistics. For further detail on the methodology, see Oxera (2025), 'The economic, social and environmental value of regional aviation', February.

⁵² We refer to economic footprint as the combination of direct, indirect and induced impacts of regional aviation described above. Tourism impacts were also estimated using the methodology in Oxera (2025), 'The economic, social and environmental value of regional airlines in Europe', February.

Taken together, the direct, indirect and induced contributions of the aviation sector, alongside tourism activity enabled by regional air connectivity, supported an estimated €2.7 billion in GVA and approximately 51,600 jobs across Sweden's regional economies in 2025.⁵³

Figure 3.1 The economic contribution of aviation to regional economies in Sweden



Note: GVA figures (in 2025 prices) are rounded to the nearest 100,000 million. Employment figures (headcount) are rounded to the nearest 100.

Source: Oxera.

The social value generated by aviation to local communities in Sweden

The importance of regional aviation in Sweden extends beyond its measurable economic footprint. In a large, sparsely populated country, air connectivity is part of basic territorial accessibility. A recent study by the Swedish Parliament characterises regional airports as essential elements of a nationwide transport system required to secure a basic level of accessibility in line with Sweden's broader transport policy objectives.⁵⁴ Regional aviation also supports social sustainability by narrowing accessibility gaps between metropolitan

⁵³ This total comprises approximately €100 million in GVA and around 970 jobs generated through the direct, indirect and induced contribution of airlines serving Sweden's regional communities, together with approximately €2.6 billion in GVA and around 50,600 jobs supported through tourism activity enabled by regional aviation (including direct, indirect and induced effects). GVA is a measure of economic productivity that represents the amount of goods and services produced in a country, minus intermediate consumption (i.e. the costs of all inputs and raw materials used in that production). Employment is measured in headcount. The analysis captures all traffic to and from regional airports, and therefore assumes an average airline profile more closely aligned with low-cost or large network carriers rather than regional operators. As a result, a larger share of airline profits, administrative functions and flight crew employment is assumed to occur outside the regional economy and is therefore not captured within the regional impact assessment. In reality, some of this activity is likely to be undertaken by regional airlines and would generate local economic benefits that are not fully reflected in the results. Accordingly, the estimates presented here should be interpreted as conservative.

⁵⁴ Sveriges Riksdag (2026), 'Uppföljning av Sveriges regionala icke-statliga flygplatser – utveckling och utmaningar inom ekonomi, tillgänglighet, beredskap och miljö', May.

and rural regions, particularly where rail and road alternatives are limited or substantially less efficient.⁵⁵

Evidence from across Swedish regions similarly frames airport accessibility as a matter of democratic inclusion. Regional aviation is described as enabling citizens in remote areas to maintain effective access to national labour markets and central state institutions, thereby mitigating the effects of the concentration of opportunity and political influence in a small number of urban centres. In addition, it underpins a range of socially critical functions, including total defence, civil preparedness, rescue operations and ambulance aviation.⁵⁶

This social value is particularly evident in access to healthcare. Specialised healthcare provision in Sweden is concentrated in a limited number of urban centres, including Stockholm. As a result, patients in northern regions may depend on regional air transport to access treatment within clinically appropriate timeframes. In many cases, surface transport alternatives are either impractically long or vulnerable to disruption during winter.⁵⁷ Regional carriers therefore regularly transport patients, healthcare staff and essential medical equipment between remote communities and major hospitals.⁵⁸

A recent study in Västernorrland, a region in northern Sweden, found that demand for ambulance aviation is increasing as healthcare services become more specialised and geographically concentrated. Ambulance flights are used for both emergency and planned transfers to highly specialised care, with destinations frequently including Umeå University Hospital in Västerbotten County, in northern Sweden, as well as hospitals in Stockholm and Uppsala.⁵⁹

The importance of aviation is also pronounced for business travellers needing to access Stockholm and international onward connections. Survey evidence indicates that air services remain strongly oriented towards business demand, with approximately 70–85% of passenger traffic at Västernorrland's airports associated with business travel.⁶⁰ Businesses highlighted that aviation offers substantial advantages in terms of travel time, reliability and connectivity, particularly where international transfers are required. While rail can provide an alternative for some journeys to Stockholm, businesses reported that rail reliability constraints, long journey times and the risk of missed onward connections often make air travel the only viable option for time-sensitive business activity.

More broadly, regional aviation is increasingly viewed as necessary for long-term regional development and investment. A recent study found strong evidence that good air connectivity supports productivity, labour mobility, inward investment and access to specialised skills and international markets.⁶¹ Businesses also stated that weak air

⁵⁵ Sveriges Riksdag (2026), 'Uppföljning av Sveriges regionala icke-statliga flygplatser – utveckling och utmaningar inom ekonomi, tillgänglighet, beredskap och miljö', May.

⁵⁶ Sweco (2025), '[Samhällseffekter av flyget i Västernorrland](#)', May; Sveriges Riksdag (2026), 'Uppföljning av Sveriges regionala icke-statliga flygplatser – utveckling och utmaningar inom ekonomi, tillgänglighet, beredskap och miljö', May; and Copenhagen Economics (2025), 'Flygets roll för besöksnäring och miljö i Sverige', p. 3.

⁵⁷ Rauhut, D. and Smith C.J. (2018), 'Spatial challenges to universal health care in Finland and Sweden', May.

⁵⁸ Information provided by ERA member airlines to Oxera.

⁵⁹ Sweco (2025), '[Samhällseffekter av flyget i Västernorrland](#)', May, p. 21.

⁶⁰ Ibid., p. 36.

⁶¹ Ibid.

connectivity could reduce regional attractiveness, undermine recruitment and make it more difficult to retain corporate functions and future investment projects in northern Sweden. This broader connectivity effect is echoed in recent national analysis, which states that improved air access strengthens recruitment and investment in Sweden and that airports should be assessed not only by passenger volumes, but also by whether they connect Swedish regions to the destinations that matter most for business growth and competitiveness.⁶²

3.1.2 How aviation supports regional economies in Greece

The role of regional aviation in Greece is shaped by the country's unique geography. With more than 100 inhabited islands spread across the Aegean and Ionian seas, alongside mountainous mainland regions with limited surface transport connectivity, many communities depend on air services to maintain regular access to the rest of the country. While ferries form an important part of the national transport system, journey times between islands and mainland Greece can be lengthy and highly vulnerable to seasonal weather disruption. As a result, aviation performs a critical role in maintaining reliable year-round connectivity for many peripheral regions. In many cases, air services constitute the only transport mode capable of ensuring same-day access to essential administrative, healthcare, educational and economic services.

This dependence on aviation is reflected in Greece's extensive PSO network, through which the state subsidises routes considered socially and territorially essential but commercially difficult to sustain. Airports serving destinations such as Kastellorizo, Skyros, Ikaria, Limnos, Milos, Naxos and Karpathos are therefore not simply gateways for tourism, but part of the country's essential economic and social infrastructure. The Hellenic Civil Aviation Authority has idescribed these routes as contributing to the 'lifting of isolation' experienced by remote-island communities through the provision of continuous air connectivity.⁶³ The maintenance of these links is therefore closely aligned with the EU objective of economic, social and territorial cohesion under Article 174 TFEU, including the reduction of disparities affecting island, peripheral and geographically disadvantaged regions.

Yet the network that underpins this connectivity is under considerable pressure. Greece is currently served by 1,203 scheduled routes across 39 airports—77% of which are classified as regional—operated by 104 airlines.⁶⁴ Of the 1,203 routes currently operated, 431—representing 36% of all scheduled services—carry fewer than 20,000 seats per annum. As noted above, this is broadly equivalent to a small aircraft operating five times per week. These services are disproportionately concentrated at the smallest regional airports and link remote island and peripheral mainland communities most dependent on aviation. These routes are commercially fragile: every single route cancelled in Greece between 2024 and 2025 fell below this 20,000-seat threshold.

For many regional communities, these services are fundamental to maintaining participation in the national economy and ensuring access to services concentrated in

⁶² Svenskt Näringsliv (2026), '[Flyger vi till tillväxt?](#)', April.

⁶³ Hellenic Civil Aviation Authority's website, '[Public Service Obligations \(PSOs\)](#)', accessed May 2026.

⁶⁴ IATA (2026), '[Regional air connectivity in Greece](#)', April.

larger urban centres such as Athens and Thessaloniki. In this sense, regional aviation in Greece supports territorial cohesion in a direct and practical way, reducing the economic and social disadvantages associated with insularity and geographic remoteness. Any revision of the regulatory framework applicable to regional aviation should take account of the importance of maintaining essential connectivity for these regions.

The economic footprint generated by aviation to local communities in Greece

Regional airlines and the airports they serve generate important economic activity across Greece's islands and peripheral regions. Aviation supports employment directly through airline operations, airport activity, ground handling, maintenance and associated operational services, while also generating wider supply chain and consumption effects throughout local economies.

We assess the economic contribution generated by airlines connecting regional or secondary airports in Greece to these regional communities in 2025.⁶⁵ This analysis considers the direct contribution of aviation activity itself, alongside indirect and induced effects generated through supply chains and employee spending.⁶⁶

The importance of air links to Greece's regional economies extends well beyond the direct economic footprint of the sector itself. Many island economies are highly dependent on visitor flows, particularly during the summer season, and for several destinations air transport provides the principal means through which tourists access local communities. In practice, regional airports function as enabling infrastructure for tourism-dependent economic activity, supporting accommodation providers, restaurants, retail businesses, transport services and a wide range of local employment.⁶⁷

Taken together, the direct, indirect and induced contributions of the aviation sector, alongside tourism activity enabled by regional air connectivity, supported an estimated €8.5 billion in GVA and approximately 189,200 jobs across Greece's regional economies in 2025.⁶⁸ This represents a substantial contribution to economic activity and employment

⁶⁵ We applied the methodology set out in Oxera (2025), 'The economic, social and environmental value of regional aviation', February to identify regional airports in Greece and assess the direct, indirect and induced impacts of aviation on regional economies.

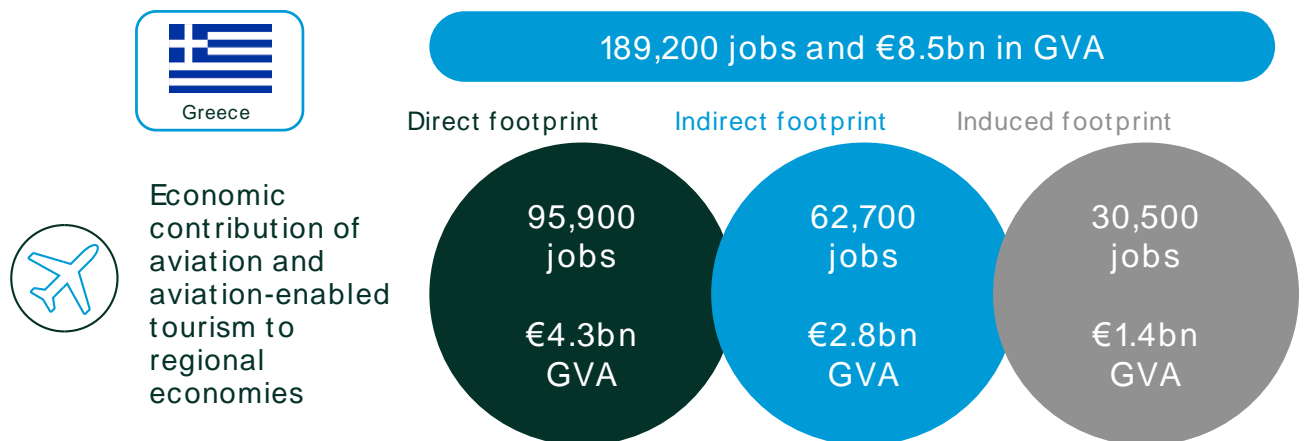
⁶⁶ To estimate the direct economic contribution of airlines serving these regional airports, we quantified fare revenues associated with flights to and from these airports using 2025 traffic data from OAG and fare data from Google Flights. The analysis was limited to direct flight services. Infrequent flights (those operating less than once per month) were excluded. The indirect and induced economic impacts were estimated using input-output analysis based on Greek national statistics. For further detail on the methodology, see Oxera (2025), 'The economic, social and environmental value of regional aviation', February.

⁶⁷ Tourism impacts were also estimated using the methodology in Oxera (2025), 'The economic, social and environmental value of regional airlines in Europe', February.

⁶⁸ This total comprises approximately €1.1 billion in GVA and around 14,900 jobs generated through the direct, indirect and induced contribution of airlines serving Greece's regional communities, together with approximately €7.4 billion in GVA and around 174,000 jobs supported through tourism activity enabled by regional aviation (including direct, indirect and induced effects). GVA is expressed in 2025 prices. Employment is measured in headcount. The analysis captures all traffic to and from regional airports, and therefore assumes an average airline profile more closely aligned with low-cost or large network carriers rather than regional operators. As a result, a larger share of airline profits, administrative functions and flight crew employment is assumed to occur outside the regional economy and is therefore not captured within the regional impact assessment. In reality, some of this activity is likely to be undertaken by regional airlines and would generate local economic benefits

across many of Greece's island and peripheral regions, where air connectivity plays a central role in supporting local economies.

Figure 3.2 The economic contribution of aviation to regional economies in Greece



Note: GVA figures (in 2025 prices) are rounded to the nearest 100,000 million. Employment figures (headcount) are rounded to the nearest 100.

Source: Oxera.

The social value generated by aviation to local communities in Greece

The value of regional air connectivity in Greece is also reflected in the essential services and opportunities it provides to local populations. Unlike many mainland European regions where alternative transport modes are readily available, residents of smaller Greek islands often depend on aviation to access services in other parts of the country. For example, during the winter season, travel between Rhodes and Piraeus may require approximately 12 hours by ferry, compared with less than one hour by air. Similarly, surface travel connections to islands such as Limnos or Santorini can involve substantial journey times, overnight crossings, or limited service frequency, particularly outside the peak tourist season.

Research on accessibility across the Aegean islands shows that island populations face significantly greater barriers to reaching essential services than mainland residents, both in terms of travel time—with effective travel distances estimated to be '4 to 6 times longer' than comparable mainland journeys—and in the greater complexity required to complete those trips.⁶⁹ Although many smaller islands maintain basic local services, access to services such as hospitals, universities, courts and specialised healthcare often depends

that are not fully reflected in the results. Accordingly, the estimates presented here should be interpreted as conservative.

⁶⁹ Spilanis, I. et al. (2012), 'Accessibility of Peripheral Regions: Evidence From Aegean Islands (Greece)', Greece.

on transportation links to larger regional centres or Athens. The study shows that ferry-based accessibility is frequently constrained by low service frequency, long travel times and the inability to complete same-day return journeys, creating significant barriers to social participation and quality of life. On Greek islands in the Aegean Sea, such as Lipsi in the eastern Dodecanese near the Turkish coast and Serifos in the Cyclades southwest of Athens, residents may need to travel through multiple destinations simply to access administrative services, healthcare or education, with effective travel times several times greater than comparable mainland communities.

The role of aviation is similarly important in education and employment. Many students from island communities relocate temporarily to mainland Greece to attend universities and training institutions, while teachers, healthcare workers and public-sector employees often travel regularly between islands and larger administrative centres.⁷⁰ Air connectivity therefore supports the functioning of public services across geographically fragmented regions.

Regional aviation also contributes to social cohesion by allowing residents to maintain family and social connections across dispersed communities. This is particularly significant for smaller islands with ageing populations and long-term demographic decline. Regular and reliable air services help reduce the social isolation associated with peripheral living and allow communities to remain connected to broader economic and social life within Greece.

3.2 The value at stake

The Sweden and Greece case studies highlight a common underlying reality: regional aviation is essential for Europe's peripheral economies. Despite very different geographies—remote northern regions in Sweden and dispersed island communities in Greece—both depend on air services to maintain reliable access to economic centres, public services and wider European networks.

Across Europe, the benefit of regional airlines is significant. Oxera's assessment of the economic, social and environmental value of regional airlines in Europe estimated that **regional aviation supports €228 billion in GVA and 4.8 million jobs across Europe in 2023.**⁷¹ This value is generated not only through the direct operation of air services, but also through supply chains, employee spending and aviation-enabled tourism.

This economic and social value created is at risk as a result of changes in EU261. The regulation's fixed-compensation structure increases operating risk and cost for airlines, with disproportionate impacts on regional carriers operating thinner, less resilient networks. These costs translate into higher fares, reduced frequencies and, in some cases, route withdrawals.

⁷⁰ Psycharis, Y. (2019), 'Interregional student migration in Greece : Patterns and determinants', October.

⁷¹ Oxera (2025), 'The economic, social and environmental value of regional airlines in Europe', February.

The scale of potential exposure is material. **According to IATA, 6,479 of the EU's 14,797 scheduled routes (44% of the total) offer fewer than 20,000 seats per year.⁷² While these are not the only routes at risk, they are likely to be among the first to come under pressure if regulatory changes further increase operating costs.** This is consistent with broader evidence showing that 91% of cancelled routes had fewer than 20,000 seats in 2025.⁷³

Where this occurs, regional economies are directly affected. For example, in both Sweden and Greece, many communities rely on a small number of air links to maintain connectivity. Even marginal reductions in service levels can therefore have significant consequences, including:

- loss of jobs and significant economic activity supported directly by aviation and aviation-enabled tourism in regional areas;
- reduced access to specialist healthcare and public services;
- weaker business connectivity and reduced investment attractiveness;
- lower tourism activity and associated employment impacts;
- increased isolation of already peripheral populations.

Against this backdrop, the reforms proposed to EU261 could materially affect the viability of regional networks that underpin economic participation and social cohesion in peripheral regions. **The key policy risk is therefore not the regulation in isolation, but its effect on fares and network sustainability, and potentially connectivity in Europe's regional communities.**

Any revision of EU261 should therefore ensure that passenger protection measures remain proportionate, operationally realistic and compatible with the EU's wider objectives of territorial cohesion, regional connectivity and economic competitiveness.

⁷² IATA (2026), ['Regional Air Connectivity in the EU'](#), April.

⁷³ Ibid.



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