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Coronavirus aviation crisis

Abstract: The crisis caused by the Coronavirus pandemic has affected various parts of the economy, including air transport. Many carriers have reduced their operations by 70-80% and even some have suspended operations altogether. It will not be possible to restore the precrisis situation related to the Coronavirus pandemic without government support. The state authorities must support the carriers in the interest of maintaining a relatively balanced political and economic situation in the country. For many months, the restrictions will continue in 2021. If this crisis is overcome, it will take several years to restore the state of air traffic development before the coronavirus pandemic.

Keywords: Crisis; Aviation; Air traffic

The Global Coronavirus Context

We are dealing with a situation that has severely limited air transport. The Coronavirus pandemic, which started in China (PRC) in December 2019, has spread to most countries in the world. The situation is worst in Europe, where from mid-March 2020 individual countries began to close schools, offices, universities, restaurants, and shopping malls. Political decisions of the authorities are dictated by the most justified need for general protection of health and health safety of citizens. Countries began to close many public places, began prohibiting gatherings of more than 50 people. As of January 2020, Italy has had the largest number of cases of Coronavirus (COVID-19) infections. The state authorities did not react immediately with the right decisions and restrictions, and the decision to close schools, along with the lack of a clear message to the public about what to do in such a situation, caused many people to transfer their social life to restaurants, pubs, and bars. In this situation, the spread of this = virus was even faster and with tragic consequences. The ineffectiveness of the state was evident from the beginning. Italy was unable to cope with the crisis. In mid-March 2020, individual countries, based on the experience of Italy, began to introduce very strict bans on staying in public places and by launching state services began to strictly enforce the strict compliance with the recommendations of the state authorities. On March 15, 2020, Poland closed its borders to foreigners, and after it, other countries began to take similar actions. Although some countries still did not realize the seriousness of the situation, such as the United Kingdom, which in the following days had schools and public places open, and the authorities limited themselves to announce that they would take further action in due course. The fight against this virus can only be won if everyone takes similar legal and organizational solutions and refrain from participating in public gatherings and events. The closure of one country, while at the same time underestimating matters by neighboring countries, will extend the period of restrictions and difficulties in functioning and will not contribute to limiting the spread of Coronavirus.

Canceled flights

The restrictions related to the Coronavirus pandemic have also affected the aviation industry. Individual states began to ban air operations at their own airports from the top. Many carriers have also decided, due to the limited mobility of citizens, to limit air operations or suspend flights for the next few months. Many of the machines will be grounded as there will be no air operations. And so, taking into account traditional carriers, the IAG Group (associating British Airways, Iberia, BMI) will reduce its capacity by 75% by the end of May, the Lufthansa Group will reduce its capacity for long-haul operations to Africa, South America, or the Middle East by 90%, and for European operations by approximately 20% from planned capacity. In turn, Air France-KLM announced on March 16, 2020, that it will significantly reduce its activity in the coming days. According to information from the company's authorities, it will reduce its transport capacity for a period of also two months by 70-90%. Low-cost carriers did the same. Irish Ryanair reduced its capacity by 80% for April and May 2020, similarly Norwegian Norwegian reduced its capacity by 85% during this period [2]. Suspension of operations also affects workers. Most of the crews were sent on paid holidays. Carriers do not want to allow mass dismissal of employees, because in the later period there would be a problem with recruiting people to work. The economic consequences of suspending or limiting flights must also be mentioned. Carriers wishing to fly to certain airports are based on the so-called slots (slot allocations). Each carrier, according to the established rules, who uses the right to the slot at a given airport, wants to keep it for the next seasons. Failure to perform air operations automatically gives up the slot pool and may lose these rights in the next season. This principle, in a crisis that takes place in air traffic, causes that serious disturbances in maintaining acquired rights may arise. Therefore, many countries have decided to suspend this rule at their airports for several months. The largest international association of carriers, IATA, although welcomed this decision, called for its extension to the entire season until the end of October 2020 [3].

Carriers' decisions to limit transport capacity were dictated by the political decisions of the authorities of individual countries. Poland has decided to close all borders for foreigners from March 15, 2020, including air borders. Thus, no aircraft can fly to Poland, and thus depart. This decision resulted in the suspension of all flights to Poland by many carriers, including LOT Polish Airlines, Wizzair, and Ryanair. Although connections to some selected countries have been restored in Poland since June 2020, it is still a small percentage of the total air traffic. For countries that live largely from air tourism revenues, the closure or restriction of air traffic has a very severe impact on the economy as a whole. It is worth pointing to Iceland here, to which you can arrive by air or sea. However, 97% of tourists choose air transport. Iceland was a country that recorded an increasing increase in air traffic year by year. The number of tourists and employees coming to this country dropped drastically in 2020. Comparing the period January-August 2019 to 2020, there was an 82% decrease in air traffic at Iceland's largest airport, Keflavik (KEF)[8]. However, in July alone, the best month in terms of the volume of air traffic, air traffic at KEF in 2019 amounted to 843 thousand, and in 2018 - 1.1 million, while in 2020 it was only 131 thousand. persons, which is a decrease of 84% compared to 2019 [9]. In August 2020, Iceland restored the obligation of a 5-day quarantine for all arriving on the island, which has not been met with an increase in the influx of tourists. Most tourists considering coming to Iceland will not be interested in the obligatory stay in quite expensive hotels, without leaving the room for a few days [7].

Eyjafjallajokull 2.0?

The closure of airports and the restriction of carriers' activities are a consequence of the political actions of the authorities of individual countries. The situation in 2020 is similar to that of 10 years ago, in 2010 when air traffic in Europe was suspended for 7-8 days as a result of the Eyjafjallajokull volcano in Iceland. At that time, the volcanic ash cloud floating high in the air posed a threat to the safety of air operations and the authorities of European countries decided to completely close their airspace to aircraft traffic. Of course, some carriers did their own tests proving that there was not so much danger. However, state authorities decided to "breathe on the cold" and prevent the safety of flights, including citizens, from being endangered. The closure of the airspace took only a week and it had very serious economic consequences for the entire aviation industry. Carriers estimated losses in the hundreds of millions of dollars. According to the data of the report *The Economic Impacts of Air Travel Restrictions Due to Volcanic*, losses in the aviation sector amounted to USD 2.2 billion, while losses for the economies of countries due to the one-week closure of air traffic amounted to USD 4.7 billion [1]. Fortunately, these few days generally did not bring long-term negative consequences for carriers. However, this upset the payment balance and showed that even a weekly ban on-air operations harmed the financial condition of the carrier.

However, the situation in 2020 is much more serious and absolutely incomparable. The economic consequences will be felt by all carriers, and perhaps many will go bankrupt. It will not be possible to restore the pre-crisis situation related to the Coronavirus pandemic without government support. The state authorities must support the carriers in the interest of maintaining a relatively balanced political and economic situation in the country. Lack of support can only mean dramatic social effects (huge increase in unemployment, social chaos, repeatedly increased payment of state benefits) or economic effects (increase in prices, decrease in production, the slowdown in economic growth, long-term recession). Also politically it does not pay off for governments, as the opposition may take advantage of the government's lack of support for society and seize power.

The carriers received assurances from individual countries that they would obtain financial support so that they could safely pass through the crisis period. First of all, the state, when providing such assistance, focused on the aspect of social security, because, as discussed above, the state primarily supports employees of such enterprises through various forms of social support (participation in wage costs, exemption from social security contributions, or various instruments to improve financial liquidity). enterprises to prevent them from having to lay off workers) [5]. The state policy supporting entrepreneurs in a very difficult period of crisis is a rational approach and has nothing to do with a specific political worldview. Many countries do this and we have had many such cases so far. The protectionist policy of the state took place in Great Britain or the USA in the 20th century [6]. This solution, criticized by the supporters of the liberal approach to the economy, of preventing the state from interfering with the free market, seems to make sense today. It is these liberals who today admit that state aid is desirable and are asking for state intervention themselves [12]. A state in such a crisis cannot "stand back" to society and look passively at the development of events. The role of the state should be to maintain economic stability, political stability, and social stability and security.

Help for the passengers of canceled flights

With the closure of many air operations and flight cancellations, the question arises as to what will happen to air passengers who have already booked a flight or are on a trip and have difficulty

departing. The key question is whether passengers should be helped and, if so, how. Of course, closing the borders of the state, as is the case in Poland, means that the state must also think about the return of its citizens to the country, who are outside its borders. Two issues must be distinguished here. The first is when the state closes the airspace and the state shares responsibility for flight cancellations and the situation of individual passengers. In this situation, the state should contribute to the costs of returning to the country of all those who wish to do so. At the time of closing the air borders, Poland decided to support the LOT carrier in organizing flights of its own citizens to the country from various places in the world. The government of the Republic of Poland, in cooperation with the LOT carrier, organized the "Flight home" campaign [11]. State support consists of co-financing air tickets and enabling return from distant parts of the world. The second issue is the situation where the carrier cancels flights due to the restriction of the freedom of movement of people and restriction of their travel between countries. If a state does not close borders, it does not mean that carriers can function normally. Restrictions also apply to carriers which, in the face of a pandemic and limited mobility of societies, cannot operate. Therefore, carriers cancel flights. In this situation, passengers who have bought flights or are in transit, or are scheduled to return on an out-of-date flight are entitled to compensation from the carrier. The procedures are specified in the normative acts. There is a common EU aviation policy in Europe that ensures that passengers are treated equally in all EU countries. Every citizen of the EU and the countries belonging to the European Economic Area (Iceland, Norway, Liechtenstein) and Switzerland are in a safe situation because the EU legislation is unambiguous and leaves no doubts as to further actions. European regulations are the same in each of these countries. They are in force on the basis of regulation 216/2004 of 2004. Legal solutions adopted many years ago concerning assistance to passengers in the event of flight cancellation, delay, or denied boarding in this situation are very clear and helpful. No passenger should be left unassisted. Everyone is entitled to compensation, subject to a certain category of persons. Who is entitled to the compensation referred to above? Well, first of all, these are all those who were supposed to fly out or arrive by plane at one of the European airports. Regardless of their nationality, and whatever country they were supposed to fly from or to. It must be a European airport. In addition, compensation may be claimed by all those who used the services of a European carrier outside of Europe (e.g. they flew to the USA with a European carrier and their return flight was canceled, and are located in the USA). The country of registration of the air carrier is of importance here. In the event of a flight cancellation, each such passenger has the right to assistance from the carrier, including compensation, under the provisions of Article 5 of Regulation 216/2004. The carrier is obliged to provide passengers with the necessary assistance in a given situation. If the passenger has just purchased a ticket and has not started the journey, and his flight has been canceled, he is entitled to a full refund of the ticket purchase costs, without any deductions. On the other hand, if the passenger is in the process of traveling, of whatever nature, he/she is also entitled to a refund for the return flight or the entire journey, "if the flight no longer serves any purpose related to the passenger's original itinerary", according to with Article 8 (1) (a) of Regulation 216/2004. In addition, if the passenger is traveling and learns that the flight has been canceled, the carrier must also provide the passenger with the assistance specified in Article 5 (1) (b), subject to Article 9 of Regulation 216/2004, i.e. an amount appropriate to the waiting time. meals, drinks, or hotel accommodation, including transport to the hotel, if there is a need to stay longer than the passenger planned. This solution protects the interests of the passenger if, while in a foreign place, he has to suddenly collide with a situation of sudden flight cancellation. There is also an additional option, according to Art. 5 (1) (c),

subject to Article 7 of Regulation 216/2004, the passenger's right to compensation. This right is a kind of compensation for the damages and possible losses of the passenger by the carrier. The carrier is obliged to pay the passenger compensation in the amount of 250, 400, or 600 Euro, depending on the length of the route. Thus, in the case of flights of 1500 km or less, the carrier will pay EUR 250, in the case of flights between 1500 and 3500 km, and on all intra-EU routes over 1500 km - EUR 400, and in the case of other flights over 3500 km in length, EUR 600. Of course, this rule is not unconditional. There are several reasons for excluding the carrier's liability for the payment of this compensation. The first is the matter of time when the passenger becomes aware of the cancellation of the flight:

- a) when the carrier informs the passenger about the cancellation of the flight at least two weeks before the scheduled departure time, or
- b) when the carrier informs the passenger that the flight is canceled between two weeks and seven days before the scheduled time of departure and has offered him a re-routing allowing him to depart no more than two hours before the scheduled departure time and reach his final destination no more than four hours after the scheduled time of arrival, or
- c) when the carrier informed the passenger that the flight was canceled within less than 7 days and at the same time offered the passenger a re-routing, enabling him to depart no more than one hour before the scheduled departure time and reach their final destination no more than two hours after the scheduled time of arrival.

The second premise excluding the carrier's liability for the payment of compensation for the canceled flight is the so-called force majeure, as referred to in Article 5 (3) of Regulation 216/2004. The carrier does not have to pay the passenger compensation if he proves that the cancellation of the flight was caused by circumstances beyond his control and which he was unable to avoid. In this situation, the burden of proof rests with the operating carrier. When analyzing the case related to the Coronavirus pandemic crisis, we can divide it into two cases. In a situation where state authorities close air borders and prohibit landing at their own airports, this is a condition excluding the carrier's liability for the payment of compensation referred to in Article 7. The carrier did not influence this decision of the state authorities and even if it wanted to carry out its flight operations, due to the ban introduced by the state authorities it is. The passenger will be able to receive assistance from the carrier for the cancellation of the flight, but with the exclusion of the right to compensation. There is also a second situation that is more common. However, many countries have not introduced bans on flights to their airports. It was individual carriers that began to decide to limit their flight operations and cancel flights. Of course, their decision is motivated by political considerations to limit mobility and to introduce various travel bans in individual countries. However, as long as the state does not prohibit the operation of flights by carriers and does not close the airspace, it is only the carrier's decision. In this situation, the passenger has the right to compensation, provided that the above-mentioned conditions are not met. The carrier cannot invoke force majeure, as it is possible to imagine the situation that the carrier carries out air operations, despite the financial losses that would be associated with such flights. The carrier is guided by its financial condition and makes appropriate decisions in its own economic interest. It is not surprising that such decisions are understandable from the point of view of securing his interests as an entrepreneur who employs hundreds or thousands of people and cares about his future. However, this premise, in my opinion, does not exempt the carrier from liability for the payment of compensation under Article 7 of Regulation 216/2004, subject to the above conditions.

Is every carrier obliged to comply with the above European regulations? Can you be guaranteed such a right when traveling with a low-cost carrier? The answer is very obvious and unambiguous. Each passenger, regardless of which carrier purchased the ticket, has the right to receive due assistance under the EU legislation. Both the traditional carrier and the low-cost carrier are obliged to respect the provisions of European law, which does not differentiate between carriers and passengers. What procedures are provided by law for a passenger to receive appropriate compensation from the carrier? First of all, the passenger must first report to the carrier itself with a demand for payment of compensation specified by law. The passenger may execute his report in the manner provided for in the carrier's procedure. Usually, it is an electronic form (via the online platform by filling out a form, or by e-mail to the address provided). If it is not known how you can send your application by traditional mail to the carrier. The application must provide the necessary information related to the canceled flight, including the flight number, the date of the canceled flight, and the passenger's name. You can hear that the carrier is not responding to the passenger's requests, or is making contact difficult. Each passenger has the right to submit an appropriate complaint, and the right to compensation is a specific complaint. This is usually the case with low-cost carriers who, by acting in this way, want to discourage the passenger from making their claim and not seeking compensation. The situation with the cancellation of flights in connection with the Coronavirus pandemic affected Ryanair passengers, who tried unsuccessfully in the first days after the announcement of the cancellation of flights to pursue their rights guaranteed by European law. Passengers on internet portals began accusing the company of deliberately acting to the disadvantage of customers, so as not to reimburse tens of thousands of passengers in Europe [10]. The carrier did not comment on these situations. The business structure of low-cost carriers could be a reason to discourage customers from claiming compensation, but this practice is unacceptable. Each carrier is subject to the same regulations and regardless of its financial and cost structure, the regulations are the same for everyone. The passenger should not worry in such a situation. If the carrier fails to respond or refuses to pay compensation, the passenger may contact the aviation authority in any European country with a complaint against the carrier and presenting his request. In the case of Poland, it is the Civil Aviation Authority. There are similar institutions in other countries. This institution is obliged to issue a decision within a specified period and, if the passenger is right, order the carrier to pay compensation, stating the date by which it is to be done. The passenger can also send a notification to the European Commission, which receives thousands of reports every year about non-compliance with passenger rights by carriers.

It is also worth looking at the economic situation of carriers, including Ryanair. The largest carriers have a very good financial situation, as they obtain significant net profits from their operations every year and have no problems with financial liquidity and solvency [4]. Therefore, passengers should have no problem claiming compensation from the carrier. The process may take a long time, but you need patience.

Summary

The crisis in the aviation industry caused by the coronavirus pandemic is very acute. Many countries lost the income from tourism, which made up a significant part of their national income, such as Iceland. From the initial complete ban on flights (the so-called lockdown) from/to a given country to a gradual loosening of restrictions, but maintaining the ban on flights to a significant number of countries. Tourism has been hit hard by the suspension of airline connections. It is also necessary to pay attention to the social aspect because as a result of the restriction/closure of air

routes people do not travel, visit their families, and do not visit places that have so far been extremely popular. Air transport is great for reaching the most distant places in a very short time. For many months, the restrictions will continue in 2021. If this crisis is overcome, it will take several years to restore the state of air traffic development before the coronavirus pandemic.

Source materials

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