

# Air transport survival during the pandemic

## SUMMARY

The coronavirus pandemic has had an unprecedented impact on air transport in the European Union and the rest of the world. During the first wave, most Member States imposed entry or flight bans and other travel restrictions, bringing passenger flights almost to a standstill. However, many airports serving major cities stayed open for limited scheduled, humanitarian, repatriation, and cargo flights, and for aircraft parking. The drop in passenger flights has meant that the air freight sector has had to adjust to the situation by occasionally carrying cargo in passenger compartments. As the industry looks for ways to cut costs, it has announced job cuts and/or reduced work patterns, wage reductions and hiring freezes. A number of airlines have already declared bankruptcy.

With the public health situation improving in the EU by the summer of 2020, Member States started to lift some travel restrictions, allowing airlines to slowly resume operations while leaving in place numerous inconsistent and constantly changing travel rules and guidelines, limiting air travel significantly. In addition, airlines and airports apply strict health and sanitary measures that entail higher costs both for the industry and passengers. The International Air Transport Association (IATA) forecasts that airlines would lose about 66 % of their passengers and see total revenues drop by US\$419 (€357) billion in 2020. The final impact of the crisis on air transport will depend on factors such as its duration and magnitude, the level of consumer confidence, and the stringency of the containment measures. In all likelihood, the sector will feel the effects well beyond 2020.

The EU has worked on several levels to help the sector meet the challenge, whether by publishing guidelines (e.g. on passenger rights) and recommendations, or by legislative work. One of the first measures it took was to change EU rules on the allocation of airport slots, so as to help airlines avoid flights with very low load factors. However, a lot of work still lies ahead, in particular regarding the coordination of travel restrictions. The European Commission has also authorised several national aid schemes for airlines and airports. However, this raises questions about fair competition and whether the aid should be linked to environmental considerations.



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## Background

[Aviation](#) is a strategically important sector that employs almost five million people across the EU: pilots, cabin crew, airport operators, on-site airport enterprises, aircraft manufacturers and air navigation service providers. The sector accounts for €300 billion, or 2.1 % of EU gross domestic product. It plays a pivotal [role](#) in tourism and enables trade over long distances.

Aviation is also one of the most regulated industries, with most of the regulation being related to safety, making it one of the [safest](#) travel alternatives, even during the latest crisis. Over the past three decades, the EU aviation market has gradually been liberalised, which has helped to create new routes and innovative business models for airlines, lowered air fares and ensured wider access to air transport. However, it has also raised issues around fair competition, labour standards and the environmental impact of air transport. These issues are even more acute now that the sector is going through its worst-ever crisis.

## Impact of the pandemic on air transport

### Passenger flights

On March 11 2020, the Director-General of the World Health Organization [declared COVID-19 a global pandemic](#). As the virus quickly spread around the world, governments took a variety of restrictive measures, including travel and flight bans, quarantines, lockdowns and shutdowns to enforce social distancing measures. This has had an [unprecedented impact](#) on air transport.

One of the [unique features](#) of the ongoing crisis is that both supply and demand have been affected. On the one hand, many passenger flights have been cancelled. On 22 October 2020, [IATA](#) reported that in September 2020 airlines operated 51 % fewer flights worldwide than in September 2019. On the other hand, air transport demand has also collapsed, with IATA estimating that airlines would lose about 66 % of their passengers in 2020. Although there are far fewer passengers and flights, airports and airlines still have high fixed costs, including for the maintenance of aircraft, airfields and terminals, and for the application of strict sanitary measures. IATA expects that the pandemic will push the airline industry's total revenues down by US\$419 (€357) billion in 2020, a 50 % decline compared to 2019. Unlike previous crises, the current one is expected to have a much longer-term impact on the sector. [IATA](#) does not expect the world's airlines to recover to 2019 levels before 2024; long-haul travel will be the slowest to pick up.

Many airlines, airports and aircraft manufacturers have already announced job cuts and/or reduced

Figure 1 – Air traffic in EU, 2020 (compared to 2019)



Source: [Eurocontrol](#), 2020.

work patterns, wage reductions and hiring freezes. For example [Air France](#) plans to cut 7 580 jobs – 16 % of its staff – by 2022. [Aer Lingus](#) has reduced the wages and working hours of some of its staff by up to 70 %. [Wizz Air](#) has been accused of leading an anti-union campaign and of forcing its cabin crew to agree to a 25 % cut in their basic salary. Some airlines have already declared bankruptcy (e.g. [Air Italy](#) and [Flybe](#)).

Europe has been one of the worst affected regions in the world. The number of flights in European airspace fell by almost 90 % in March to April 2020 compared with the same period in 2019, leading to the collapse of passenger travel (see Figure 1). An ICAO (International Civil Aviation Organization) [analysis](#) of 28 October 2020

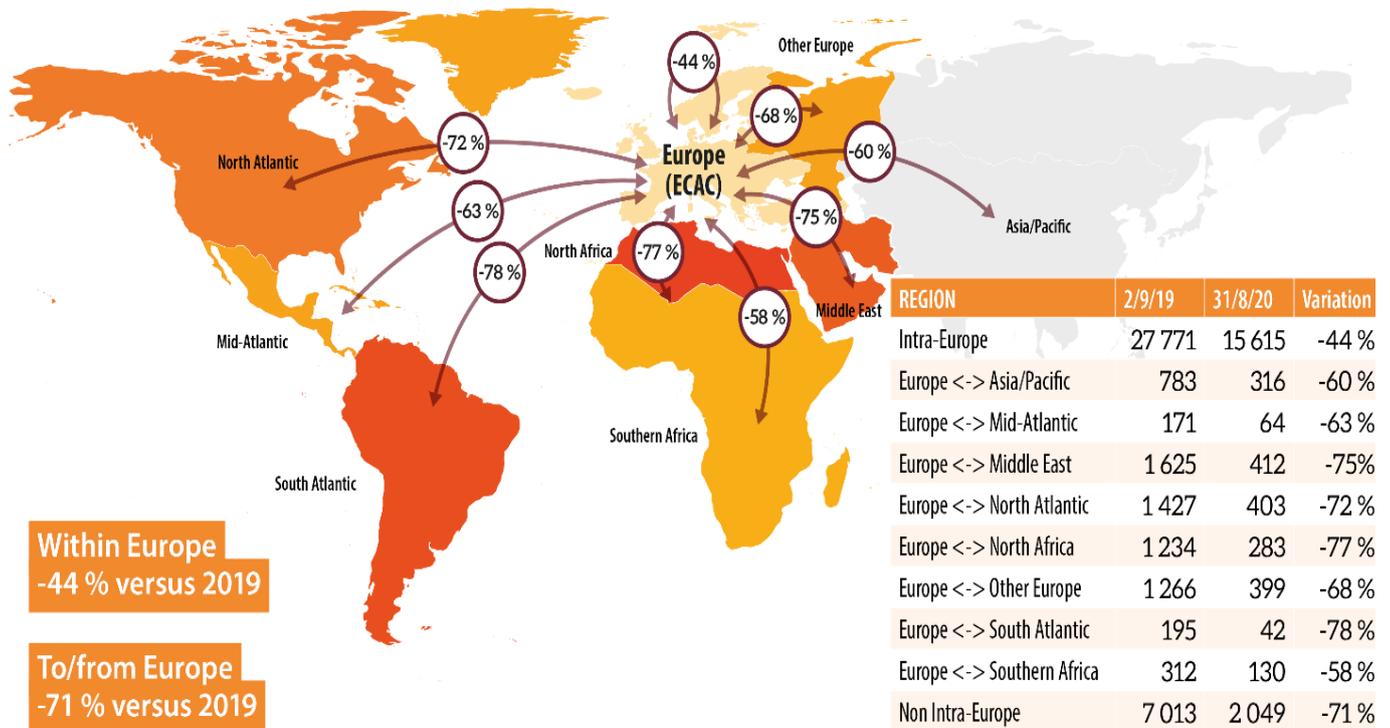
estimates that in Europe, airlines would offer 57 % to 58 % fewer seats and transport 783-791 million fewer passengers in 2020 than they would have normally done (see Table 1).

International air passenger traffic has suffered more than its domestic counterpart. For instance, the ICAO estimates that, while the overall reduction of seats offered by airlines could reach up to 64 % in international air passenger traffic, it would be lower – up to 39 % – in domestic air passenger traffic (see Table 1). The actual impact will depend on various factors such as the duration and the magnitude of the crisis, the level of consumer confidence, and the containment measures.

Table 1– Europe's scheduled air passenger traffic reduction in 2020 (ICAO estimates, p. 95)

Compared to baseline	Seat capacity			Passenger number (in millions)		
	Total	International	Domestic	Total	International	Domestic
1Q2020	-15 %	-17 %	-9 %	-49	-39	-11
2Q2020	-90 %	-93 %	-81 %	-304	-235	-69
3Q2020	-57 %	65 %	-30 %	-250	-220	-30
4Q2020	-59 % to -60 %	-68 % to -70 %	-32 % to 33 %	-180 to -188	-154 to -161	-26 to -27
Total 2020	-57 % to -58 %	-64 %	-39 %	-783 to -791	-648 to -655	-135 to -136

Figure 2 – Air traffic evolution between regions in the world

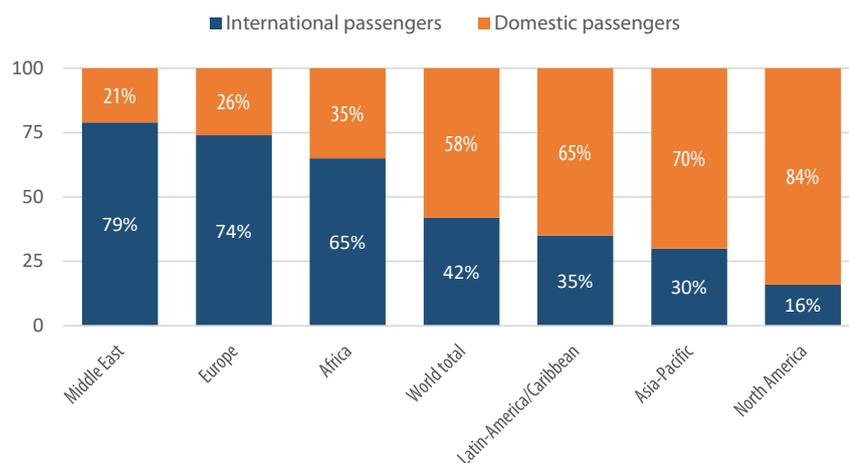


Source: Eurocontrol, 2020.

Figure 2 shows that, when comparing data from 31 August 2020 with data from 2 September 2019, intra-Europe air traffic has decreased by 44 %, while traffic between Europe and the North Atlantic has decreased by 72 % and between Europe and the South Atlantic by 78 %.

Europe is also one of the regions where [air traffic](#) is estimated to recover more slowly than in other regions. As seen in Figure 3, Europe is more dependent on international air traffic than most other regions of the world.

Figure 3 – Share of international and domestic air passenger traffic by region in 2019



Source: [ICAO](#), 2020.

At the other end of the aviation industry are the airports. Their revenues come from charges on airlines and passengers, as well as activities such as retail and parking, which are also linked to the number of passengers. All of these sources of revenues are taking a hit as [airports](#) face a sharp decline in passenger volumes. [Airport Council International Europe](#) reported on 7 August 2020 that passenger traffic had decreased by 64.2 % during the first half of

2020 and dropped by 96.4 % in the second quarter (compared with the same period in 2019). However, despite the sharp decline in passenger volumes, many airports serving major cities have stayed open for limited scheduled, humanitarian, repatriation and cargo flights, and for aircraft parking. All these activities have continued to generate costs for the provision of airport facilities and the staffing of services.

Aircraft manufacturers and their suppliers are equally affected as airlines push back aircraft deliveries or cancel orders. In addition, fewer aircraft in operation means a lower income from aftersales services. To cut costs, [Airbus](#) has adapted its commercial aircraft production, frozen non-essential investment and planned a cut of 15 000 jobs (around 17 % of its workforce).

Several aviation experts, interviewed for a [study](#) assessing the impact of the pandemic on air transport (published in June 2020), thought that the current crisis could lead to a smaller, more consolidated sector in the future. According to their estimates, full-service network carriers could be more affected by the crisis, since the recovery in international markets would be slower. They expected low-cost carriers to concentrate on primary markets and to reduce their route frequencies. The interviewees also expressed concern about the recovery of business travel, mainly due to the cancellation of in-person meetings, conferences and travel bans. They expected leisure travel to recover faster, although reduced disposable incomes, fear and health concerns could be major issues confronting the leisure traveller.

Strange as it might seem, some carriers might gain a market share thanks to the crisis. According to [The Economist](#), low-cost Wizz Air is one such example, as its main markets – central and eastern Europe – have been less affected than those elsewhere, and many of its customers are young and less worried about getting on a plane, or are visiting family and friends, and generally seem more resilient to the crisis than business travellers.

## Cargo flights

Compared with the passenger market, the [air cargo sector](#) has suffered less. The sector has been able to continue operations and has been the [main source of revenue](#) for airlines, although some Member States have not clearly exempted cargo flights from their national restrictions on aviation. Just like passenger airlines, cargo and express airlines too have faced practical difficulties in operating in certain airports due to restrictions on flights or personnel. According to IATA, air cargo demand fell worldwide by 27.7 % in [April](#) 2020, before rising slightly to a 13.5 % drop in [July](#) 2020 (compared with 2019). In Europe, demand fell even further: by 33.7 % in April and 22.4 % in July 2020. Longer-term prospects for the sector are uncertain, as a prolonged global recession may weaken demand for air cargo.

Airlines have struggled to respond to this demand, even if it is reduced. Whilst all-cargo flights have continued operating at similar levels to previous years, they have been unable to compensate for the loss of cargo capacity on passenger aircraft that normally carry about half of all [air freight](#). Therefore airlines have been forced to look for ways to carry cargo also in passenger compartments, either by removing seats from cabins or by carrying cargo on seats. These adaptations have been made possible by updated [guidelines](#) from the European Union Aviation Safety Agency (EASA) and other authorities to exempt airlines from the normal limits on transporting critical cargo in passenger cabins during the crisis.

In its [guidelines](#) adopted on 26 March 2020 with a view to facilitating air cargo operations, the European Commission recommended specific measures to keep essential transport flows moving, including by inviting Member States to grant temporary traffic rights for additional cargo operations from outside the EU. The Commission also called on the Member States to temporarily remove night curfews and/or slot restrictions at airports for essential air cargo operations, and to ease the use of passenger aircraft for cargo-only operations. According to the Commission, asymptomatic aircrew flying the aircraft should be exempted from travel restrictions. Lastly, the Commission called on third countries to refrain from unnecessary restrictions on air cargo operations.

The [next big challenge](#) faced by the air cargo sector is its critical role in transporting vaccines all over the world, vaccines being one of the most sensitive cargoes requiring specific logistics (e.g. a specific temperature). Besides, the potential volume of vaccines to be distributed around the globe is huge.

## Airport slots

The EU has worked on several levels to help the aviation industry. One of the first measures it took was to avoid situations where air carriers would operate flights with very low load factors for the sake of protecting their allocated take-off and landing slots (under [EU slot rules](#), air carriers have to use their take-off and landing slots at least 80 % of the time over the scheduling period (summer or winter) for which they have been allocated; otherwise, these slots go back into the slot pool for allocation, with underused slots then being reallocated as part of the 'use it-or-lose-it' rule). At the start of the pandemic, flights with very low load factors caused additional financial loss for air carriers as well as having a negative impact on the environment.

To address the situation, on 13 March the Commission [proposed](#) to suspend the 'use it-or-lose-it' rule for slot allocation, with retroactive effect. Parliament and Council approved the amendment to the EU Slot Regulation in late March 2020, and it entered into force on 1 April 2020. The [amendment](#) waives the usage requirement from 1 March 2020 until 24 October 2020 and allows the Commission to extend the duration of the waiver by delegated acts until 2 April 2021.

A 14 September 2020 Commission [report](#) estimated that, given the uncertainty in the evolution of the pandemic and air traffic, the slot waiver should be extended to cover the 2020/2021 winter season. Accordingly, the Commission extended the slot waiver until 27 March 2021 by means of a [delegated regulation](#) of 14 October 2020. At the same time, it identified some shortcomings (such as the risk of distorted competition if airlines seek to benefit from the slot waiver by increasing their

market presence without using their slots) that require reflection on whether further regulatory intervention beyond simply extending the duration of the waiver is needed. Therefore, the Commission decided to [consult](#) stakeholders on this initiative and see whether to present a new proposal to amend allocation rules for airport slots before the end of the year.

## Travel restrictions

The EU has also worked to coordinate travel restrictions, although much remains to be done. Most Member States have introduced temporary internal border controls and measures restricting free movement across the EU at some point during the pandemic. At EU level, they agreed on 17 March 2020 to restrict all [non-essential travel](#) to the EU for a specific period. This restriction has been extended a number of times. On 30 June, [Council](#) recommended gradually starting to lift temporary restrictions on non-essential travel to the EU. For internal borders, the EU has given guidelines and recommendations on when they should gradually be opened and border controls lifted.

Since mid-June, most EU countries have re-opened their borders to intra-EU travel, and since July, several Member States have opened their borders to travellers from a handful of third countries. However, numerous [inconsistent](#) and constantly changing travel restrictions and guidelines still in place are limiting air travel considerably. All Member States have introduced travel restrictions of some kind, but their rules differ depending on travellers' nationality, place of residence or country of arrival. Some have [flight bans](#) for a few specific countries that have a higher rate of Covid-19 cases, while others require travellers to quarantine (with differing periods of quarantine being required) or to present a negative polymerase chain reaction (PCR) test on arrival with differing maximum validity periods. Member States also use different national traveller locator forms, criteria for defining risk areas and requirements with regard to the use of masks. All this has made controls at airports very difficult and caused a lot of [frustration](#) among passengers and airport staff.

[The aviation industry](#) has urged governments to coordinate travel restrictions and find alternatives to certain measures (such as quarantine) that deter many travellers from travelling. On 4 September 2020, the Commission submitted a [proposal for a Council recommendation](#) on a coordinated approach to the restriction of free movement in response to the pandemic. The proposal includes common criteria on epidemiological risks (infection rate, test-positivity rate and a testing rate), a shared colour-coding system (green, orange, red and grey areas),<sup>1</sup> and a joint approach to those returning from high-risk areas.

The European Parliament approved the idea of coordinating travel restrictions in its [resolution](#) of 16 September 2020, calling on Member States 'to adopt the same definition for a positive case of Covid-19, for a death by Covid-19 and for recovery from infection'. In addition, it urges them to adopt 'a common testing strategy under which test results would be recognised in all Member States', 'to agree on a common quarantine period' and to adopt a 'harmonised version of the passenger locator information form in digital format'. Finally, Parliament calls for the European Centre for Disease Prevention and Control (ECDC) to publish a weekly updated risk map (by region) based on colour-coded information from the Member States, and supports the colour-code system proposed by the Commission on 4 September 2020.

On 13 October 2020, Council agreed on a [recommendation](#) on a coordinated approach to the restriction of free movement in response to the pandemic. The non-binding recommendation includes a colour-coding system of affected areas as proposed by the Commission but with slightly modified numbers (differences are highlighted in bold in the endnote).<sup>2</sup> Member States should in principle not refuse entry to travellers coming from other Member States, but can require travellers coming from non-green areas to undergo quarantine or a test. No travel restrictions are envisaged for persons travelling to or from green areas. Council also calls for the development of a common digital European passenger locator form, but does not propose a common length of quarantine period. The [aviation industry](#) was disappointed by the Council recommendations, claiming that they

failed to encourage 'a restart of travel through effective coordination and proportionate, predictable and non-discriminatory measures' (such as replacing the quarantine with testing).

## Passenger rights

The pandemic has hit hard not only companies but also many air passengers, whose flights have been cancelled and/or who no longer wish or are no longer allowed to travel to certain countries or regions. Air passenger rights in the EU are set out in [Regulation 261/2004](#), which gives them rights in the event of cancellations, namely the right to be reimbursed (in money or in the form of a voucher) or re-routed. The [EU rules](#) set a deadline by when such reimbursement is due: within seven days (following the passenger's request). In addition, the EU has adopted a [Package Travel Directive](#). Since the application of some passenger and package travellers' rights has been disputed, in March 2020 the Commission published [interpretative guidelines](#) on EU passenger rights and [informal guidance](#) on the application of the Package Travel Directive. The Commission explained that air carriers and travel companies can offer vouchers for journeys and holidays cancelled. However, this offer cannot affect passengers' and travellers' right to opt for reimbursement instead.

Despite this clarification, many air passengers are still struggling to exercise their rights. As mentioned by the European Consumer Organisation [BEUC](#), some airlines have pushed consumers to accept vouchers or have failed to inform passengers about their choices. In addition, several EU countries have adopted legislation authorising carriers to offer vouchers as the only form of reimbursement. Therefore, in July 2020 the Commission opened [infringement procedures](#) against Italy and Greece for failure to comply with EU rules protecting air passengers' rights, and against Czechia, Cyprus, Greece, France, Italy, Croatia, Lithuania, Poland, Portugal and Slovakia for adopting measures contrary to the Package Travel Directive.

## Financial support

The aviation industry is seeking government [aid](#) through direct grants, loans at preferred conditions or with state guarantees, or subsidies.<sup>3</sup> Governments have been able to give such aid thanks to the relaxation of EU State aid rules,<sup>4</sup> subject to prior authorisation by the Commission. The conditions for doing so are set in the Commission [communication](#) of 20 March 2020 on a temporary framework for State aid measures to support the economy during the current crisis ([amended](#) on 3 April).

Since mid-March, the Commission has approved various State aid schemes from which the aviation industry can benefit. For instance, on 31 March 2020 the Commission approved a [French aid scheme](#) deferring the payment by airlines of certain aeronautical taxes. On 4 May 2020, it approved a €7 billion French aid scheme consisting of a State guarantee on loans and a shareholder loan to [Air France](#). The latter scheme included several conditions for extending the aid, including a commitment to discontinue routes of less than 2.5 hours that compete with train routes. The airline will also have to cut its CO<sub>2</sub> emissions per passenger and per kilometre by half by 2030.

Airports too have received financial support. For example, on 11 April 2020 the Commission approved a [Belgian aid scheme](#) deferring the payment of concession fees by Walloon airports Charleroi and Liège in order to mitigate the economic impact of the pandemic on them.

However, these decisions have also caused discontent. Low-cost carrier [Ryanair](#) has appealed several Commission authorisations for State aid, arguing that they distort competition. Several environmental groups have questioned whether and on what grounds governments should help the aviation industry, calling for the application of more environmental conditionality. Brussels-based NGO Transport & Environment, for instance, has criticised the fact that the financial aid was extended to Air France without the inclusion of any legally binding environmental requirements. Finally, more than 105 000 people have signed a [petition](#) calling to link government aid with conditions such as protecting workers rights, reducing emissions and paying a tax on kerosene.

The EU is expected to take further action on the issue of the environmental impact of aviation. The [Commission](#) plans to present a new legislative initiative in 2021 on sustainable aviation fuels and a [revised proposal](#) on the EU Emission Trading System Directive concerning aviation.

## MAIN REFERENCES

[Effects of Novel Coronavirus \(COVID-19\) on Civil Aviation: Economic Impact Analysis](#), International Civil Aviation Organization, October 2020.

Albers S. and Rundshagen V., '[European airlines' strategic responses to the COVID-19 pandemic \(January-May, 2020\)](#)', *Journal of Air Transport Management*, Vol. 87, August 2020.

## ENDNOTES

- <sup>1</sup> In the Commission proposal, *green areas* are those where the infection rate is lower than 25 cases per 100 000 persons and the test-positivity rate is lower than **3 %**. *Orange areas* are those with less than 50 cases per 100 000 persons and a **3 %** test-positivity rate or more, or between 25 and 150 cases per 100 000 persons, but a test-positivity rate lower than **3 %**. *Red areas* are those with more than 50 cases per 100 000 persons and a test-positivity rate higher than **3 %**, or simply more than 150 cases per 100 000 persons. *Grey areas* are areas for which there is insufficient information available to assess the situation or testing is lower than **250** per 100 000 persons.
- <sup>2</sup> In the Council recommendation, *green areas* are those where the infection rate is lower than 25 cases per 100 000 individuals and the test-positivity rate is lower than **4 %**. *Orange areas* are those with less than 50 cases per 100 000 persons and with a **4 %** or higher test-positivity rate, or between 25 and 150 cases per 100 000 persons, but less than **4 %** of positive tests. *Red* are areas with more than 50 cases per 100 000 persons and a test-positivity rate **of 4 %** or more, or simply more than 150 cases per 100 000 persons. *Grey areas* are areas for which there is insufficient information available to assess the situation, or where positive tests are lower than **300** per 100 000 persons.
- <sup>3</sup> The Transport & Environment NGO [website](#) gives examples of State aid that has been extended to airlines by volume and type.
- <sup>4</sup> Article 107 of the Treaty on the Functioning of the European Union defines State aid as 'any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States'. In principle, measures that constitute State aid are illegal, unless issued under an exemption or unless authorised. For example, aid to compensate for damage caused by natural disasters and exceptional occurrences, such as a pandemic, is allowed.

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