

# EU's compensation rules may be extended globally

THE European Union (EU) has introduced regulations requiring airlines to compensate passengers who are denied boarding due to overbooking by airlines or because of cancelled or delayed flights.

Chris Christodoulou, managing partner at Christodoulou Mavrikis & Comminos attorneys, says many airlines overbook because there is usually a certain number of people who fail to turn up for their flights and the airlines want to ensure aircraft fly full. However, regularly there are too many passengers for a flight and passengers are moved.

"The EU is trying to prevent this phenomenon. While the airlines tend to compensate affected passengers, the EU is regulating the level of compensation."

For example, when passengers are denied boarding on a flight of 1 500kms or less, they are paid €250, and up to €400 for longer flights within the EU.

In the case of international flights longer than 3 500kms from or to an EU airport on an EU airline, the compensation is €600.

When flights are cancelled passengers are entitled to hotel

accommodation and meals and refreshments in reasonable relation to the waiting time, he says.

The regulations cover all EU airlines flying to an EU airport and all flights departing from the EU, including non-EU airlines.

"The flying public are fully in favour of the new regulations and are ready to exercise them.

"However, some of the airlines, particularly the low-cost carriers, have refused to pay. The carriers point out that their tickets on some flights cost €20 to €100 and that the levels of compensation are out of line with these fares.

"The International Airline Transportation Association has lodged a formal complaint with the EU, and this is being heard in the European Court of Justice."

However, he says the likelihood of a successful challenge is remote.

Christodoulou says the regulations will change the economics applied to airlines, particularly low-cost carriers, as airlines will have to look more closely at cancelling flights, allowing delays and overbooking.

He says the EU regulations

could have a knock-on effect around the globe as passengers are likely to demand similar regulations in non-EU countries.

"Prices are likely to respond to the higher costs airlines will incur, as airline profitability will be affected. There have been reports of carriers having to pay sums in excess of €100 000 in respect of a single affected flight."

Peter Barry, GM SA at Virgin Atlantic, says to a large extent the EU regulations simply formalise steps airlines have been taking for many years to compensate inconvenienced passengers.

"The regulations are more stringent and they include some new compensation areas and increased levels of compensation.

"As an EU operator we have no choice but to follow the rules. It has the potential to increase industry costs," Barry says.

While the regulations were intended to modify the industry's behaviour and cause airlines to stop overbooking, this has not been the case, he says. Instead, airlines have fine-tuned their overbooking processes to reflect their experiences on particular routes more accurately.