

Measure 65: Compensation of air passengers

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<i>Policy package:</i>								
3D: Air safety, quality and environment								
3A: Air liberalisation and harmonisation								
<i>Measure 65:</i>								
Compensation of air passengers: increase air passengers' existing rights through new proposals concerning in particular denied boarding due to overbooking, delays and flight cancellations (including a new version of the air transport Charter)								
<i>What is the problem being addressed ?</i>								
The action aims at reinforcing the passenger rights in the frame of liberalisation and growing competition of air transport (measure 17 to 26) and it takes into account the requirements of consumer protection in general. It refers to denied boarding (overbooking), cancellation of flights and delay of flights. Indeed, while Council Regulation (EEC) No 295/91 of 4 February 1991 has already established common rules for a denied boarding compensation system in scheduled air transport, creating basic protection for passenger, the number of passenger denied boarding against their will remains too high, as does that affected by cancellations without prior warning and that affected by long delays. The new Regulation (see below) addresses now this issue that, according to what was referred during the European Parliament discussion, affects more than 1,1 million cases of denied boarding each year. The regulation in practice doubles the compensation for denied boarding and modulate it according to the flight distance and the hours of delay caused by the re-routing to passengers, as it is shown in the following table:								
Compensation for: (Euro)	Flights < 1500 kms		Flights > 1500 kms					
	Re-route < 2 H	Re-route > 2H	Intra-Community flights		Other flights < 3500 kms		Other flights > 3500 kms	
			Re-route < 3 H	Re-route > 3H	Re-route < 3 H	Re-route > 3H	Re-route < 4 H	Re-route > 4H
Denied Boarding	125 €	250 €	200 €	400 €	200 €	400 €	300 €	600 €
In addition, the same compensation is due now in case of cancellation of flights which are not caused by extraordinary circumstances (including cases of political instability, meteorological conditions, unexpected flight safety shortcomings and strikes), and unless the air carrier is able to offer re-routing to passengers at their final destination in less the two hours after the scheduled time of arrival. Besides the compensation – which is applicable only in case of denied boarding or cancellation - passengers shall be offered free meals, refreshments or – if needed – hotel accommodation when an air carrier expects a flight to be delayed beyond its scheduled time of departure. Delays giving right to care are also defined according to the distance of flights: two hours in the case of flights of 1500 kms or less, three hours in the case of all intra-Community flights of more than 1500 kms and four hours in the case of other flights.								
<i>Measure's costs and/or benefits:</i>								
The cost of the measure for the air carriers will depend from their reaction. In principle, we should assist at a reduction in the number of denied boarding, which if maintained at the current level will cause almost a doubling of compensation due to passengers after the entering into force of the Regulation. However, the elasticity of the overbooking practice to the cost of compensations will depend on the trade-off between benefits from full capacity utilisation of the aircrafts – which is the underlying cause of overbooking – and total costs of compensations.								
<i>Legislative implementation at EU level:</i>								
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. The Regulation shall enter into force on 17 February 2005.								
<i>What are the objectives ?</i>								
The provisions included in the Regulation shall contribute to better protect the user's rights towards the air companies. A formal monitoring of objective achievement is provided in the Regulation. Indeed, the								

Commission shall report to the European Parliament and the Council by 1 January 2007 on the operation and the results of this Regulation, in particular regarding:

- the incidence of denied boarding and of cancellation or delay of flights;
- the possible extension of the scope of the Regulation to non scheduled flights included in tour operators packages;
- the possible revision of the amount of compensation.

The latter might be increased in particular if the practice of overbooking will be not reduced as expected.

Interactions with other WP measures:

While discussing the Regulation, Members of the European Parliament were strongly in favour of equal treatment and equal rights to compensation for passenger travelling on other transport modes. It was considered irrational, unfair and a distortion of competition to compensate for denied boarding or a long delay in the case of a plane journey between two European cities whilst not offering compensation in similar circumstances for a high speed train journey between the same two cities (e.g. London-Brussels or Paris-Brussels). Therefore, there is a strong link with Measure 66 providing passenger protection for other modes of transport and in particular railways.

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Output indicators:

The output of the measure can be monitored using the following key implementation indicators:

- Number of denied boarding;
- Total amount of compensations for denied/cancelled boarding
- Total cost of assistance to delayed passenger (meals, hotels etc.)

Outcome indicators: intermediate impacts on transport markets

- Delivered quality indicators: punctuality (number of delayed flights) and reliability (number of cancelled flights) may improve as a reaction to the increased costs of compensation.
- Airlines productivity indicators: the measure may lead the air carriers to reduce overbooking and as a consequence to decrease aircraft capacity utilisation. Based on data from principal carriers only, including domestic flights, the average seat occupancy of European airlines has increased by around 5% in the past two decades. On average, aircraft are now around 68% occupied. Spain and Finland showed remarkable increases (both around 10%). Spain is the country with the highest seat occupancy in aviation (TERM 2002 – Occupancy rates indicator fact sheet):

Air seat occupancy in 1999

Unit:	% of seats occupied
	Occupancy rate
Austria	52
Belgium	66
Denmark	67
Finland	65
France	70
Germany	66
Greece	68
Ireland	72
Italy	64
Luxembourg	53
Netherlands	69
Portugal	69
Spain	71
Sweden	67
United Kingdom	69
EU-15	68

Source: Eurostat, 2002.

Outcome indicators: final impacts on transport users and non users

The measure will have an influence air transport delays, reducing them, and this will reduce waste of time for passengers. Also customer satisfaction should increase.