

# Ryanair backs down in row over passenger expenses

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Ireland's Ryanair backed down in a row over compensation for victims of the Icelandic ash crisis yesterday as the European Commission warned low-cost airlines not to "discount" passengers' rights.

Europe's largest low-cost airline said it would comply with an "unfair" European law that requires airlines to pay the hotel and food costs of people stranded without flights after refusing at first to repay more than the cost of the air ticket.

The argument over costs soured the homecoming of thousands of people forced to run up credit card debts or borrow money due to the six-day shutdown of large areas of European airspace due to fears of air crashes caused by ash from an Icelandic volcano.

Airlines said flights were now running at near normal levels but it could take weeks to complete the repatriation of millions of people affected by the disruption worldwide, with some travellers not being offered flights until May.

Eurocontrol said almost all air restrictions had ended with a small number of cancellations due to logistical problems.

Air France-KLM and others announced extra flights.

Norway, which had been among the first countries to respond to last week's volcano eruption by clearing its airspace, reopened its airways yesterday.

But Iceland, which had kept its airports open, closed its airspace yesterday because of a change in wind direction. The wind had previously taken ash from the volcano under the Eyjafjallajökull glacier away from the island, towards continental Europe.

Ryanair's outspoken boss had been criticised by politicians and in newspapers for not committing to reimbursing passengers affected by the closure of airspace.

"We have caved in to the pressure in the newspapers and from our own customers. We've said we'll comply now, but it's not because of any pressure from some idiot politician," Chief Executive Michael O'Leary told Britain's Sky News.

The European Commission said all airlines should respect passenger rights.

"There are no discount air passenger rights for discount airlines," Commission transport spokeswoman Helen Kearns said.

"Ryanair will have to apply them like everyone else."

Airlines are in their own battle for compensation, with the International Air Transport Association urging governments to examine ways to help the industry cope with lost revenues.

The global airline lobbying group estimates the cost of the crisis to airlines in lost revenues at \$US1.7 billion (\$A1.83 billion), but the industry also saved some \$US660 million on costs such as fuel.

Airlines are expected to lose \$US2.8 billion this year as they clamber out of recession, IATA said before the volcano crisis.

Sweden was one of the first countries to outline support measures for airlines including a two-month break from a social fees payroll tax and a 90-day suspension of airport charges.

Economists said it could be months before the full effect of the shutdown was fully understood, but the impact on the travel and leisure industry alone could be double the cost to airlines.

Air fares are expected to be higher for a while as airlines, already flying their planes nearly full after slashing capacity to cope with the downturn, have relatively few seats on offer.

"The shockwaves can ripple throughout the year as people cancel and then try to reschedule their trips," said Peter Morris, chief economist at UK aviation consultancy Ascend.

"While airline capacity will go quickly back to normal, there isn't a big stock of planes waiting to be used in the event of a crisis," he said.

Planes are on average flying 75 per cent full.

"It could be June before all the echoes of this disruption have gone through the system," Morris said.

Freight will be re-routed more quickly but some perishable produce such as Kenyan flowers will be lost for good.

Iceland's volcanic eruption was meanwhile still causing strong tremors yesterday, though far less ash and smoke was pouring out into the air.

Reuters

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