

Recent developments in Finnish aviation industry

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Impact of COVID-19 on Finnair Legal and contractual issues

The Finnish government has started to gradually lift COVID-19 restrictions as Finnish society steadily aims to resume its former course. Accordingly, schools began to reopen from 14 May 2020 and restaurants from 1 June 2020. However, some of the restrictions will remain in force until the end of October 2020 and will be revisited periodically. A hopeful sign for the transport sector in general is that the state-owned railway operator VR has announced that it aims to return to approximately 85% of normal traffic levels starting from mid-June 2020.

Impact of COVID-19 on Finnair

Finnair, the main Finnish airline company, announced that its passenger traffic in April 2020 amounted to 16,100 passengers, a 98.7% reduction compared with April 2019. Similarly, Finnair's scheduled cargo tonne kilometres decreased by 99.2% compared with 2019. Despite the low traffic levels, Finnair aims to gradually add frequency and routes back to its network from the beginning of June 2020. Finnair estimates that air traffic will recover incrementally and it aims to operate 30% of its normal number of flights in July 2020.

In addition to the various restructuring measures that it has already implemented (eg, staff lay-offs and other cost-cutting measures) due to COVID-19, Finnair is contemplating further staff lay-offs and has commenced a cooperation process to implement such measures. The cooperation process concerns all of Finnair's approximately 6,100 employees in Finland and similar measures are planned for employees outside Finland in accordance with applicable local legislation. Further, it is understood that Finnair is seeking savings in real estate costs, aircraft leasing costs, sales and distribution costs and administration costs in general.

Finnair's measures may stay in force for a while as it estimates that it will take two to three years for air traffic to recover to 2019 levels.

Legal and contractual issues

The Finnish state (which is Finnair's majority shareholder) has provided a guarantee of up to €600 million to assist Finnair in strengthening its financial position and mitigate the impact of the COVID-19 pandemic. This did not go unnoticed by Finnair's competitors – Ryanair challenged the guarantee given by the Finnish state, alleging that the guarantee constitutes unlawful and discriminatory state aid in accordance with EU state aid rules. The case was brought before the European Commission on 24 March 2020. However, the Finnish state was able to demonstrate that Finnair would have not been able to receive funding by any other means in the current market and thus, the commission decided that the guarantee was not unlawful state aid, but was given in accordance with the State Aid Temporary Framework adopted by the commission on 19 March 2020, as amended on 3 April 2020 and 8 May 2020.

Finnair is not the only state-owned airline accused of receiving unlawful state aid, as Ryanair has also made similar accusations against Lufthansa Group, Air France-KLM, Alitalia, SAS and Norwegian Air.

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