What would it take for the airline industry to zone out?

A dissertation submitted in partial fulfillment of requirements for BBA (Aviation Management)

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DECLERATION

I Akshar singh admission number 18SLAM1020125 enrollment number 1802102345 hereby

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CERTIFICATE

It is certified that Akshar singh 18SLAM1020125, have carried out the dissertation presented in the form entitled "Low Cost Airports and Terminals" under my supervision. The dissertation is carried out by the student himself and the contents of the project do not form the basis for the award of any other degree to the candidates or to anybody else from this or any other University/Institution.

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1. Crises and questions of legitimacy in the airline industry

Firms and other organizations are dependent on the support of other groups and individuals for their continued survival

(Pajunen, 2006). If an organization is considered to be illegitimate by those it relies upon for its survival, its stakeholders, they are likely to withdraw their support (Massey, 2001), making the future of the organization uncertain (Chess, 2001). An organization can be seen as legitimate if it is perceived by its stakeholders as acting appropriately, keeping to societies" norms and living up to the expectations of their stakeholders (Coombs & Holladay, 1996; Massey, 2001).

If the activities or products of an organization can cause its stakeholders unacceptable harm, these victims and other stakeholders that sympathize with them may consider the organization to be illegitimate. The organization may experience crises, which are usually defined as chains of events that have severe consequences, damaging human lives, property, the environment or all of the above (Stephens et al., 2005). These events are also at least partially unexpected (Massey, 2001). Due to factors such as the increased reliance on advanced and sensitive technology and the increase in the number and complexity of stakeholder relationships, crises are becoming more prevalent, severe and more difficult to control in the world of today (Massey,

2001; Stephens et al., 2005; Acquier et al., 2008). As such, knowledge regarding how to handle crisis events and reduce the negative effects they may have on an organization's legitimacy and reputation is becoming increasingly important for organizations and their managers.

An example of crisis events are aircraft accidents, which is the focus of our study. Such events are rare, especially in the developed countries of the world, much due to high safety standards set by national and international authorities (Transportstyrelsen, 2010). However, airline accidents do occur, and when they do they are often serious incidents with a high rate of mortality amongst the passengers. An airline accident can be considered a true crisis and something that all airlines consider to be their worst nightmare (SAS, 2008, p.6), and many airlines communicate safety as the company's top priority (Air France, 2010, p.4). In the airline industry legitimacy can be seen as being closely connected to, and also dependent upon how the airline handles safety. An airline that has been involved in an accident can experience questions being raised about the legitimacy of the airline that have to be dealt with in a strategic way (Air France, 2010a). Prioritizing safety and avoiding incidents is consequently something that all airlines focus on constantly.

Another characteristic of airline accidents is that the media give enormous amounts of attention to these types of events that usually make headlines all around the world. The attention the

airline is given by the media, the general public and authorities

place a great amount of pressure on the airline in question that
they must deal with simultaneously as they are dealing with the
actual crisis. For this reason the airline's communications and
actions during the crisis following an accident is of high
importance that influences the way the airline is looked upon by
stakeholders.

Due to the extreme circumstances of airline accidents, there could be interesting lessons to learn from how different airlines deal with such crisis situations and what the effects of their actions are on their legitimacy and reputation. This discussion has led us to our research question:

How did Air France, Spanair and SAS differ in the way they
communicated and acted towards their stakeholders during and
after the crisis following fatal airline accidents, and which actions
have been taken to help restore the airline's reputation and
legitimacy?

1.2 Purpose

The aim of this thesis is to investigate, analyze and compare how
three European airlines, Air France, Spanair and SAS, handled
the crisis and communicated with their stakeholders after being
involved in an accident. We aim to investigate whether successful
crisis management and communication has an effect on
stakeholders" perception of the airlines" legitimacy. We intend to

do this by analyzing the external communication of these companies, such as press releases and annual reports.

2. Literature review

In this chapter relevant theory in regards to the research question of this thesis is presented. First, definitions of stakeholders, legitimacy and reputation management are presented. These definitions are important in order to understand the main topics of this thesis which are crises and crisis management. Within crisis management Situational Crisis Communication Theory is described which was developed by Coombs and Holladay. Finally, the importance of media in crisis situations is presented.

2.1 Stakeholders, Legitimacy and Reputation

Stakeholders are typically defined as those groups and individuals that the organization can have an effect on or who can similarly have an effect on the organization itself (Acquier et al., 2008). Stakeholders can become more or less important, or salient, to the organization. This typically depends on the degree to which the stakeholder in question possesses the attributes of power, legitimacy and urgency. Power is the extent to which the stakeholder can affect the organization"s operations and survival. Urgency is the time pressure the stakeholders" claims place on the organization. Legitimacy is the degree to which the claims that the stakeholders are making on the organization are considered to be appropriate by society and the organization (Alpaslan et al., 2009; Mitchell et al., 1997). Crises often affect multiple stakeholders (McDonald et al., 2010) some of which are stakeholders that the organization did not consider to be an important stakeholder before the crisis. This can lead to unexpected conflicts and

<u>difficulties (Quarantelli, 1988; Acquier et al., 2008; Alpaslan et al., 2009).</u>

An organization"s legitimacy can be seen as stakeholders" perception that the actions of an organization are appropriate, acceptable and keeping to society's norms and the expectations of the stakeholders (Coombs & Holladay, 1996; Massey, 2001). If an organization is thought of as legitimate by at least some of its stakeholders, it can expect to gain support from those stakeholders. As a result, legitimacy is highly desirable to the organization but also forces it to act in accordance with the expectations of its stakeholders. Since legitimacy arises from stakeholder perceptions that the organization's actions conform to societal norms, it follows that the organization will, to some extent, try to act in ways that conform to these expectations. Likewise, an organization can lose legitimacy by acting in a way that stakeholders deem to be unacceptable or failing to act in ways that they deem required for a legitimate organization. If that has happened, the organization must try to change that perception of illegitimacy, or face the possibility of organizational failure as it loses the support of its stakeholders (Massey, 2001). Reduced legitimacy makes the future of the

<u>activities the organization would normally engage in to reduce</u> <u>uncertainties, such as entering partnerships (Chess, 2001).</u>

A concept that is very similar to legitimacy is reputation, which also arises from stakeholder perception and evaluation of the organization and can be seen as a very valuable asset due to the effect it has on the organization"s ability to acquire resources (Deephouse and Carter, 2005). The organization 's reputation can be affected by crises (Coombs, 2007). Developing and upholding a good reputation can create many benefits for the organization; it can attract new customers and investors as well as improving financial performance. It can lead to consumer loyalty, increased sales and positive word-of-mouth as well as creating a competitive advantage (Coombs, 2007; Pace et al., 2010; Romenti & Valentini, 2010; Rhee & Valdez, 2009). The company can also be perceived as a low risk investment and an attractive alliance partner and if the customer relies on the company's good reputation as an indicator of legitimacy this can contribute to the customer experiencing lower search costs (Rhee & Valdez, 2009; Coombs, 2007). A good reputation can also result in the customer giving the company the "benefit of the doubt" when experiencing uncertainty in a crisis situation. This depends on how strong the relationship is between the organization and the stakeholders and how much the stakeholders have invested in the relationship

(Martinez & Norman, 2004; Ulmer, 2001). If stakeholder relationships are not strong before the crisis, those stakeholders that are harmed by the crisis or support those groups harmed by the crisis will withdraw their support and possibly worsen or prolong the crisis situation (Ulmer, 2001).

2.2 Crises

There are many definitions of what a crisis is, though these descriptions often share common characteristics. Crises are chains of events that have severe consequences (Hale et al., 2005), damaging human lives, property, the environment or any combination of the above (Stephens et al., 2005). Common to nearly all definitions of crises is the element of surprise (Massey, 2001). Either the triggering event of the crisis itself was unexpected or considered to have a low probability of occurring (Hale et al., 2005; Alpaslan et al., 2009), or the triggering event was expected to happen sometime in the future, but not at the time when it occurred. As the triggering event was not expected, the organization will lose control over the situation for at least a brief time (Stephens et al., 2005). It is central to the definition of crises that all crises harm one or more stakeholders. Due to the consequences for stakeholders, crises bring into

view the organization"s legal and ethical responsibilities and how well they are seen to be fulfilled (Alpaslan et al., 2009). Depending on how this is perceived, organizations face the possibility of severe consequences for its image, reputation and future survival from those who blame the organization for the crisis and the woes of its victims or who consider its efforts to be lacking (Coombs & Holladay, 1996). Because of the high stakes and the risk that they will escalate during a crisis, the organization must act quickly to regain control and try to reduce the damaging effects of the events to its stakeholders and its reputation (Hale et al., 2005; Massey, 2001; Stephens et al., 2005; Coombs & Holladay, 2002).

Crises can be classified into three broad types, or clusters: the victim cluster, the accidental cluster and the intentional cluster. In the victim cluster, we can find those crises that are seen to be wholly caused by external forces or agents, such as natural disasters. In the accidental cluster, we can find those events which are seen by stakeholders as being partially outside of the organization control and which were not the caused by organizational malice or misdeeds. Examples of accidental events include those caused by technology failure. In the intentional cluster those crises that are seen to have been caused by the organization intentionally risking the safety of stakeholders can be found (Hale et al., 2005; Coombs & Holladay, 2002).

2.3 Crisis Management

Since crises are undesirable for organizations, crisis management is an important task for management and nearly all organizations have crisis management and communication strategies (Wester, 2009). Crisis management is considered to have three phases; the prevention phase, the response phase and the recovery phase (Hale et al., 2005).

Prevention phase

Before the crisis occurs, it is generally preferable to try to prevent it from happening. In the prevention phase, the degree to which crisis prevention efforts are taken depend on how important management considers crisis prevention to be (Hale et al., 2005).

Additionally, while there are often some indicators or warning signals that the events are coming, they may be overlooked or ignored, which would make prevention very difficult for the organization (Stephens et al., 2005). Since the crises are surprising events (Hale et al., 2005; Massey, 2001; Stephens et al., 2005), it follows that the probability of the crisis occurring at the time it did was not accurately predicted ahead of time. As a consequence of this, the organization may

have implemented some degree of safety measures, deemed them to be adequate and then, falsely as it turns out to be, felt a sense of security that a crisis has been prevented. In this phase, it is also advisable to build up an image of legitimacy and trustworthiness, as that will serve the organization during the response phase (Hale et al., 2005).

Response Phase

However, when avoidance and prevention efforts have failed and a crisis event occurs, the organization must try to limit and contain the damage done to stakeholders, property, the environment and the organization itself by responding to the crisis (Hale et al., 2005; Stephens et al., 2005). When the initial reports of the crisis event arrive, they are likely to be contradictory, incorrect or ambiguous, due to the stressful circumstances of crisis situations and the abovementioned communication limitations. As a result, crisis managers will have to make decisions about how to interpret these reports. This interpretation will affect the choices of how to act in response to the crisis (Hale et al., 2005; Nelkin, 1988). The crisis management team of the organization must quickly decide how the organization will have to act to deal with the crisis. Due to the time pressures that the organization faces, it will be forced to make a tradeoff between information searching and action, and as a result, the initial communication and actions will likely be based on limited information and characterized by ambiguity and

confusion (Hale et al., 2005; Stephens et al., 2005). Those at risk of being harmed must be informed how they are to protect themselves and harmed stakeholders need to be helped as much as possible (Coombs & Holladay, 2007). The quality of the actions taken in these early stages of the response phase can have a major impact on the safety of affected stakeholders, sometimes being the difference between life and death (Hale et al., 2005; Wester, 2009; Ulmer, 2001). Other stakeholders will consider it to be illegitimate if the organization takes too long in meeting the legitimate demands from the harmed stakeholders for actions that will reduce their harm (Alpaslan et al., 2009). Additionally, if the organization does not quickly react to the crisis, the media will accuse the organization of acting irresponsibly and ignoring the crisis (Romenti & Valentini, 2010).

Aside from providing instructions for stakeholders to protect
themselves, showing concern for the victims and their kin is also
considered one of the cornerstones of successful crisis
communication (Martin & Boynton, 2005).

Recovery Phase

When there is no risk of further damage to stakeholders or the organization itself, the organization enters the recovery phase. In this stage the organization attempts to learn from the event, manage public perception and restore any damage it has sustained to its legitimacy and reputation (Hale et al, 2005; Stephens et al., 2005). What organizations say during crisis communication affects how people perceive the events and the organization itself. This affecting the organization"s reputation and legitimacy and the reactions that stakeholders will have (Stephens et al., 2005; Coombs & Holladay, 2009). Organizations can use crisis communication strategies to maintain their reputation and thus prevent the relationships they have with their stakeholders from going sour. Organizations can do this by influencing the perception of the event, for instance by downplaying the severity of the event, such as when excuses are made or the blame is shifted upon a scapegoat. They can also do this by influencing the perceptions stakeholders have of the organization, so that it appears to be sympathetic or remorseful (Stephens et al, 2005).

2.4 Situational Crisis Communication Theory

Coombs and Holladay's (2002) Situational Crisis Communication
theory is one tool that can be used during the recovery phase. It
states that stakeholders perceive the crisis and the organization
based on whom they perceive to be responsible for the events

(Coombs & Holladay, 2002, Coombs, 2004). As a result, organizations can try to protect their reputation and legitimacy by minimizing the perception stakeholders have of the organization"s responsibility for the events (Stephens et al., 2005; Coombs & Holladay, 2002, Coombs, 2004). The primary factor that stakeholders take into account when determining their perception of the organization"s responsibility for the event is the type of the event. If the event is one which the organization could control, such as one caused intentionally or by human error, stakeholders will have a negative perception of the event. If the event is one which the organization could not wholly have controlled, such as technical failures or accidents, stakeholders will only attribute partial responsibility for the event. If the event was wholly outside the organization"s control, stakeholders may consider the organization to be a victim as well and react with sympathy and loyalty (Coombs & Holladay, 2002; Coombs, 2004; McDonald et al., 2010).

Besides the causal type of the event, other factors may increase the responsibility that stakeholders attribute to the organization for the event (Coombs, 2004; Coombs & Holladay,

2002). If the organization has a history of past crises, organizations suffer worse damage to their reputation, as crises are then considered to be relatively stable phenomena related to the organization (Coombs & Holladay, 1996, 2002; Coombs, 2004). Additionally, if the crisis is severe, it will also cause more damage to the organization"s damage (Coombs, 2004). Bad relationships with stakeholders will also affect the perception of the crisis, as that can be considered a sign of lacking capabilities in multiple areas (Coombs, 2004; Rhee & Valdez, 2009).

These factors will determine what message strategies are the most appropriate for the organization to use in its crisis communication. The greater the threat to the organization's reputation, the more accommodating of stakeholder needs and claims it has to be. If the organization is not perceived to be responsible for the events, it can place its own interests first and communicate in a more defensive fashion (Coombs & Holladay, 2002). If the organization is to reap the greatest benefits from its message strategies, it must adapt them to the severity of the crisis, the causes of the crisis, the existing credibility and image of the organization (Stephens et al., 2005). For crises that can be placed in the victim cluster, and where there are no additional factors present, the organization may only need to communicate instructions to stakeholders at risk and use the most defensive types of responses (Coombs & Holladay, 2002). For accidents

where there are no additional factors, organizations are likely to use defensive strategies like making excuses, denial of the crisis existence or extent, portraying the organization as a victim and reminding stakeholders of the organization spast accomplishments (Coombs & Holladay, 2002). For those crises that were caused by intentional acts or human error, organizations will need to take responsibility, make apologies and promise to take corrective action (Coombs & Holladay, 2002).

Using messages of a more accommodating nature shows that the organization takes responsibility for the event, which leads to positive stakeholder responses (McDonald et al., 2010). However, taking responsibility can entail legal consequences, and spokespersons are often recommended to take no or as little responsibility as possible for the event by the organization"s legal representative (Wertz & Kim, 2010; Coombs, 2004). While this strategy may be a safe option, admitting responsibility has many benefits. Accepting responsibility leads to lower settlements, better reputation, and increased support for the organization (Pace et al., 2010). The concern that admitting responsibility in crisis communication may result in negative repercussions from stakeholders have previously led some organizations to be very

reluctant to share information about the events, what the risk of the events occurring were and what actions have been taken to deal with the situation. However, withholding information can have serious negative consequences in the long run (Wester, 2009). As more accommodating communication requires more resources to produce and such communication may lead to greater risks for the firm, spokespersons will likely strategically select and use those message strategies that are the most effective while still fulfilling the demands of stakeholders (McDonald et al., 2010).

2.5 Media's role

A crisis is often highly visible, receiving significant media coverage, due to the sensational - and thus newsworthy - effects it has on its victims (Stephens et al., 2005; Nelkin, 1988). This is one of the reasons why crises pose such a large threat to organizations. If the crisis is portrayed by these media reports in such a way that people will sympathize with its victims and blame the organization for the events, the organization will be perceived to be illegitimate by many of its stakeholders. This is due to the societal norms of the Western societies of today about ensuring the safety of humans, property and the environment (Nelkin, 1988; Massey, 2001).

Media coverage of an organization"s activities during crisis can have a large effect on the organization"s image and reputation (Romenti & Valentini, 2010). Media coverage of crises can affect

the perception and attitude regarding the events and the organization"s activities, as well as the policies for how to control the risk of the event occurring again (Nelkin, 1988). The media can affect the importance the public places on the event and the attitudes communicated in the media affects whether the actions of the organization are perceived to have been legitimate or not (Nelkin, 1988; Romenti & Valentini, 2010).

As the media are separate from the organization, the organization has no or very little control over the content of their reporting (Nelkin, 1988; Coombs & Holladay, 2009). While the organization has total control over the content in the messages it distributes through its own webpage and similar channels, most people will get their information about the crisis through the media (Coombs & Holladay, 2009). This ensures that it is important for organizations to get the support of the media (Wester, 2009).

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come (Hale et al, 2005). While most crises are eventually forgotten, crises that are especially severe or which have memorable features, such as having been handled particularly well or poorly, may linger in the memories of stakeholders, possibly tarnishing the reputation of the organization for decades. This effect can be prolonged if there are reports of the event archived (Coombs & Holladay, 2007).

Since stakeholders greatly desire information about the event so that they can place them into context, responding to that need with open communication can be a valuable strategy for repairing the organization"s legitimacy (Stephens & Malone, 2009; Seeger & Ulmer, 2001). When stakeholders receive more information about the crisis, they perceive the event to have been less serious (Stephens & Malone, 2009). A constant flow of information can thus be seen as a criterion for successful crisis communication (Martin & Boynton, 2005).

3. Method

In this thesis we aim to answer our research question; "How did

Air France, Spanair and SAS differ in the way they

communicated and acted towards their stakeholders during and

have been taken to help restore the airline's reputation and legitimacy?" In order to do this we have gathered and presented the theoretical framework above and following this chapter is the findings of our empirical study.

In our empirical study we decided to focus on Air France, SAS, and Spanair. We chose these airlines because they have all experienced major accidents with many casualties within the last ten years and they are all regular passenger airlines and not of the low cost kind. The data for our analysis has been made up of secondary data that we have collected from a wide variety of sources. We limit ourselves in our study to secondary data due to the fact when contacting the airlines they were reluctant to give out information about safety procedures or policies, especially because airline accidents are a very sensitive subject. Secondary data is defined as data that has been previously collected for some other purpose and can be made up of both raw data and published summaries. There are three main areas of secondary data; documentary data, survey-based data and multiple source compilations (Saunders et al., 2009). The data we have collected is mostly of the documentary kind in written format, such as press releases, annual reports, homepage information and media coverage of the accidents by Swedish daily press. We are aware that such secondary data is, by its nature, colored by the biases of of the events we are interested in. However, since we are primarily interested in the external communication of these companies, we consider such secondary data, which is part of the external communication, to be sufficient for our purposes.

3.1Press conferences and press releases

When looking at press conference material, we analyzed the first press conference held by the airlines after the accident. In this way they were comparable because of the similarities between the airline's situations at the time. It was however a problem that the conferences were held in the native language of the airline for Air France and Spanair. For this reason we located translated versions of the press conferences in news reports from BBC and ITN news. The disadvantage that comes with this method is that we were limited to the part of the press

conference that the news channel found interesting and therefore
translated in the broadcast. We were unable to find recordings of
the press conference held after the SAS accident as the event
occurred more than ten years ago. We located quotes from this
press conference in Dagens Nyheter and used this information to
get a picture of the press conference.

Press releases were found at each airlines respective homepage.

Both Air France and SAS had all press releases about their accidents in the archives. Spanair had three press releases regarding the accident on their corporate website, but more were found on the SAS website as they were the owners of Spanair at the time of the accident.

3.2 Annual reports and Safety Communication through Airline Website

We analyzed the annual reports of the airlines the year the
accident occurred. We looked at how much attention was given to
the accident and if there was a clear connection between the
accident and information about the airline's flight safety
procedures. We also searched for information about flight safety
on the airline's corporate websites. We are aware that all this
information originates from the airline in question and therefore
must be regarded with a critical eye.

3.3 Media Coverage

In our data collection of media coverage we limit ourselves to

Swedish daily press consisting of Svenska Dagbladet and Dagens

Nyheter because we find these newspapers to be trustworthy and
legitimate. We have chosen three articles for each of the accidents

spanning from the day of the accident to one week after the
accident occurred. In this way the description of the airline in the
crisis situation is comparable since they were written under

similar circumstances.

4. A Study of Airline Communication and the Actions Taken

In this section we will present how three European airlines communicated and acted during and after they experienced a fatal airline accident. After giving some background information on the airlines and the chosen accidents we will describe press releases, annual reports and media coverage in order to receive an indication as to how quickly and thoroughly the airline responded to the crisis.

4.1 Background information

Air France

Air France was created in 1933 and since then has grown to become one of the largest airlines in the world. Today the airline has 183 destinations in 98 countries with 1500 daily flights. The airline owns 396 airplanes and employs 74 320 people, that including subsidiaries. In 2004 Air France merged with KLM and created the largest transportation group in Europe. Air France is part of the Sky Team Alliance, (Air France, 2010b).

The Air France Accident

Flight AF447 left Rio de Janeiro, Brazil on May 31th bound for Paris Charles de Gaulle airport. On board were 216 passengers and 12 crew members. During flight over the Atlantic the airplane entered a zone of stormy weather. An automatic message from the airplane was sent to the air traffic control centers and expressed that the electric circuit had failed. At this time the aircraft was far

from the coast, and air traffic control centers in Brazil, Africa,

Spain and France tried to contact the aircraft but did not succeed.

On June 6th bodies of the passengers were found and parts of the wreckage were located. To this day, the exact cause of the accident is not known because the wreckage and "black boxes" containing voice and data recordings have not been found (Air France,

2010c).

Spanair

Spanair was founded in 1986 and gradually developed service within Europe, Spain and eventually also intercontinental services.

Since the airline was founded over 104 million passengers have flown with Spanair (Spanair, 2010). Spanair was sold in 2002 and became a member of the SAS Group in 2002. Seven months after the accident the airline was sold again for €1 (SAS, 2009a).

The Spanair Accident

Spanair flight 5022 crashed during takeoff on August 20th, 2008.

On board were 172 people of which 154 died. The aircraft attempted a first takeoff but returned to the gate after technical problems and passengers were told that they might have to change aircraft. The technical problems were resolved and it was during the second attempt to take off that one of the engines caught fire and the aircraft crashed to the ground after only reaching an altitude of around 60 meters. Fire spread quickly in the wreckage of the aircraft that was fully fuelled (Madrid TT-Reuters).

SAS

SAS (Scandinavian Airline Systems) was founded in 1946 as a merger between the national airline companies in Sweden,

Demark and Norway. After more than 60 years SAS has become a major airline and serves destinations all over the world and was in 1997 one of the founders of Star Alliance, which to this day is the largest airline alliance in the world (SAS, 2010b).

The SAS Accident

On October 8th, 2001 SAS flight SK686 was taking off from Linate Airport in Milan bound for Copenhagen. During takeoff the flight crashed into a small private airplane on the runway and crashed into a luggage hangar and caught fire. All 104 passengers and six crew members perished, as well as four people in the private jet and four people working in the hangar. At the time of the

accident there was thick fog at Linate Airport and the private jet
ended up on the wrong runway. The accident was ruled to be
caused by air traffic control mistakes and four people working at
Linate airport were sentenced to prison, amongst them the airport
director who was sentenced to 8 years (Hygstedt, 2004).

4.2 Communication during the crisis

Air France

On the day of the accident Pierre Henri Gourgeon, CEO of Air

France held a press conference at Charles de Gaulle airport in

Paris. Gourgeon stated that the crew was very experienced and

had many flight hours in service and that there were no

problems in the aircraft's safety records. Gourgeon continued

with saying that the whole airline was deeply touched and share

the mourning with the relatives of the passengers. He said that

they will pass on information as soon as they know anything.

What they knew so far was that the aircraft had passed

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