



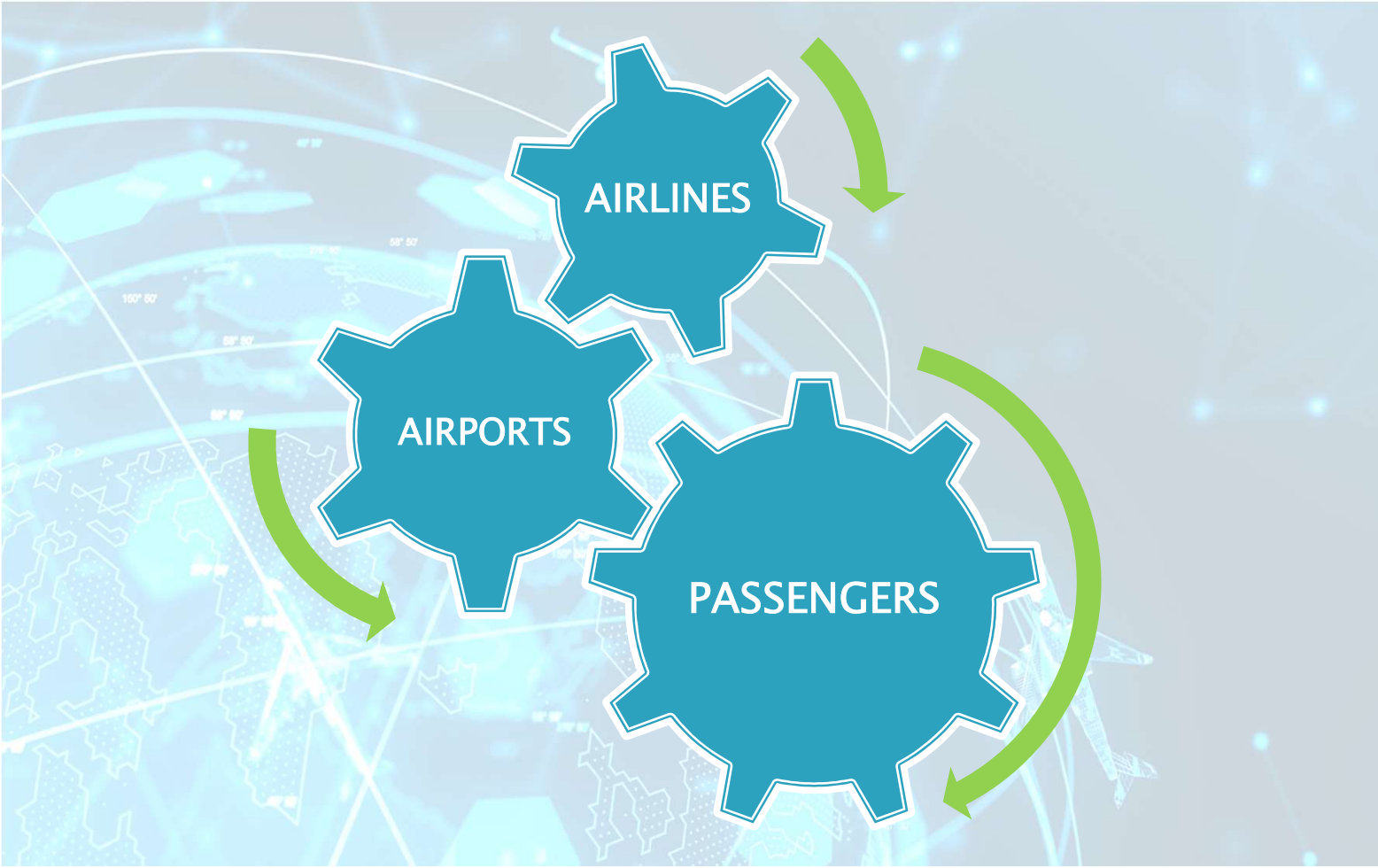
# *The changing relationships and dynamics between airlines and airports*

*Friday 29 April 2022*

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# AVIATION MARKET IS AN 'ECOSYSTEM' WHERE EACH PART DEPENDS ON THE OTHERS



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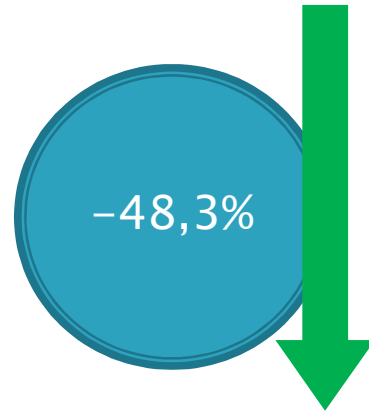
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# AIRPORTS AND AIRLINES

The volume of passenger traffic remained significantly decreased as a result of the ongoing spreading of the Covid-19 pandemic.

## GLOBAL PASSENGER TRAFFIC



## EUROPEAN PASSENGER TRAFFIC



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## AIRPORTS AND AIR TRAFFIC

Air traffic is the lifeblood of the airport business. All aeronautical revenues such as passenger-related taxes and aircraft-related taxes collected by aircraft operators are directly linked to air traffic. Non-aeronautical revenues, which include streams such as retail concessions, duty free, car parking and food and beverage, are also very much linked to passenger traffic. Since airports have little leeway in their cost management (being the costs mostly fixed) the current pandemic crisis brings an unprecedented challenge for the financial viability of the airport industry.

In addition, airports have made significant investments to take measures to safeguard the health and safety of passengers and workers.

The actions taken by airports have been helpful to enhance consumer confidence and raised people's willingness to fly once more.

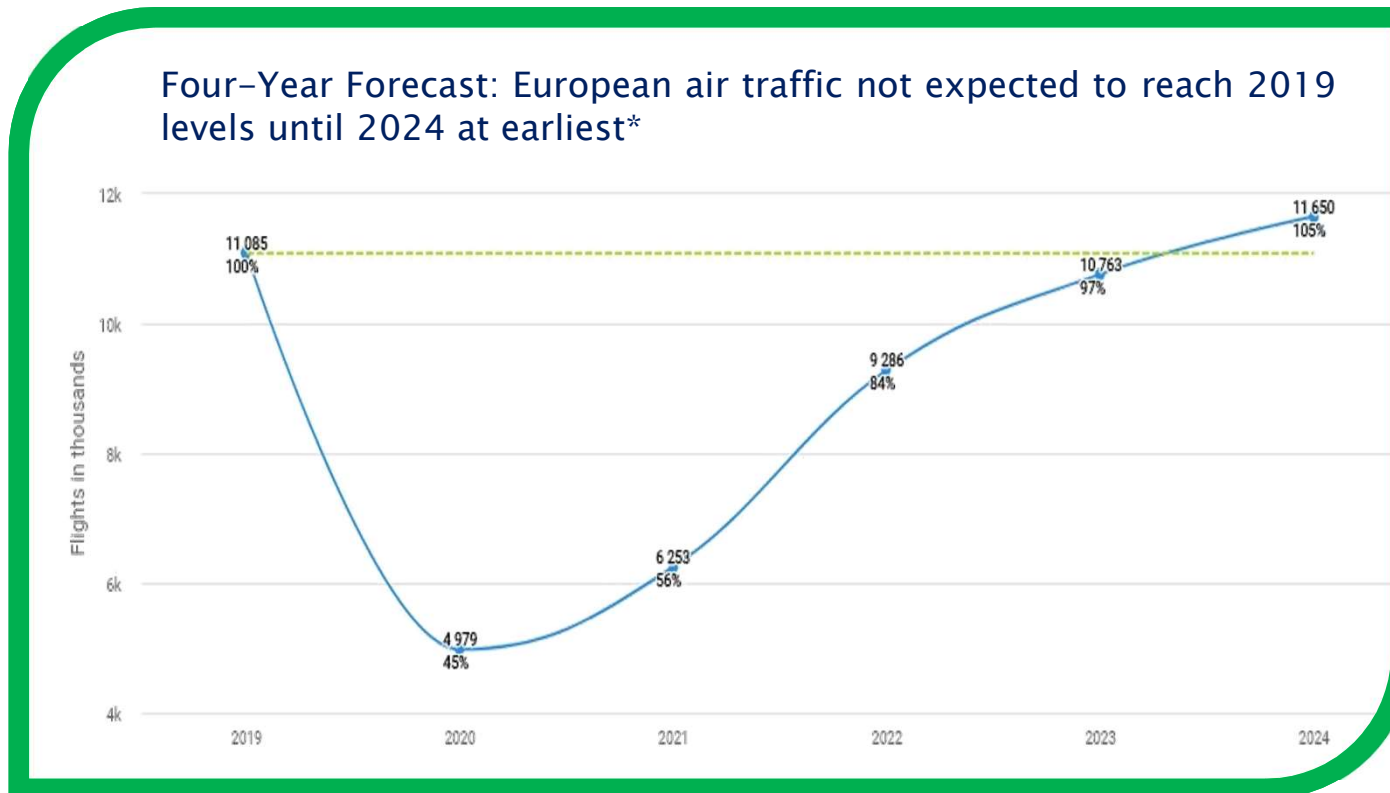
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Travel restrictions, reduced flight slots, low passengers' demand, new health and safety requirements, falling revenues, personnel redundancies and a number of related issues have been a disruptive tsunami. What's more, worldwide, a recent report by the International Air Transport Association estimates that air passenger volumes will not return to the levels recorded in 2019 at least until 2024.



\*Data source:  
Eurocontrol

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# Slot allocation

Since the Covid 19 outbreak, the EU has suspended, by subsequent resolutions, the so called “grandfather rights” clause to respond to the rapid spread of cases of COVID-19, which has led to a substantial drop in the number of flights.

In details, on 13 March 2020, the European Commission adopted a legislative proposal to amend Regulation 95/93 on common rules for the allocation of slots at EU airports, seeking to support airlines by temporarily suspending slot usage rules.

Most recently by the Commission Delegated Regulation (EU) 2022/255 which came into force on 23 February 2022 amending Slots Regulation EC 95/93, the grandfather rights clause application is suspended in the period between 28 March 2022 and 29 October 2022.

- ❖ Eurocontrol estimated that annual air traffic next year will be 89% of 2019 levels. This figure is expected to facilitate the ‘efficient’ use of airport capacity while providing benefits to passengers.

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# STATE AID

State Aid to airlines in the context of Covid-19

Article 107, 2 (b) TFEU  
Compensation of damage caused by natural disasters or exceptional occurrences.

Article 107,3 (b) TFEU  
Aid to remedy a serious disturbance in the economy of a Member State.

Exceptionality, causality, proportionality, direct causal link between the damage and the exceptional occurrence – specific restrictive measures – are required.

The type of aid conferred in respect of the Article 107, 3 (b) does not apply to undertakings which were facing financial difficulties before December 2019.

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# State aid to airlines under Article 107 (2) (b) TFEU

Beneficiary	Country	Amount (million EUR)	Type of aid
TAP Portugal	Portugal	452	State loan (damage 03–06/20)
Finnair	Finland	350	Hybrid loan
French carriers	France	200	Deferral payment of taxes
Alitalia	Italy	199,45	Direct grant (damage 03–06/20)
Austrian Airlines	Austria	150	State loan, direct grant
SAS	Denmark	137	State guarantee on a revolving credit facility
SAS	Sweden	137	State guarantee on a revolving credit facility
Italian carriers	Italy	130	Direct grant (damage 1/3–15/06)
Aegean Airlines	Greece	120	Direct grant (damage 03–06/20)
Alitalia	Italy	73	Direct grant (damage 06–10/20)
Blue Air	Romania	63	Public guarantee, loan guarantee
Corsair	France	30,2	Tax credit
Alitalia	Italy	24,7	Direct grant (damage 11–12/20)
Tarom	Romania	19,3	Loan guarantee (damage 03–06/20)
SATA Air Azores	Portugal	12	Direct grant (damage 03–06/20)
Croatia Airlines	Croatia	11,7	Direct grant
<b>TOTAL</b>		2109,35	

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\*Data source: Journal of European Competition Law and Practice, Oxford Academic

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# State aid to airlines under Article 107 (3) (b) TFEU

Beneficiary	Country	Amount (million EUR)	Type of aid	*
Lufthansa	Germany	6.000	Equity participation, silent participation, loan guarantee	
Air France	France	7.000	State guarantee on loans, subordinated state loan	
Air France	France	4.000	Recapitalisation	
KLM	Netherlands	3.400	State loan guarantee, state loan	
SAS	Denmark-Sweden	1.000	Recapitalisation	
LOT polish	Poland	650	Subsidised loan, recapitalisation	
Finnair	Finland	540	State loan guarantee	
Swedish carriers	Sweden	455	State guarantee on loans	
Brussels airlines	Belgium	290	State loan, recapitalisation	
Finnair	Finland	286	Recapitalisation	
Air Baltic	Latvia	250	Recapitalisation	
Nordica	Estonia	30	Share capital increase, subsidised interest loan	
Various enterprises	Hungary	21,76	Tax allowance	
All interested airlines	Denmark	20	Direct grant to cover airport charges	
All interested airlines	Cyprus	6,3	Direct grant to airlines resuming connectivity	
Danish carriers	Denmark	6	Direct grant-wages of technical staff	
All interested airlines	Slovenia	5	Direct grant (up to EUR 800.000 per airline)	
Airlines Sibiu airport	Romania	1,7	Direct grant to airlines resuming connectivity	
<b>TOTAL</b>		<b>23.961, 76</b>		

\*Data source: Journal of European Competition Law and Practice, Oxford Academic

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# State aid to airports under Article 107 (2) (b) TFEU

On 26 July 2021 The European Commission has approved, under EU State aid rules, a EUR 800 million Italian scheme to compensate airports and ground-handling operators for the damage suffered due to the coronavirus outbreak and the travel restrictions that Italy and other countries had to implement to limit the spread of the virus.

Italy notified to the Commission an aid measure to compensate airports and ground-handling operators for the damage suffered during the period between 1 March and 14 July 2020 due to the coronavirus outbreak and the travel restrictions in place.

Under the scheme, the aid will take the form of direct grants. The measure will be open to all airports and ground-handling operators with a valid operating certificate delivered by the Italian civil aviation authority.

A claw-back mechanism will ensure that any public support received by the beneficiaries in excess to the actual damage suffered will have to be paid back to the Italian State.

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# PASSENGERS



Passengers' rights in case of denied boarding, cancellation or long delay of flights

EU Regulation 261/2004

The national measures taken by national authorities must be considered as extraordinary circumstances within the meaning of Article 5(3) of the EU Flight Delay Compensation Regulation. As a consequence, airlines are not obliged to pay the compensation set out in Article 7 thereof.

Commission's Interpretative Guidelines on EU passenger Rights Regulations in the Context of the Developing Situation with COVID-19.

According to the Articles 5 and 8 of the EU Regulation 261/2004, the right of assistance remains in force, and this obliges airlines to return the price of tickets within the short seven-day deadline set out by Article 8.1(a).

In the absence of adequate instruments to deal with the emergency, some EU Member States have adopted provisions to regulate that airlines can issue **travel vouchers instead of refunding cancelled tickets**. However, the EU Recommendation 2020/648, adopted by the Commission on 13 May 2020, emphasizes that **passengers have the choice between cash reimbursement and reimbursement in the form of a voucher**.

The need to adapt the current regulatory framework to the Covid-19 scenario led to a discussion about the opportunity to reconsider the relevant regulations' provisions in order to **safeguard passengers' rights while balancing the airlines' obligations**.

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Both **airlines and airports** are steadily increasing their **sustainability budgets**. They are figuring how to lessen the energy consumption and other environmental impacts of their operations as **key point of their recovery**.



The airlines and manufacturers are heavily investing in **low-carbon technologies** such as electric flight and sustainable alternative fuels, founding that no biogenic synthetic fuels likely are the most viable option to completely phase out fossil fuels.



Investment in **sustainable airport infrastructure**: ensure funding eligibility of projects related to energy efficiency, renewable energy and electrification (e.g. improving the energy efficiency of terminal buildings, renewable energy generation on-site, supply of electrical ground power to aircraft on stand, electrification of ground vehicle fleets, etc.).

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## Fit for 55 Package

Regulation (EU) 2021/1119 issued by European Parliament and Council on 30 June 2021 established the framework for achieving climate neutrality (European Climate Law).

The EU has set ambitious goals in order to reduce net emissions and become the first climate neutral continent by 2050. Detailed goals and milestones are laid down in the first ever European Climate Law and in the 'Fit for 55' package, setting out an initial target of reduction in emissions by 55% in 2030 (compared with the level of 1990). Package 55 will affect a number of sectors such as construction, energy and transport.

With regard to aviation sector, the following actions are planned:

- revision of the EU Gas Emissions Trading System (ETS) – a carbon market-based system;
- ReFuelEU Aviation proposal – a mandate accelerating the uptake of sustainable fuels; and
- revision of the Energy Taxation Directive introducing tax on fuel for business and leisure flights.

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# The Russia – Ukraine conflict

The European Union has adopted a number of restrictive measures in various areas, and especially in the field of defence, energy, aviation and finance.

Sanctions package
Council Regulation (EU) 2022/328 of 25 February 2022
Council Regulation (EU) 2022/334 of 28 February 2022

Pursuant to the Sanctions package **it is prohibited:**

- For any aircraft operated by Russian air carriers, including as a marketing carrier in code-sharing or blocked-space arrangements, or for any Russian registered aircraft, or for any non-Russian-registered aircraft which is owned or chartered, or otherwise controlled by any Russian natural or legal person, entity or body, **to land in, take off from or overfly the territory of the Union.**
- **To provide technical assistance, brokering services or other services related to the aviation goods and technology** and to the provision, manufacture, maintenance and use of those goods and technology, directly or indirectly to any natural or legal person, entity or body in Russia or for use in Russia.
- For aircraft operators licensed by EU Member States, **to enter into wet lease, dry lease or code-sharing agreements** with aircraft operators of Russia or with respect to aircraft registered in Russia. Accordingly, such leasing agreements shall not be approved by Member States' CAA in accordance with Regulation (EU) No 965/2012. In addition, any existing wet lease or dry lease approvals or code-sharing agreements with aircraft operators of Russia or with respect to aircraft registered in Russia shall be revoked or terminated, as applicable.
- For the Aeronautical Database Suppliers **to provide technical assistance or other services related to aviation** directly or indirectly to any natural or legal person, entity or body in Russia or for use in Russia.

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# Insolvencies of Airlines and Airports

## Airlines

### Europe

Flybe  
Braathens Airlines  
City Jet  
German Airway  
SunExpress Deutschland  
Level Europe  
Jet Time  
Go2Sky  
Norwegian Air  
Ernest Airlines  
Czech Airlines  
Blue Panorama Airlines  
Braathens Regional Airlines  
Virgin Atlantic

### America

Interjet  
Sky Regional Airlines  
Amazonas Uruguay  
Stobart Air  
Trans States Airlines  
Avianca  
TAME  
One Airlines  
Air Georgian  
Ravn Air  
Miami Air

### Asia & Oceania

Compass Airlines  
Virgin Australia  
Thai Airways  
NokScoot  
Air Asia Japan  
Cathay Dragon  
Philippine Airlines

### Africa

Mango Airlines  
Mozambique Airlines  
Air Namibia  
Air Mauritius

## Airports

Also airports facing insolvency. Mainly regional airports which serve – and are integral to – local communities. The sharp drop in revenues has put some airports in such a difficult position that they risk insolvency without external support. Their bankruptcy would have a dramatic impact on employment and the economies of the regions where they are located.

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