European Commission
DG Competition

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Consultation regarding the revision of guidelines for state aid to airports and airlines

Comments from the Confederation of Swedish Enterprise and the Swedish Confederation of Transport Enterprises

Aviation plays a crucial role for Swedish businesses by facilitating international trade and business travel. Airports serve as important hubs for companies' logistics and supply chains, contributing to regional economic growth. Access to efficient air connections is also crucial for Sweden's competitiveness in the global market.

It is generally desirable to maintain a restrictive approach to the use of state aid, favouring broader measures to promote the competitiveness of businesses. However, it should be emphasized that aid to airports primarily supports essential infrastructure, which is a fundamental prerequisite for businesses, especially in a sparsely populated country like Sweden. To the extent that state aid is necessary to maintain good accessibility, it should provide good and long-term stable conditions for this.

As the Commission is now reviewing the guidelines for state aid to airports and airlines, there is an opportunity to create more long-term and appropriate conditions, which give greater predictability for both airport operators and businesses that depend on good communications.

The current regulations provide insufficient conditions to finance smaller airports with an annual passenger number over 200,000. This is the upper limit for operational aid within the General Block Exemption Regulation (GBER). The guidelines do not offer permanent possibilities to grant operational aid; there is only a possibility to give operational aid to airports with up to 700,000 annual passengers during a transitional period. The end date for the transitional period has been gradually pushed forward, and the current date is April 3, 2027, when aid can no longer be granted. Additionally, restrictive conditions apply regarding the amount of aid that can be granted.

At the same time, it has been shown that airports with between 200,000 and 700,000 passengers rarely have the conditions to cover their costs. In the evaluation of the state aid rules carried out by the Commission in 2020[1], it is stated that 31 percent of airports with between 200,000 and 700,000 passengers cannot cover their costs in 2024. The same study shows that these airports on average have a negative EBITDA per passenger during 2010-2018 and have limited growth opportunities. A study by Oxera[2] shows the same thing. Nevertheless, these airports are in practice given no possibility to receive state aid outside the SGEI regulation, which has proven to be applicable only in certain specific cases. The application of the SGEI regulation is also unpredictable and administratively burdensome. It is therefore desirable to change other parts of the regulation so that the SGEI rules can be avoided.

The same study by the Commission also shows that the reason why so few airports have notified aid according to the guidelines is that they have ignored the regulations and thus likely paid out illegal aid. This is yet another indication of the deficiencies in the design of the current regulations.

It is therefore absolutely necessary to raise the limit in the GBER for operational aid so that airports with an annual passenger number of up to 700,000 passengers are covered. This is needed to achieve long-term conditions for the operation of airports, and so that they can dare to make necessary investments for increased safety, sustainability, and growth.
In the guidelines, consideration could be given to the possibility of providing aid during a transitional period for airports with between 700,000 and 1,000,000 annual passengers. Such airports should have the possibility to submit a business plan to the Commission and show a plan for how they can achieve profitability during the transitional period. Some airports may have special circumstances that result in higher costs. Swedish airports, for example, have higher costs for heating and snow removal than many other European airports. At the same time, this should only be possible if the airport does not duplicate existing infrastructure, i.e., is located close to another airport's catchment area.

Regarding investment aid and the possibility of providing start-up aid for new routes, the current regulations are deemed to be appropriate. The possibility of providing investment aid appears relatively generous for smaller airports and, together with other parts of the state aid regulation, can enable investments in both increased safety and new technology in the form of more sustainable aviation. Start-up aid for new routes can be justified by the fact that it can be uncertain to what extent a new route will be viable, and by lowering the costs and thus the risk of starting new routes, such aid contributes to a more dynamic market. We see no reason to change the regulation, which seems to work well within the industry.

Stefan Sagebro
Expert Industrial policy, Competition and State Aid
Confederation of Swedish Enterprise

Fredrik Kämpfe
Bransch Manager
The Swedish Aviation Industry Group

[1] Brussels, 30.10.2020, SWD (2020) 257 final, Commission Staff Working Document - Fitness Check of the 2012 State aid modernisation package, railways guidelines and short-term export credit insurance, part ¾, p. 64-76
[2] Oxera (2019) The European Commission’s consultation on the 2014 Aviation State Aid Guidelines, An economic analysis of airports’ profitability