

ERA response to State aid – Prolongation of transitional period provided for in the 2014 Aviation Guidelines concerning regional airports



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ERA welcomes the prolongation of the transitional period for operating aid to regional airports below 3,000,000 passengers per year, for an additional period of 3 years.

Air transport is essential to the connectivity of Europe's regions for social and economic cohesion. It plays a social role for communities in several mainland regions, outermost regions and islands, and also contributes to the economic development of those regions (increasing tourism, investment and employment).

Regional carriers and regional airports have been hugely impacted by the Covid-19 pandemic. Analysis of route networks shows that many airports have suffered reduced connectivity, especially in terms of the frequency of service to the main destinations served.

In this respect, the prolongation of the transitional period for operating aids will therefore help to maintain and preserve vital air connectivity, territorial and social cohesion as well as regional development.

Nevertheless, ERA carriers believe that the current framework does not sufficiently allow them to commercially justify the operation of certain regional routes, nor to expand the network on new routes to guarantee regional connectivity in the long term.

To survive and secure jobs during the Covid-19 crisis, some carriers have opened new European regional routes generating significant additional traffic per year. However, under current rules, airlines are struggling to maintain these new connections and some of them are at risk. Similarly, some regional airports opened new thin routes in cooperation with regional airlines to support the establishment of regional connectivity in the area. However, these routes were soon abandoned because they were not profitable enough to cover all costs. Nowadays, mostly charter airlines fly into regional airports and some European regions are at risk of isolation.

The current rules do not allow for investment and long-term growth. Without appropriate regulatory support and new tools, thin routes could disappear in the long term and most of them are already not profitable enough. **The need to ensure regional connectivity for local communities should therefore be prioritised over the need for competition within the EU Single Market.**

The 2014 Aviation Guidelines can be deployed to support regional connectivity but require significant improvements. In particular, the conditions for the start-up aid are too strict and not adequate for the sector as most airports offer already more favorable rebates on airport charges that do not constitute aid (Lubeck Airport judgment).

Furthermore, the *de minimis* aid threshold of EUR 200,000 should be significantly increased to match the rising cost levels and inflation and to alleviate administrative constraints. The current draft regulation that provides for an increase of the cap up to EUR 275.000 per three fiscal years is insufficient. The cap should be increased up to EUR 500.000 as contemplated by the



Commission in its previous consultation of 2019. This will help regional airports and airlines to recover and maintain the same levels of regional connectivity within Europe's Regions.

Therefore, a dedicated and effective tool should be established to enable public authorities to support airlines in assuming the financial risks of starting new routes, until the route becomes self-supporting or clearly needs to be abandoned due to lack of demand for the regional connection.

When it comes to the aviation carbon footprint, decarbonisation is not the only dimension of sustainability and the social aspect of connectivity and growth of the region should also be taken into account.

Regional airlines will be significantly financially affected by the costs of the new environmental regulations (Fit for 55 package), even though regional aviation is the first segment in which new disruptive technologies will be implemented in the coming years. There is no regulatory framework in place to ensure that the European Union will maintain its current levels of regional connectivity following implementation of the Fit for 55 package.

The EU environmental objectives should be balanced with the financial reality faced by regional airlines, as the latter cannot bear the burden of the upcoming EU regulations and invest in new green technologies alone.

This increased financial fragility creates a risk for a loss of connectivity in the medium term and raises a societal question and an economic one. **Europe thrives on connectivity and numerous regions are dependent on these flight connections, which cannot be easily replaced by other modes of transport.**

