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## Simplification of EU rules for investment and functioning aid in favor of regional airports

On 17 May 2017, the European Commission approved a modification of the General Block Exemption Regulation which allows Member States to grant State aid to airports, ports, culture and the outermost regions without any prior notification to the European Commission.

Indeed, in principle, each State aid project or scheme must be notified to the European Commission prior to its implementation. Since 2001, the Commission has adopted several exemption regulations in order to avoid time-consuming and expensive notifications.

As airports are concerned, the Commission had adopted new compatibility conditions in its 2014 Aviation Guidelines. Those conditions are complex and the notification procedures time-consuming when they are actually applied by Member States.

The Commission considers that investment aid to regional airports with average annual passenger traffic of up to three million passengers can improve both the accessibility of certain regions and local development and that they are in line with the priorities of the Europe 2020 strategy contributing to further economic growth and objectives of common Union interest. After several years of the application of the Aviation Guidelines, it believes investment aid to regional airports does not give rise to undue distortion of trade and competition, provided certain conditions are met.

Furthermore, the Commission finally admits that operating aid to very small airports with up to 200 000 passengers per annum does not give rise to undue distortion of trade and competition, under certain conditions.

Therefore, the new General Block Exemption Regulation allows Member States to grant investment aid to regional airports that have fewer than three million passengers per year if they do not have another airport within 100 kilometers or 60 minutes by car, bus or train. The aid compatibility conditions set out in the Regulation are less strict than the ones provided for in the 2014 Aviation Guidelines.

The aid may cover the funding gap (difference between the eligible costs and the operating profit of the investment) but it shall not exceed:

- 50 % of eligible costs for airports with an average annual passenger traffic of one to three million passengers;
- 75 % of the eligible costs for airports with average annual passenger traffic of up to one million passengers.

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## INDUSTRY INSIGHT

Airports below 200.000 passengers per year may benefit from investment aid up to 100% if it corresponds to the funding gap even if they have another airport within their catchment area.

Furthermore, this new Regulation provides for lighter compatibility conditions for functioning aids granted to airports with fewer than 200,000 passengers per year.

The amount of functioning aid shall not exceed what is necessary to cover the operating losses and a reasonable profit over the relevant period. The Commission provides therefore for more favourable conditions than the ones provided for by the Aviation Guidelines for that category of airports even if they have another airport within their catchment area.

The functioning aid shall be granted either in the form of periodic instalments fixed *ex ante*, which shall not be increased during the period for which the aid is granted, or in the form of amounts defined *ex post* based on the observed operating losses. The functioning aid may not be made conditional upon the conclusion of contracts with specific airlines relating to airport charges, marketing payments or other financial aspects of the airlines' operations at the airport concerned.

The Regulation was published in the Official Journal of the EU on 20 June 2017 and it came into force 20 days later.

State aid adopted prior to its entry into force may be declared compatible if it fulfils all the conditions set out in the Regulation.

This new Regulation will certainly simplify and facilitate the public funding of regional airports in Europe and more especially for the airport with less than 200.000 passengers per year. For the airports between 200.000 and 700.000 passengers per year, one question remains: how they can finance 25% minimum of their investments while supporting from 20% to 50% of the annual losses under the Aviation Guidelines. This question should be addressed by the Commission before the end of 2019 as it is provided for in the Aviation Guidelines.