Analysis of state aid to selected Ryanair airports

State aid helping drive Ryanair's emissions growth, but faces potential crackdown under revision of EU guidelines

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In house analysis by Transport & Environment
Main researcher: Nicolas Jeanne
Expert group: Andrew Murphy, Bill Hemmings, Carlos Calvo Ambel

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For more information

Andrew Murphy
Aviation Manager, Transport & Environment
andrew@transportenvironment.org
Tel: +32 (0) 485 001 214

Square de Meeûs, 18, 2nd floor | B-1050 | Brussels | Belgium
www.transportenvironment.org | @transenv | fb: Transport & Environment

Executive Summary

An analysis of all EU airports served by Ryanair has found that almost one-quarter of these airports are likely to be receiving state aid. The analysis, which is non-exhaustive as we focused only on small airports, includes many cases where airports used by Ryanair are shown to be in direct receipt of public money from local authorities. Such state aid is helping drive the airline's record emissions growth, potentially breaches EU state aid rules, and faces being ruled illegal as the European Commission begins a review of the guidelines covering state aid to airports and airlines.

Given the rapid growth in emissions from this sector, and in particular from Ryanair, which earlier this year was revealed to have become a Top Ten carbon emitter in Europe's Emission Trading System, ranked next to coal fired plants, the Commission should act immediately and use its powers to end such state aid. In doing so, it should follow the precedent it set in 2010 when it ordered member states to wind down, and draft closure plans, for loss-making coal mines. When it comes to the climate, aviation is the new coal, and similar action is needed.

1. Background

In 2014 the European Commission introduced revised state aid guidelines for airports and airlines. One of the objectives of this revision was to provide member states with a ten year time frame to wind down operational state aid (support for day-to-day running costs), the most distortive form of state aid, to loss-making airports. The thinking behind the proposal was that the ten year period be used by member states to make such airports profitable, removing the need for such aid. This replaced previous guidelines which had left state aid to airports largely unregulated. Investment aid (capital support) was to be permitted but only where it was needed to ensure regional accessibility. The guidelines also prohibited the provision of state aid to airports within the catchment area of another airport which the Commission defined as 100km1, as such aid was considered not to aid connectivity and would result in one or both airports remaining loss-making.

Finally, the guidelines contained extensive provisions requiring member states to report, publicly, the aid given, to ensure that the aid was fixed in advance and that aid given was based on a credible business plan to put those loss-making airports on a path to profitability.

Member states were therefore put on notice to use these ten years to make such airports profitable, with a five year revision of these guidelines included to determine how member states are progressing towards this objective. In particular that review would examine operational aid to airports under 700,000 passengers a year "in order to evaluate whether special rules should be devised". That review has now begun, with a consultation launched by the Commission earlier this year (May).

Since the adoption of these guidelines, the Commission in 2016 further loosened state aid guidelines by allowing investment aid to airports under 3 million passengers per annum, and operational aid to airports under 200,000 passengers per annum, in a revision to the General Bloc Exemption Regulation (GBER), which permits member states to provide state aid without prior approval by the Commission. However member states must still notify the Commission of such aid.

State aid to airports is a subsidy to what is the most carbon intensive mode of transport, and the sector whose emissions are growing faster than any other sector in Europe. Though the aid flows to the airports, it ultimately acts as a subsidy to airlines such as Ryanair which are able to benefit from, for example, lower than normal landing and airport charges as the airports use the aid to charge lower than market rates of those based on actual costs as a way of attracting airlines. Ryanair achieves this through sparking intense competition between small and regional airports for business - these airports compete through offering lowering landing charges or other benefits (such as marketing support), all of which are ultimately bankrolled by the taxpayers which subsidise these airports. This is on top of the other subsidies received by the sector, for example its exemption from kerosene taxation.

While Ryanair enjoys the benefits of lower landing charges, its profit margins are at times several multiples of the industry average[2], suggesting that the primary beneficiaries of these subsidies are ultimately the company's shareholders.

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[1] The 2014 guideline gives the following definition for airport catchment area: "100 kilometres or 60 minutes travelling time by car, bus, train or high-speed train". Some issues stem from this blurred definition as travelling time and distance tends to be relative depending on the transport mode used. The 100 kilometres area is not specified "as crows flies" or using the existing roads and infrastructures. Misinterpretation can provide legal loophole and remove airports from the scope of non-compliant state-aids. Our study is based on the presumption that 100 kilometres are considered as crow flies.

[2] Ryanair reported a profit margin of 20% in FY2018 and 13% for FY2019 (https://investor.ryanair.com/wp-content/uploads/2019/05/Ryanair-Results-FY2019.pdf) compared to industry averages of between 2 and 4% (https://www.iata.org/publications/economics/Reports/regional-reports/Europe-June19.pdf)

The revised state aid guidelines were described at the time by Ryanair's Chief Executive Michael O'Leary as "terrific[3]" and by Transport & Environment as "open(ing) the floodgates[4]" to further state aid. Analysis by T&E confirms our fears, and Mr O'Leary's joy as being well founded.

2. Analysis

To contribute to its submission to the EU consultation on state aid for airports and airlines, T&E conducted an analysis of potential state aid received by Ryanair's airports in the European Union. This airline was chosen because of its long-documented use of airports receiving such aid, and because in April this year it was revealed to have become a Top Ten CO2 emitter under Europe's Emissions Trading Scheme, a league until then occupied exclusively by coal fired plants.

3. Methodology

Determining the level of state aid received by such airports is not an easy task as authorities are rarely transparent in providing information on aid given to such airports, and state aid can take several forms (direct payments, but also exemptions from taxes, or indirect financial support such as marketing support). Though some member states, notably France, did notify state aid as required under these revised guidelines[5], they have provided little detail on which airports are receiving such aid. Other member states, such as Italy, have an even worse record on transparency of state aid, failing almost entirely to notify. Aid granted does not, as required by the guidelines, appear to be granted as a fixed amount but at times decided on an annual basis by the granting authorities (usually local governments).

As a result, it is difficult to determine precisely the level of state aid received by airports served by Ryanair. This report is not an exhaustive examination of all aid received by airports in Europe, or even all Ryanair airports. Instead it takes aim at airports which have a high degree of likelihood of being in receipt of state aid due to passenger numbers complemented by direct evidence of such aid. As it is non-exhaustive it is therefore a conservative estimate of such aid.

A number of steps were taken to identify airports likely to be in receipt of state aid for the purpose of this report, namely examination of passenger numbers and discovery of circumstances where airports were shown to be in receipt of public money.

Passenger numbers: A body of research exists which has determined that smaller airports are likely to be loss-making. The 2014 guidelines state that airports under 700,000 passengers a year "may not be able to cover their operating costs to a substantial extent". The French civil aviation authority, the DGAC, stated that airports under 500,000 passengers a year disclose an "uncertain budget balance[6]". Airports Council International (Europe) has found that 76% of airports with passengers fewer than 1 million a year are loss-making[7]. For the purpose of this report, passenger numbers for airports examined were taken from a number of sources including airport websites and national civil aviation authorities.

To provide a conservative estimate, T&E took all airports under 500,000 to be "likely loss-making" and therefore potentially receiving state aid.

[3] https://www.economist.com/business/2013/10/19/runway-or-another
[4] https://www.transportenvironment.org/publications/commissions-new-aviation-state-aid-guidelines
[5] http://ec.europa.eu/competition/state_aid/cases/253205/253205_1659696_111_2.pdf
[6] https://www.cget.gouv.fr/sites/cget.gouv.fr/files/atoms/files/rapport-maillage-aeroportuaire-francais-2017.pdf
[7] https://www.aci-europe.org/policy/fast-facts.html

Evidence of receipt of public money: T&E further analysed the above airports through local sources (accounts of regional or local authorities, local newspapers) to find circumstances where such airports can be shown to be in receipt of public money. This proved to be difficult, due to the issues discussed above relating to transparency of such aid. Some of the airports identified had passenger numbers in excess of 500,000 per annum, but evidence was found that they were directly receiving state aid in the form of, for example, marketing support. Examples include Knock Airport in Ireland[8].

4. Results

The analysis found that of Ryanair's 214 EU airports, obtained from analysing route availability on the Ryanair website[9], at least 35 (16%) have received government subsidies and a further 17 (8%) are very likely to be loss-making owing to low passenger numbers. Of these 52 airports, 23 are located in France (sixteen) and Italy (seven).

The methodology to identify passenger numbers under 500,000 is, as discussed above, based on a number of sources including airport websites and national civil aviation agencies. The cases were airports are shown to be in receipt of public money are identified in Annex II.

This can be considered a conservative estimate of state aid sums received by airports frequented by Ryanair. An exhaustive search of all Ryanair airports may uncover further state aid, for example there is evidence that its hub airport of Charleroi in Belgium, despite annual passenger numbers of 8 million, is still receiving subsidies through the regional government where it is based[10]. Evidence of aid to large airports exists also in Italy[11] and Spain[12]. On the other hand it is possible that some of the airports which make this list only due to their low passenger numbers may in fact be profitable or at least not loss-making.

When details of state aid to Ryanair airports have been made public, the sums involved are at times considerable. For example Paris Vatry, an airport with 108,000 passengers in 2017, which Ryanair uses to operate flights to Porto, Portugal, received €3m in public subsidies that year - or just under €30 per passenger. Ancona Airport in Italy received a marketing contribution of €3m in 2018[13].

This analysis can be considered a snap-shot of likely state aid that, through its relationship with these airports, is enjoyed by Ryanair. It is not an exhaustive examination of all state aid received by the sector. There is an urgent need for the Commission, as part of its review of these state aid guidelines, to conduct such an exhaustive analysis of all aid received by airports across Europe. This is particularly necessary given the growth in emissions from the sector, and industry claims that it funds its own infrastructure and therefore should continue to be exempt from kerosene taxation.

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[8] https://www.irishtimes.com/business/transport-and-tourism/state-invests-40m-in-knock-airport-1.3284791

[9] https://www.ryanair.com/gb/en/timetable (retrieved June 25th with adjustments for airports determined, through further research, to not currently operating Ryanair flights)

[10] https://trends.knack.be/economie/bedrijven/luchthaven-charleroi-blijft-alweer-overeind-met-subsidies/article-normal-1173197.html?cookie_check=1560762995

[11] https://www.corriere.it/economia/17_marzo_18/cento-milioni-all-anno-ryanair-incentivi-aeroporti-italiani-1d70c6e2-0bb6-11e7-a9ee-e937d2fc7af8.shtml?refresh_ce-cp

[12] https://www.eldiariomontanes.es/cantabria/201612/23/gobierno-prorroga-anos-convenio-20161223124125.html

[13] https://www.corriere.it/economia/17_marzo_18/cento-milioni-all-anno-ryanair-incentivi-aeroporti-italiani-1d70c6e2-0bb6-11e7-a9ee-e937d2fc7af8.shtml?refresh_ce-cp

24% of Ryanair's EU airports likely to be subsidised

Note: T&E's analysis has found that of Ryanair's 214 airports, at least 35 (16%) have received government subsidies and a further 17 (8%) are very likely to be loss-making. The interactive version of this map can be found on our website.
Source: Airport traffic: T&E analysis of airports' website, national agencies for civil aviation's website. Subsidies: T&E analysis of official documents from public authorities, national press articles. Data valid from April 2019

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5. Low prospects of future profitability

As stated, the purpose of the guidelines was to provide airports with a ten year space to become profitable. State aid during this period was supposed to be targeted in a manner which would expand passenger numbers and therefore render the airport profitable and no longer be reliant on state aid. Further analysis has shown that such independence from state aid is unlikely to occur for a majority of these airports.

Some airports have shown themselves capable of increasing passenger numbers during the period analysed. For example the Polish airports of Bydgoszcz – Szwederowo and Lublin have increased their passenger numbers 48% and 146% respectively during the period 2014-2018, bringing them closer to the 500,000 passengers per year mark which may, though not certainly, make them profitable.

However these airports are the exception rather than the rule. Again, Italy and France are among the worst in class. Of the sixteen French Ryanair airports likely to be receiving state aid, the combined average passenger growth over the period 2014 - 2018 was under 3%, a rate far short of rendering them potentially profitable by 2024. The passenger growth numbers for each airport are detailed in Annex I. Some substantial growth was registered among the two largest airports of this group (Tarbes Lourdes Pyrénées (up 12% over 2014 - 2017) and Perpignan (up 16%) but the remainder saw growth, or a fall in passenger numbers.

6. Case study – airports in the French region of Occitane

Prospects for profitability are further dimmed in cases where airports fall within the same catchment area, as defined by the guidelines. Airports in the French region of Occitane are instructive in this regard.

Table 1: Airports in the French Region of Occitane

	Toulouse	Montpellier	Perpignan	Carcassonne	Béziers	Nîmes	Castres
Pax numbers (2017)	9,264,611	1,849,410	410,328	398,716	233,252	216,341	46,060
Average annual growth rate 2014 - 2017	23.2%	27.9%	15.9%	-3.6%	-4.4%	4.2%	5.9%

Union des Aéroports Français 2018[14]

As can be seen from Table 1, of the seven airports in the region, five of them have passenger numbers under 500,000 and therefore are likely to be loss-making. Further research has shown that all five are shown to be receiving state aid, and four of the five (all except Castres) are used by Ryanair. Three of these airports (Carcassonne, Perpignan and Beziers), have an average distance of 70km between them[15], and therefore breach EU state aid guidelines that aid to airports within a catchment area of 100km from another airport is avoided. The proximity means these airports will continue to cannibalise existing passenger demand and remain unlikely to become profitable.

[14] https://www.aeroport.fr/uploads/documents/rapport_2017.pdf.pdf

[15] The 2014 guidelines gives the following definition for airport catchment area: “100 kilometres or 60 minutes travelling time by car, bus, train or high-speed train”. Some issues stems from this blurred definition as travelling time and distance tends to be relative depending on the transport mode used. The 100 kilometres area is not specified “as crows flies” or using the existing roads and infrastructures. Misinterpretation can provide legal loophole and remove airports from the scope of non-compliant state-aids. Our study is based on the presumption that 100 kilometres are considered as crows flies.

Furthermore, there is overlap in destinations served by these airports - for example six of them serve London and five of them Brussels-Charleroi, two serve Manchester, three serve Edinburgh and four serve Marrakech. State aid to these airports does not increase the connectivity of the region but only increases emissions and wastes public money. And with Ryanair the exclusive operator in three of these airports, the money is a direct subsidy to that airline, and largely for the purpose of supporting cheap flights for holiday-makers.

7. Enforcement efforts to date

The European Commission has engaged in several efforts to crack down on state aid to airports serviced by Ryanair. In a long-running case, the Commission succeeded in recovering state aid granted to Charleroi Airport, a Ryanair hub. Most recently, and of high relevance to this report, the European Court of Justice (ECJ) sided with the Commission in four cases taken against airports in France and Germany which are operated by Ryanair[16]. The airports (Angoulême, Nîmes, Pau in France and Altenburg-Nobitz in Germany) had entered into marketing services agreements (MSAs) with Ryanair which involved funding advertising on the airline's website, funding which the Commission found to constitute state aid, a finding which the ECJ endorsed in a ruling delivered late last year. However in a fifth case, concerning Zweibrücken airport in Germany, the ECJ annulled the Commission's decision due to errors in the methodology adopted by the Commission. MSAs are used in a number of cases examined for this report.

Of the five airports subject to the above proceedings, Ryanair has ceased operations to four of them. When the state aid granted is put under examination, the viability of these routes for Ryanair is questionable. This has consequences for the review of the guidelines discussed below. The review of these guidelines is an opportunity for the Commission to draw a line on state aid going to airports frequented by Ryanair, and potentially to airports operated by other airlines, and in doing so blunt the rapid and ongoing growth in emissions from the sector.

8. Review of guidelines and recommendations

The European Commission has launched a "fitness check" of several state aid guidelines, including to airports and the GBER. This fitness check will take place during the course of 2019/2020, and will be used to determine "to further prolong or possibly update the rules". Apart from a 'do nothing' option, this leaves two paths for the European Commission - prolong the period for operational aid beyond the ten years originally envisaged, or amend the guidelines to ensure the ending of such state aid within the envisaged period.

Under no circumstances should the European Commission consider prolonging guidelines which permit operational aid to airports. Such aid is only further fuelling the growth in emissions from the sector, and flies in the face of obligations under the Paris Agreement to bring financial flows into line with that agreement's decarbonisation objective. And as this report has shown, aid granted to date is not succeeding in the objective of making the recipient airports profitable, and in some cases is providing duplicative connectivity which has limited economic or social benefits.

The European Commission should therefore assess the profitability of all airports receiving op aid at the 5 year mark and proceed to wind down aid to all those not already on a clear path to profitability.

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[16] https://ec.europa.eu/newsroom/comp/item-detail.cfm?item_id=640941&utm_source=comp_newsroom&utm_medium=Website&utm_campaign=comp&utm_content=Cases%20T-%20%20T-%20T-%20T-%20T-%20T-%20-%20Ryanair&lang=en

A model for such an approach is the 2010 reforms adopted to the state aid rules for non-profitable coal mines. These reforms provided a roadmap for the ending of public subsidies to loss-making mines, which were seen to be distorting the single market and supporting this carbon intensive mode of electricity generation. Under these reforms, member states had to, year on year, progressively reduce the amount of aid provided to such mines so as to eliminate all such aid by 2019. To ensure these mines were closed in an orderly fashion, member states had to draft irrevocable closure plans which detailed procedures for their winding down. Member states were permitted to continue granting aid to the local communities affected by the closure of such mines (for example to fund environmental clean-ups, or retraining) but continuing aid to the mines themselves was strictly prohibited.

There are many similarities between aid to loss-making airports and loss-making mines. Both are distorting the single market and providing subsidies to the most carbon intensive mode of transport and energy respectively. Aid to the aviation sector is partly responsible for its rapid growth in emissions, increasing from 1.5% of emissions in 1990 to 3.4% of emissions in 2017 of the total EU28 greenhouse gas emissions. Unless strong action is taken to address such aid, these emissions growth will only continue.

In reviewing its guidelines for state aid to airports, the Commission should require member states to draft closure plans for those airports which are, five years into the ten year period, clearly unable to ensure profitability within the timeframe envisaged by those guidelines. The plans should require aid to these airports to be progressively reduced year on year. Such a requirement is not a change or an amendment to these guidelines, which were meant to ensure closure of loss-making airports, but simply operationalising an objective which is more urgent than ever, given aviation’s growing climate impact and the adopting of the Paris Agreement since the drafting of these guidelines.

The Commission should also ensure strict enforcement of the guidelines. That includes taking infringement proceedings against member states which, for example, have failed to report state aid or which are providing state aid to airports within catchment areas of other airports.

Ryanair and its airports cannot expect ongoing special treatment from the European Commission, which has sole competence over these guidelines. In recent years the Commission has taken on giants at home and airport (Apple and Daimler, Man, Volvo) and the urgency of the need pressure to act on climate change, especially in light of the news that Ryanair is now a Top Ten emitter, risks a public backlash if its continues to permit subsidies to airports frequented by this airline.

9. Policy recommendations

1. Conduct an exhaustive analysis of all state aid received by all airports across the EU
2. Strictly enforce existing state aid guidelines including those relating to reporting of aid and aid to airports in catchment areas
3. Require member states to produce closure plans for those airports which, five years into this period, are clearly unable to become profitable

ANNEXES

Annex I

Airports	Passengers 2014	Pax 2017	Passengers 2018	Growth 2014/2018
Paris Vatry	96,221		108,845	13.12%
Brive Vallée de la Dordogne	71,461		66394	-7.09%
Rodez	121,900		78339	-35.74%
Dole	115,731		107046	-7.50%
Dinard	114,474		121690	6.30%
Poitiers	109,537		117317	7.10%
Tours	184,122		190417	3.42%
Béziers Cap d'Agde	243,980		233252	-4.40%
Nimes	207,533		216341	4.24%
La Rochelle	212,361		221453	4.28%
Bergerac Dordogne Périgord	277,312		315410	13.74%
Limoges	290,792		309641	6.48%
Carcassonne	413,724		398716	-3.63%
Clermont Ferrand	424,653		396323	-6.67%
Tarbes Lourdes	388,258		434619	11.94%
Perpignan	353,872		410323	15.95%
Olsztyn- Mazury	NA		117,102	NA
Lodz	253,376		217,426	-14%
Bydgoszcz – Szwederowo	268,420		398,066	48%
Lublin	184,876		454,103	146%
Szczecin Goleniów	286,377		598,663	109%

Airports	Passengers 2014	Pax 2017	Passengers 2018	Growth 2014/2018
Rzeszów – Jasionka	599,483		769,475	28%
Parma	205,521		79,014	-62%
Crotona	NA		NA	NA
Cuneo	237,432		114,271	-52%
Perugia	209,364		223,436	7%
Rimini	473,103		308,000	-35%
Comiso	NA		424,487	NA
Ancona	480,673		452,567	-6%
Vitoria	70,730		140,945	99%
Valladolid	223,583		253,271	13%
Castellon		144,221	117,368	NA
Zaragoza	418,580		489,064	17%
Maastricht	NA	167,544	274,986	NA
Rostock	NA	290,650	NA	NA
Friedrichshafen	594,117	514,601	539,698	
Erfurt	219,336	275,748	261,557	19%
Ostrava	NA	377,396	NA	NA
Brno	NA	470,290	NA	NA
Rijeka	NA	183,606	NA	NA
Aarhus	NA	459,913	NA	NA
Stockholm Vasteras	NA	140,000	NA	NA
Växjo – Smaland Airport	NA	243000	NA	NA
Palanga	NA	297,197	NA	NA
Kerry	NA	365,000	NA	NA
Knock	NA	771,619	NA	NA
Derry	NA	185,843	NA	NA
Newquay Cornwall	NA	456,511	NA	NA

Airports	Passengers 2014	Pax 2017	Passengers 2018	Growth 2014/2018
Lappeenranta		NA	30,000	NA
Tampere – Pirkkala		230,024	NA	NA
Kavala International	NA	334,812	NA	NA
Plovdiv	NA	NA	132,000	NA

Annex II

Airports	Amount of the subsidy	References
La Rochelle airport	600,000€	Direct Grant (p°16)
	1,600,000€	Direct Grant (p°23)
Clermont airport	1,900,000€	Direct Grant (p°60)
	1,453,600€	Direct Grant (p°8)
	1,300,000€	Direct Grant (p°11)
Béziers	225,799€	Direct Grant(p°40)
	600,000€	Direct Grant (p°207)
	1,252,000€	Direct Grant (p°17)
	1,264,924€	Direct Grant (p°3)
Brive	205,000€	Direct Grant (p°143)
	208,945€	Direct Grant (p°613)
	1,700,000€	Direct Grant (p°24)
Dole	2,339,811€	Direct Grant (p°234)
Tours	960,000€	Direct Grant (p°65)
Poitiers	760,000€	Direct Grant (p°171)
	760,000€	mail sent by DG Finance Grand Poitiers
Paris Vatry	3,000,000€	Direct Grant
Bergerac	200,000€	Direct Grant (p°121)
Nimes	3,710,000€	Direct Grant
Perpignan	642,857€	Direct Grant (p°322)

Airports	Amount of the subsidy	References
Rodez	649,574€	Direct Grant (p°263)
Carcassonne	595,000€	Direct Grant (p65)
Limoges	3,105,952	Direct Grant
Vasteras	2,800,000€	GBER notification
Derry	2,750,263€	link (p°31)
Knock	1,100,000€	Operating aid
Kerry	1,070,000€	Operating aid
Olsztyn- Mazury	2,500,000€	Operating aid
Lodz	Amount unknown	Operating aid
Bydgoszcz – Szwederowo	395,000€/y	Marketing agreement
Lublin	Amount unknown	Marketing agreement
Szczecin – Goleniów	€4.5M last 4 years	Investment aid
Crotone	540,000€	Marketing agreement
Cuneo	200,000€	GBER notification
Comiso	Amount unknown	Operating aid
Ancona	3,000,000€	Marketing agreement
Vitoria	775,000€	Marketing agreement
Castellon	Amount unknown	Operating aid
Zarragoza	2,400,000€	Marketing agreement
Friedrichshafen	17,400,000€	Operating aid
Rostock	1,000,000€	Operating aid
Erfurt	3,000,000€	Operating aid
Aarhus	2,000,000€	Operating aid
Maastricht	10,000,000€	Operation aid