Varieties of Industrial Relations in Aviation Lockdown

WP2 Analysis of adopted support measures to deal with the impact of COVID-19 on the air transport sector in Europe and in the countries involved in the project

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INTRODUCTION

The purpose of this study is the analysis of adopted support measures to deal with the impact of COVID-19 on the air transport sector in Europe and in the countries involved in the project.

In light of this general aim, this report focuses on actions targeting the air transport sector in Europe to reduce the impact of the COVID-19 crisis:

- from the general and comparative perspectives - focusing on measures adopted in EU,
- detailed overview of the measures adopted in each country covered by this project.

This report provides the overview and comparison of the types of support offered in each country with the responses to the crisis, which provides a basis for drawing conclusions on the impact of support on specific activities.

In the first (general) section the impact of COVID-19 pandemic on economic conditions – with a special focus on air transport workers have been analysed. Special focus have been paid to Project Partner countries. Next, the public support in air transport sector has been analysed in detail, starting with a rationale for coordinated approach to public aid. Legal framework for public support in air transport sector in European Union of the basis of Article 107(2)(b) TFEU and Temporary Framework has been presented. At the end, the long-term consequences of public support to air transport sector have been analysed.

The second part of analysis focuses on Country fiches for Project Partner Countries: Denmark, France, Germany, Ireland, Italy, Poland and Spain. For each country an overview of aviation sector during the Covid-19 pandemic has been presented, followed by analysis of general support measures (e.g. horizontal, available to all companies) and aviation sector support measures.

1. IMPACT OF COVID-19 PANDEMIC ON AIR TRANSPORT SECTOR

1.1 IMPACT ON ECONOMIC CONDITIONS IN AIR TRANSPORT SECTOR

Aviation is one of the sectors hit hardest by the Covid-19 crisis, due to general reduction in air travel, and restrictions posed by countries on international travels. As noted by the European Commission (2021), the prolonged pandemic caused massive negative demand shocks due to the containment measures, along with voluntary efforts of individuals to practice social distancing, minimize commuting and avoid travel. These have led to supply chain disruptions, steep reductions in tourism, and overall reduced mobility.

The impacts of COVID-19 on the aviation sector have brought traffic levels of European airports back to the levels of 1995 (Rodrigues et al, 2021). The drastically reduced operations has led to €22.2 billion net losses for European airlines, €33.6 billion revenue losses for European airports and €4.8 billion revenue losses for European air navigation service providers (ANSP). The European airports in 2020 were estimated to have received 1.7 billion passengers less than 2019, with revenue losses reaching €33.6 billion.

According to the study prepared for the TRAN Committee of the European Parliament in July 2021 (Rodrigues et al, 2021):

- The total number of flights in 2020 in Europe was reduced by 55% (or 6.1 million flights) compared to 2019, leading to a reduction of 1.7 billion passengers. The estimations for 2021 expect a recovery to 51% of 2019 levels but only in 2026 are those levels expected to be reached again.
- The Europe aviation sector suffered tremendous economic loss with €22.2 billion net losses for airlines, €33.6 billion revenue losses for airports and €4.8 billion in-year revenue losses for ANSPs.
- The difference in impact on European and non-European airport traffic was significant, as European airports lost 1.32 billion passengers compared to only 400 million passengers at non-European airports.

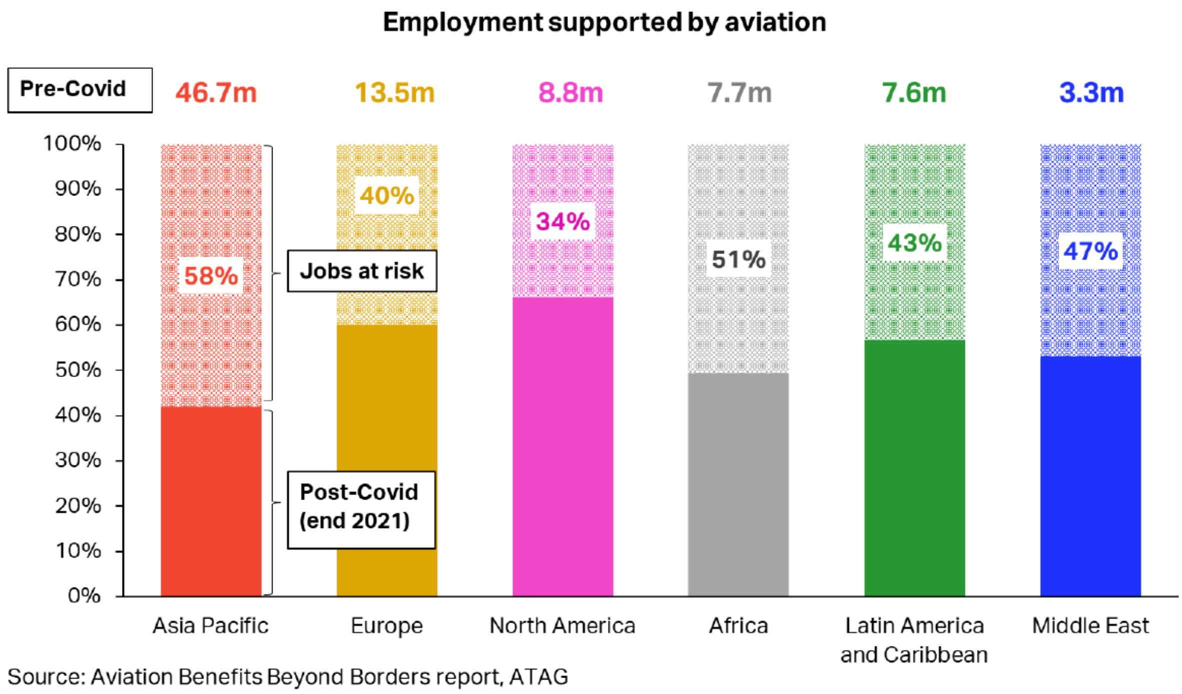
- 6.4 million direct European aviation jobs and jobs supporting the aviation sector were lost by December 2020. The job loss is forecasted to drop globally by further 4.8 million by the beginning of 2022.
- The pandemic has caused a decline of more than 50% in connectivity to major economic cities, such as Frankfurt, Paris, and Amsterdam. The long-term risk is that the connectivity of cities established pre-COVID-19 will not be fully recoverable, due to the economic pressure airlines will continue to be confronted with.

According to Aviation Intelligence Unit of Eurocontrol (2022), 2021 saw a partial but sustained traffic recovery in Europe, starting with -64% in January vs 2019 levels, and ending it at -22% of 2019 levels in December. Mass vaccinations and the EU Digital COVID certificate helped deliver a solid summer recovery, and traffic has remained relatively stable at over 70% since the summer. However, total 2021 traffic was -44% of 2019 levels, 4.9 million flights fewer than 2019 – and not substantially better than 2020 (6.1 million fewer). Therefore the situation in aviation sector poses significant challenges of economic nature, that threaten also the air transport workers in the whole value chain.

1.2 IMPACT ON AIR TRANSPORT WORKERS

The COVID-19 pandemic had a strong impact on transport workers of the air transport industry. It is estimated that, pre-pandemic, more than 408,000 people aged 20-64 were directly employed in the EU air transport industry (Rodrigues et al, 2021). It should be noted that this number, accounting for 0.2% of all employment in the EU, does not include all jobs that are supported by aviation. The whole value chain – as described in WP2 *Report on the economic conditions of the air transport sector before and during the crisis COVID-19 in Europe,* includes numerous providers of additional services as well as manufacturers for whom the economic slowdown had grievous employment consequences. Our reports focus on airlines and airports. From this point of view it is important to note, that it is often the case that airlines have shared ownership of the airports through which they fly, (such as Lufthansa which owns shares of the Frankfurt airport) (Rodrigues et al, 2021).

As noted by IATA (2021), millions of jobs supported by aviation are currently at risk across all regions (see chart below).



Based on IATA COVID-19 impact assessment, up to a half of jobs (44.6 million) that aviation supported in the wider economy might have been lost worldwide by the end of 2021. This loss includes not only aviation roles but also wider tourism jobs, catering services and all other jobs that support the global air transport and tourism system. Employment across all regions has been heavily impacted and is at high risk. Taking into account traffic forecasts, trends in business activity, and redundancies announcements, Asia Pacific is the most vulnerable to loss of aviation supported jobs (-58% vs pre-COVID) followed by Africa (-51%). The hardest impact is on the indirect and catalytic jobs supported by air transport: 50 per cent fewer jobs overall will be supported by air transport at the end of 2021 year when compared to before COVID-19. This translates to the loss of 44.6 million aviation-supported jobs, to the level of to 43.8 million (see Table below).

Table 1. Total employment supported in aviation sector

		Africa	Asia-Pacific	**Europe**	Latin America and Carribean	Middle East	North America	World
Employment supported	Pre-Covid	7.7 million	46.7 million	**13.5 million**	7.6 million	3.3 million	8.8 million	87.7 million
	Post-Covid (end 2021)	3.8 millio	20 million	**8.1 million**	4.3 million	1.8 million	5.7 million	43.8 million
	% change	-51%	-58%	**-40 %**	-43%	-47%	-34%	-50%
Economic activity supported	Pre-Covid	$63 billion	$944 billion	**$991 billion**	$187 billion	$213 billion	$1.1 trillion	$3.5 trillion
	Post-Covid (end 2021)	$27 billion	$403 billiom	**$480 billion**	$104 billion	$97 billion	$697 billion	$1.8 trillion
	% change	-57%	-58%	**-52%**	-45%	-55%	-37%	-49%
	Pre-Covid	440,000	4.2 million	**2.7 million**	722,000	595,000	2.7 million	11.3 million

Direct aviation jobs supported	Post-Covid (end 2021)	374,000	3.4 million	**2.1 million**	563,000	480,000	2.1 million	9 million
	Jobs at risk	66,000 (15%)	796,000 (19%)	**587,000 (22%)**	159,000 (22%)	115,000 (19%)	620,000 (23%)	2.3 million (21%)

Source: Covid-19 analysis fact sheet (update), September 2021, *Analysis by Oxford Economics working with ATAG, IATA, ACI World, CANSO and published statements.* www.aviationbenefits.org

Air transport employment in Europe is also vulnerable to COVID-19 pandemic. As estimated by IATA (2021) up to 40% of aviation jobs can be lost. As reported by IATA, already by December 2020 in Europe 6.4 million jobs – including both direct aviation jobs and jobs supporting the aviation sector – have been lost, (particularly hitting Spain, Germany and France). Furthermore, IATA forecasted that total employment connected to aviation may fall globally by 4.8 million more by 2022, resulting in a contraction of 43% of employment when compared to the pre-pandemic situation.

This situation also strongly affects Project Partner Countries. The table below lists the latest economic impact figures for Project Partner Countries European states. A total impact of COVID-19 employment in Project Partner countries[1], as estimated by IATA (2020) exceeds 2.5 million jobs that can be lost due to economic slowdown in the aviation sector.

Table 2. Impact of COVID-19 on European Aviation in Project Partner Countries*.

Country	Passenger impact	Impact O-D Passengers (million)	Impact Airline Revenues ($ billion)	Impact Employment Total	Impact GVA total ($ billion)
France	-65%	-94.6	-16.7	**-466100**	-41.50
Germany	-65%	-117.6	-20.2	**-550800**	-38.75
Ireland	-65%	-22.7	-2.9	**-93100**	-13.45
Italy	-63%	-98.2	-13.4	**-369100**	-25.16
Poland	-61%	-24.3	-2.8	**-68600**	-2.23
Spain	-63%	-132.7	-17.9	**-1049500**	-69.06

Source: own development based on IATA (2020). * data on Denmark not provided.

The exact employment impact on different groups of workers within the aviation sector of different types of companies (FSC vs LCC) is not known. However, as noted by Air Transport Action Group indicates, jobs under threat range from highly- skilled aviation roles to professionals working in tourism and the global transport system.

Sobieralski (2020) in his data time series analysis for major (FSC), low-cost (LCC) and regional airlines, estimates that major airline employment is most impacted, while low-cost and regional airline employment is least impacted. The hardest hit employees are

[1] excluding Denmark, for which data is not provided.

ones related to passenger handling and flight operations, while management employees fair slightly better during these uncertain periods. This impact on FCSs is mostly due to the structure of employment in different types of airlines, as indicated in the Table below.

Table 3. Airline employment structure estimates by type of operations

Category	% of total airline employment for carrier type		
	Major	Low-cost	Regional
Cargo handling	9%	1%	1%
Aircraft handling	7%	14%	13%
Maintenance	11%	5%	13%
Passenger handling	45%	48%	37%
Aircrew	14%	18%	28%
Management	7%	6%	4%
Other	7%	8%	4%

Source: Sobieralski, 2020.
*As of 2019.

As such, the most vulnerable are hit the hardest. As noted by Rodrigues et al (2021), the conditions of air workers have been considerably worsened, the level of safety management provided by airlines is tempered by the economic pressure, and airline personnel is reportedly feeling unsafe to resume working activities . Airline workers' mental health is put to the test by the many developments related to COVID-19, such as furlough and redundancies that forced remaining workers to work more intensively, the implementation of extra emergency and preventive measures increased workload and looming job cuts. Therefore, IATA forecasts that the decline in employment will lead to a decrease in productivity, with the average employee generating 521,348 Available Tonne Kilometres (ATKs) a year. This may further impact working conditions and employment in aviation sector, even years after the pandemic. Therefore countries around the world and in Europe took steps to support the sector.

2. PUBLIC SUPPORT IN AIR TRANSPORT SECTOR

2.1 RATIONALE FOR COORDINATED PUBLIC SUPPORT IN AIR TRANSPORT SECTOR

With more than 6.4 million aviation jobs in Europe being lost due to the COVID-19 crisis, it is imperative that European institutions provide financial help to protect employment in the air transport sector (Rodrigues et al, 2021).

Even though in 2020 Member States adopted financial measures to sustain the recovery of airlines, the traffic level decrease now requires State support to be granted to the entire aviation value chain to avoid its collapse. Therefore, an EU-wide plan is needed to guarantee that financial relief measures extend far beyond the possibilities of each Member State's liquidity only. While the current COVID-19 recovery plan provides Member States with a considerable amount of financial help, more flexible and effective rules are needed to enable countries to spend EU funds for the assistance that airports need ((Rodrigues et al, 2021).

This clear need for a more coordinated approach, with a pan-European perspective, also comes from the sectors' representative institutions. At the rise of the pandemic in 2020 over 20 associations[2] collectively representing the entire European aviation ecosystem have announced a joint commitment to work with policy makers to achieve sustainably and more resiliently from the COVID-19 crisis air transport system whilst supporting the European Union's Green Deal objectives (Eurofound 2020). According to the joint statement in order to restore the public's confidence in air travel there is a need first and foremost for effective coordination of travel restrictions and requirements imposed by Member States. Such measures should be based on a

[2] List of signatories: Airlines for Europe (A4E); Airline Catering Association (ACA); Airports Council International (ACI EUROPE); AeroSpace and Defence Industries Association of Europe (ASD); Airport Services Association (ASA); Airport Regions Conference (ARC); CPMR/CRPM; Civil Air Navigation Services Organisation (CANSO); The European Consumer Organisation (BEUC); The European Travel Agents'and Tour Operators' Associations (ECTAA); European Cockpit Association (ECA); European Business Aviation Association (EBAA); European Regions Airline Association (ERA); EFFAT; European Express Association (EEA); European Travel Retail Confederation (ETRC); The European Transport Workers' Federation (ETF), The European Travel Commission (ETC); General Aviation Manufacturers Association (GAMA); EU Travel Tech; European Airport Coordinators Association (EUACA); IndustriAll European Trade Union; Europa Tourism Global Union.

common set of criteria, data and guidelines provided by the European Centre for Disease Prevention and Control and the European Union Aviation Safety Agency. The EU and Member States have been called to prepare, implement and enforce simple and unambiguous rules in that field based on 2 pillars (Eurofound 2020):

- Pillar 1 covers the European Aviation Relief Programme during the period until the recovery of air traffic, which is not expected before 2024 or 2025. This programme should aim to stabilise the sector and help to prevent the huge loss of employment and connectivity that would result from a collapse of European aviation.
- Pillar 2 covers the EU Pact for Sustainable Aviation. The EU and its Member States are asked to join signatories in defining and agreeing, by the end of 2021, an EU Pact for Sustainable Aviation. It should chart the path towards net-zero CO_2 emissions, while also achieving significant emission reductions by 2030, so as to strongly contribute to the EU Climate Action objectives. It should also consider the feasibility of making 2019 the peak year for CO_2 emissions from European aviation while enabling the sector to continue delivering its social and economic benefits. Many decarbonisation initiatives, such as those related to electrification, will also benefit local air quality.

Through the Pact, the EU, its Member States and the aviation stakeholders should ensure that social and employment rights enshrined in European and national legislation are applied effectively for all workers. Of particular importance will be effective oversight and enforcement of the social acquis. Equally, there is a need to combat any forms of social injustice or other abuses in the aviation sector.

Need for action have also been raised by other representatives of the air transport sector value chain, most notably representing aircraft manufacturers. On 16 October 2020 the European Trade Union IndustriAll called for European solutions to rescue it presenting aerospace recovery plan 'Flying into recovery' (Eurofound 2020). The collapse of commercial flights, resulted in airlines cancelling or postponing new orders leading to disastrous effects on the European manufacturing sector. These included a huge reduction in demand, production cuts, transport restrictions, supply problems, delays, cash-flow problems and the stoppage of some "noncritical" work. IndustriAll Europe stress that the European aerospace industry has long been a brilliant example of a truly European industrial project with a high-tech value chain spread right across Europe. In IndustriAll opinion Member States are currently scrambling for national solutions, forgetting the sector's European dimension that requires a European solution.

European federation is calling for urgent action at European level and the immediate creation of a European Task Force which will implement European solutions to protect the sector and safeguard thousands of high-quality jobs throughout Europe.

IndustriAll Europe calls on EU policy makers to adopt an ambitious industrial recovery plan post COVID-19 that pays due attention to the needs of the aerospace sector and restores the capacity of the sector to generate the cashflows needed to invest in a sustainable future. The plan aims at maintaining 600,000 jobs within European aviation industry.

Additionally, ahead of the 1 March 2021 Extraordinary meeting of Ministers of Tourism, 14 European stakeholders[3] in aviation and tourism have urged the EU to put their efforts into the coordination of all restrictive measures related to COVID-19 (Eurofound 2021). According to their view unilateral approaches implemented by the Member States inevitably risk harming the EU both economically and socially, and a set of coordinated measures need to be undertaken, also with a view of saving to hundreds of thousands of jobs across Europe.

2.2 LEGAL FRAMEWORK FOR PUBLIC SUPPORT IN AIR TRANSPORT SECTOR IN EUROPEAN UNION

Member States may provide support to airlines and airports affected by the COVID-19 pandemic in line with the *de minimis rules*[4] or the *General Block Exemption Regulation (GBER)*[5], which do not require prior authorization to the Commission. Furthermore, the *Rescue and Restructuring Guidelines*[6], together with Article 107(3)(c) TFEU, enables Member States, (subject to Commission approval), to meet liquidity needs and support of companies facing economic difficulties or bankruptcy due to the COVID-19 outbreak. In addition, aid measures other than public service compensations could be notified and their compatibility could be assessed under the State aid Aviation Guidelines, or under the applicable State aid guidelines for horizontal support measures

[3] The signatories included: Airline Catering Association (ACA), Airline Coordination Platform (ACP), Airlines for Dialogue (A4D), Airlines for Europe (A4E), Airport Services Association (ASA), Airports Council International – Europe (ACI Europe), Air Traffic Controllers European Union Coordination (ATCEUC), Civil Air Navigation Services Organisation (CANSO), European Cockpit Association (ECA), European Federation of Food, Agriculture and Tourism Trade Unions (EFFAT), European Regions Airline Association (ERA), Europeans for Fair Competition (E4FC), European Transport Workers' Federation (ETF), UNI Europa.
[4] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM%3A0802_2
[5] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02014R0651-20170710
[6] https://eur-lex.europa.eu/legal-content/GA/TXT/?uri=CELEX:52014XC0731(01)

not specific to the air transport sectors, such as the Rescue and Restructuring Guidelines (Abate et al. 2020).

Due to the scale of disruption caused by the pandemic, the Commission has issued guidelines for the notification of State aid measures under:

- aid granted under **Article 107(2)(b)TFEU** (Treaty on the Functioning of the European Union) as well as a new
- *Temporary Framework*[7] under which State aid measures can be justified in line with **Article 107(3)(b) TFEU**.

These will be described in more detail below.

AID GRANTED UNDER ARTICLE 107(2)(B) TFEU

According to Article 107(2)(b) TFEU, aid to make good the damage caused by natural disasters or exceptional occurrences is compatible with the internal market. Article 107 (2) (b) allows state aid for compensation of damage caused by natural disasters or exceptional occurrences. In order to be compatible with the Treaty, the aid should fulfil the criteria of exceptionality, causality, and proportionality: the event causing the damage should be unforeseen, exceptional and with a significant impact, the damage should be in a direct causal link with the exceptional occurrence and the aid should not go beyond the amount of damage actually suffered.

In its Communication of 13 March 2020, "Coordinated economic response to the Covid-19 outbreak", document. 27 the Commission concluded that the COVID-19 outbreak qualifies as an "exceptional occurrence" for the purpose of Article 107(2)(b) TFEU. The Commission, during the COVID-19 outbreak, has assessed under Article 107(2)(b) TFEU compensation granted by Member States to companies to the extent that these companies were prevented by the competent authorities from carrying out their business activity (including companies in financial difficulties).

Upon approval by the Commission, Member States can compensate companies for damage caused by the COVID-19 outbreak. Evidence of the damage suffered, of the direct causal link between the exceptional occurrence and the damage and of the absence of overcompensation, must in any event be provided by the Member State.

[7] https://ec.europa.eu/competition/state_aid/what_is_new/sa_covid19_temporary-framework.pdf

The information that should be provided for notifications of aid under Article 107(2)(b) TFEU is included in the specific notification template[8].

Major events disrupting air transport in the past have been recognised as exceptional occurrences in the sense of Article107 (2) (b). The first such event was the terrorist attacks in 2001, which gave rise to a large number of state aid measures for airlines, as reimbursement for damages and for the coverage of increased insurance costs (Pantazi 2021).

It is noteworthy that, in its guidelines addressing the consequences of the 2001 attacks and state aid to airlines, the Commission particularly underlined that both compensation and insurance cover measures should apply to all airlines in a given Member State, in a non discriminatory and uniform manner (Pantazi 2021). The current practice seems not to be consistent with this approach, as evidenced in the table below.

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

Beneficiary	Country	Amount (milion EUR)	Type of aid	Case
TAP Portugal	Portugal	452	State loan (damage 03-06/20)	62304
Finnair	Finland	350	Hybrid loan	60113
French carriers	France	200	Deferral payment of taxes	56765
Alitalia	Italy	199,45	Direct grant (damage 03-06/20)	58114
Austrian Airlines	Austria	150	State loan, direct grant	57539
SAS	Denmark	137	State guarantee on a revolving credit facility	56795
SAS	Sweden	137	State guarantee on a revolving credit facility	57061
Italian carriers	Italy	130	Direct grant (damage 1/3-15/06)	59029
Aegean Airlines	Greece	120	Direct grant (damage 03-06/20)	59462
Alitalia	Italy	73	Direct grant (damage 06-10/20)	59188
Blue Air	Romania	63	Public guarantee, loan guarantee	57026
Corsair	France	30,2	Tax credit	58125
Alitalia	Italy	24,7	Direct grant (damage 11-12/20)	61676
Tarom	Romania	19,3	Loan guarantee (damage 03-06/20)	56810
SATA Air Azores	Portugal	12	Direct grant (damage 03-06/20)	61771
Croatia Airlines	Croatia	11	Direct grant	55373

Source: Pantazi 2021.

As of 30 April 2021, thirty-four (34) schemes of state aid to airlines were notified to the European Commission under the Covid-19 Temporary Framework and cleared with

8 https://ec.europa.eu/competition/state_aid/what_is_new/Notification_template_107_2_b_PUBLICATION.pdf

no objections raised (Pantazi 2021). 16 of them were based on Article 107 (2) (b) as compensation of damages caused by exceptional occurrences (Table) and 18 of them were based on Article 107 (3) (b) as remedy for serious disturbance in the economy (Table in section below).

The specifications in the Temporary Framework point to the conclusion that the European Commission has taken a restrictive approach with regard to the application of Article 107 (2) (b) in the context of the pandemic. In brief guidance the Commission explains that the exceptional occurrence in this case is the restrictive measures precluding the beneficiary from operating his economic activity, and not the pandemic in itself. Therefore, there should be a direct causal link between the restrictive measures and the damage they have caused. In this respect, damages caused by flight restrictions, or the exclusion of certain categories of clients may be compensated. The same does not apply to damages caused by general measures, such as social distancing or general sanitary constraints. The Commission further points out that no overcompensation should be made and that the damage should be rigorously quantified. Damage caused by the general decline in demand or customers' unwillingness to travel cannot be compensated; this clarification is particularly relevant for air transport. Therefore, Article 107 (2) (b) appears in general more difficult to apply in comparison to Article 107 (3) (b) and this might explain why Member States are unwilling to use this legal basis in the present crisis, since the vast majority of state aid schemes were not authorised as compensation for damage. (Pantazi 2021).

THE TEMPORARY FRAMEWORK FOR STATE AID MEASURES TO SUPPORT THE ECONOMY IN THE COVID-19 OUTBREAK

According to Article 107 (3) (b), aid to remedy a serious disturbance in the economy of a Member State is compatible with the internal market. Previous application of this particular provision only took place during the post-2008 economic crisis, when the Commission approved a considerable number of state aid measures to support financial institutions under specialised temporary frameworks (Pantazi 2021). Due to scale of pandemic and its economic consequences, COVID-19 has been early recognised by the Commission as a serious disturbance to the economy. As such on 19 March 2020, the Commission adopted a Temporary Framework for State Aid measures to support the economy in the current crisis based on Article 107(3)(b) TFEU (the "Temporary Framework"). The Temporary Framework has been regularly updated (lastly on 28 January 2021) to reflect the evolution of the pandemic and the EU economy.

The Temporary Framework applies to almost all sectors and undertakings including transport undertakings, mentioning transport as one of the most affected sectors. It aims to remedy the liquidity shortages faced by companies by allowing for instance direct grants, tax advantages, State guarantees for loans, subsidised public loans and recapitalisation. To address urgent liquidity needs in particular of small and medium-sized enterprises in a speedy manner Member States may give, support of up to the nominal value of EUR 1 800 000 per undertaking in the form of direct grants, loans, tax and payment advantage, or other forms such as guarantees on loans covering 100% of the risk under section 3.1 of the Temporary Framework.

This State support can be combined also with so-called *de minimis* aid. In addition, it provides for possibilities of aid covering liquidity needs beyond the EUR 1 800 000 per undertaking in the form of guarantees and interest rate subsidies, subject to, inter alia, minimum pricing conditions under sections 3.2 and 3.3 of the Temporary Framework. Section 3.9 of the Temporary Framework provides for schemes deferring tax and/or social security contributions, which may also cover undertakings in the aviation sector. The same applies for section 3.10 of the Temporary Framework, which 26 and with other types of aid, provided the cumulation rules are respected.

Section 3.11 of the Temporary Framework enables Member States to provide public support in the form of equity and/or hybrid capital instruments to undertakings facing financial difficulties due to the COVID-19 outbreak, including undertakings in the aviation sector. Under section 3.12 of the Temporary Framework Member States can provide public support to companies facing a decline in turnover during the eligible period of at least 30% compared to the same period of 2019 due to the COVID-19 outbreak. The support will contribute to a part of the beneficiaries' fixed costs that are not covered by their revenues, up to a maximum amount of EUR 10 million per undertaking.

In the last revision to the Framework, the Commission has decided to prolong and extend the scope of the Temporary Framework. All sections of the Temporary Framework are prolonged until 31 December 2021. The objective is to enable Member States to support businesses in the context of the COVID-19 crisis, especially where the need or ability to use the Temporary Framework has not fully materialised so far, while protecting the level playing field.

According to the guidance of the Commission, state aid as a remedy for a serious disturbance in the economy of a Member State is subject to certain strict requirements. First of all, this type of aid does not apply to undertakings, which were facing financial difficulties before December 2019 (Pantazi 2021). This "*one time, last time*" principle aims at avoiding that economically unviable companies are kept in the market.

Member States are allowed without notable restrictions to grant a limited amount of aid, not exceeding EUR 1.8 million per undertaking, in order to assist enterprises that find themselves facing a sudden shortage of liquidity. Above this threshold, the Commission distinguishes between the different types of state aid:

- state guarantees on loans,
- subsidised interest rates for loans (with additional conditions if the guarantees and loans are channelled through credit institutions) and
- recapitalisation measures.

The first two types of aid should not be cumulated in the same loan. With regard to state participation in the undertaking (recapitalisation), the Commission underlines that such measures should only be considered if no other appropriate solution can be found. In any case, the aid should not exceed the minimum amount needed to restore the viability of the beneficiary, the State should receive appropriate remuneration for the investment, as close as possible to market terms, and recapitalisation should be redeemed when the economy stabilises (Pantazi 2021).

As can be seen in table below, 18 out of a total of 34 measures (as of April 2021) were based on Article 107 (3) (b) as remedy for serious disturbance in the economy.

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

Beneficiary	Country	Amount (milion EUR)	Type of aid	Case
Lufthansa	Germany	6.000	Equity participation, silent participation, loan guarantee	57153
Air France	France	7.000	State guarantee on loans, subordinated state loan	57082
Air France	France	4.000	Recapitalisation	59913
KLM	Netherlands	3.400	State loan guarantee, state loan	57116
SAS	Denmark-Sweden	1.000	Recapitalisation	57543
LOT Polish Airlines	Poland	650	Subsidised loan, recapitalisation	59158
Finnair	Finland	540	State loan guarantee	56809
Swedish carriers	Sweden	455	State guaranttee on loans	56812
Brussels airlines	Belgium	290	State loan, recapitalisation	57544
Finnair	Finland	286	Recapitalisation	57410
Air Baltic	Latvia	250	Recapitalisation	56943
Nordica	Estonia	30	Share capital increase, subsidised interest loan	57586

Various enterprises	Hungary	21,76	Tax allowance	57767
All interested airlines	Denmark	20	Direct grant to cover airport charges	58157
All interested airlines	Cyprus	6,3	Direct grant to airlines resuming connectivity	57691
Danish carriers	Denmark	6	Direct grant – wages of technical staff	59370
All interested airlines	Slovenia	5	Direct grant (up to €800.000 per airline)	59124
Airlines Sibiu airport	Romania	1,7	Direct grant to airlines resuming connectivity	59156

Source: Pantazi 2021.

In practical terms, the support from governments around the world has taken a variety of forms, including capital injections, loans, deferring the payment of taxes and reducing tax liabilities, with the aim to provide temporary relief to airlines until travel demand returned (IATA 2021). However, as noted by IATA the industry remains exposed to the resurgence of the pandemic and financial support from governments remains still critical for survival for some airlines. While airlines are calling for public support, Member States appear to be open to use all available means to protect big companies, including recapitalization or even nationalization (e.g., Alitalia). An overview of support measures in Project Partner Countries, based on Greenpeace Bailout Tracker is presented in Table below.

Table. Air transport support measures in project partner countries

Company	Country of registration	2018 Passengers (mln)	Agreed amount (mln EUR)	Type	Details
SAS	Sweden, Denmark, Norway	28.8	1130	Credit guarantee	State recapitalisation of SAS of up to SEK 11 billion (approximately €1 billion), of which abour SEK 6 billion (appr. €583 million) will be provided by Denmark and SEK 5 billion (appr. €486 million) by Sweden. This replaced previous loans by Sweden and Denmark, but the previous loan of €130 million from Norway remains unaffected
TUI Group	Germany	26	3526	Loan	The TUI Group has received in total €4.3 billion from the German state for its airline, cruise, hotel and travel agency operations. In Q1 2020, 82% of its revenue came from „Markets and Airlines" and on this basis, €3.526 billion (82% of €4.3 billion) was calculated.
Condor	Germany	9.4	550	Loan	Condor received a €550 m state loan from the German government: a loan of €294m as corona-aid and EUR 256m to refinance the bridging loan the airline received following the 2019 bankruptcy of Thomas Cook.
Lufthansa	Germany	142.3	6840	Loan / Partial takeover	The government will take a 20% share in the airline in return for €9 billion in equity and loand which can increase to 25% plus 1 share if Lufthansa is subject to a hostile takeover bid. Brussels' airlines aid by Belgium, Swiss Airlines bailout by Switzerland and Austrian Airlines aid by Austria are deducted from the German amount.
Iberia	Spain	21.4	750	Loan	The five-year loans will be channelled via a syndication of banks.

Vueling	Spain	32.8	260	Loan	The five-year loans will be channelled via a syndication of banks.
Air France	France	101.5	8000	Recapitalisation, hybrid instrument and loan guarantee	In May 2020, the French government agreed to a €7 billion bailout plan, including EUR 4 billion guaranteed loan and €3 billion direct loan. In April 2021, a second bailout was announced. The French State will convert its €3 billion direct loan into a hybrid instrument. Another €1 billion will come from a capital increase.
Ryanair	Ireland	139	670	Loan	Ryanair has received a 600mln GBP loan from the UK Covid-19 corporate financing facility
Alitalia	Italy	21.3	297 (+3000)	State aid/ Takeover	The government has earmarked €3 billion for nationalization, subject to the agreement by the EC. For the purpose of coronavirus relief, the EC has approved €297mln in aid to the airline.
Air Europa	Spain	11,5	475	Loan	On November 3, 2020 the Spanish government approved two credits for Air Europa: a loan worth €235 mln and another participatory loan of €240 mln.
Danish airlines and small regional airports	Denmark	-	34,9	State Aid	The government agreed to set aside DKK 260 mln for domestic routes and lower taxes. In a sub-agreement, parties decided to use DKK 27 mln to help Danish airlines with operating costs to maintain their licence for commercial flight, and DKK 28 mln to support smaller, regional airports, which have operating loss in 2020.
LOT	Poland	8,9	650	Loan and recapitalisation	The Polish government has worked on a bailout of PLN 2.9 billion (€650 mln), coming as a PLN 1.8 billion loan and PLN 1.1 billion recapitalization.
Corsair Air	France	-	141	State Aid	In total, financing of €297 mln will be provided by the French state (€141 mln), TUI group (€126 mln) and buyers (€30 mln) to reinforce the airline's cash flow and equity.

Source: own development based on Airline Bailout Tracker by Profundo/ Greenpeace. Data as of June 9, 2021.

2.3 LONG-TERM CONSEQUENCES OF PUBLIC SUPPORT TO AIR TRANSPORT SECTOR

Government aid proved essential for air transport companies whose revenue dramatically decreased, and the continuous rate of cash burn outpacing the airlines' incomes might call for even more support in order to guarantee companies' survival(Rodrigues et al, 2021). In common with much of the rest of the economy, government assistance is needed in the aviation sector to preserve incomes and jobs through the crisis (ITF/OECD 2020). Government support to airlines IATA estimates that airlines had pre-crisis cash reserves allowing them to survive an average two months of crisis conditions. Unaided, many airlines could go out of business before travel restrictions are lifted.

Even though the air transport industry has often been the target of State aids through loans, injections and nationalizations, the post-pandemic market setting will require targeted measures that allow the sector to grow without undermining competition, for example by ensuring that a balance is struck between supporting specific firms and ensuring a level playing field for all companies. (Rodrigues et al, 2021). Following the

COVID-19 outbreak the Commission stands ready to accept exceptions to that rule. However, an assessment on the viability of the airline in the long term (i.e., after the Covid-19 crisis), seems necessary in order to justify the grant of public support to a given airline (Rivas 2020).

Although government support is essential to sustain airlines and manufacturers through the COVID-19 crisis, its long-term effects might have a considerable impact on air transport companies (Rodrigues et al, 2021). Fitch Ratings predicts that, after the pandemic, there will be fewer airlines operating in more competitive markets. This will prescribe the need for strengthening companies' capital structures and imply establishing rigid strategies to remain competitive. Companies that have been granted governmental aid with significant strings attached to it, may need to cut operational costs and improve financial flexibility, in order to deleverage and refinance government loans. Banks and lessors have devised very stringent conditions for their credit due diligence of airlines, and government support is a major driving factor to secure finance from commercial banks and capital markets.

One possible outcome of the increase of debt is that companies might increase ticket prices to finance repayment (Rodrigues et al, 2021). Besides this, the financial constraints may also hamper or reduce the capacity of the aviation sector to carry out the much-needed upgrade of its infrastructure. The current low travel demand and the consequentially low revenues make it difficult for the sector to invest in digitalisation, new aircrafts, more sustainable fuels, and greener infrastructure. However, expenditures will definitely be needed in the future. As noted by ITF/OECD (2020), the planned intervention to support aviation during the crisis needs to be compatible with long-term policy objectives of fostering efficient aviation markets and meeting agreed climate change mitigation targets. However, as noted by the Greenpeace Bailout Tracker, majority of public supports and interventions are not conditional on meeting environmental or climate changes.

3. COUNTRY FICHES

3.1 DENMARK

AVIATION SECTOR IN DENMARK DURING THE COVID-19 PANDEMIC

According to IATA (2019) before the pandemic, the air transport sector supports (airlines, airport operators, airport on-site enterprises - restaurants and retail, aircraft manufacturers, and air navigation service providers) employed 34,000 people in Denmark. In addition, by buying goods and services from local suppliers the sector supported another 21,000 jobs. On top of this, the sector is estimated to support a further 16,000 jobs through the wages it pays its employees, some or all of which are subsequently spent on consumer goods and services. Foreign tourists arriving by air to Denmark, who spend their money in the local economy, are estimated to support an additional 12,100 jobs. In total 83,000 jobs are supported by air transport and tourists arriving by air. The air transport industry, including airlines and its supply chain, are estimated to support US $7 billion of GDP in Denmark. Spending by foreign tourists supports a further US $1.3 billion of the country's GDP, totalling to US $8.3 billion. In total, 2.7 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air.

SAS is a major network airline operating in Denmark, Sweden and Norway. It has its main hub at Copenhagen airport and, under normal circumstances, provides two-thirds of intra-Scandinavian air connectivity. Since the start of the coronavirus outbreak, SAS has suffered a significant reduction of its services, resulting in high operating losses. With dropping passenger numbers the impact of COVID-19 on aviation industry in Denmark has been significant (see Table).

- **Total flights lost since 1 March 2020:** *319,000 flights*
- **Current flight status:** *309 daily flights or -71% vs 2019 (7-day average)*
- **Traffic forecast:** *42% of 2019 in 2021 & 70% in 2022*
- **GDP:** *+1.6% in 2021 & +3.3% in 2022 (vs. previous year)*
- **Vaccination:** *25.47 per hundred people fully vaccinated*
- **Busiest airport:** *Copenhagen with 210 average daily flights (-74% vs. 2019)*
- **Busiest airline:** *SAS with 59 average daily flights (-82% vs. 2019)*

* data as of 15 June 2021

Traffic composition

Top 5 Airports (07-06-2021 - 13-06-2021)		
Airport	Average daily flights (Dep/Arr)	% vs 2019
Copenhagen/Kastrup	210	-74%
Billund	40	-73%
Aalborg	40	-40%
Copenhagen/Roskilde	35	+15%
Bornholm/Ronne	15	-69%

Top 5 Aircraft Operators (07-06-2021 - 13-06-2021)		
Aircraft Operator	Average daily flights	% vs 2019
SAS	59	-82%
Danish Intl Heli	25	-57%
Ryanair	16	-74%
DHL Express	13	-11%
KLM	12	-62%

Top 5 City Pairs (07-06-2021 - 13-06-2021)		
Country pair	Average daily flights	% vs 2019
from/to DENMARK	76	-50%
from/to GERMANY	32	-70%
from/to NORWAY	20	-80%
from/to SPAIN	19	-66%
from/to SWEDEN	19	-73%

Flight Category (07-06-2021 - 13-06-2021)		
Flight Category	Average daily flights	% vs 2019
Internal	66	-54%
International	229	-75%
Round Robin Flights	14	-14%

Aircraft Category (07-06-2021 - 13-06-2021)		
Aircraft Category	Average daily flights	% vs 2019
Narrow body	134	-79%
Other	75	-26%
Regional Jet	40	-74%
Commuter (TurboP)	33	-71%
Wide body	21	-52%
Very Large Aircraft	7	-43%

Market Segment (07-06-2021 - 13-06-2021)		
Market Segment	Average daily flights	% vs 2019
Traditional Scheduled	158	-75%
Lowcost	42	-84%
Business Aviation	36	-22%
Other Types	26	-22%
Charter	22	-67%
All-Cargo	20	-6%
Military	5	-6%

Source: Eurocontrol 2021

GENERAL SUPPORT MEASURES

Denmark reported its first confirmed cases of COVID-19 on February 27, 2020. In March, the government implemented a range of measures to contain the spread of COVID-19, and to support people, jobs and businesses. According to IMF (2021), Danish authorities responded to the ongoing crisis quickly and forcefully through various initiatives, including fiscal, monetary and macro-financial measures to combat and limit the effects of the crisis, that included:

- Above-the-line discretionary fiscal support amounts to DKK 79.5 billion (3.4 percent of 2020 GDP) and includes increased spending for additional health care needs and extraordinary budgetary measures to support workers and businesses.
- Temporary liquidity measures, including postponement of tax payments and government guarantees,
- Wage compensation scheme to all companies and other support measures,

Eurofound, in their Covid-19 EU PolicyWatch Database of national-level responses – which collates information on the responses of government and social partners to the crisis, as well as gathering examples of company practices aimed at mitigating the social and economic impacts - has identified 45 measures in Denmark in the context of the

COVID-19 pandemic. Most cases fall into the category **Promoting the economic, labour market and social recovery** with 10 cases (22%). Some of the key measures focused on supporting businesses and employment have been included in Table 1.

Table 1. Key Covid-19 support measures for business in Denmark

English name	Native name	Type
Work sharing	Arbejdsfordeling	Response to COVID-19, Income support for workers, Working time flexibility
Job rotation	Job rotation	response to COVID-19, Training
Warning pool	Varslingspuljen	Response to COVID-19, Advice, Training
The Competence Development Fund in Industry	Industriens Kompetenceudviklingsfond	response to COVID-19, Fostering mobility, Training
Industrial researchers	Erhvervsforskere	Access to finance, Advice, Employment incentive, Fostering innovation, Matching/Networking, Support of companies' growth, Support of SMEs, Training
Business Development Centres	Erhvervshusene	Access to finance, response to COVID-19, Advice, Fostering innovation, Matching/Networking, Start-up support, Support of companies' growth, Support of internationalisation, Support of SMEs, Territorial coordination
The Business Guide	Virksomhedsguiden	response to COVID-19, Fostering innovation, Start-up support, Support of companies' growth, Support of SMEs
Early Warning	Early Warning	Response to COVID-19, Advice, Support of companies' growth, Support of SMEs
The Growth Fund	Vækstfonden	Access to finance, response to COVID-19, Attracting investors, Fostering innovation, Support of companies' growth, Support of SMEs
Employees' Guarantee Fund	Lønmodtagernes Garantifond	Response to COVID-19, Income support for workers

Source: own development based on: https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument

AVIATION SECTOR SUPPORT MEASURES

The Swedish government has put in place a credit guarantee programme for the airline industry estimated at a value of around EUR 500 million. Around one third of this was earmarked for the flag carrier SAS Scandinavian airlines, as part of a recapitalisation package that also included recapitalisation and likewise involved the government of Denmark. The government of Sweden participated (with Denmark) in a recapitalisation of SAS Scandinavian Airlines. The transaction includes the conversion of SEK 2.25 billion of debt to equity as well as the issuance of SEK 12 billion worth of new equity capital. The share issuance, which implies a dilution of approximately 95% for the previous shareholders, leaves the governments of Denmark and Sweden with each 21.8% of the voting shares – up from 14.3% (each) prior to the crisis. SAS announced on 30 June a revised Recapitalization plan to tackle the expected effects of the COVID-19 pandemic, where the details of the action have been describes (SAS 2020).

The European Commission has found a Danish State guarantee of up to approximately €137 million on a revolving credit facility in favour of Scandinavian airline SAS to be in line with EU State aid rules. The measure aims at partly compensating the airline for the damage suffered due to the coronavirus outbreak. The support will take the form of a State guarantee on a revolving credit facility in favour of SAS. Denmark will guarantee up to approximately€137 million of such revolving credit facility.

Table 2. Support to the air transport sector

Company name	Type of government support	Estimated amount	Further details
SAS AB	Sweden and Denmark took part in the recapitalisation plan	The recapitalisation plan converts SEK 2.25 bn of debt to equity, raises total proceeds corresponding to approximately SEK 12 bn before issue costs adn hence restores SAS equity by an amount corresponding to SEK 14.25 bn.	The transaction increased the state ownership from 14,3% (each of Sweden and Denmark) to 21,8% (each). Other shareholders decreased their ownership.

Source: own development based on: OECD, State Support to the Air Transport Sector: Monitoring developments related to the Covid-19 crisis, 22 April 2021 https://www.oecd.org/corporate/State-Support-to-the-Air-Transport-Sector-Monitoring-Developments-Related-to-the-COVID-19-Crisis.pdf

Danish government also provides a *COVID-19 aid scheme for airlines regarding airport charges*. The scheme is based on the Danish Regulations: "*Bekendtgørelse om støtteordning til luftfartsselskaber i anledning af COVID-19-udbruddet*" of 02 October 2020. The scheme is part of a political agreement concluded on 25 June 2020 between the Danish Government and several of the Danish political parties (the Liberal Party, the Social Liberal Party and the Conservative People Party) regarding an air transport package. As part of this scheme airlines can apply to the Danish State for aid corresponding to a 50% reduction in airport charges (passenger charges and take-off charges only) paid to Danish airports. The aid under this scheme is granted under the EU-commissions "Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak" as subsequently amended, and therefore aid received by an undertaking must not exceed EUR 800,000 per undertaking in the form of direct grants, repayable advances, tax or payments advantages (all figures must be gross). An undertaking may therefore receive a maximum of EUR 800.000 under this scheme after deduction of any other aid received under the "Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak".

In light of the tourism, travel and aviation slowdown, the government agreed on 4 June 2021 on a *Summer business package to boost economy and holiday activities* of DKK 1.65 billion (€215 million), to boost the tourism and experience economy among others (Eurofound 2021). The package was agreed by the government, and the parties to the agreement undertake to vote in favour of the acts, notices, etc. which implement the agreement. The package includes direct support to the airlines in form of:

- DKK 27 million for an extension of aid scheme for the salaries of critical staff of airlines.
- DKK 60 million for the reduction of safety tax for airlines.

Actions are also taken by Danish airports. In May 2020, Copenhagen Airport (CPH) entered a 2-year facilities agreement totalling DKK 6.0 billion with a club of banks. The new facility is a combination of a 2-year term loan of DKK 2.0 billion and a 2-year credit facility of DKK 4.0 billion. Simultaneously, CPH entered into waiver agreements with existing lenders, providing CPH relief form certain loan covenants until and including Q1 2021. The new facility and the waiver agreements ensures that CPH will continue to be able to meet its financial and investment commitments.

3.2 FRANCE

AVIATION SECTOR IN FRANCE DURING THE COVID-19 PANDEMIC

According to IATA (2019) before the pandemic, the air transport sector supports (airlines, airport operators, airport on-site enterprises - restaurants and retail, aircraft manufacturers, and air navigation service providers) employed 273,000 people in France. In addition, by buying goods and services from local suppliers the sector supported another 431,000 jobs. On top of this, the sector is estimated to support a further 207,000 jobs through the wages it pays its employees, some or all of which are subsequently spent on consumer goods and services. Foreign tourists arriving by air to France, who spend their money in the local economy, are estimated to support an additional 231,000 jobs. In total 1.1 million jobs are supported by air transport and tourists arriving by air. The air transport industry, including airlines and its supply chain, are estimated to support US $87 billion of GDP in France. Spending by foreign tourists supports a further US $18 billion of the country's GDP, totalling to US $105 billion. In total, 4.3 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air.

The biggest air transport company in France is Air France KLM, which have been severely affected by the crisis. Air France-KLM announced that the coronavirus pandemic severely impacted its 2020 earnings, pushing it into a net loss of 7.1 billion euros. The airline group revenues plunged by nearly 60 percent to 11.1 billion euros as passenger numbers plummeted 67 percent to 28.8 million.

Also one of the biggest aircraft producers in the world – Airbus – announced a net loss of 1.1 billion euros in 2020. Group revenues plunged to 49.9 billion euros from 70.5 billion euros a year earlier. A total of 566 commercial aircraft were delivered, comprising 38 A220s, 446 A320s, 19 A330s, 59 A350s and four A380s, compared with 863 aircraft in 2019.

- **Total flights lost since 1 March 2020:** *1,2M flights*
- **Current flight status:** *2,059 daily flights or -56% vs 2019 (7-day average)*
- **Traffic forecast:** *45% of 2019 in 2021 & 71% in 20222*
- **GDP:** *+5.0% in 2021 & +4.6% in 2022 (vs. previous year)*
- **Vaccination:** *16.3 per hundred people fully vaccinated*
- **Busiest airport:** *Paris CDG with 514 average daily flights (-64% vs. 2019)*
- **Busiest airline:** *Air France with 529 average daily flights (-57% vs. 2019)*

* data as of 15 June 2021

Traffic composition

Top 5 Airports (25-05-2021 - 31-05-2021)		
Airport	Average daily flights (Dep/Arr)	% vs 2019
Paris/Charles-De-Gaulle	514	-64%
Paris/Orly	237	-64%
Nice	199	-58%
Paris/Le Bourget	137	-22%
Marseille/Provence	128	-56%

Top 5 Aircraft Operators (25-05-2021 - 31-05-2021)		
Aircraft Operator	Average daily flights	% vs 2019
Air France	529	-57%
easyJet	84	-84%
Commandement Transport Aerien	52	+73%
Enac	52	+101%
Volotea	42	-58%

Top 5 City Pairs (25-05-2021 - 31-05-2021)		
Country pair	Average daily flights	% vs 2019
from/to FRANCE	888	-22%
from/to SPAIN	158	-62%
from/to GERMANY	114	-68%
from/to ITALY	105	-72%
from/to UNITED KINGDOM	81	-82%

Flight Category (25-05-2021 - 31-05-2021)		
Flight Category	Average daily flights	% vs 2019
Internal	866	-23%
International	1 171	-67%
Round Robin Flights	22	+88%

Aircraft Category (25-05-2021 - 31-05-2021)		
Aircraft Category	Average daily flights	% vs 2019
Other	782	-1%
Narrow body	728	-74%
Regional Jet	274	-53%
Wide body	141	-51%
Very Large Aircraft	75	-49%
Commuter (TurboP)	59	-57%

Market Segment (25-05-2021 - 31-05-2021)		
Market Segment	Average daily flights	% vs 2019
Traditional Scheduled	745	-65%
Business Aviation	491	-16%
Lowcost	298	-80%
Other Types	252	+25%
All-Cargo	140	-3%
Military	70	+14%
Charter	64	-20%

Source: Eurocontrol 2021

GENERAL SUPPORT MEASURES

The coronavirus has significantly affected France. The first confirmed COVID-19 case was reported on January 24, 2020. Infection levels remain high with recurrent surges, and a third wave of infections is currently underway. The government has introduced a range of containment measures since mid-March 2020, when the first nationwide lockdown was instated to reduce the spread of COVID-19. The French economy contracted by 8 percent in 2020.

According to IMF (2021), French authorities responded to the ongoing crisis through various initiatives, including fiscal, monetary and macro-financial measures to combat and limit the effects of the crisis, by four amendments to budget laws during March-November 2020 increasing the fiscal envelope devoted to addressing the crisis to about €180 billion (around 8 percent of GDP, including liquidity measures). This adds to a package of public guarantees of €327 ½ billion (close to 15 percent of GDP), including €315 billion in guarantees for bank loans and credit reinsurance schemes.

Key support measures[9] aimed at the economy and support to employment included:

[9] Detailed information on Coronavirus Support Measures can be found here: https://www.economie.gouv.fr/covid19-soutien-entreprises

- liquidity support through postponements of social security and tax payments for companies and accelerated refund of tax credits (e.g. CIT and VAT);
- support for wages of workers under the short-time work scheme;
- direct financial support for affected microenterprises, liberal professions, and independent workers, as well as for low-income households;
- postponement of rent and utility payments for affected microenterprises and SMEs; 4
- additional allocation for equity investments or nationalizations of companies in difficulty;
- facilitating granting of exceptional bonuses exempt from social security contributions;
- extension of expiring unemployment benefits until the end of the lockdown and preservation of rights and benefits under the disability and active solidarity income schemes; and
- support measures for the hardest-hit sectors (e.g. including incentives to purchase greener vehicles and green investment support for the auto and aerospace sectors).

The 2021 budget included additional funding for emergency programs which was subsequently expanded amid ongoing containment measures (about 3 percent of GDP, including measures in an amendment law currently under discussion). The 2021 budget also incorporated key elements of the fiscal package ("Plan de Relance"[10]) announced in September 2020 to support the recovery of the French economy. The recovery plan includes measures amounting to about 100 billion euros over two years and focuses on the ecological transformation of the economy, increasing the competitiveness of French firms, and supporting social and territorial cohesion. About 40 billion of the plan is expected to be covered by grants from the EU Recovery Fund (IMF 2021).

Eurofound, in their Covid-19 EU PolicyWatch Database of national-level responses – which collates information on the responses of government and social partners to the crisis, as well as gathering examples of company practices aimed at mitigating the social and economic impacts - has identified 64 measures in France in the context of the

[10] Coronavirus Recovery Plan in France: https://www.economie.gouv.fr/plan-de-relance

COVID-19 pandemic. Most cases fall into the category **Protection of workers, adaptation of workplace** with 23 cases (36%). Some of the key measures focused on supporting businesses and employment have been included in Table 1.

Table 1. Key Covid-19 support measures for business in France

English name	Native name	Type
Partial activity	Activité partielle	Response to COVID-19, Income support for workers, Support of SMEs, Training, Working time flexibility
Competitiveness clusters	Pole de compétitivité	Fostering innovation, Matching/Networking, Support of companies' growth, Territorial coordination, Training
Occupations and skills observatories	Observatoires prospectifs des métiers et des qualifications (OPMQ)	Provision of labour market information, Recognition of informal and non-formal training, Social Dialogue
Re-employment units	Cellules de reclassement	Advice, Fostering mobility, Matching/Networking, Start-up support, Training
Professional security contract	Contrat de sécurisation professionnelle, CSP	Advice, Fostering mobility, Income support for workers, Provision of labour market information, Start-up support, Support of business transfers, Training
Employer groups/Employee sharing	Groupements d'employeurs	Employment incentive, Matching/Networking, Territorial coordination, Training, Working time flexibility
National exchange for craft opportunities	Bourse Nationale des créateurs, des repreneurs , des cédants pour entreprendre dans l'artisanat (BNOA)	Matching/Networking, Support of business transfers, Support of SMEs
Transenterprise	Transentreprise	Advice, Matching/Networking, Support of business transfers, Support of SMEs, Training
Commissioners for restructuring and prevention of business difficulties	Commissaires aux Restructurations et à la prévention des difficultés des entreprises	Advice, Matching/Networking, Support of SMEs, Territorial coordination
House for Business Creation and Transfer	Maison de la Création et de la Transmission d'Entreprises (MCTE)	Advice, Start-up support, Support of business transfers, Support of SMEs
Wage guarantee fund	Association pour la Gestion du régime de garantie des créances des salariés (AGS)	Response to COVID-19, Income support for workers
Business support service database	Service Aides-entreprises.fr	response to COVID-19, Advice, Matching/Networking, Support of companies' growth, Support of internationalisation, Support of SMEs

Credit mediation scheme for businesses	Médiation du Crédit aux Entreprises	Access to finance, Rescue procedures in case of insolvency, Response to COVID-19, Start-up support, Support of business transfers, Support of SMEs
Secured voluntary mobility	Mobilité volontaire sécurisée	Fostering mobility, Training
Research tax credit	Crédit impôt recherche - CIR	Access to finance, Employment incentive, Fostering innovation, Matching/Networking, Support of SMEs
Redeployment leave	Congé de Reclassement	Fostering mobility, Income support for workers, Training
Employment protection plan	Plan de sauvegarde de l'emploi (PSE)	Response to COVID-19, Fostering mobility, Start-up support, Support of business transfers, Training, Working time flexibility
Collective performance agreement	Accord de performance collective	response to COVID-19, Fostering mobility, Social Dialogue, Wage flexibility, Working time flexibility
Personal training account (CPF)	Compte Personnel de Formation (CPF)	Fostering mobility, Recognition of informal and non-formal training, Training

Source: own development based on: https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument

AVIATION SECTOR SUPPORT MEASURES

The most significant air transport specific support measure in France is the bailout of Air France-KLM. France and the Netherlands provided an unprecedented public bailout of 10 billion euros, to salvage Air France-KLM from the diminishing global air travels. Air France-KLM, one of Europe's biggest airlines, received a €4 billion bank loan backed by the French state and a €3 billion direct government loan. Dutch government provided an additional €3.4 billion in public aid. According to the Dutch government's official statement of 26 June 2020, KLM will receive up to €3.4 billion in State aid from the Dutch government. The aid will include a €2.4 billion 90% guarantee on a loan and a direct loan of up to €1 billion. The direct loan must be repaid by 2025 and will be provided in tranches.

A €7 billion French aid measure consisted of a State guarantee on loans and a subordinated shareholder loan to Air France to provide urgent liquidity. The measures were approved in line with the State aid Temporary Framework / Article 107(3)(b) TFEU. Framework, increasing over time to encourage early reimbursement, (ii) the guarantee will be granted before 31 December 2020, (iii) the loan backed by the guarantee cannot exceed € 4 billion and below the limits of the Temporary Framework, (iv) the maximum duration of the guarantee is 6 years and will not cover more than 90% of loan backed by such a guarantee, and (v) Air France was not in difficulty on or before 31 December 2019. With respect to the subordinated shareholder loan, the

Commission assessed the measure under Article 107(3)(b) TFEU. The Commission found that, in the absence of the public support, Air France would likely face the risk of bankruptcy due to the sudden erosion of its business. This would likely cause severe harm to the French economy[11].

This aid measure also includes certain environmental commitments from Air France, including:

- A reduction of its domestic flights on routes of less than 2h30 where a rail alternative exists (and limiting such flights to transfers to hub airports)
- A 50% reduction in its volume of CO2 emissions on flights in mainland France by the end of 2024.
- A 50% reduction in its CO2 emissions per passenger and per km by 2030.
- Target of 2% sustainable alternative fuels incorporated into the fuel tanks to be achieved by 2025
- Future investments must be directed towards long and medium haul journeys.

Another measure is *The French Scheme deferring the payment by airlines of certain aeronautical taxes*[12]sets up a deferral payment mechanism of certain aeronautical taxes to compensate damages suffered by airlines due to the COVID-19 outbreak. The scheme will be accessible to airlines with an operating licence in France, and will offer them the possibility to defer the payment of certain taxes that would in principle be due between March and December 2020 to after 1 January 2021, and to pay the taxes over a period of up to 24 months. Sectoral scheme[13] in France is in fact addressing the whole aviation industry. The French government will provide 15 billion euros ($16.9 billion) to support the country's aviation industry, which has been hammered by travel restrictions imposed due to the coronavirus pandemic. The French state and Airbus, as well as Dassault Aviation, Thales and Safran, will contribute 200 million euros each to a fund for small- and mid-size firms, in particular to help them invest in carbon-reduction technologies.

Eurofound (2020) reports on the ***Long-term short-working scheme for the air transport sector.*** Faced with 'an economic, social and societal crisis impacting the

[11] https://ec.europa.eu/commission/presscorner/detail/en/IP_20_796
[12] https://ec.europa.eu/commission/presscorner/detail/en/ip_20_514
[13] https://minefi.hosting.augure.com/Augure_Minefi/r/ContenuEnLigne/Download?id=94C9F4D9-0CB4-4D85-9026-7801E5E7F1E7&filename=2196%20DP%20-%20Plan%20de%20soutien%20%C3%A0%20l%27a%C3%A9ronautique.pdf

entire air transport sector' and a recovery of activity envisaged in 2023/2024, the employers' organisations FNAM and Samera signed, on 5 March 2021, with the 5 trade union CFDT, CFE-CGC, CGT, Unsa and Solidaires, an agreement 'on the implementation of the specific partial activity scheme in the event of a lasting reduction in activity'. The system, whose duration is set at 24 months, consecutive or not, over a reference period of 36 consecutive months, should make it possible to 'meet the needs of companies in the sector in the months and years to come'. Companies are invited to give priority to the implementation of the long-term short-time working scheme (APLD) through collective bargaining (at establishment, company or group level). Failing that, they may make use of the system "by means of a document drawn up by the employer at company or establishment level". The reduction in working hours applicable to each employee may not exceed 40% of the legal working time (up to 50% in exceptional cases). The employees concerned will receive, "instead of their salary", an hourly allowance, paid by the employer, under the conditions set by the legislation. Companies in the sector must undertake not to make redundancies for economic reasons from employees placed on short-time working during the period of application of the APLD scheme. The branch of Transport and air work covers 535 companies (76% with less than 50 employees) and 86,000 employees, where the Scheme can be used.

Table 2. Support to the air transport sector

Company name	Type of government support	Estimated amount	Further details
Air France – KLM	Loan guarantees	€4 billion	See AF-KLM press release on May 7th 2020 See European Commission press release on 6 April 2021
	Loan	€3 billion	
	Debt-equity swap	€3 billion	
	Recapitalisation	Up to €1 billion	
All airports	Repayable advance	€300 million	See law n°2020-935
Corsair	Loan	€80 million	See decisions of the European Commission: SA.58463 and SA.58125
	Tax deferrals	€21.9 million	
	Tax credit	€35 million	

Source: own development based on: OECD, State Support to the Air Transport Sector: Monitoring developments related to the Covid-19 crisis, 22 April 2021 https://www.oecd.org/corporate/State-Support-to-the-Air-Transport-Sector-Monitoring-Developments-Related-to-the-COVID-19-Crisis.pdf

3.3 GERMANY

AVIATION SECTOR IN GERMANY DURING THE COVID-19 PANDEMIC

According to IATA (2019) before the pandemic, the air transport sector supports (airlines, airport operators, airport on-site enterprises - restaurants and retail, aircraft manufacturers, and air navigation service providers) employed 315,000 people in Germany. In addition, by buying goods and services from local suppliers the sector supported another 337,000 jobs. On top of this, the sector is estimated to support a further 189,000 jobs through the wages it pays its employees, some or all of which are subsequently spent on consumer goods and services. Foreign tourists arriving by air to Germany, who spend their money in the local economy, are estimated to support an additional 299,000 jobs. In total 1.1 million jobs are supported by air transport and tourists arriving by air.

The air transport industry, including airlines, and its supply chain, are estimated to support US $68 billion of GDP in Germany. Spending by foreign tourists supports a further US $18 billion of the country's GDP, totalling to US $86 billion. In total, 2.5 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air.

According to German Statistical Office[14] thousands of flights have been cancelled and in some cases complete fleets are grounded - the corona crisis affects global air transport to an unprecedented extent. It is even more problematic as Germany is a hub for international air transport. In 2019 more than 124 million passengers boarded flights from the major German airports. The coronavirus pandemic has halted this trend, causing serious disturbance to air sector value chain.

- **Total flights lost since 1 March 2020:** *1.7M flights*
- **Current flight status:** *2505 daily flights or -59% vs 2019 (7-day average)1*
- **Traffic forecast:** *45% of 2019 in 2021 & 68% in 2022*
- **GDP:** *+3.8% in 2021 & +4.3% in 2022 (vs. previous year)*
- **Vaccination:** *21.71 per hundred people fully vaccinated*
- **Busiest airport:** *Frankfurt with 641 average daily flights (-58% vs. 2019)*
- **Busiest airline:** *Lufthansa with 526 average daily flights (-66% vs. 2019)*

[14] https://www.destatis.de/EN/Themes/Cross-Section/Corona/Economy/context-economy.html;jsessionid=02F156FD32A381D442F5F9A5D70957DE.live722#doc396814bodyText13

* data as of 10 June 2021

Traffic composition

Top 5 Airports (02-06-2021 - 08-06-2021)		
Airport	Average daily flights (Dep/Arr)	% vs 2019
Frankfurt	641	-58%
Munich	352	-71%
Cologne/Bonn	213	-50%
Berlin Brandenburg	200	-25%
Leipzig/Halle	195	-5%

Top 5 Aircraft Operators (02-06-2021 - 08-06-2021)		
Aircraft Operator	Average daily flights	% vs 2019
Lufthansa	526	-66%
Eurowings	159	-78%
Ryanair	120	-72%
DHL Express	113	+14%
TUI fly	64	-49%

Top 5 City Pairs (02-06-2021 - 08-06-2021)		
Country pair	Average daily flights	% vs 2019
from/to GERMANY	399	-57%
from/to SPAIN	343	-46%
from/to ITALY	171	-65%
from/to TURKEY	137	-62%
from/to GREECE	134	-41%

Flight Category (02-06-2021 - 08-06-2021)		
Flight Category	Average daily flights	% vs 2019
Internal	381	-58%
International	2 106	-60%
Round Robin Flights	18	+16%

Aircraft Category (02-06-2021 - 08-06-2021)		
Aircraft Category	Average daily flights	% vs 2019
Narrow body	1 219	-70%
Other	598	-8%
Wide body	254	-28%
Regional Jet	245	-61%
Very Large Aircraft	153	-41%
Commuter (TurboP)	37	-79%

Market Segment (02-06-2021 - 08-06-2021)		
Market Segment	Average daily flights	% vs 2019
Traditional Scheduled	956	-69%
Lowcost	500	-74%
Business Aviation	390	-4%
All-Cargo	337	+18%
Other Types	187	-1%
Charter	91	-46%
Military	44	-12%

Source: Eurocontrol 2021

GENERAL SUPPORT MEASURES

Germany registered the first confirmed COVID-19 case on January 27, 2020. The government has responded with a range of measures to contain the spread of virus through border closures, closure of schools and non-essential businesses, social distancing requirements, enforcement of mask-wearing, and a ban on public gatherings.

According to IMF (2021), to combat the COVID-19 crisis and subsequently support the recovery, the federal government has adopted three supplementary budgets: €156 billion (4.7 percent of GDP) in March 2020, €130 billion (3.9 percent of GDP) in June 2020, and €60 billion (1.7 percent of GDP) in March 2021. Early measures included: (i) spending on healthcare equipment, hospital capacity and R&D (vaccine), (ii) expanded access to short-term wirk ("Kurzarbeit") subsidy to preserve jobs and workers' incomes, expanded childcare benefits for low-income parents and easier access to basic income support for the self-employed, (iii) €50 billion in grants to small business owners and self-employed persons severely affected by the COVID-19 outbreak in addition to interest-free tax deferrals until year-end and €2bn of venture capital funding for start-ups, (iv) temporarily expanded duration of unemployment insurance and parental leave benefits.

The stimulus package in June 2020 comprised a temporary VAT reduction, income support for families, grants for hart-hit SME's, financial support for local governments, expanded credit guarantees for exporters and export-financing banks, and subsidies/investment in green energy and digitalization. In August, the government extended the maximum duration of short-term work benefits from 12 to 24 months.

At the same time, through the newly created economic stabilization fund (WSF) and the public development bank KfW, the government was expanding the volume of available guarantees and access to public guarantees for firms of different sizes, eligible for up to 100 percent guarantees, increasing the total volume by at least €757 billion (24 percent of GDP). The WSF and KfW also offer facilities for public equity injection into firms with strategic importance (IMF 2021). In addition to the federal government's fiscal package, many local governments (Länder and municipalities) have announced own measures to support their economies, amounting to €141 billion in direct support and roughly €70bn in state-level loan guarantees.

Eurofound, in their Covid-19 EU PolicyWatch Database of national-level responses – which collates information on the responses of government and social partners to the crisis, as well as gathering examples of company practices aimed at mitigating the social and economic impacts - has identified 65 measures in Germany in the context of the COVID-19 pandemic. Most cases fall into the category **Supporting businesses to stay afloat** with 16 cases (25%). Some of the key measures focused on supporting businesses and employment have been included in Table 1.

Table 1. Key Covid-19 support measures for business in Germany

English name	Native name	Type
Short-time working allowance	Kurzarbeitergeld	Response to COVID-19, Income support for workers, Working time flexibility
Early risk management systems	Risikofrüherkennungssysteme	Provision of labour market information, Support of companies' growth
Employer groups	Arbeitgeberzusammmenschlüsse (AGZ)	Fostering mobility, Matching/Networking, Support of SMEs, Territorial coordination
Transitional and qualification employment agencies	Transfergesellschaften, Beschäftigungs- und Qualifizierungsgesellschaften	Response to COVID-19, Advice, Income support for workers, Matching/Networking, Training
Business Angels	Business Angels	Access to finance, Advice, Matching/Networking, Support of SMEs

Company employment pacts	Betriebliche Bündnisse für Arbeit	Social Dialogue, Wage flexibility, Working time flexibility
Supporting business knowledge	Förderung unternehmerischen Know-hows	Access to finance, response to COVID-19, Advice, Support of SMEs
Regional monitoring of structural developments	Regionaler Strukturbericht	Provision of labour market information
Nexxt-change business database	Nexxt-change Unternehmensbörse	Advice, Matching/Networking, Support of business transfers, Support of SMEs, Territorial coordination
Sikoflex	Sikoflex	Income support for workers, Working time flexibility
IMK Economic Performance Indicator	IMK Konjunkturindikator	Provision of labour market information
IAB-Establishment Panel	IAB-Betriebspanel	response to COVID-19, Support for digitalisation, Provision of labour market information
Insolvency compensation	Insolvenzgeld	Income support for workers
BMWi (Federal Ministry for Economic Affairs and Energy) – Market development programme	BMWi - Markterschließungsprogramm	Advice, Matching/Networking, Support of companies' growth, Support of internationalisation, Support of SMEs
go-digital	go-digital	Support for digitalisation, Advice, Fostering innovation, Support of SMEs
Federal funding for energy advice for SMEs	Bundesförderung für Energieberatung im Mittelstand	Access to finance, Transition to a climate-neutral economy, Advice, Support of SMEs

Source: own development based on: https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument

AVIATION SECTOR SUPPORT MEASURES

The major airline in Germany, **Lufthansa** requested State aid from Germany, Switzerland, Belgium, and Austria. The Commission has approved German aid of €9 billion to be granted to the Lufthansa Group. The aid consists of a €3 billion state guarantee on a loan and a recapitalization measure of €6 billion. Germany plans to grant the €3 billion state guarantee as individual aid under the German scheme approved by the Commission on 22 March 2020. The €3 billion loan will be financed from a KfW syndicated financing in which private banks are participating with €600 million.

The recapitalization measure of the Lufthansa Group of €6 billion includes:

- €300 million equity participation through the subscription of new shares by the State, corresponding to 20% of DLH's share capital
- €4.7 billion silent participation with the features of a non-convertible equity instrument,
- €1 billion silent participation with the features of a convertible debt instrument.

The recapitalization will be financed and structured as follows:

- The Economic Stabilization Fund (*Wirtschaftsstabilisierungsfonds*, WSF), will finance the recapitalization, and in turn acquire a silent partnership (*stille Beteiligung*) in the amount of approx. €4.7 billion, which can be recognized as equity under IFRS
- WSF acquires a 20% stake in Lufthansa with limited voting rights for approximately €0.3 billion in the course of a capital increase
- A convertible bond of 5% plus one share
- A further silent participation of around €1 billion, which can be converted into shares (at least a further 5%) under certain conditions
- The Federal Government will be represented on the supervisory board by two mandates to be exercised by independent experts

The Commission found that the recapitalization measure was compatible with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework.

Germany also took action to support charter airline **Condor.** This aid measure aimed to partly compensate for the damage suffered due to the cancellation or re-scheduling of its flights as a result of the imposition of travel restrictions introduced by Germany and by many destination countries to limit the spread of the coronavirus. The support took form of a State-guaranteed €550 million public loan granted via the German development bank Kreditanstalt für Wiederaufbau (KfW). The exact damage suffered by Condor as a result of the outbreak will be quantified after the coronavirus crisis, based on the airline's operating accounts for the year 2020. The method used to quantify the damage will be subject to the Commission's prior approval. The Commission assessed the measure under Article 107(2)(b) TFEU.

Support measures was also targeted at German **airports**. The European Commission has approved German plans to grant up to €1.7 billion for the recapitalisation of

Flughafen Berlin Brandenburg Gmbh ('FBB')[15]. FBB is the state-owned airport operator in Berlin, Germany. It manages the Berlin Brandenburg airport ('BER'). Due to the coronavirus outbreak and the travel restrictions that Germany and other countries had to impose to limit the spread of the virus, FBB suffered substantial losses while still facing significant operational costs. As a result, the equity and liquidity position of the company deteriorated. In this context, Germany notified to the Commission, that its plans to grant up to €1.7 billion for the recapitalisation of FBB by allowing its public shareholders, the Länder Berlin and Brandenburg and the Federal Republic of Germany, to inject the capital into FBB's capital reserve. The Commission concluded that the recapitalisation measure is necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework. Germany also issued aid of €18.2 million to Saarbrücken airport. Saarbrücken airport is a small regional airport located in the German federal state of Saarland. It is operated by publicly owned company Flug-Hafen-Saarland[16].

Table 2. Support to the air transport sector

Company name	Type of government support	Estimated amount	Further details
Deutsche Lufthansa AG („Lufthansa“)	Economic Stabilisation Fund: - Silent Participation I - Silent Participation II (with conversion right) - Capital increase	Drawn down to this date (16/02/2021): Measures by the Economic Stabilisation Fund - €1.3 bn.	Lufthansa is a major German and European aviation company, listed in the German stock index MDAX. In the course of the COVID-19 pandemic and the related travel restrictions the company faced severe operational and liquidity impacts. It was the first and to this day it is the largest stabilisation measure realised by the Economic Stabilisation Fund. Economic Stabilisation Fund is the Fund of Fed. Rep. Of Germany to counteract the economic impact of the coronavirus pandemic and stabilise companies in the economy)
	KfW (German development bank): Loan (thereof 20% participation by private banks)	Measures by KfW: - €1 bn.	
TUI AG	Economic Stabilisation Fund:	Drawn down to this date:	By means of contractual conversion rights with regard to Silent

[15] https://ec.europa.eu/commission/presscorner/detail/en/IP_22_721

[16] https://ec.europa.eu/commission/presscorner/detail/en/MEX_20_865

	- Silent Participation I (with conversion right) - Silent Participation II - Warrant Bond	Measures by the Economic Stabilisation Fund: €570 million	Participation I and the call options related to the Warrant Bond the Economic Stabilisation Fund could increase its equity share to 25% + 1 share.
	KfW (German Development bank): - Loan I - Loan II - Loan III	Measures by KfW: Depends on Current utilisation of KfW loan facilities. At least the KfW facility of €200 million	
Condor	Loan	€550 million	
Flughafen Berlin Brandenburg GmbH	Subsidy	€98.8 mill.	Support for loss of income during March 4th and June 30th 2020
	Low-interest loans	€201.2 mill. €552 mill.	Support for loss of liquidity during January 1st and November 9th 2021
Flughafen München GmbH	Subsidy	€253 mill.	Support for loss of income during March 4th and June 30th 2020
Flughafen Köln/Bonn GmbH	Inpayment in capital reserve	€75 mill.	

Source: own development based on: OECD, State Support to the Air Transport Sector: Monitoring developments related to the Covid-19 crisis, 22 April 2021 https://www.oecd.org/corporate/State-Support-to-the-Air-Transport-Sector-Monitoring-Developments-Related-to-the-COVID-19-Crisis.pdf

3.4 IRELAND

AVIATION SECTOR IN IRELAND DURING THE COVID-19 PANDEMIC

According to IATA (2019) before the pandemic, the air transport sector supports (airlines, airport operators, airport on-site enterprises - restaurants and retail, aircraft manufacturers, and air navigation service providers) employed 39,000 people in Ireland. In addition, by buying goods and services from local suppliers the sector supported another 25,000 jobs. On top of this, the sector is estimated to support a further 11,000 jobs through the wages it pays its employees, some or all of which re subsequently spent on consumer goods and services. Foreign tourists arriving by air to Ireland, who spend their money in the local economy, are estimated to support an additional 69,000 jobs. In total 143,000 jobs are supported by air transport and tourists arriving by air. The air transport industry, including airlines and its supply chain, are estimated to support US $10.4 billion of GDP in Ireland. Spending by foreign tourists supports a further US $10.2 billion of the country's GDP, totalling to US $20.6 billion. In total, 6.8 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air.

According to the Department of Transport analysis (Burmanje et at. 2021), the Irish aviation sector is essential for tourism and international trade and thus is a significant contributor to the Irish economy. Prior to Covid-19, passenger numbers coming through Irish airports grew significantly from almost 25 million people in 2013 to 38 million in 2019. The Irish aviation sector is dominated by two airlines, Ryanair and Aer Lingus, both of which have their headquarters in Ireland. Taken together, the airlines account for approximately 70-80 per cent of the Irish market with regard to the number of passengers (Burmanje et at. 2021).

The outbreak of Covid-19 has had a significant negative impact on the aviation sector, with passenger air travel particularly affected. The number of passengers handled in the main airports fell to 8.3 million in 2020, a decline of 78 per cent on 2019 levels. The impact of Covid-19 continued in 2021. The number of passengers handled in the first half of the year was just over 1 million, a fall of 94 per cent on the same period in 2019.

- **Total flights lost since 1 March 2020:** *282,000 flights*
- **Current flight status:** *181 daily flights or -80% vs 2019 (7-day average)*
- **Traffic forecast:** *43% of 2019 in 2021 & 71% in 2022*
- **GDP:** *+2.6% in 2021 & +3.1% in 2022 (vs. previous year)*
- **Busiest airport:** *Dublin with 136 average daily flights (-81% vs. 2019)*
- **Busiest airline:** *Ryanair with 39 average daily flights (-88% vs. 2019)*

* data as of 5 June 2021

Traffic composition

Top 5 Airports (28-05-2021 - 03-06-2021)

Airport	Average daily flights (Dep/Arr)	% vs 2019
Dublin	136	-81%
Cork	33	-62%
Shannon	21	-71%
Kerry/Farranfore	5	-68%
Baldonnel	4	+45%

Top 5 Aircraft Operators (28-05-2021 - 03-06-2021)

Aircraft Operator	Average daily flights	% vs 2019
Ryanair	39	-88%
Aer Lingus	21	-92%
Stobart Air	11	-86%
DHL Express	8	+164%
KLM	7	-38%

Top 5 City Pairs (28-05-2021 - 03-06-2021)

Country pair	Average daily flights	% vs 2019
from/to UNITED KINGDOM	43	-88%
from/to IRELAND	26	+36%
from/to GERMANY	16	-72%
from/to UNITED STATES	16	-76%
from/to NETHERLANDS	10	-70%

Flight Category (28-05-2021 - 03-06-2021)

Flight Category	Average daily flights	% vs 2019
Internal	12	+1%
International	156	-83%
Round Robin Flights	13	+102%

Aircraft Category (28-05-2021 - 03-06-2021)

Aircraft Category	Average daily flights	% vs 2019
Narrow body	80	-88%
Other	37	-27%
Wide body	29	-54%
Regional Jet	16	-73%
Commuter (TurboP)	15	-84%
Very Large Aircraft	5	-55%

Market Segment (28-05-2021 - 03-06-2021)

Market Segment	Average daily flights	% vs 2019
Traditional Scheduled	72	-85%
Lowcost	42	-88%
Business Aviation	22	-47%
All-Cargo	19	+23%
Other Types	14	+35%
Charter	9	-52%
Military	2	-66%

Source: Eurocontrol 2021

GENERAL SUPPORT MEASURES

Since the start of the Covid-19 pandemic in March 2020, the economic impact for Ireland was severe, with the domestically-oriented sectors contracting by around 10 percent in 2020 and Covid-adjusted unemployment increasing to 25 percent (IMF, 2021). Ireland responded to the first two and third wave of pandemic with strict lockdowns, including closure of schools and businesses.

According to IMF (2021), Irish authorities actively undertaken fiscal, monetary and macro-financial measures to combat and limit the effects of the crisis, that included:

1. a comprehensive fiscal package of €24.5 billion (about 14 percent of GNI), distributed over 2020 and 2021, which includes €20.5 billion in direct support

and €4 billion indirect support through (a) €2 billion credit guarantee scheme and (b) €2 billion Pandemic stabilisation and recovery Fund (ISIF). These included an additional stimulus of 1.7 percent of GDP that was focused on extending the income support measures, providing targeted support to the hospitality sector, and increasing health and housing spending, as well as strengthening the green agenda.

2. employment support measures, including increased unemployment and wage subsidy supports such as:
   a. Employment Wage Support Scheme – under which employers, whose turnover has fallen 30%, received a flat-rate subsidy of up to €203 weekly per employee.
   b. The Pandemic Unemployment Payment—a payment available to those who have lost employment due pandemic at a flat rate of €350 per week.
   c. Covid Restrictions Support Scheme (CRSS) – that provides 10 to 5 percent turnover compensation payments to the affected firms in several sectors (accommodation, food and the arts, recreation and entertainment).
   d. additional €200 million investment in training, education, skills development, work placement schemes, recruitment subsidies, job search and assistance measures, to help those who have lost their jobs find a new one, retrain, or develop new skills, in particular for emerging growth sectors.
   e. additional measures to support SMEs including: (a) The Restart Grant for Enterprises; (b) Waiver of commercial rates; (c) Credit Guarantee Scheme; (d) MicroFinance Ireland and the Local Enterprise Measures; (e) The Future Growth Loan Scheme.

Specific measures to support hospitality and tourism sector include (IMF, 2021): (a) CRSS; (b) temporary VAT rate cut from 13.5 to 9 percent until end-2021; (c) Stay and Spend Incentive through a tax credit; (d) €10 million Restart Fund for the Tourism sector; (e) €10 million Performance Support Scheme for the culture sector to assist planning for events in the context of COVID-19.

Eurofound, in their Covid-19 EU PolicyWatch Database of national-level responses – which collates information on the responses of government and social partners to the crisis, as well as gathering examples of company practices aimed at mitigating the social and economic impacts - has identified 56 measures in Ireland in the context of the

COVID-19 pandemic. Most cases fall into the category **Supporting businesses to stay afloat** with 20 cases (36%). Some of the key measures focused on supporting businesses and employment have been included in Table 1.

Table 1. Key Covid-19 support measures for business in Ireland

English name	Native name	Type
IDA Ireland	IDA Ireland	Access to finance, Attracting investors, Matching/Networking
Skillnet Ireland	Skillnet Ireland	Fostering innovation, Support of companies' growth, Support of SMEs, Training
Enterprise Ireland Mentor Network	Enterprise Ireland Mentor Network	Advice, Matching/Networking, Support of companies' growth, Support of internationalisation, Support of SMEs
Innovation Vouchers	Innovation Vouchers	Fostering innovation, Support of companies' growth, Support of SMEs, Training
Plato Ireland	Plato Ireland	Matching/Networking, Support of companies' growth, Support of SMEs, Territorial coordination, Training
Social Insurance Fund (SIF)	Social Insurance Fund (SIF)	Income support for workers
Management Development	Management Development	Access to finance, Advice, Support of companies' growth, Support of SMEs, Training
Enterprise Ireland	Enterprise Ireland	Access to finance, response to COVID-19, Support for digitalisation, Advice, Attracting investors, Fostering innovation, Matching/Networking, Support of companies' growth, Support of internationalisation, Support of SMEs
Local Enterprise Offices (LEOs)	Local Enterprise Offices (LEOs)	Access to finance, response to COVID-19, Support for digitalisation, Advice, Fostering innovation, Support of companies' growth, Support of internationalisation, Support of SMEs, Training
Going for Growth	Going for Growth	Advice, Matching/Networking, Support of companies' growth
The National Skills Database	The National Skills Database	Provision of labour market information
Workplace Innovation Toolkit	Workplace Innovation Toolkit	Fostering innovation, Support of companies' growth, Support of SMEs, Training
Skills for growth	Skills for growth (Scileanna Réigiúnacha)	Advice, Support of SMEs, Training
SME Credit Guarantee Scheme (CGS)	SME Credit Guarantee Scheme (CGS)	Access to finance, response to COVID-19, Support for digitalisation, Fostering innovation, Support of SMEs

Source: own development based on: https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument

AVIATION SECTOR SUPPORT MEASURES

Recognising the impact of Covid-19 on the aviation sector, the State has provided significant resources to support the sector. To date, €254 million has been provided to the aviation sector in the form of sector specific supports while the sector has also benefited from an estimated €267 million in 'horizontal' or non-sector specific business supports to end June including wage subsidy schemes (Burmanje et at. 2021). In terms of the sector specific supports:

- The majority of this support is in the form of grants (four supports, €64 million).
- The sector has also been supported by loans at commercial rates from the Pandemic Stabilisation and Recovery Fund (PSRF) with €190 million provided (two supports). The majority of this, €150 million, has been provided to Aer Lingus in the form of a debt facility while €40 million has been provided to Dublin Airport Authority (daa) PLC in the form of bond issues.

In total, €521.20 million in support has been made available to airports and airlines. €190 million of reimbursable supports in the form of commercial rate loans and debt facilities was awarded to daa PLC and Aer Lingus respectively under the Pandemic Stabilisation and Recovery Fund (PSRF). A further c.€267 million in horizontal supports was awarded to the sector, of which a significant proportion came via the wage subsidy schemes (Temporary Wage Subsidy Scheme (TWSS) and Employment Wage Subsidy Scheme (EWSS)). €64 million has been awarded to the aviation sector in the form of grants (Burmanje et at. 2021).

One of the actions undertaken in light of the air sector pandemic effects was a *Four year emergency agreement concluded at Ryanair* (Eurofound 2020). The airline Ryanair and union Fórsa have agreed a four-year agreement including temporary pay cuts in order to save cabin crew jobs at the airline. The emergency agreement was concluded due to the huge reduction in airline bookings and travel due to the ongoing restrictions aimed at stopping the spread of COVID-19. The agreement involves pay cuts of up to 10% with a 4-year pay restoration period, as well as productivity and rostering arrangements. It states that the airline requires a 4-year timeframe to return to pre-COVID-19 profitability levels and to enable it re-build "the strength of balance sheet necessary for its business model in the highly cyclical aviation industry". It is to run from July 1, 2020 – July 1, 2024 with a review of the arrangements by the parties in March 2023. The thrust of measures agreed is to minimise redundancies through a combination of pay cuts of up to 10% restored over the term of the agreement, along with rostering changes including part-time, unpaid leave, weekend rosters and maximising the use of the COVID-19 wage subsidy scheme while it is available. There will be no pay or cost increases or pay claims between 1 Jul 20 and 30 June 24.

Also Aer Lingus and its pilots concluded a recovery agreement over the summer which guarantees a level of income for pilots while travel restrictions remain due to COVID-19 and the level of air travel remains low (Eurofound 2020). The agreement was backed in a ballot by members of IALPA/Fórsa by a margin of 97%. The agreement provides for pilots to be paid 50% of basic salary over the summer months of July and August, as well as September. This is to increase to 60% from 1 October 2020, followed by further increases to 70% on 1 January 2021, and 80% from 1 April 2021.

The summary of the public support to the air transport sector in Ireland is presented in the table below.

Table 2. Support to the air transport sector[17]

Company name	Type of government support	Estimated amount	Further details
Cork Airport and Shannon Airport	A one year operational and capital grant funding support	€32 million	These grant supports are expected to be provided in 2021 in response to the Covid-19 pandemic
Shannon Airport	Project specific grant funding for completion of the hold baggage screening capital project	€6.1 million	In 2020, given the financial impacts of Covid-19, the Hold Baggage Screening project at Shannon Airport was halted (commenced before the pandemic). To ensure completion, as an exceptional measure, Government provided emergency funding to continue the project.
Shannon Airport	Compensation measure under Article 107(2)(b) of the Treaty on the Functioning of the European Union		Measure in direct response to the impact of Covid-19 on airports with greater than 1 million passengers (annual average over the two preceding financial years, 2018 and 2019). This measure will provide State airports with the flexibility to roll out route incentives/ charge rebates in consultation with airlines, with a view to supporting recovery and growth of connectivity.
Ireland West Airport Knock, Kerry Airport and Donegal Airport	Aid under the "Temporary Framework for State Aid Measures to Support the Economy	€6 million	Measures approved under section 3.1 and 3.2 of the Framework to help airports that deliver international connectivity to address liquidity issues caused by the Covid-19 outbreak.

[17] The information in this table does not include horizontal Government support schemes provided in response to Covid-19 that are not sector specific, and which State-owned and private firms in the air transportation sector in Ireland availed of, such as the Employment Wage Subsidy Scheme (EWSS) and waiver of commercial rates (as well as other schemes).

	in the Current Covid-19 Outbreak"		
	Regional airport current and capital grant funding 2021-2025	€14 million	Part of ongoing Exchequer grant support scheme and not a specific response to Covid-19
	Regional airport current and capital grant funding 2020	€6 million	Part of ongoing Exchequer grant support scheme and not a specific response to Covid-19
Aer Lingus	Debt facility	€150 million	Commercial debt facility to Aer Lingus to support its liquidity needs given the severe impact of the pandemic across the aviation sector
daa plc	Participation in bond issue	€40 million	Participation in daa's €500 million public bond issuance.
Funding to Stobart Air	PSO Air Services Contract	€29 million	Funding to Stobart Air for Donegal-Dublin and Kerry-Dublin routes. Part of an ongoing Exchequer support for air services and not a specific response to Covid-19.

Source: own development based on: OECD, State Support to the Air Transport Sector: Monitoring developments related to the Covid-19 crisis, 22 April 2021 https://www.oecd.org/corporate/State-Support-to-the-Air-Transport-Sector-Monitoring-Developments-Related-to-the-COVID-19-Crisis.pdf

3.5 ITALY

AVIATION SECTOR IN ITALY DURING THE COVID-19 PANDEMIC

According to IATA (2019) before the pandemic, the air transport sector supports (airlines, airport operators, airport on-site enterprises - restaurants and retail, aircraft manufacturers, and air navigation service providers) employed 204,000 people in Italy. In addition, by buying goods and services from local suppliers the sector supported another 185,000 jobs. On top of this, the sector is estimated to support a further 58,000 jobs through the wages it pays its employees, some or all of which are subsequently spent on consumer goods and services. Foreign tourists arriving by air to Italy, who spend their money in the local economy, are estimated to support an additional 267,000 jobs. In total 714,000 jobs are supported by air transport and tourists arriving by air.

The air transport industry, including airlines and its supply chain, are estimated to support US $32 billion of GDP in Italy. Spending by foreign tourists supports a further US $19 billion of the country's GDP, totalling to US $51 billion. In total, 2.7 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air.

As indicated in Table below, Italy's air transport sector has been hit hard by the pandemic, and economy suffered substantial losses by both direct jobs as well as indirect (mostly from tourism). According to Statista Research Department due to the impact of coronavirus (COVID-19) on the global economy, the Italian air transport sector could experience a loss in revenues of 25 to 55 percent in 2020 compared to 2019. Similarly, the revenues generated by the airports' management might experience a decrease of 22.5 to 50.4 percent.

- **Total flights lost since 1 March 2020:** *1,2M flights*
- **Current flight status:** *1,332 daily flights or -67% vs 2019 (7-day average)*
- **Traffic forecast:** *44% of 2019 in 2021 & 71% in 20222*
- **GDP:** *+4.6% in 2021 & +4.5% in 2022 (vs. previous year)*
- **Vaccination:** *19.65 per hundred people fully vaccinated*
- **Busiest airport:** *Milan MXP with 238 average daily flights (-61% vs. 2019)*
- **Busiest airline:** *Alitalia with 185 average daily flights (-68% vs. 2019)*

* data as of 3 June 2021

Traffic composition

Top 5 Airports (26-05-2021 - 01-06-2021)		
Airport	Average daily flights (Dep/Arr)	% vs 2019
Milan/Malpensa	238	-61%
Rome/Fiumicino	230	-75%
Milan/Linate	160	-51%
Catania Fontanarossa	99	-60%
Venice/Tessera	89	-70%

Top 5 Aircraft Operators (26-05-2021 - 01-06-2021)		
Aircraft Operator	Average daily flights	% vs 2019
Alitalia	185	-68%
Ryanair	180	-75%
Wizz Air	53	-38%
easyJet	50	-87%
DHL Express	38	+16%

Top 5 City Pairs (26-05-2021 - 01-06-2021)		
Country pair	Average daily flights	% vs 2019
from/to ITALY	521	-42%
from/to GERMANY	131	-72%
from/to FRANCE	107	-71%
from/to SPAIN	87	-75%
from/to UNITED KINGDOM	56	-86%

Flight Category (26-05-2021 - 01-06-2021)		
Flight Category	Average daily flights	% vs 2019
Internal	498	-44%
International	811	-74%
Round Robin Flights	23	+30%

Aircraft Category (26-05-2021 - 01-06-2021)		
Aircraft Category	Average daily flights	% vs 2019
Narrow body	748	-75%
Other	319	-8%
Regional Jet	126	-63%
Wide body	84	-58%
Commuter (TurboP)	32	-53%
Very Large Aircraft	23	-57%

Market Segment (26-05-2021 - 01-06-2021)		
Market Segment	Average daily flights	% vs 2019
Traditional Scheduled	477	-73%
Lowcost	353	-79%
Business Aviation	273	-19%
All-Cargo	110	+20%
Other Types	42	+6%
Charter	39	-43%
Military	37	+8%

Source: Eurocontrol 2021

GENERAL SUPPORT MEASURES

According to IMF (2021), on March 17, 2020, the government adopted a €25 billion (1.6 percent of GDP) "Cura Italia" emergency package. Four pillars of the package are[18]:

- Strengthening the National Health Care System and the Civil Protection Department (€3.2 billion),
- Preserving employment levels and incomes of laid-off workers and self-employed (€10.3 billion);
- Other measures to support businesses, including tax deferrals and postponement of utility bill payments in most affected municipalities (€6.4 billion)
- Measures to support credit supply (€5.1 billion)

On April 6, 2020), the Liquidity Decree allowed for additional state guarantees of up to €400 billion (25 % of GDP). The guarantee envelope from this and earlier schemes is aimed to unlock more than €750 billion (close to 50 percent of GDP) of liquidity for

[18] https://www.mef.gov.it/en/inevidenza/Protect-health-support-the-economy-preserve-employment-levels-and-incomes-00001/

businesses and households. On May 15, 2020, the government adopted a further €55 billion (3.5 percent of GDP) "Relaunch" package of fiscal measures. It provides, among other things, further income support for families (€14.5 billion), funds for the healthcare system (€3.3 billion), and other measures to support businesses, including grants for SMEs and tax deferrals (€16 billion). Following the Parliament's approval for a further €25 billion (1.6 percent of GDP) deficit deviation, on August 8 ,2020, the government adopted a new third support package. Labour and social measures (€12 billion) include, among other things, additional income support for families and some workers, an extension of the short-time work program, and a suspension of social security contribution for new hires. Other key measures are extensions of the moratorium on SMEs' debt repayment and the time to pay back tax obligations. On October 27, 2020, the government adopted a €5.4 billion (0.3 percent of GDP) package that seeks to provide quick relief to the sectors affected by the latest round of COVID containment actions. Measures include grants to 460 thousand SMEs and the self-employed, and further income support for families. The government has also extended social contribution exemptions for affected businesses. On March 19 and May 20, 2021, the government approved further support packages for about €72bn aiming at extending supports for business and workers affected by the pandemic as well as kickstarting the economy. Key measures include compensating businesses and the self-employed (proportional to 2020 turnover loss), and extending the firing ban (until end-June) and the short-time work schemes (IMF 2021).

Italy has also launched several schemes for injecting capital into businesses whose finances have been affected by the pandemic, including (IMF 2021): SME Capital Strengthening Scheme ("Fondo Patrimonio PMI"), the Relaunch Fund ("Patrimonio Rilancio"), the Fund for Start-ups and Innovative SMEs ("Fondo Rilancio"), the National Tourism Fund ("Fondo Nazionale del Turismo"). The "Rilancio" decree has introduced a Fund for the restructuring of firms (merger and acquisition, turnaround, debt restructuring). Target firms are: (i) firms with historical brands or brands that are strategically important for the country; (ii) firms with less than 250 employees; (iii) firms that hold strategically important assets or relationships. For firms in financial distress, the Fund will provide an equity injection, at market conditions, jointly with a private (third party) investor.

Eurofound, in their Covid-19 EU PolicyWatch Database of national-level responses – which collates information on the responses of government and social partners to the crisis, as well as gathering examples of company practices aimed at mitigating the social and economic impacts - has identified 94 measures in Italy in the context of the

COVID-19 pandemic. Most cases fall into the category **Supporting businesses to stay afloat** with 35 cases (37%). Some of the key measures focused on supporting businesses and employment have been included in Table 1.

Table 1. Key Covid-19 support measures for business in Italy

English name	Native name	Type
Short-time working allowances (Ordinary Wages Guarantee Fund – CIGO –, and Extraordinary Wages Guarantee Fund – CIGS –, Derogatory Wages Guarantee Fund - CID -, solidarity contracts, solidarity funds)	Ammortizzatori sociali in costanza di rapporto di lavoro (Cassa integrazione guadagni ordinaria – CIGO –, straordinaria – CIGS – e in deroga - CID -, contratti di solidarietà, fondi di solidarietà)	Response to COVID-19, Income support for workers, Working time flexibility
Interprofessional paritarian funds for continuous training	Fondi paritetici interprofessionali per la formazione continua	Social Dialogue, Training
National Labour Exchange (Cliclavoro)	Borsa Continua nazionale del lavoro (Cliclavoro)	Advice, Matching/Networking, Provision of labour market information
Wage guarantee fund for labour related credits	Fondo di garanzia INPS del TFR e dei Crediti di Lavoro	Response to COVID-19, Income support for workers
Unit for the management of disputes concerning enterprises facing difficulties	Unità per la Gestione delle Vertenze delle Imprese in Crisi (UGV)	Advice, Monitoring of redundancies, Social Dialogue, Territorial coordination
Bilateral solidarity and occupational redeployment funds	Fondi bilaterali di solidarietà o di supporto all'occupazione	Advice, Employment incentive, Income support for workers, Matching/Networking, Start-up support, Training
National fund for energy efficiency	Fondo Nazionale Efficienza Energetica (FNEE)	Transition to a climate-neutral economy
COVID-19 emergency financial support instruments for businesses	Misure di sostegno finanziario per le imprese connesse all'emergenza epidemiologica Covid-19	Access to finance, Response to COVID-19, Support of SMEs
Atlas i4.0	Atlante i4.0	Response to COVID-19, Support for digitalisation, Advice, Fostering innovation, Matching/Networking, Support of SMEs, Territorial coordination, Training
Vouchers for innovation consultancy	Voucher per consulenza in innovazione	Support for digitalisation, Advice, Fostering innovation, Support of companies' growth, Support of SMEs

Source: own development based on: https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument

AVIATION SECTOR SUPPORT MEASURES

The ban to the possibility to move and travel imposed by the Italian government through a series of legislative interventions has severely affected the economic stability of the national Italian airline Alitalia.

For Alitalia, Government decided on the establishment of a new company fully controlled by the Ministry of Economy and Finance or controlled by a company also with a significant indirect public participation. The Ministry of Economy and Finance is authorized to participate in the share capital and to strengthen the capital of the company with a total contribution of €3 billion euros also through subsequent capital increases, to be subscribed within the year 2020. This new company will proceed to lease the various branches of other companies holding an air passenger transport license issued by Enac.

Table 2. Support to the air transport sector

Company name	Type of government support	Estimated amount	Further details
Italia Trasporto Aereo S.p.A. (successor to Alitalia)	No support has been granted by state but the Italian Treasury created a new company with a direct equity investments to operate on the airlines sector at market conditions	Up to €3 billion	The new airlines company was established, which will operate in the sector air transportation; is authorized to purchase or lease company branches from other companies operating in the airline sector.

Source: own development based on: OECD, State Support to the Air Transport Sector: Monitoring developments related to the Covid-19 crisis, 22 April 2021 https://www.oecd.org/corporate/State-Support-to-the-Air-Transport-Sector-Monitoring-Developments-Related-to-the-COVID-19-Crisis.pdf

Additionally, in order to ensure the financial sustainability over the long run of the national airline, a devoted allowance has been established by the The Law Decree no. 73, issued on 25 May 2021 (article 24) (Eurofound 2021). In order to prevent the risk of interruption of the service for air transport of passengers and ensure continuity in the activity, the Law Decree no. 73, granted, for the year 2021, to Alitalia - Italian Air Company S.p.A. as well as to other companies of the same group a loan not exceeding the amount of €100 million for a maximum duration of six months, to be used to ensure operational and management continuity. The loan is provided through a decree of the Minister of Economic Development, in accordance with the Minister of Economy and Finance.

Other actions aimed at the compensation for the aviation sector, include:

- Compensation for the undertakings holding an air passenger transport license issued by Enac, which are operating public service obligations for the damage suffered as a direct consequence of the COVID-19 crisis. (€ 350 million for 2020).
- In view of the damage suffered by the entire sector of aviation because of the outbreak of the COVID-19 outbreak, the Ministry of Infrastructure and Transport stablished a fund, to compensate the damages suffered by national operators holding an air passenger transport license issued by Enac which are not operating public service obligations (€130 million for 2020).

3.6 POLAND

AVIATION SECTOR IN POLAND DURING THE COVID-19 PANDEMIC

According to IATA (2019) before the pandemic, the air transport sector supports (airlines, airport operators, airport on-site enterprises - restaurants and retail, aircraft manufacturers, and air navigation service providers) employed 44,000 people in Poland. In addition, by buying goods and services from local suppliers the sector supported another 47,000 jobs. On top of this, the sector is estimated to support a further 18,000 jobs through the wages it pays its employees, some or all of which are subsequently spent on consumer goods and services. Foreign tourists arriving by air to Poland, who spend their money in the local economy, are estimated to support an additional 27,000 jobs. In total 137,000 jobs are supported by air transport and tourists arriving by air.

The air transport industry, including airlines and its supply chain, are estimated to support US $3.6 billion of GDP in Poland. Spending by foreign tourists supports a further almost US $0.8 billion of the country's GDP, totaling to US $4.5 billion. In total, 1 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air.

The decisions taken by the Polish government, among them the closure of Polish borders for foreigners, cancellation of international and domestic flights and the collapse in the demand are some of the factors which have contributed to airline crisis (Wąsowska et al. 2021).

- **Total flights lost since 1 March 2020:** *355'000 flights*
- **Current flight status:** *463 daily flights or -62% vs 2019 (7-day average)*
- **Traffic forecast:** *43% of 2019 in 2021 & 70% in 2022*
- **GDP:** *+3.9% in 2021 & +4.4% in 2022 (vs. previous year)*
- **Vaccination:** *19.29 per hundred people fully vaccinated*
- **Busiest airport:** *Warsaw with 208 average daily flights (-62% vs. 2019)*
- **Busiest airline:** *LOT with 111 average daily flights (-67% vs. 2019)*

* data as of 4 June 2021

Traffic composition

Top 5 Airports (27-05-2021 - 02-06-2021)		
Airport	Average daily flights (Dep/Arr)	% vs 2019
Warsaw/Okecie	208	-62%
Katowice/Pyrzowice	55	-56%
Krakow/Balice	55	-71%
Gdansk/Rebiechowo	52	-62%
Wroclaw/Strachowice	41	-57%

Top 5 Aircraft Operators (27-05-2021 - 02-06-2021)		
Aircraft Operator	Average daily flights	% vs 2019
LOT	111	-67%
Ryanair	72	-69%
Wizz Air	36	-77%
Enter Air Sp.Z.O.O.	32	-44%
Lufthansa	17	-77%

Top 5 City Pairs (27-05-2021 - 02-06-2021)		
Country pair	Average daily flights	% vs 2019
from/to POLAND	80	-36%
from/to GERMANY	55	-67%
from/to UNITED KINGDOM	29	-80%
from/to GREECE	29	-54%
from/to SPAIN	25	-48%

Flight Category (27-05-2021 - 02-06-2021)		
Flight Category	Average daily flights	% vs 2019
Internal	61	-45%
International	382	-65%
Round Robin Flights	19	+28%

Aircraft Category (27-05-2021 - 02-06-2021)		
Aircraft Category	Average daily flights	% vs 2019
Narrow body	245	-68%
Other	106	+8%
Regional Jet	66	-69%
Commuter (TurboP)	30	-75%
Wide body	14	-44%
Very Large Aircraft	1	-43%

Market Segment (27-05-2021 - 02-06-2021)		
Market Segment	Average daily flights	% vs 2019
Traditional Scheduled	155	-72%
Lowcost	109	-74%
Charter	72	-41%
Business Aviation	53	+17%
Other Types	39	+22%
Military	19	-30%
All-Cargo	16	-25%

Source: Eurocontrol 2021

GENERAL SUPPORT MEASURES

Poland reported its first confirmed COVID-19 case on March 4, 2020. In March 2020, the government first introduced containment measures, including closures of schools, universities, restaurants, and all non-essential retail trade and service outlets, as well as bans on large gatherings, border controls, and travel restrictions.

According to IMF (2021), the fiscal policy response to the first wave of the pandemic was sizeable, estimated at PLN 116 billion (5.2 percent of GDP). New credit guarantees and micro-loans for entrepreneurs estimated at PLN 74 billion (3.3 percent of GDP) were also approved. Additionally, the Polish Development Fund has financed a PLN 100 billion (4.5 percent of GDP) liquidity program for businesses. Most of the measures have expired by now, except for the PFR liquidity loan program for large firms. Key measures include:

- Additional funds for hospital equipment and supplies;
- Wage subsidies for employees of affected businesses and self-employed persons. This three-month subsidy in the event of work stoppages or reduced working time covered social insurance contributions, and it ranges from 50 to 90 percent of the minimum wage for each employee, depending on recorded decrease in turnover in 2020.

- Increased guarantees from the national development bank (BGK) for enterprises. A new Liquidity Guarantee Fund in BGK will be established offering guarantees for loans taken by medium and large companies;
- Postponement or cancellation of social insurance contributions. For micro firms with up to 9 employees social insurance contributions are covered by the budget for 3 months. For companies employing from 10 to 49 employees, 50 percent of social insurance contributions is paid by the budget. Possible deferral, payment in installments, or cancellation of taxes.
- Deduction of this year's losses for 2021 tax settlement (tax returns for 2019 might be corrected in order to deduct the losses of 2020 from the 2019 income);
- A "solidarity benefit" for those who lost jobs after March 15, paid for three months (June-August);
- An increase in the unemployment benefit by 39 percent during the first 90 days of unemployment;
- To support the local tourism industry and families with children, a tourism voucher has been introduced, providing each child entitled to Family 500+ benefits with a one-time PLN 500 voucher to be spent at hotels or tourist events in Poland.
- Establishment of a new fund (COVID Fund) dedicated to combat the negative impact of the pandemic with the balance sheet size of PLN 100 bn (revenues and expenditures at PLN 100 bn). The Fund is supervised by the Prime Minister but flows from the fund will be transferred to various ministers and other institutions involved in combating negative consequences of pandemic. Revenues are raised through the issuance of bonds by BGK (bonds are guaranteed by the State Treasury).
- The Polish Development Fund is providing liquidity loans and subsidies for micro, small/medium, and large enterprises. The total value of the program equals PLN 100 billion. Up to 70 percent of the financing may be non-returnable, upon fulfilling the relevant conditions related to maintaining employment, continuing business activity, and the level of lost sales.

In response to the second wave of the pandemic, on November 4 the anti-crisis shield 2.0 was announced which was approved by the president on December 15. The additional fiscal measures are targeted to the most affected sectors of the economy and include exemptions from social security contributions, subsidized loans, wage subsidies and benefits for self-employed.

Eurofound, in their Covid-19 EU PolicyWatch Database of national-level responses – which collates information on the responses of government and social partners to the crisis, as well as gathering examples of company practices aimed at mitigating the social and economic impacts - has identified 54 measures in Poland in the context of the COVID-19 pandemic. Most cases fall into the category **Supporting businesses to stay afloat** with 24 cases (44%).

Some of the key measures focused on supporting businesses and employment have been included in Table 1.

Table 1. Key Covid-19 support measures for business in Poland

English name	Native name	Type
Monitored dismissals and solidarity allowance (training and retraining for workers threatened by redundancies programmes)	Program zwolnień monitorowanych oraz dodatek solidarnościowy	Response to COVID-19, Matching/Networking, Training
Training fund in enterprises	Zakładowy Fundusz Szkoleniowy (ZFS)	Support for digitalisation, Support of SMEs, Training
Grants to SMEs to co-finance product certification costs on foreign market	Dotacjia dla przedsiębiorców MŚP na dofinansowanie kosztów uzyskania certyfikatu wyrobu na rynku zagranicznym	Access to finance, Support of internationalisation, Support of SMEs
Provision of training	Organizacja szkoleń	Access to finance, Income support for workers, Training
Special economic zones (SEZ)	Specjalne strefy ekonomiczne (SSE)	Access to finance, response to COVID-19, Attracting investors, Support of companies' growth, Support of SMEs, Territorial coordination
Guaranteed employee benefits fund	Fundusz Gwarantowanych Świadczeń Pracowniczych	Response to COVID-19, Income support for workers

Source: own development based on: https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument

AVIATION SECTOR SUPPORT MEASURES

LOT is a major network airline in Poland and Central Europe and it is the only carrier operating a hub in Poland, at Warsaw Chopin airport. In the second quarter of 2020, LOT suffered substantial losses due to the coronavirus outbreak and the travel restrictions that Poland and other countries had to impose to limit the spread of the coronavirus. The significant drop in travel demand and the restrictive measures continue deteriorating the financial situation of the airline. As a result, LOT is currently facing a risk of default and insolvency. The aid measures intend to restore LOT's equity and liquidity position, in order to ensure the continuation of the air transport services in Poland that LOT provides. The European Commission has approved two Polish measures, for a total of about €650 million (approximately PLN 2.9 billion), to support the airline LOT in the context of the coronavirus outbreak. The aid measures consists of a €400 million (approximately PLN 1.8 billion) subsidised loan and a capital injection of around €250 million (approximately PLN 1.1 billion). The Commission concluded that the measures aim at restoring the balance sheet position and liquidity of LOT in the exceptional situation caused by the coronavirus pandemic. Since the recapitalization does not exceed €250 million, no further commitments to ensure effective competition are required. The measures are necessary, appropriate and proportionate to remedy a serious disturbance in the economy of a Member State, in line with Article 107(3)(b) TFEU and the conditions set out in the Temporary Framework[19].

Additionally Enter Air signed an agreement with the Polish Development Fund (PFR) under which it is to receive a liquidity loan from the Financial Shield 2.0 (for large companies) in the amount of PLN 287 million (about €60 million) (Eurofound 2021). Enter Air is the largest Polish private airline, in operation for ten years, and one of the largest charter airlines in Europe in terms of fleet. Enter Air's fleet consists of 22 Boeing 737-800s and two Boeing 737 MAX8s. No further details of the agreement were communicated either by the Enter Air or PFR. Under the Financial Shield for large companies standard provisions for liquidity loans determine that the loan can be used only for such purposes as:

[19] https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2496

- payment of wages and salaries;
- trade payables, including the purchase of goods and materials or payment of other operating expenses used to produce a product or service;
- public and legal obligations;
- other purposes related to the financing of day-to-day operations (as set out in the Programme Financing Documents).

Liquidity financing shall take the form of an interest-bearing and non-matured loan with a term of up to 6 years, therefore this measure will remain valid until 8 February 2027 at the latest.

3.7 SPAIN

AVIATION SECTOR IN SPAIN DURING THE COVID-19 PANDEMIC

According to IATA (2019) before the pandemic, the air transport sector supports (airlines, airport operators, airport on-site enterprises - restaurants and retail, aircraft manufacturers, and air navigation service providers) employed 269,000 people in Spain. In addition, by buying goods and services from local suppliers the sector supported another 163,000 jobs. On top of this, the sector is estimated to support a further 98,000 jobs through the wages it pays its employees, some or all of which are subsequently spent on consumer goods and services. Foreign tourists arriving by air to Spain, who spend their money in the local economy, are estimated to support an additional 1.2 million jobs. In total 1.7 million jobs are supported by air transport and tourists arriving by air.

The air transport industry, including airlines and its supply chain, are estimated to support US $35.1 billion of GDP in Spain. Spending by foreign tourists supports a further US $78.1 billion of the country's GDP, totalling to US $113.2 billion. In total, 9.2 percent of the country's GDP is supported by inputs to the air transport sector and foreign tourists arriving by air.

According to Statista the spread of COVID-19 critically affected many of Spain's economic engines. In the case of the aviation industry, about 750 thousand professionals could potentially lose their jobs as a result of the crisis caused by the new coronavirus. In addition, it is estimated that the revenues of this sector will decrease by approximately 11 billion euros due to a decrease in traffic of around 100 million passengers.

- **Total flights lost since 1 March 2020:** *1.5M flights*
- **Current flight status:** *2437 daily flights or -54% vs 2019 (7-day average)*
- **Traffic forecast:** *45% of 2019 in 2021 & 72% in 2022*
- **GDP:** *+5.8% in 2021 & +6.2% in 2022 (vs. previous year)*
- **Vaccination:** *23.53 per hundred people fully vaccinated*
- **Busiest airport:** *Madrid with 555 average daily flights (-55% vs. 2019)*
- **Busiest airline:** *Ryanair with 378 average daily flights (-57% vs. 2019)*

* data as of 21 June 2021

Traffic composition

Top 5 Airports (01-06-2021 - 07-06-2021)		
Airport	Average daily flights (Dep/Arr)	% vs 2019
Madrid/Barajas	555	-55%
Palma De Mallorca	445	-47%
Barcelona	395	-63%
Malaga	227	-50%
Ibiza	197	-37%

Top 5 Aircraft Operators (01-06-2021 - 07-06-2021)		
Aircraft Operator	Average daily flights	% vs 2019
Ryanair	378	-57%
Vueling	282	-54%
Iberia	203	-47%
Iberia Regional-Air Nostrum	133	-41%
Air Europa	93	-70%

Top 5 City Pairs (01-06-2021 - 07-06-2021)		
Country pair	Average daily flights	% vs 2019
from/to SPAIN	895	-30%
from/to GERMANY	349	-45%
from/to FRANCE	189	-52%
from/to UNITED KINGDOM	188	-81%
from/to ITALY	154	-56%

Flight Category (01-06-2021 - 07-06-2021)		
Flight Category	Average daily flights	% vs 2019
Internal	859	-31%
International	1 542	-62%
Round Robin Flights	35	+43%

Aircraft Category (01-06-2021 - 07-06-2021)		
Aircraft Category	Average daily flights	% vs 2019
Narrow body	1 524	-62%
Other	365	+27%
Commuter (TurboP)	244	-35%
Regional Jet	179	-38%
Wide body	105	-62%
Very Large Aircraft	20	-58%

Market Segment (01-06-2021 - 07-06-2021)		
Market Segment	Average daily flights	% vs 2019
Lowcost	1 012	-64%
Traditional Scheduled	910	-54%
Business Aviation	291	+27%
All-Cargo	71	+3%
Charter	63	-50%
Other Types	60	+18%
Military	30	+17%

Source: Eurocontrol 2021

GENERAL SUPPORT MEASURES

Spain has been heavily affected by the COVID-19 outbreak, with the first infection case detected on February 25, 2020. From March 30-April 9, 2020, all non-essential activities were halted. The spread of the virus and necessary containment measures led to a significant drop in activity in the first half of 2020, followed by a partial rebound in the second half.

According to IMF (2021), key measures (about 7.4 percent of GDP, €85 billion, subject to changes in the usage and duration of the measures) include budget support from the contingency fund to the Ministry of Health (€1.4 billion); transfers to the regions for regional health services (€12.4 billion); additional healthcare related spending including research related to COVID-19 (€270 million); entitlement of unemployment benefit for workers temporarily laid off under the Temporary Employment Adjustment Schemes (ERTE) due to COVID-19, with no requirement for prior minimum contribution or reduction of accumulated entitlement (about €24.7 billion depending on the duration); measures taken by regional governments on social services, education and support to firms (about €11 billion); direct air for corporate solvency support an extraordinary benefit for self-employed workers, including seasonal self-employed, affected by economic activity suspension (about €6.5 billion depending on the duration); increased sick pay for COVID-19 infected workers or those quarantined, from 60 to 75 percent of the regulatory base, paid by the Social Security budget (€1.6 billion); introduction of a new means-tested Minimum Income Scheme (about €3 billion annually); new rental assistance programs for vulnerable renters and additional state contribution to the State Housing Plan 2018-21 (€800 million); strengthened unemployment protection for workers under permanent discontinuous contracts who cannot resume work but are not qualified for unemployment benefits (€800 million); additional budgetary funds of €300 million and further budget flexibility for the provision of assistance to dependents; subsidy for vehicle renewal under the MOVE II program (€250 million); investment in digitization and innovation in the tourism sector (€220 million); benefits for workers who have exhausted unemployment benefits (€180 million); extension of unemployment benefit to cover workers who were laid off during the probation period (since March 9), as well as those who were switching jobs but with the new offer falling through (€42 million); a temporary monthly allowance for temporary workers whose contract (at least two months' duration) expired during the first state of emergency and were not entitled to collect unemployment benefits (€18 million); a temporary subsidy for household employees affected by COVID-19 with an amount equal to 70 percent of their contribution base (€30 million); transfer of €25 million to autonomous communities funding meals for children affected by the school closure; extension of the social benefit for energy provision; financial assistance to the education system (€40 million); and other industry and sectoral support measures (about €700 million).

Eurofound, in their Covid-19 EU PolicyWatch Database of national-level responses – which collates information on the responses of government and social partners to the crisis, as well as gathering examples of company practices aimed at mitigating the social and economic impacts - has identified 90 measures in Spain in the context of the COVID-19 pandemic. Most cases fall into the category **Promoting the economic, labour market and social recovery** with 25 cases (28%).

Some of the key measures focused on supporting businesses and employment have been included in Table 1.

Table 1. Key Covid-19 support measures for business in Spain

English name	Native name	Type
Temporary lay-off plan	Expediente Temporal de Regulación de Empleo	Response to COVID-19, Income support for workers, Working time flexibility
Device for the assessment and recognition of competence	Dispositivos de evaluación y reconocimiento de la competencia	Recognition of informal and non-formal training

Sectoral restructuring plans	Planes de restructuración sectorial	Access to finance, Income support for workers, Social Dialogue, Start-up support, Training
Fiscal incentives for 'Business Angels'	Incentivos fiscales para inversor ángel/padrino inversor	Access to finance, Advice, Attracting investors, Matching/Networking, Support of SMEs
Local Development Agency - Barcelona Activa	Agencia de Desarrollo Local - Barcelona Activa	Access to finance, Advice, Attracting investors, Employment incentive, Fostering innovation, Fostering mobility, Matching/Networking, Provision of labour market information, Start-up support, Support of companies' growth, Support of internationalisation, Support of SMEs, Territorial coordination, Training
ICEX NEXT	ICEX NEXT	Access to finance, response to COVID-19, Support for digitalisation, Advice, Support of companies' growth, Support of internationalisation, Support of SMEs
Fund for the internationalisation of the company (FIEM)	Fondo para la Internacionalización de la Empresa (FIEM)	Access to finance, Response to COVID-19, Support of internationalisation, Support of SMEs
Insolvency guarantee fund	FOGASA	Response to COVID-19, Income support for workers
Training account	Cuenta de Formación	Training, Working time flexibility
San Francisco Challenges	Desafía San Francisco	Advice, Fostering innovation, Matching/Networking, Start-up support, Support of companies' growth, Support of internationalisation, Support of SMEs, Training
Connected Industry 4.0	Industria Conectada 4.0	Support for digitalisation, Advice, Fostering innovation, Matching/Networking, Support of companies' growth, Training
Financial Advisory Service	Servicio de Asesoramiento Financiero	Access to finance, response to COVID-19, Advice, Fostering innovation, Start-up support, Support of companies' growth, Support of SMEs

Source: own development based on: https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument

AVIATION SECTOR SUPPORT MEASURES

According to Eurofound (2020), *Economic reactivation measures to face the impact of COVID-19 in the field of transport* have been undertaken by Spanish government, which also focus on air transport. The Council of Ministers has approved a Royal Decree-Law that contains a set of measures necessary for economic reactivation in the areas of transport to face the impact of COVID-19. Regarding transport, the objective is to protect the health of workers and travellers in the air, guarantee the availability of essential goods and services, provide liquidity to companies and reduce administrative burdens.

This Royal Decree-Law supposes an unparalleled budgetary, investment and financial effort for public and private companies. The economic amount of the measures for private companies in the transport sector and in terms of reducing port charges amounts to €663 million. Regarding public companies, the rule increases Renfe's debt capacity to €1,000 in order to compensate for the drop in demand and promote the recovery of services and €110 million of extraordinary contribution to SEITTSA so that it can meet its public works commitments in the medium term.

With this, the Government complements for the transport sector other measures previously adopted, such as the €800 million allocated to public transport in the Autonomous Communities and the guarantees and fiscal aid to the sector, to respond to the impact of COVID-19 and that are coherent with the criteria and guidelines of the European Commission on which the economic reactivation of the sector must be guided. Economic measures involves providing liquidity to companies in the sector to face short-term financial shocks linked to the coronavirus crisis, using different financial instruments, including fiscal ones, in order to preserve their viability as well as the continuity of the economic activity during and after the COVID-19 crisis. The Law also affects the reduction of administrative burdens, simplifying and accelerating certain procedures, ensuring legal certainty and taking into account the capacity of public institutions to speed up the mandatory procedures for the reactivation and development of activities in the transport sector .

Table 2. Support to the air transport sector

Company name	Type of government support	Estimated amount	Further details
The air transportation sector	Hybrid debt instruments	Up to EUR 10 billion	Loans issued by the Central government, which are redeemable after 6 years.
Air Europa	Ordinary loan. Hybrid loan. Loan guarantee	Ordinary loan: €235 million hybrid loan: € 240 million; loan guarantee: €140 mill.	Loans issues by Central government and the ICO state owned financial institution. The loans are redeemable after 6 years

Source: own development based on: OECD, State Support to the Air Transport Sector: Monitoring developments related to the Covid-19 crisis, 22 April 2021 https://www.oecd.org/corporate/State-Support-to-the-Air-Transport-Sector-Monitoring-Developments-Related-to-the-COVID-19-Crisis.pdf

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