
Commission approves €133 million Portuguese liquidity support to SATA airline

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The European Commission has approved, under EU State aid rules, €133 million in liquidity support to SATA Air Açores (SATA). The aid will allow the company to fulfil its public service obligations, provide essential services and ensure the connectivity of the Azores outermost region. At the same time, the Commission has opened an investigation to assess whether certain public support measures by Portugal in favour of the company are in line with EU rules on State aid to companies in difficulty.

SATA is an air transport company ultimately controlled by the Portuguese Autonomous Region of Azores. Together with another company belonging to the same group (SATA Internacional – Azores Airlines), SATA provides air transport passenger and cargo services within Azores, and from and to several national and international destinations. With respect to certain routes, it has been entrusted with a public service obligation to ensure connectivity of the islands. SATA also provides other essential services, e.g. the management and operation of five small airports in different islands of Azores.

SATA has been facing financial difficulties already before the coronavirus outbreak, i.e. on 31 December 2019. Since at least 2014, the company has been experiencing operating losses and has reported negative equity in recent years, which has been aggravated by the effects of the coronavirus outbreak. The company is currently facing urgent liquidity needs.

The Portuguese liquidity support measure

Portugal notified the Commission of its intention to grant urgent support to SATA, with the aim of providing the company with sufficient resources to address its urgent and immediate liquidity needs until the end of January 2021.

SATA is not eligible to receive support under the Commission's State aid Temporary Framework, aimed at companies that were not already in difficulty on 31 December 2019. The Commission therefore has assessed the measure under other State aid rules, namely the [2014 Guidelines on State aid for rescue and restructuring](#). These enable Member States to grant temporary liquidity aid to providers of services of general economic interest to maintain and preserve essential services such as, for

example air transport connectivity and airport management. This possibility is available also in case of aid granted by the Member State to the same company in difficulty being investigated by the Commission.

The Portuguese authorities estimated that SATA's liquidity needs for the next six months in relation to SATA's public service obligations and essential services amount to approximately €133 million.

The Commission found that the individual aid to the company in the form of a public guarantee of up to approximately €133 million on a temporary loan strictly relates to urgent liquidity needs linked to the provision by SATA of essential services including routes subject to public service obligations and services of general economic interest at local airports. It found that the aid is necessary to allow the company to continue providing these services.

On this basis, the Commission approved the measure under EU State aid rules.

Opening of investigation into other support measures

Separately, the Commission has decided to open an investigation to assess whether certain public support measures in favour of SATA are in line with the [2014 Guidelines on State aid for rescue and restructuring](#).

As of 2017, the Autonomous Region of Azores, which wholly owns SATA, approved three capital increases to partly address the company's capital shortfalls. Most of the amounts appear to have already been paid. The Portuguese authorities claim that the capital increases in question do not constitute State aid under EU rules as since the Regional Government of Azores, as the sole shareholder of SATA, acted as a private investor operating under market conditions.

The Commission will now investigate further if the capital increases constituted State aid that should have been notified to the Commission, and, if so, if the past support measures satisfy the conditions of the [2014 Guidelines on State aid for rescue and restructuring](#). The opening of an in-depth investigation gives Portugal and other interested parties an opportunity to submit comments. It does not prejudge the outcome of the investigation.

Background

The Azores Autonomous Region is an archipelago composed of nine volcanic islands and 245,000 inhabitants. The Azores Region is considered as an outermost region of the European Union, located in the North Atlantic Ocean, about 1,400 km from mainland Portugal. The islands can be reached from the mainland in two to three days by sea or two hours by plane. The Region is dependent of air transport for passengers

and cargo, especially during the winter season, when weather conditions often render maritime transport unavailable.

Under EU State aid rules, public interventions in favour of companies can be considered free of State aid when they are made on terms that a private operator would have accepted under market conditions (the market economy operator principle – MEOP). If this principle is not respected, the public interventions involve State aid within the meaning of [Article 107 of the Treaty on the Functioning of the European Union](#), because they confer an economic advantage on the beneficiary that its competitors do not have. The assessment criteria for public interventions in companies in difficulty are set out in the [2014 Guidelines on State aid for rescue and restructuring](#)..

Under the Commission’s [2014 Guidelines on State aid for rescue and restructuring](#), companies in financial difficulty may receive State aid provided they meet certain conditions. Aid may be granted for a period of up to six months (“rescue aid”). Beyond this period, the aid must either be reimbursed or a restructuring plan must be notified to the Commission for the aid to be approved (“restructuring aid”). The plan must ensure that the long-term viability of the company is restored without further State support, that the company contributes to an adequate level to the costs of its restructuring and that distortions of competition created by the aid are addressed through compensatory measures.

By ensuring compliance with these conditions, the Commission maintains fair and effective competition between different companies in the air transport market, like in other sectors.

Article 349 of the Treaty on the Functioning of the European Union recognises the specific constraints of the outermost regions and provides for the adoption of specific measures in EU legislation to help these regions address the major challenges they face due to their remoteness, insularity, small size, difficult topography and climate, and economic dependence on a reduced number of products.

The non-confidential version of the decision will be made available under the case number SA.58101 in the [State Aid Register](#) on the Commission’s [competition](#) website once any confidentiality issues have been resolved. State aid decisions newly published in the Official Journal and on the internet are listed in the [State Aid Weekly e-News](#).