# European Regional Airports: Emerging from the Storm or Facing a Gathering Storm?

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**Abstract.** By the end of 2022, European air passenger numbers had recovered to 78% of 2019 levels. A full recovery to pre-pandemic passenger volumes was expected by the end of 2023, a performance not anticipated by most aviation stakeholders during the crisis. However, capacity issues and the outbreak of war in Ukraine, as economies were emerging from the effects of the pandemic, led to increased levels of uncertainty across aviation and airports. This volatility was further exacerbated by factors such as recruitment/retention challenges, capacity issues in larger airports and the increasing impact of extreme weather events. While smaller European airport volumes recovered more quickly than larger ones, these airports continued to face severe cost and revenue challenges, when they needed to focus on connectivity and repairing balance sheets. Already vital airline relationships and State aid became more critical to the future viability of smaller airports. Aeronautical revenue was increasingly impacted by route deals advantageous to airlines, necessitating a greater airport focus on non-aeronautical revenue. The increasing use of larger airports by low-cost carriers further affected the prospects for sustained regional airport recovery. This paper aims to highlight key influences on European regional airport passenger performance through the uncertain and challenging 2019–2022 period, the impact of increased competition, and future prospects for these airports.

**Keywords:** Regional Airports · Competition · Revenue Challenges · State Aid · Viability

## 1 Introduction

Regional airports are a fundamental part of the European transport landscape contributing significantly to air connectivity and regional development. (ACI Europe, 2017; European Commission, 2021; Hiney et al., 2021). The aviation sector's post-pandemic passenger performance has demonstrated its resilience. Despite facing a series of unprecedented challenges over the last two decades, including terrorism, the global financial crisis and, most recently, the COVID-19 pandemic coupled with geopolitical upheavals and their economic repercussions, the industry has demonstrated an ability to adapt and respond to emerging challenges. The airport sector has recovered from the effects of these crises in an agile manner, notwithstanding the continued financial fragility of some smaller


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airports. In addition to its assessment of airport passenger performance during challenging times, this paper considers the nature of State aid, i.e., operating and other supports provided to these airports by their respective States, in line with European Commission (EC) State aid guidelines and decisions. Such aid is a critical component of smaller airport business models. Between 2020 and 2022, this support increased significantly and included greater conditionality, especially concerning environmental matters, than was previously the case. Hiney et al. (2023) and Varsamos (2021) highlighted State aid provided to aviation and airports during the pandemic period, through the European Union Temporary State Aid Framework (EU, 2020), as a critical factor for the airports' survival. Research methods followed in this paper comprise observations from a survey of airport managers conducted by the authors during mid-2022 (27 responses), supplemented by an assessment of airport passenger performance using Airports Council International (ACI) data and insights obtained through semi-structured interviews carried out during 2021. Secondary research included a literature review and assessment of contemporary industry and government publications.

## 2 Recent Passenger Performance

The revival rate of air passenger traffic across Europe has not been consistent, notwithstanding a reasonably uniform post-pandemic removal of travel restrictions across the continent in 2022 and the provision of horizontal and vertical state support to airports during this period (Appendix 1). Many smaller airports in popular tourist locations such as Greece and Spain reached and sometimes exceeded pre-pandemic levels by the end of 2022 (ACI World, 2023). Airports and regions with a higher proportion of flights to Asia and the United States, where restrictions remained for extended periods (Graham et al., 2023), were below 2019 levels, reaching an overall average of approximately 80% of these numbers by the end of 2022. As well as location, airport size and route mix, 2022 passenger trends were also affected by geopolitical events, most notably Russia's invasion of Ukraine, which dramatically impacted passenger traffic primarily in eastern European nations. Ukraine's traffic collapsed due to the war. At the same time, Finland's recovery was affected by the closure of Russian airspace and the slower recovery in Asia, a key hub destination for flights from Helsinki airport. However, the impact of the war in Ukraine was partially offset by activity in Russia's domestic market at a time that its international routes were severely restricted. European airports with less than 10 million passengers annually outperformed larger airports with respect to air traffic recovery, these airports achieving 83–86% of 2019 passenger levels during 2022 (Fig. 1). In its 2023 report on regional airport connectivity, Airports Council International reported also that one third of these airports had fully recovered their 2019 connectivity levels (ACI Europe, 2023).

The low-cost carrier (LCC) share of seats at regional airports increased to 60% in 2022 from 52% in 2019. For many smaller airports, a single LCC's market share can exceed 80% of total traffic, significantly influencing the dependence of the airport on such business and confirming airlines as their most crucial stakeholder. Per-passenger airport costs were also reported to be higher (€15–€17 per passenger). Moreover, non-aeronautical revenue was lower for smaller airports at €4 per passenger for airports with

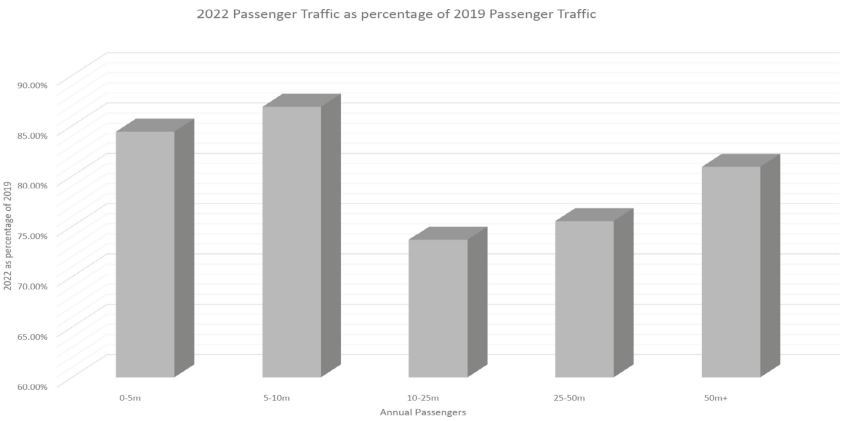



**Fig. 1.** European Airport Passenger Performance by Passenger Band (2022 vs. 2019). Source: ACI World Intelligence Hub, Authors (2023)

less than 5m passengers per annum. Versus €8–€12 for airports processing more than 25m passengers per annum (ACI Europe, 2023).

One fundamental cost factor for smaller airports is the adverse impact on aeronautical revenue of a keenly priced airline contract, which inevitably reduces income from airport charges and requires the airport to adopt strategies which focus on increasing commercial revenue from its passengers, an income rebalancing approach highlighted by Shin and Roh (2021). The authors note also that smaller airports lack the economies of scale enjoyed by larger ones, given the significant capital costs associated with airport infrastructure.

## 3 State Aid for European Airports

State aid for regional airports is a critical government investment in each country's economic and social infrastructure, benefiting individual nations and the European Union. The impacts of the COVID-19 pandemic on aviation gave rise to the need for the provision of horizontal and aviation/airport-specific vertical State support for the sector, through the speedy provision of aid in response to 'exceptional circumstances' (European Commission, 2020). The EC approved vertical State aid requests for airports in almost 30 instances to provide for general airport support, including compensation for revenue losses, grants and loan guarantees, subsidised interest rates, and deferral of taxes and charges, e.g., airport concession fees. This support was a vital financial lifeline for most airports receiving it. The authors undertook a survey of 27 airport managers in mid-2022, studying airport stakeholder relationships and selected airport activities. This research found that a higher number of respondent airports were in receipt of, or benefiting, from State aid during the pandemic period than support levels ten years previously for this set of airports, including Air Route Promotion (support provided to 42% of airports in 2022 versus 27% in 2012); Airport Improvements, e.g. safety and security (50% versus 29%); and Airline Support (62% versus 32%). Such airport support was

often provided as part of a national-level package of measures (European Commission, 2021). This increased level of airline-specific State aid during the pandemic resulted in a noticeable rise in legal challenges against such Aid. Ryanair took many of these cases, with Bagamery (2021) reporting that the airline was responsible for 16 lawsuits against the EC. These challenges, some of which were upheld, contended that individual States had propped up their 'national champions' at the expense of other carriers who experienced similar challenges (Deasy, 2021).

The existing EC guidelines for the provision of country-level State aid for regional airports (<3m passengers per annum) were due to expire in 2024. In July 2022, the EC opened a consultation process (European Commission, 2022) regarding a proposed extension of its Airport State Aid Framework, suggesting a transition period of three years. Most consultation responses favoured an extension, due mainly to the effects of the pandemic and ongoing financial challenges faced by airports, together with perennial operating aid arguments (essential connectivity, support for business and tourism activity, economic and social benefits). However, some views were expressed opposing the extension, for example, a contention that there were already too many small airports, and that Aid should not be given to unprofitable airports. Underutilisation of the European rail network and environmental factors were also highlighted. Ultimately, the Commission decided to grant a three-year prolongation of its existing Aid framework for European airports to July 2027 (European Commission, 2023).

The difficulties many smaller, unprofitable airports faced and continue to face during increasingly uncertain times have likely resulted in an enduring need for financial support. The future of airport State aid is likely to be determined by EC decisions regarding new post-2027 arrangements, if any, together with associated assessment criteria. In particular, the 'hurdle' for justifying such Aid could be expected to be heightened. Such factors may be more likely to threaten the existence of a more significant number of unviable airports. However, another possibility is that a new structure for airport support might be decided upon, maintaining some elements of current rules. This policy might be interpreted as 'kicking the (airport viability) can further down the road'.

Aid should enable and support fair airport competition. However, broader economic, social, and environmental dimensions will also likely be considered when developing aid policies. Airport resource optimisation at the national level could be a key goal for States. Nonetheless, persistent concerns regarding the provision of such State Aid will be expected to be considered and addressed. State Aid decisions assessed by the EC would not be expected to result in inadequate resource allocation or to support continued airport financial underperformance, i.e., provided to viable airport entities only, so there is no distortive market effect. If new post-2027 policies are not designed and implemented effectively, these market distortions will persist, and new ones may emerge.

## 4 Conclusions

Regional airports are likely to continue to face severe cost and revenue challenges, exacerbated by geopolitical uncertainty. Intense competition will weigh heavily on recovery prospects. Collaboration with airlines and other stakeholders has become more embedded, and the predominance of the airline role is increasing. The over-reliance of many

smaller airports on a single carrier (usually LCCs) is a further risk to future stability. State aid is a key 'third revenue line' for regional airports receiving it.

Steps that regional airports should take to address a more challenging aid framework include diversification of revenue streams, such as increased non-aeronautical revenue, and expansion of commercial activities in and around the airport. An increased investment in sustainable infrastructure should help to reduce costs and enhance future aid eligibility. Stakeholder collaboration will also likely prove beneficial. For national policymakers, strong alignment of regional growth and aviation policies, insofar as they apply to smaller airports, is essential. In addition, airport peripherality and transport substitutability are key factors when considering allocation of aid and selection of Public Service Obligation (PSO) supported routes. Furthermore, some aspects of an airport's activity might be suitable for private investment, which could reduce the level of State Aid required.

In recognition of the continuing importance of State support for regional airports and factors affecting the consideration of the same, the authors have developed a suggested assessment framework (EURAIR) which identifies a set of factors for airports and policymakers when considering, preparing, and assessing airport requests for government support. This framework (summarised in Table 1) can be considered alongside other assessment criteria, for example airport financial performance and future capital requirements.

**Table 1.** Support for Regional Airports: Selected Assessment Factors for Policymakers (EURAIR). Source: Developed by Authors.

| Policy Areas | Points for Consideration (Practitioners and Policymakers) |
|---|---|
| *Connectivity and Accessibility* | + Regional air routes provide essential connectivity in more peripheral and remote areas, also providing community access to essential services in larger national cities<br>- Inefficient / over allocation of airport support could create state of regional route oversupply and reduce individual airport route feasibility |
| *Local/Regional Economic Development and Tourism Activity* | + Substantial economic and tourism activity generated by regional airport route activity, benefiting businesses and citizens<br>- Economic benefits can be overstated; potentially leading to inefficient allocation of financial resources |

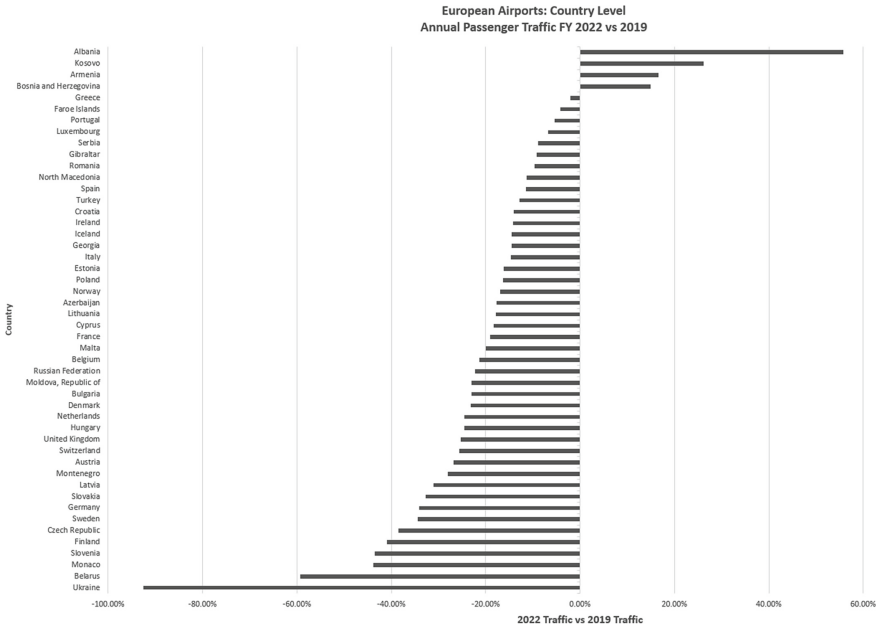
(*continued*)

**Table 1.** (*continued*)

| Policy Areas | Points for Consideration (Practitioners and Policymakers) |
|---|---|
| *Employment and Fiscal Support, and Balanced National Development* | + Regional airports are significant taxpayers, and their stakeholders provide major local employment; their presence is a strong support for balanced economic development<br>- In the case of constraints on public funding, State Aid for regional airports needs to be rationalised and well supported |
| *Environmental Sustainability and Innovation* | + Green practices are more straightforward to implement in smaller airports; transformational technology (e.g., electric aircraft) is likely to benefit smaller airports first<br>- Increase in regional air transport (flight and passenger volumes) could threaten ecosystems located in these areas |
| *A competitive and efficient aviation market* | + Aid can improve airport performance through efficiency achievements and greater competitiveness<br>- Efficient airports not receiving Aid will find it more difficult to compete fairly with those (efficient or inefficient) receiving it |
| *Strategic Infrastructure and Inter-modal transport enablement* | + Airports are critical national strategic assets, with their resilience and responsiveness critical during uncertain times<br>- Other transport modes (e.g., rail, maritime) have similar strategic importance and face similar investment challenges |

This paper contributes to the airport management discourse by assessing performance and recovery prospects for smaller airports during uncertain and volatile periods. It adds an assessment framework to the body of knowledge, highlighting factors and recommendations for consideration concerning a key exogenous driver, the provision of State Aid, when policymakers and practitioners are contemplating such support.

## Appendix 1




**Appendix 1.** European Airport Passenger Performance by Country (2022 vs. 2019). Source: Authors based on ACI World Intelligence Hub data (2023).

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