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Subject: **State aid SA. 41815 (2015/N) – Italy**
 Start-up aid for new routes from/to the airport of Comiso (city)

Sir,

1. PROCEDURE

- (1) On 8 May 2015, the Italian authorities notified the Commission of their intention to introduce an aid scheme, in accordance with Article 108(3) of the Treaty on the Functioning of the European Union (TFEU)¹. The scheme would provide support for the opening of new air passenger transport services from the airport ‘Pio La Torre’ in Comiso, Sicily.
- (2) By letter of 22 June 2015, 25 September 2015 and 18 December 2015, the Commission requested further information, which was provided by the Italian authorities on 27 August 2015, 23 October 2015 and 29 January 2016.

2. DESCRIPTION OF THE AIRPORT AND THE AID MEASURE

2.1. Comiso Airport

- (3) The airport ‘Pio La Torre’ in Comiso (hereafter: “Comiso Airport”) became operational on 30 May 2013. The total number of passengers arriving or departing at

¹ OJ L 138 of 30.4.2004.

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Comiso Airport is shown in Table 1 below. Alitalia and Ryanair operate flights from Comiso Airport to a range of destinations, such as Rome, Milan, Pisa, London, Brussels Charleroi, Frankfurt-Hahn and Dublin.

Table 1: Passenger numbers at Comiso Airport

Year	Passenger numbers
2013	56.922
2014	328.429
2015	372.963

- (4) The Società Dell'Aeroporto Di Comiso SpA (hereafter: “SO.A.CO”) runs the airport of Comiso. The municipality of Comiso holds 35% of the shares of SO.A.CO, whilst 65% are held by Intersac Holding SpA (hereafter: “Intersac”). 60% of Intersac in turn is owned by the Società Aeroporto Catania SpA (hereafter: “SAC”) which runs the Catania–Fontanarossa Airport (hereafter: “Catania Airport”).
- (5) Comiso Airport is situated in the Province of Ragusa, in south-eastern Sicily. Other airports in the region include Catania Airport and the military airport of Sigonella.

2.2. Objective of the aid

- (6) The proposed measure is a start-up aid scheme (“Aid for the start-up of new routes from/to the airport of Comiso (city)”), which is principally designed to support the development of the tourism sector in the province of Ragusa. The arrival of additional tourists would encourage job creation in accommodation services, restauration and indirectly support the development of other economic sectors.
- (7) The scheme also aims to improve the connectivity of the inhabitants of the region given its remoteness.

2.3. Form of the aid

- (8) The proposed scheme will grant start-up aid to airlines opening new international routes from Comiso Airport. Airlines proposing flights to new destinations in Spain, France, Germany, as well as the United Kingdom can apply for aid. The proposed aid will cover up to 50% of the airport charges incurred when operating the new route for two years, following which the airline will be expected to run the route for another two years without aid.

2.4. Beneficiaries

- (9) The beneficiaries of the measure are airlines that satisfy standard technical and economic conditions.

2.5. Duration of the scheme and the aid

- (10) The scheme is planned to run for four years. During the first two years it will provide aid to airlines establishing a new route. During the third and fourth year of the scheme the airlines will be expected to continue running the same route without aid.
- (11) The implementation of the proposed scheme will only start when approval from the Commission has been obtained.

2.6. National legal basis

- (12) The proposed scheme is based on:
- Article 13, subparagraphs 14 and 15, of Decree-Law No 145 of 23 December 2013 converted, with amendments, into Law No 9 of 21 February 2014: *“Emergency measures for the launch of the ‘Destinazione Italia’ plan, limiting electricity and gas tariffs, reducing civil liability insurance premiums, the internationalisation, development and digitalisation of businesses, and measures for public works and EXPO 2015”*.
 - *“Guidelines on incentives for the creation and development of air routes by carriers in accordance with Article 13, paragraphs 14 and 15, of Decree-Law No 23.12.2013 of 145, as amended by Conversion Law 21.02.2014, no. 9”*, issued by the Ministry of Infrastructure and Transport on 02.10.2014.
 - Decision No 5 of 12.03.2015 adopted by the Extraordinary Commissioner with the powers of the Provincial Council *“Updating the plan required in Art. 1 of Regional Law 05.11.2004, n. 15 on the use of the funds allocated to the Regional Province of Ragusa pursuant to Article 77 of Regional Law 03.05.2011, n. 6, as subsequently amended and supplemented”*.
 - Note of Understanding between the Regional Province of Ragusa and SO.A.CO., defining *“Procedures and tools for a scheme to promote the territory through the establishment of new routes and/or reinforcement of existing routes from the airport “Pio La Torre Comiso”*, approved by Special Administrator’s Decision n.91/102RG of 31.07.2015 and signed on 13 October 2015.

2.7. The call for proposals

- (13) A public tender² will be organised by the operator of Comiso Airport SO.A.CO to select the beneficiaries. It will be published in Official Journals (of the EU and/or Italy, as well as the region of Sicily), newspapers (4 national newspapers) and on websites (of the airport and the Province of Ragusa).
- (14) In their communication of 29 January 2016 the Italian authorities have submitted tender specifications which they intend to publish. These tender specifications set out

² This decision is based on the last version of the Tender Specifications sent to the European Commission on 29 January 2016.

the general framework and describe the purpose of the call, requirements with regard to the new routes, requirements for participating and criteria for the selection procedure.

2.7.1. Eligible routes

- (15) Airlines can propose flights during the winter and / or summer season to one or more airports connecting Comiso to one of the following destinations:
1. Spain (all airports)
 2. France (all airports)
 3. Germany (all airports except Frankfurt-Hahn, Düsseldorf Weeze and airports in their catchment areas)
 4. United-Kingdom (all airports except London Stansted and airports in its catchment area)
- (16) As flights to Frankfurt-Hahn, Düsseldorf Weeze and London Stansted are already operated from Comiso, these airports and airports in their catchment areas are explicitly excluded from the call.
- (17) On each route the airline needs to guarantee a minimum of 20 000 passengers per year.
- (18) Airlines offering additional new international routes beyond the four eligible destinations will receive bonus points in the selection procedure.

2.7.2. Business Plan

- (19) Applicant airlines have to produce a business plan for each route. The business plan has to include at least the following information:
- New destination linked to Comiso.
 - Frequency of the connection and aircraft type used.
 - Time necessary to start operating the new route.
 - Number of passengers guaranteed each year over the duration of the scheme (the two years with aid and the two years without aid).
 - A financial plan showing the viability of the route without public funding after two years.

2.7.3. Selection procedure

- (20) The selection of proposals will be based on a procedure to be set out in the calls for proposals, including the relevant weightings for each criterion. A maximum of 100 points can be attained and the criteria will be as follows:
- The number of passengers transported (max. 45 points)
 - The number of routes and frequencies (max. 25 points)
 - Seasonality component (max. 15 points)

- New destinations beyond the four eligible routes proposed (max. 15 points)

2.8. Budget

- (21) The "Provincia Regionale di Ragusa" has made 1.350.000 EUR available for the scheme. A maximum contribution of 168.750 EUR per year for each route has been fixed for a period of two years.

2.9. Aid intensity and cumulation

- (22) The proposed aid will cover up to 50% of the cost of airport charges incurred for the operation of the new route.
- (23) The aid intensity may be lower if airlines fail to attain the number of passengers they envisaged in their business plan. A penalty mechanism foresees that if, during the first two years, less than 70% of the minimum amount of passengers (20 000 per route per year) travel on a given route, no aid will be granted that year. For any passenger number between the passenger number promised in the business plan and the 70% of the minimum amount of passengers a penalty will be calculated on the basis of a formula taking into account the lower passenger numbers and aircraft movements. If passenger numbers during the third and fourth year are lower than envisaged, a penalty mechanism foresees that airlines shall reimburse part of the aid they have received during the first two years of the scheme.
- (24) The tender specifications explicitly state that the start-up aid cannot be combined with any other type of State aid granted for the operation of that route.

3. ASSESSMENT OF THE AID

3.1. Existence of aid within the meaning of Article 107(1) TFEU

- (25) According to Article 107(1) TFEU *"any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the internal market"*.
- (26) The criteria laid down in Article 107(1) are cumulative. Therefore, in order to determine whether the notified aid constitutes State aid within the meaning of Article 107(1) TFEU, all the above mentioned conditions need to be fulfilled. Namely, the financial support should:
- (a) be granted by the State or through State resources,
 - (b) favour certain undertakings or the production of certain goods,
 - (c) distort or threaten to distort competition,
 - (d) affect trade between Member States.

- (27) State resources: Since the notified aid involves financing granted by the "Provincia Regionale di Ragusa", it involves the use of State resources and is imputable to the State.
- (28) Selective economic advantage: The proposed scheme will consist of grants from State resources allocated to selected airlines by the Italian authorities. The subsidies in question will give the beneficiaries a competitive advantage over other operators on the same liberalised market, reducing costs normally borne by the beneficiaries for the expansion of their activity. As the public financing is directed to certain airlines willing to offer a specific service, to the exclusion of competitors, it is selective.
- (29) Distortion of competition and impact on trade: When aid granted by a Member State strengthens the position of an undertaking compared with other undertakings competing in intra-Union trade, the latter must be regarded as affected by that aid³. It is sufficient that the recipient of the aid competes with other undertakings on markets open to competition⁴. Support by the Italian authorities of new air services distorts or threatens to distort competition between airlines and affect trade between Member States as the provision of air transport services is fully liberalised in the internal market, in which many undertakings from different Member States compete against each other.
- (30) On the basis of the above, the Commission concludes that the notified aid scheme involves aid within the meaning of Article 107(1) TFEU.
- (31) By having notified the planned aid to the Commission and not having put it into effect before its approval by the latter the Italian authorities have observed the stand-still obligation under Article 108(3) TFEU.

3.2. Compatibility of the aid

- (32) The Commission Guidelines on State aid to airports and airlines⁵ (hereafter: "the Guidelines") provide for criteria which start-up aid to airlines must satisfy in order to be declared compatible with the internal market.
- (33) The Guidelines state that State aid granted to airlines for launching a new route with the aim of increasing the connectivity of a region will be considered compatible with the internal market pursuant to Article 107(3)(c) of the Treaty, if the cumulative conditions set out in recitals 139 to 153 are fulfilled. These conditions are as follows:
- (a) *Contribution to a well-defined objective of common interest.*
- (34) According to the Guidelines:

"139. Start-up aid to airlines will be considered to contribute to the achievement of an objective of common interest, if it:

a) increases the mobility of Union citizens and the connectivity of the

³ See, in particular, judgment in *Philip Morris v Commission*, 730/79, EU:C:1980:209, paragraph 11; judgement in *Ferring*, C-53/00, EU:C:2001:627, paragraph 21; judgement in *Italy v Commission*, C-372/97, EU:C:2004:234, paragraph 44.

⁴ Judgement of 30 April 1998, *Het Vlaamse Gewest v Commission*, T-214/95, ECLI, EU:T:1998:77..

⁵ OJ C 99, 4.4.2014, p. 3.

regions by opening new routes; or

b) facilitates regional development of remote regions.

140. When a connection which will be operated by the new air route is already operated by a high-speed rail service or from another airport in the same catchment area under comparable conditions, in particular in terms of length of journey, it cannot be considered to contribute to a well-defined objective of common interest."

- (35) The aid is to be granted to encourage airlines to launch new routes from Comiso airport. As set out in recitals (6) and (7) above, the scheme's objectives are to improve the connectivity of the region, and to facilitate its economic development by supporting the tourism sector.
- (36) There are no high-speed rail services to Comiso. Catania Airport, however, is only approximately 85 km away. It is thus necessary to assess whether it can be considered to fall within the catchment area of Comiso Airport, as defined in point 25 (12) of the Guidelines: " *'catchment area of an airport' means a geographic market boundary that is normally set at around 100 kilometres or around 60 minutes travelling time by car, bus, train or high-speed train; however, the catchment area of a given airport may be different and needs to take into account the specificities of each particular airport. The size and shape of the catchment area varies from airport to airport, and depends on various characteristics of the airport, including its business model, location and the destinations it serves;*".
- (37) As a general rule, therefore, airports which are less than 100 km or 60 minutes travelling time apart fall within the same catchment area. Nevertheless, the definition does leave some margin of discretion to the delineation of the catchment area taking specificities of a particular airport into account.
- (38) The Italian authorities have argued that in spite of a distance lower than 100 km between the two airports, Catania Airport should be considered outside the catchment area of Comiso Airport due to the specific situation in south-eastern Sicily, as described below.
- (39) According to the Italian authorities, the journey between the airports takes well over 60 min. They submitted a study carried out by the National Roads Authority (ANAS) which concludes that the journey time between the airports is 84 minutes. VIA Michelin even foresees 96 minutes without traffic and the Italian authorities have tested the driving time without traffic and found that the journey took 89 minutes.
- (40) On the shortest route, only about 16km of the journey is on a highway (A18) whereas for the large majority of the route, very low speed limits between 40km and 70km apply. The Italian authorities have also underlined the high likelihood of traffic jams and heavy vehicle traffic in the early hours of the morning, late in the afternoon on specific days of the week. This notably applies to the roads serving the metropolitan area of Catania and non-urban roads on which goods from the local markets are transported to the north.
- (41) As indicated above, in view of the nature of the road infrastructure in that region, the driving time between Catania and Comiso airports very significantly exceeds one hour

under all circumstances, in spite of a distance lower than 100 km, and can increase substantially in peak hours for road traffic. The driving time between the two airports is an important measure of their degree of substitutability in the eyes of passengers and airlines, and consequently, of the extent to which Catania Airport can be considered to be located in the same catchment area as Comiso Airport. Against that backdrop, the Commission considers that in this particular case, the high driving time should play a decisive role in the precise delineation of Comiso Airport's catchment area and makes it implausible that Catania Airport lies within that boundary.

- (42) The Italian authorities have also highlighted the fact that since its creation in 2013 Comiso Airport has managed to attract increasing numbers of passengers⁶ and that this increase has not been to the detriment of Catania airport which has gone from 6 307 473 passengers in 2013 to 7 105 487 passengers in 2015. Moreover, Comiso Airport is controlled by the Società Aeroporto Catania, which itself runs Catania Airport. It seems unlikely that SO.A.CO would thus run a scheme which would benefit Comiso to the detriment of Catania Airport.
- (43) Finally, the Province of Ragusa being on an island qualifies as a "remote region" according to point 25 (27) of the Guidelines. Air transport typically plays a key role in connecting islands such as Sicily to the rest of the Union with reasonable travelling times. Travellers to and from Sicily cannot be expected to cope with the long travelling times associated with maritime transport and have to use air transport, as neither road or train transport constitute a viable alternative to reach other regions of the EU from Sicily. For those travellers whose point of origin or destination is the area of Comiso, the obligation to travel via Catania Airport instead of Comiso Airport would imply a high burden, in view of the long travelling time between the two airports.
- (44) In view of all the various specific aspects of the case discussed above, the Commission concludes that the airports are not in the same catchment area.
- (45) In view of all that precedes, the Commission considers that the proposed aid will contribute to a well-defined objective of common interest in accordance with the Guidelines.

(b) Need for State intervention

- (46) According to the Guidelines:

"141. The conditions that smaller airports face when developing their services are often less favourable than those faced by the major airports in the Union. Also, airlines are not always prepared to run the risk of opening new routes from unknown and untested airports, and may not have appropriate incentives to do so.

142. On this basis, start-up aid will only be considered compatible for routes linking an airport with less than 3 million passengers per annum⁷ to another

⁶ In 2015 it recorded 372 963 passengers.

⁷ Actual average annual passenger traffic during the two financial years preceding that in which the aid is notified or actually granted or paid in the case of non-notified aid. In the case of a newly created

*airport within the Common European Aviation Area*⁸.

143. Start-up aid for routes linking an airport located in a remote region to another airport (within or outside the Common European Aviation Area) will be compatible irrespective of the size of the airports concerned."

(47) As mentioned above, Comiso Airport is an airport with less than 3 million passengers and lies within a 'remote region' as defined by the Guidelines⁹. The Commission considers that these factors create unfavourable conditions when trying to attract airlines.

(48) Therefore, the above-mentioned requirements of the Guidelines with respect to the need for State intervention are fulfilled.

(c) Appropriateness of State aid as policy instrument.

(49) According to the Guidelines:

"146. The Member States must demonstrate that the aid is appropriate to achieve the intended objective or resolve the problems intended to be addressed by the aid. An aid measure will not be considered compatible with the internal market if other less distortive policy instruments or aid instruments allow the same objective to be reached.

147. An ex ante business plan prepared by the airline should establish that the route receiving the aid has prospects of becoming profitable for the airline without public funding after 3 years. In the absence of a business plan for a route, the airlines must provide an irrevocable commitment to the airport to operate the route for a period at least equal to the period during which it received start-up aid."

(50) The Italian authorities aim to increase the number of European destinations connected to Comiso Airport. They explain that start-up aid is the most adequate means to encourage airlines to take the risk of opening new routes in the current market environment.

(51) As described in section 2.7.2 above, the call for tender requires applicants to provide a business plan for each route which must show the viability of the route in question. Also, airlines are required to operate the route for a period at least equal to the period

passenger airport, the forecasted average annual passenger traffic during the two financial years after the

beginning of the operation of commercial passenger air traffic should be considered. These thresholds refer to a one-way count. This means a passenger flying for example to the airport and back would be counted twice; it applies to individual routes.

⁸ Decision 2006/682/EC of the Council and of the Representatives of the Member States meeting within the Council on the signature and provisional application of the Multilateral Agreement between the European Community and its Member States, the Republic of Albania, Bosnia and Herzegovina, the Republic of Bulgaria, the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Iceland, the Republic of Montenegro, the Kingdom of Norway, Romania, the Republic of Serbia and the United Nations Interim Administration Mission in Kosovo on the Establishment of a European Common Aviation Area (ECAA) (OJ L 285, 16.10.2006, p. 1).

⁹ See point 25(27): "'remote regions' mean outermost regions, Malta, Cyprus, Ceuta, Melilla, islands which are part of the territory of a Member State, and sparsely populated areas".

during which they receive start-up aid.

- (52) State aid granted under the conditions of the notified scheme can therefore be considered appropriate in line with the Guidelines.

(d) Existence of incentive effect.

- (53) According to the Guidelines:

"148. Start-up aid to airlines has an incentive effect if it is likely that, in the absence of the aid, the level of economic activity of the airline at the airport concerned would not be expanded. For example the new route would not have been launched.

149. The new route must start only after the application for aid has been submitted to the granting authority. If the new route begins before the application for aid is submitted to the granting authority, any aid awarded in respect of that individual route will not be considered compatible with the internal market."

- (54) The Italian authorities consider that there is no reason to believe the routes to be aided would be operated without the proposed aid. Furthermore, the tender specifications explicitly exclude routes which are active at the time of the publication of the tender notice, that are planned and those for which contracts have already been signed between the airport operator and the airline.

- (55) The fact that these routes are not currently operated and are not planned by any airline, and that they will be launched only following the tender organised in the framework of the notified scheme demonstrates that it is likely that the level of economic activity of the airline at the airport concerned would not expand to the same extent in the absence of the aid.

- (56) For these reasons, the proposed aid can be considered to provide an incentive effect.

(e) Proportionality of the aid amount (aid limited to the minimum necessary).

- (57) According to the Guidelines:

"150. Start-up aid may cover up to 50% of airport charges in respect of a route for a maximum period of three years. The eligible costs are the airport charges in respect of the route."

- (58) As detailed in section 2.3 above, the aid intensity of the proposed scheme will be limited to 50% of the airport charges incurred due to the operation of the new route in question and the proposed aid will only be granted for two years.

- (59) The Commission, therefore, considers that the proportionality of the aid amount is established.

(f) Avoidance of undue negative effects on competition and trade.

- (60) According to the Guidelines:

"151. In order to avoid undue negative effects on competition and trade, where

a connection (for example, city-pair) which will be operated by the new air route is already operated by a high-speed rail service or by another airport in the same catchment area under comparable conditions, notably in terms of length of journey, such air route will not be eligible for start-up aid.

152. Any public body which plans to grant start-up aid to an airline for a new route, whether or not via an airport, must make its plans public in good time and with adequate publicity to enable all interested airlines to offer their services.

153. Start-up aid cannot be combined with any other type of State aid granted for the operation of a route."

- (61) There are no high-speed rail services on the island of Sicily and as set out in recitals (34) to (43) the airports of Catania and Comiso are under the current circumstances not considered to be part of the same catchment area.
- (62) As set out in recital (13), the requirement for adequate publicity is met.
- (63) In addition, the Italian authorities shall ensure that the proposed aid cannot be combined with other types of State aid for operation of the same route (see also recital (23)).
- (64) For these reasons, the proposed aid can be considered to avoid undue negative effects on competition and trade.

(g) Cumulation.

- (65) The Guidelines set out in points 158-159 criteria in relation to the cumulation of State aid:

"158. The maximum aid intensities applicable under these guidelines apply regardless of whether the aid is financed entirely from State resources or is partly financed by the Union.

159. Aid authorised under these guidelines may not be combined with other State Aid, de minimis aid or other forms of Union financing, if such a combination results in an aid intensity higher than that laid down in these guidelines."

- (66) As set out in recital (23) above, the Italian authorities intend to ensure that the proposed aid cannot be combined with other types of State aid for operation of the same route, and this should thereby ensure that the maximum aid intensity of 50% applicable to start-up aid schemes will not be exceeded.

3.3. Conclusion

- (67) In view of the foregoing, the Commission concludes that the compatibility criteria laid down by the guidelines for start-up aid are complied with and the notified aid scheme is compatible with Article 107(3)(c) TFEU.
- (68) The Italian authorities are reminded of the transparency obligations with regard to publication of details of aid granted, as outlined in section 8.2 of the Guidelines.

4. DECISION

The Commission has accordingly decided to consider the aid to be compatible with the Treaty on the Functioning of the European Union.

If this letter contains confidential information which should not be disclosed to third parties, please inform the Commission within fifteen working days of the date of receipt. If the Commission does not receive a reasoned request by that deadline, you will be deemed to agree to the disclosure to third parties and to the publication of the full text of the letter in the authentic language on the Internet site: <http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Your request should be sent electronically to the following address:

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Yours faithfully
For the Commission

Margrethe VESTAGER
Member of the Commission