

EXPLANATORY MEMORANDUM TO
The Financial Assistance (Coronavirus) (Airports) Regulations
(Northern Ireland) 2020

S.R. 2020 No 342

1. Introduction

- 1.1. This Explanatory Memorandum has been prepared by the Department of Finance ("the Department") to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2. The Statutory Rule is made under powers conferred by sections 1(2) and 3 of the Financial Assistance Act (Northern Ireland) 2009, the Department has been designated as the relevant department by the First and deputy First Minister, and is subject to the negative resolution procedure.

2. Purpose

- 2.1. The purpose is to allow for the provision of up to £7.8m (in total) of temporary financial support to Belfast International Airport (BIA) and Belfast City Airport (BCA) in light of the significant financial difficulties these organisations continue to face as a result of COVID-19. The objective of the support is to ensure a continued and functioning airport infrastructure locally to ensure connectivity during the Covid crisis through to March 2021 and beyond to support economic recovery.

3. Background

- 3.1. Airports are one of the sectors most impacted by the Covid crisis. Covid-19 impacts have led to an unprecedented drop in passenger demand with fundamental short and medium term financial impacts for the airports and airlines operating here. The situation is not expected to return to anything like pre-covid operations in the near-term. BIA and BCA are running at a significantly reduced capacity. This has led to dramatically scaled back operations and operating hours with the potential for this level of service to be reduced further, while both organisations are also running at significant and unsustainable losses - putting these vital connectivity assets at risk.

4. Consultation

- 4.1. The urgent nature of the required assistance has meant that no formal consultation exercise has been carried out.

5. Equality Impact

- 5.1. Consideration has been given to compliance with section 75 of the NI Act 1998. The Department considers that the Statutory Rule will not result in any equality differentials amongst Section 75 groups. A full equality impact assessment was not considered necessary.

6. Regulatory Impact

- 6.1. The Department considers that, given the nature of the proposals, there will be no costs or no savings, or negligible costs or savings on business,

charities, social economy enterprises or the voluntary sector. A Regulatory Impact Assessment for the proposed SR is therefore unnecessary.

7. Financial Implications

- 7.1. The Department will deliver the scheme and will be allocated £7.8m for this purpose and the January monitoring stage.

8. Section 24 of the Northern Ireland Act 1998

- 8.1. The Statutory Rule deals with the provision of financial assistance to airports and does not have any human rights implications, and is compatible with EU law. The Statutory Rule is therefore deemed to comply with the requirements of section 24 of the Northern Ireland Act 1998.

9. EU Implications

- 9.1. To comply with State aid parameters the support will be split into two separate and distinct packages. Package one support will be delivered towards the airports projected monthly losses covering the period from September 2020 to December 2020 (the end of the transitional period). It will be temporary and time-limited financial support to Belfast International Airport (BIA) of up to £1.9m and Belfast City Airport (BCA) of up to £2.1m based on losses figures submitted to the Department.
- 9.2. Package two will cover the period January 2021 to March 2021 and will require a separate State aid assessment and decision when the State Aid rules, post transition, will be clearer. However any support will continue to be based on the projected losses submitted to the Department for the period January 2021 to March 2021 and be limited to a total spend of £7.8m across both packages.

10. Parity or Replicatory Measure

- 10.1. Not applicable

11. Additional Information

- 11.1. The scheme will be limited by way of eligibility criteria in the regulations, which are:-
- 11.2. This support is for BIA and BCA local airports previously above the annual 200k passenger threshold in State Aid regulations;
- 11.3. The support will be based on monthly losses demonstrated via standard airport company accounts in relation to 'designated revenues' and 'designated costs';
- 11.4. Support will be provided in two separate agreements covering the September 2020 – December 2020 and January 2021 to March 2021 periods;
- 11.5. Package one support will be based on no more than 70% of monthly losses currently submitted to the Department. Support will be non-transferable between months;
- 11.6. Package two support will be dependent the proposed aid complying with future State Aid / Level Playing field requirements; Support will be

withdrawn if the airports return to profitability during this period and no dividend or divestment to shareholders will be permissible during the current and subsequent tax year;

- 11.7. The Department can terminate the agreement with 14 days' notice;
- 11.8. Support will also be contingent on an 'open-book' policy from the respective airports and that the airports remain open and maintain an agreed level of service from the point of support to the end of March 2021 when support will end;
- 11.9. Neither airport will make any staff redundant during the support period;
and
- 11.10. Support payments will be considered taxable income.