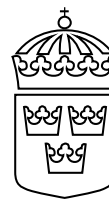


# Regeringens proposition

## 2019/20:136



Additional amending budget for 2020 – Credit  
guarantees for airlines due to SARS-CoV-2

Prop.  
2019/20:136

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The Government presents this Bill to the Riksdag.

Stockholm 17 March 2020

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## Main contents of the Government Bill

The ongoing spread of the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), which causes the coronavirus disease (COVID-19), has led to a drastic reduction in demand for flights. The airlines are therefore in an acute financial situation in which they are having difficulties securing loans on the capital market. The Government therefore proposes that the Riksdag authorise the Government to provide credit guarantees during 2020 amounting to a maximum of SEK 5 000 000 000 for loans to airlines that on 1 January 2020 were in possession of a Swedish permit to operate commercial aviation activities. These credit guarantees may only be provided to companies that have their main operations or their headquarters in Sweden. These credit guarantees must be reported to and approved by the European Commission before they can be provided.

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# 1 Proposed decision by the Riksdag

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The Government's proposal:

The Riksdag authorises the Government to provide credit guarantees during 2020 amounting to a maximum of SEK 5 000 000 000 for loans to airlines that on 1 January 2020 were in possession of a Swedish permit to operate commercial aviation activities and that have their main operations or their headquarters in Sweden.

The Riksdag decides to shorten the private members' motions period to one day.

The ongoing spread of the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), which causes the coronavirus disease (COVID-19), has led to a drastic reduction in demand for flights. The airlines are therefore in an acute financial situation in which they are having difficulties securing loans on the capital market. There is therefore a need to temporarily support these companies with state credit guarantees.

State credit guarantees have previously been used as a tool to support companies that experience difficulties securing loans on the capital market due to external circumstances. For example, the provision of credit guarantees was one of the measures the Government used when companies in the automotive cluster were severely affected by the economic downturn in 2008 (Govt Bill 2008/09:95).

When drawing up this bill, the Government has had contact with representatives of airlines and the Swedish National Debt Office.

*Grounds for amendments to the central government budget and a shortened private members' motions period*

Under the Riksdag Act, the Government may, on a maximum of two occasions, present a government bill proposing amendments to the central government budget for the current budget year (Chapter 9, Article 6, first paragraph). Such a bill is presented in connection with the Budget Bill or the Spring Fiscal Policy Bill (supplementary provision 9.6.1). However, proposed amendments to the budget may also be presented on other occasions if there are special grounds for doing so (Chapter 9, Article 6, second paragraph).

The extraordinary situation for airlines as a result of the spread of SARS-CoV-2 means that in the Government's view there are special grounds for presenting proposed amendments to the central government budget for 2020. Moreover, it is extremely important that the credit guarantees proposed in this bill can be provided as soon as possible.

Against this background, the Government considers that the situation is such that there are special grounds to present proposed amendments to the central government budget and exceptional grounds for the Riksdag to decide on a shortened private members' motions period. The Government therefore proposes that the Riksdag shorten the private members' motions period to one day.

## 3 Background

### 3.1 Airlines are severely affected by the ongoing spread of SARS-CoV-2

The Government has previously announced a number of measures aimed at limiting the negative economic effects of the ongoing spread of SARS-CoV-2. These measures have mainly been of a general nature. For example, the Government has taken and proposed measures to alleviate temporary liquidity problems that may arise for businesses as a result of the outbreak of the virus and measures to limit the spread of the virus. The Government has also announced that central government's share of the costs of support for short-time work will be temporarily strengthened.

Airlines have been severely affected by the ongoing spread of the virus as demand for flights has essentially disappeared, partly as a result of the travel restrictions introduced with the aim of limiting the spread of SARS-CoV-2. These companies' revenues have therefore fallen dramatically within a very short time. The prevailing situation makes it very difficult for them to find necessary financing on the credit market.

Aviation is currently very important for maintaining functioning transportation throughout the country. Aviation has a major impact on the Swedish business sector, from a crisis preparedness and total defence perspective, and for several different types of transport that are crucial to society, such as medical transport, air rescue services and aerial firefighting services. Air travel will probably be difficult to replace in the future too for long journeys and journeys that lack road connections. Electrification and sustainable biofuels will therefore be crucial for the climate transition.

The purpose of this proposal is to protect essentially viable Swedish airlines from being put out of business as a result of the prevailing situation. In addition, these companies need to work on future-proofing their operations. This applies not least in the area of the climate.

### 3.2 Measures at EU level

On 13 March 2020, the European Commission presented a proposal to temporarily suspend Article 10(5) of Council Regulation (EEC) No 95/93 of 18 January 1993 on common rules for the allocation of slots at Community airports, that is, the regulation that governs the allocation of take-off and landing times at airports. The Commission notes that airlines need flexibility to adapt schedules in light of the current extraordinary developments, and therefore proposes an exception to the '80-20' rule, whereby airlines will not have to use at least 80 per cent of their allocated slots in order to retain them for the next corresponding scheduling period. The Commission's proposal initially covers the next few months.

Furthermore, the Commission has temporarily adjusted the guidelines for state aid to airlines. This adjustment means that Member States can offer broad and flexible state aid to support airlines in the situation that has

Prop. 2019/20:136 arisen as a result of the spread of SARS-CoV-2. State aid must be reported to the Commission.

Individual EU Member States have adopted restrictions on air traffic primarily aimed at closing down connections with countries outside the EU, but also to and from Italy, which so far is the EU Member State with the largest number of COVID-19 cases. A number of countries have also decided to close their borders or introduce border controls.

## 4 Credit guarantees for certain airlines

**The Government's proposal:** The Riksdag authorises the Government to provide credit guarantees during 2020 amounting to a maximum of SEK 5 000 000 000 for loans to airlines that on 1 January 2020 were in possession of a Swedish permit to operate commercial aviation activities and that have their main operations or their headquarters in Sweden.

**Reasons for the Government's proposals:** The ongoing spread of SARS-CoV-2 and the measures that have been taken to limit it, as outlined in section 3.1, have led to demand for flights essentially disappearing in a very short space of time. This has had a major impact on airlines' liquidity supply. At present, it is impossible to judge how long this situation will continue. To make it easier for airlines to secure loans on the capital market, during the period in which the airlines are affected by the spread of SARS-CoV-2 central government needs to guarantee the loans secured by the airlines from commercial banks. The Government should therefore be authorised to provide credit guarantees during 2020 amounting to a maximum of SEK 5 000 000 000 for loans to airlines that on 1 January 2020 were in possession of a Swedish permit to operate commercial aviation activities. Furthermore, these credit guarantees should be restricted to companies that have their main operations or their headquarters in Sweden. The guarantee provided to the airline SAS AB will be coordinated with the Danish State so that the two countries can equally share the risks that providing the guarantee entails.

A guarantee may only be provided if the guarantee agreement contains conditions that prevent the guaranteed loan amount being used for any purpose other than that which is necessary to prevent the company from going bankrupt. It must therefore not be used for profit withdrawals or bonus programmes for company officials.

A guarantee fee will be charged to finance the risk for central government and administrative costs. These credit guarantees must be reported to and approved by the Commission before they can be provided.

## 5 Consequences

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### 5.1 For central government

If a guarantee has to be redeemed, the central government budget balance and net lending will be impaired. However, the guarantee fees charged reflecting the risk will slightly improve the central government budget balance and net lending.

The portion of the guarantee fees reflecting the risk will be placed in an account at the Swedish National Debt Office. The rest of the fees will cover central government's administration of the guarantees.

### 5.2 For airlines

The proposal aims to prevent Swedish airlines going bankrupt. It will be possible to use credit guarantees to facilitate airlines' liquidity supply. Through the proposed measure, it is expected that airlines will be able to maintain their skills and training, as well as, to the extent necessary, their capacity, and thus also retain the necessary permits. This creates conditions for a functioning aviation market that can meet the needs of society and citizens when market conditions subsequently normalise.

The credit support encompasses around 20 airlines that have a Swedish permit to operate commercial aviation activities. Of these, a handful currently operate regular scheduled traffic. The others operate air ambulances or helicopter services, for example.

### 5.3 For other stakeholders

For the public and the Swedish business sector, the proposal means that access to aviation is secured and can return to normal levels within a reasonable time. By facilitating a more rapid return to normal levels, the proposal may have an impact on the environment compared with if the measure was not taken. The proposal is also important in order to secure air transport that is crucial to society.

The proposal is not expected to have any consequences in terms of gender equality or local self-government.

Extract from the minutes of the government meeting on 17 March 2020

Present: Prime Minister Löfven, chair, and ministers Johansson, Baylan, Hallengren, Hultqvist, Andersson, Shekarabi, Eriksson, Eneroth, Nilsson, Ernkrans, Hallberg, Nordmark

Rapporteur: ministers Andersson and Eneroth

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The Government adopts Government Bill 2019/20:136 Additional amending budget for 2020 – Credit guarantees for airlines due to SARS-CoV-2