

## ERA Position on State Aid

### ***Modernisation of State Aid Control: Revision of Aviation Guidelines Revision of Community guidelines***

#### **Background**

In 2005, the European Commission issued 'Community guidelines on the financing of airports and start-up aid to airlines departing from regional airports'. These non-binding guidelines lay down detailed provisions on the granting of public funds to regional operators and airports in order to ensure compliance with general EU state aid rules. The establishment of the guidelines was mainly motivated by the 2004 state aid case against Charleroi Airport and the alleged illegal state aid granted to Ryanair by the Walloon region.

Following a consultation that was launched last year by the Commission (the consultation ran for two months between April-June 2011), the ERA Directorate is currently lobbying to ensure regional operators' interest are safeguarded, constructively support growth in the regions, improve transparency and prevent distortion of competition.

It is expected that the European Commission will launch a consultation on State Aid Guidelines with a view to seek input from stakeholders on proposed changes by autumn 2012.

#### **Status**

European Regional operators (both airlines and airports) are deeply affected by the economic crisis. In the period covering the last three years, when the economic crisis deepened, regional operators reported an average decline of passenger traffic of almost 7% over the last four years (2007-10).

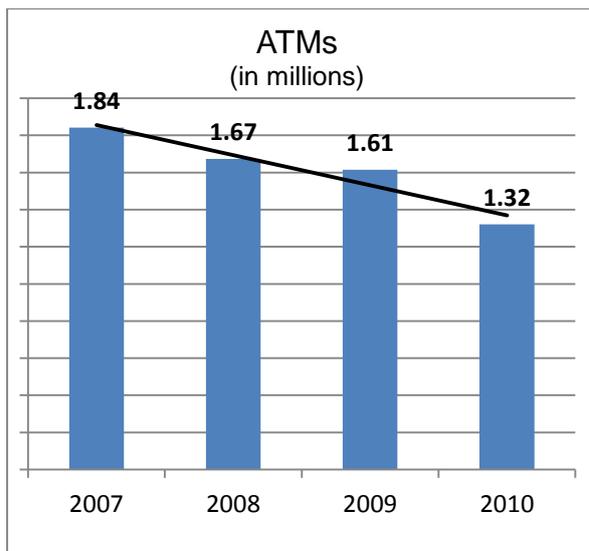


Figure 1 Air Traffic Movements for ERA member airlines 2007-10

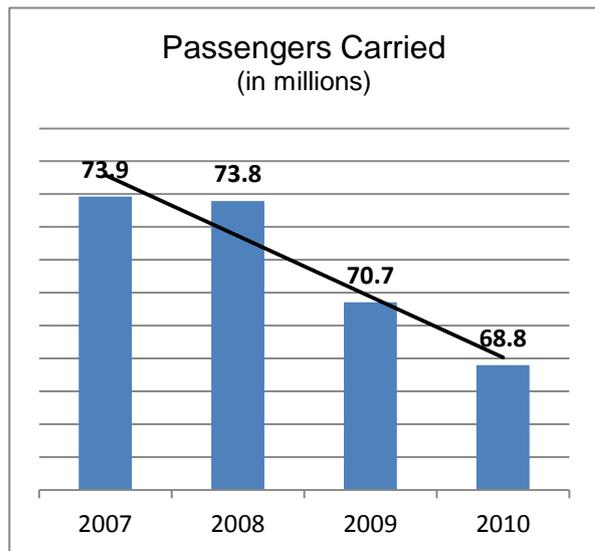


Figure 2 Passengers carried by ERA member airlines 2007-10

Given the critical role that regional operators play in the economic prosperity of Europe's regions and remote islands, it is even more critical now to ensure that access which forms the bloodline for economic growth and social cohesion. To enable this, new routes may need to be supported for longer period than the 3 years foreseen by the current EU guidelines. Furthermore, there is a key need to safeguard Public Service Obligation (PSO) routes.

### **ERA position**

The ERA Directorate calls for a clear EU strategy and framework that focuses on EU regions and their socio-economic development. To achieve this, future plans including all aspects related to state aid, should give careful consideration to regional economic needs and development. Any development and modernisation of state aid regulations should reflect regional needs and ensure regional operators are fairly treated; failure to do so may result in potentially denying adequate access to the regions through unfair policy and regulation, with harmful unintended consequences including potential distortions of competition. State aid is an important, and in some geographic locations, critical aspect of the EU transport strategy, without which the very survival of some regional areas would be jeopardised. However, any state aid must always be granted in such a way that distortions of competition are avoided.

### **Current Guidelines**

ERA believes that the current state aid regulations provide adequate provisions whilst striking the right balance between meeting socioeconomic needs and providing state aid to support infrastructure growth in cases when private funding might not be available in the free-market economy. However, the ERA Directorate believes that, in some cases, compliance with the rules is not being enforced and ERA therefore believes that oversight of implementation and fair enforcement of the rules should be a priority. Additionally, a simple, effective and expeditious complaints procedure should be developed in order to investigate and handle complaints more effectively and efficiently.

State aid, under the current regulation, can be provided to air carriers under strict guidelines and on a limited basis, only through the agreed Public Service Obligation (PSO) mechanisms. Where it has been granted outside of this process, an anti-competitive environment has sometimes been created.

### **Areas for Consideration**

ERA believes that transparency is of the utmost importance in ensuring free competition. The current state aid guidelines do not explicitly state how transparency should be attained. In any case, state aid must not interfere with the market, distort competition or lead to an imbalance between modes.

From a regional perspective, where the vast majority of airlines operate to airports that have a volume below 5 million passengers a year, ensuring that state aid guidelines are complied with requires transparency in the costs and charges applicable at EU Airports, but this only currently applies to major airports<sup>1</sup>, thereby undermining smaller aircraft operators by removing their ability to compete fairly and equally with other operators who may be receiving special treatment in the form of lower charges at the same regional airports. ERA would welcome a revision of the rules if this review provides the following:

- Simplification and increased transparency (at all EU airports, irrespective of size/volume of passengers)

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<sup>1</sup> In accordance with EU Directive 2009/12 on Airport Charges

- More fair and consistent enforcement of State aid rules to airports and airlines
- Careful consideration for regional, remote and/or smaller airports. Any review needs to continue to enable regional development and accessibility. It is critical to ensure support for regional local economies and quality of life through the provision of access to hub economies and air travel that connects European regions to each other and to the world
- Rules to avoid distortion of competition between airports, and between airlines located in the same catchment area
- A simple, effective and expeditious complaint handling process that allows operators or airports to challenge possible breaches of the guideline. In order to allow operators to assess whether breaches are taking place it is essential that they have access to data on costs and charges being levied at airports.

Furthermore, the ERA Directorate is concerned that aviation infrastructure has been, to a large extent, excluded from TEN-T funding. Any future revision of the guidelines should ensure the inclusion of aviation in all opportunities for funding, fairly and equally as with other modes of transport

### **Conclusion**

The ERA Directorate welcomes a meaningful review of the State Aid Guidelines so long as the new Guidelines provide consistent implementation, support reasonable accessibility to the regions and provide transparency for regional operators that is currently missing in Regulation 2009/12 on Airport Charges, by requiring all EU airports with commercial transport movements, including smaller regional airport operators to be transparent on costs and charges. In essence, any aid granted must benefit all users of the infrastructure equally without discrimination and must not provide a competitive edge to any one individual or specific group of operators.