

New EU Guidelines on State Aid to airports and airlines

ERA Perspective

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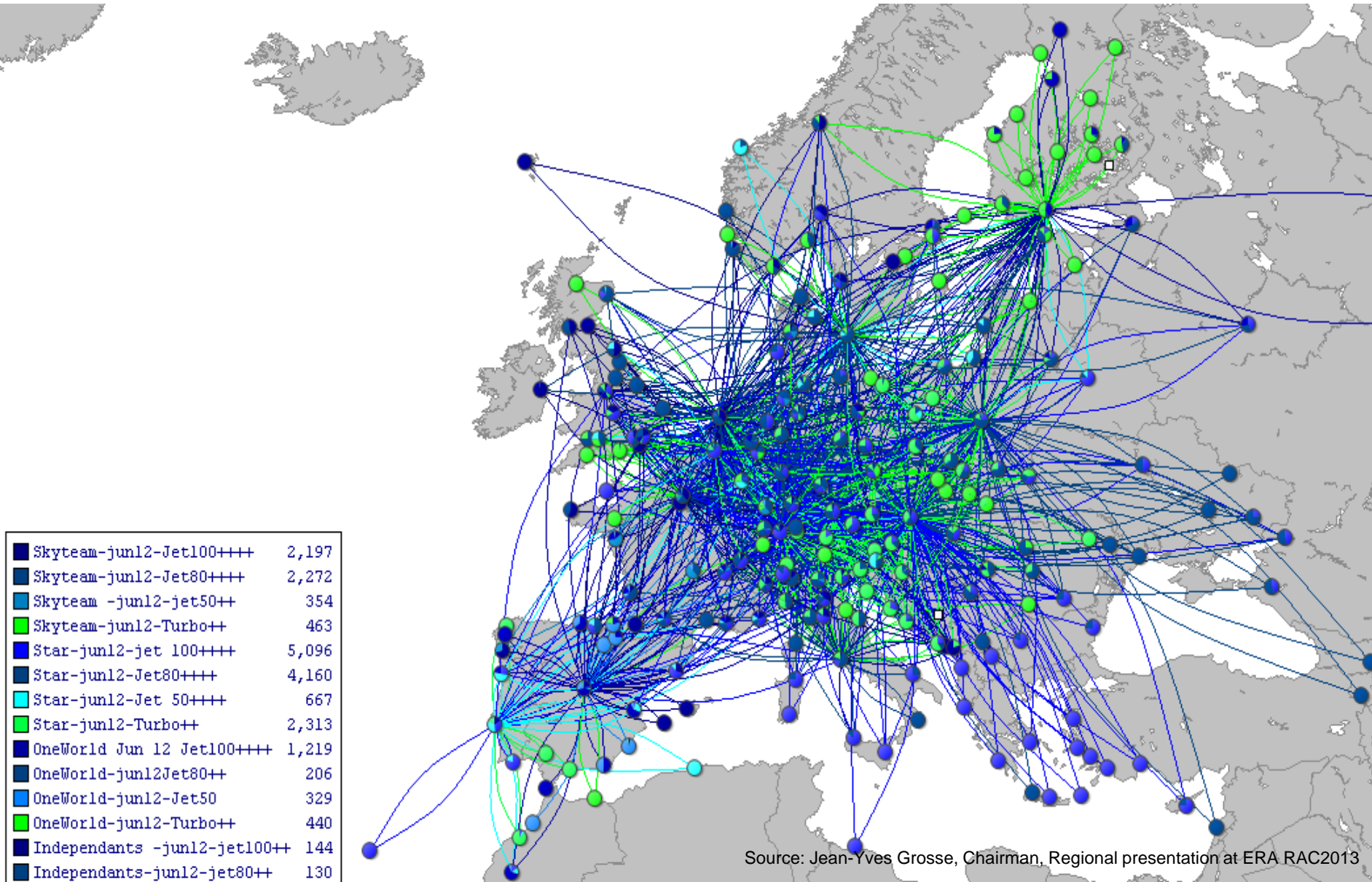


About ERA

- 51 airline members
- 19 Airports
- 99 Suppliers
- 1.6 million flights per year
- 70.6 million passengers per year
- 72 minute average sector time
- 72 seat average seating capacity
- 800+ aircraft
- 1,300 routes
- 32 countries across Europe

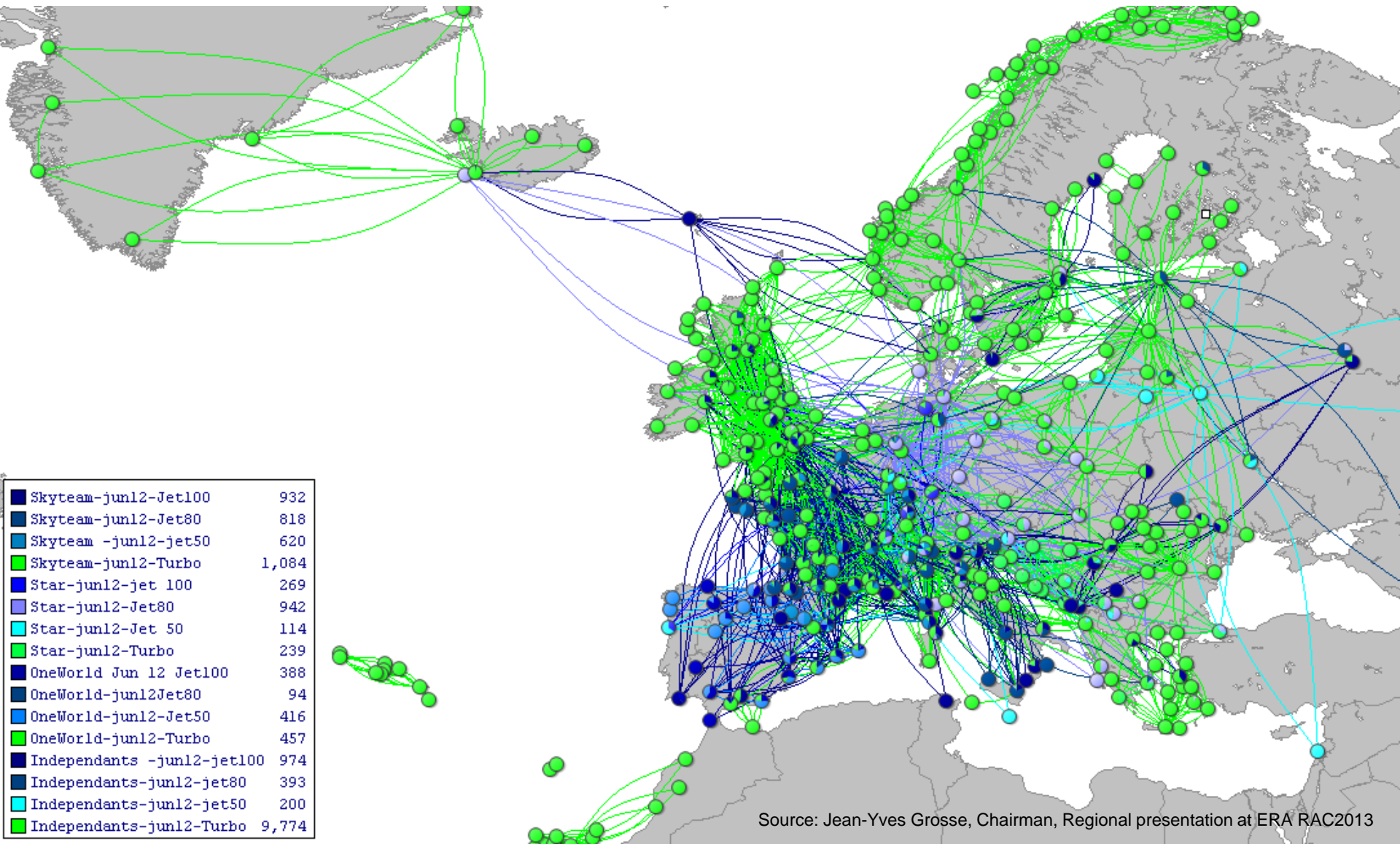


Regional Hub feeding



■ Skyteam-jun12-Jet100+++	2,197
■ Skyteam-jun12-Jet80+++	2,272
■ Skyteam -jun12-jet50++	354
■ Skyteam-jun12-Turbo++	463
■ Star-jun12-jet 100+++	5,096
■ Star-jun12-Jet80+++	4,160
■ Star-jun12-Jet 50+++	667
■ Star-jun12-Turbo++	2,313
■ OneWorld Jun 12 Jet100+++	1,219
■ OneWorld-jun12Jet80++	206
■ OneWorld-jun12-Jet50	329
■ OneWorld-jun12-Turbo++	440
■ Independants -jun12-jet100++	144
■ Independants-jun12-jet80++	130

Regional Point to Point

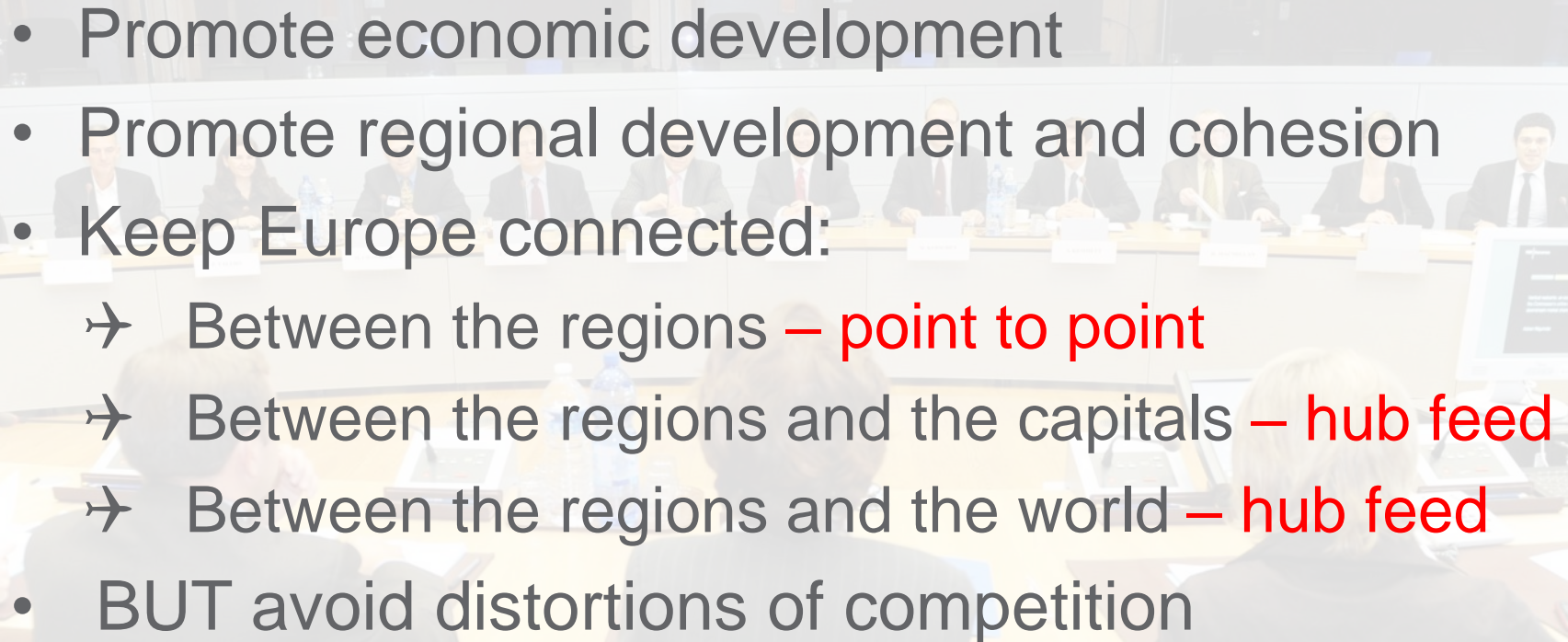


What regionals do.....

Providing the air
arteries essential
for the social and
economic
development of
Europe's regions



Priorities for policy action

- 
- Promote economic development
 - Promote regional development and cohesion
 - Keep Europe connected:
 - Between the regions – **point to point**
 - Between the regions and the capitals – **hub feed**
 - Between the regions and the world – **hub feed**
 - BUT avoid distortions of competition

European Air Transport Market

- The air transport market has evolved dramatically in recent years.
- Low-Cost Carriers (LCCs) have developed new and comprehensive business models linked to regional airports and have gained substantial market share (over 40% in Europe).
- Europe's regions are losing links with capitals via the hub airports - an 11% decline in 10 years, affecting social and economic well-being of the regions



Objective of DG Competition

- ✓ *to protect competition on the market as a means to enhance consumer welfare,*
- ✓ *to foster a competition culture;*
- ✓ *to support growth, jobs and competitiveness of the EU economy.*



Objective of State Aid Rules

- ✓ *To help Member States spend better targeted aid by allowing "good aid", i.e.:*
 - *sustainable aid addressing market failures*
 - *Equity objectives in the interest of growth and jobs, such as regional investment aid*
 - *prohibiting "bad aid", i.e. unnecessary and/or disproportionate aid*



What about State Aid?

- 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.
- 90% EU citizens live in the regions
- Any state aid must always be granted in such a way that distortions of competition are avoided.



What about the new Guidelines?

“...to protect competition on the market as a means to enhance consumer welfare”

NO!

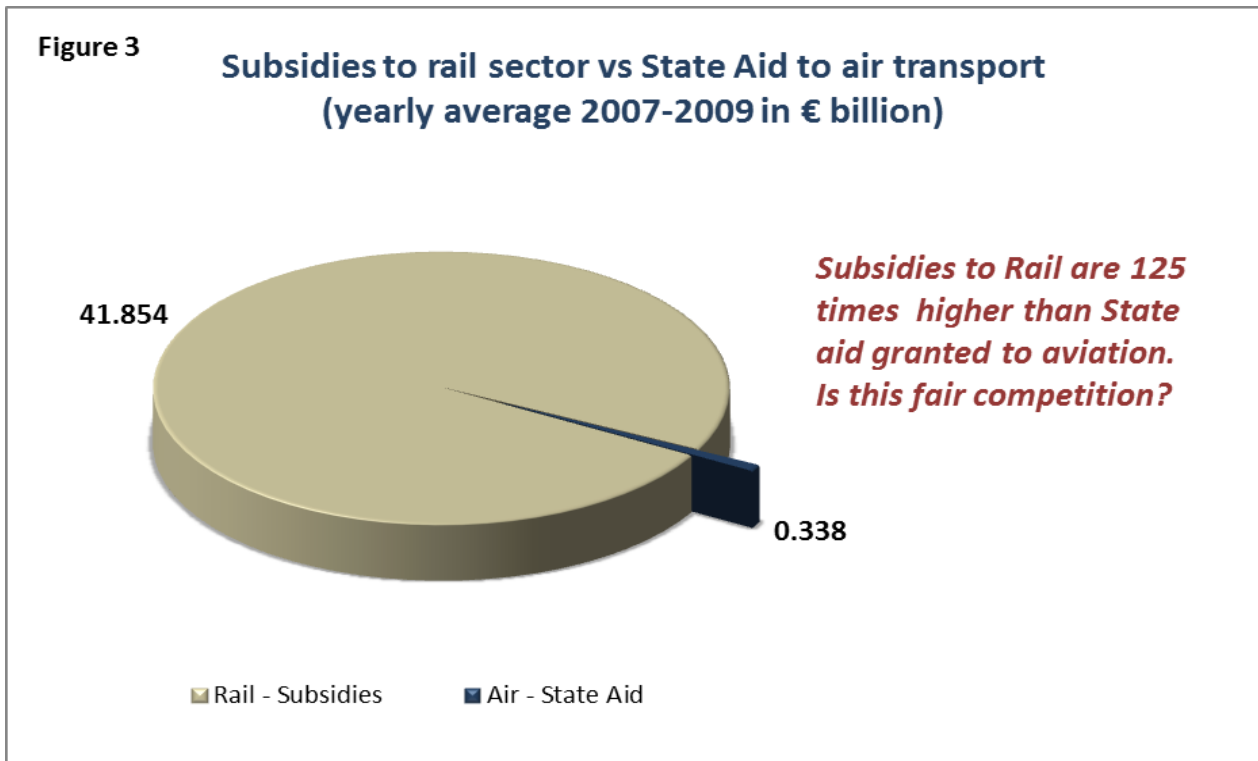
New Guidelines protect High-Speed Rail (HSR):
No start-up aid to airlines allowed on routes already covered by HSR, however heavy subsidies to HSR allowed although commercially profitable air link already operating



What about the new Guidelines?

“...to protect competition on the market as a means to enhance consumer welfare”?

NO!



EU City Pairs:

150.000 (aviation)

VS

100 (high-speed rail)



What about the new Guidelines?

“...to protect competition on the market as a means to enhance consumer welfare”?

NO!

- Within EU-27, air transport accounts for 26.74% of total export value, compared to rail at 1.6%.
- Intra-EU passenger transport, air market share from 6.5% in 1995 to 7.3% in 1999 and 8.0% in 2009 vs rail industry which has decreased from 6.6% in 1995 to 6.2% in 2009

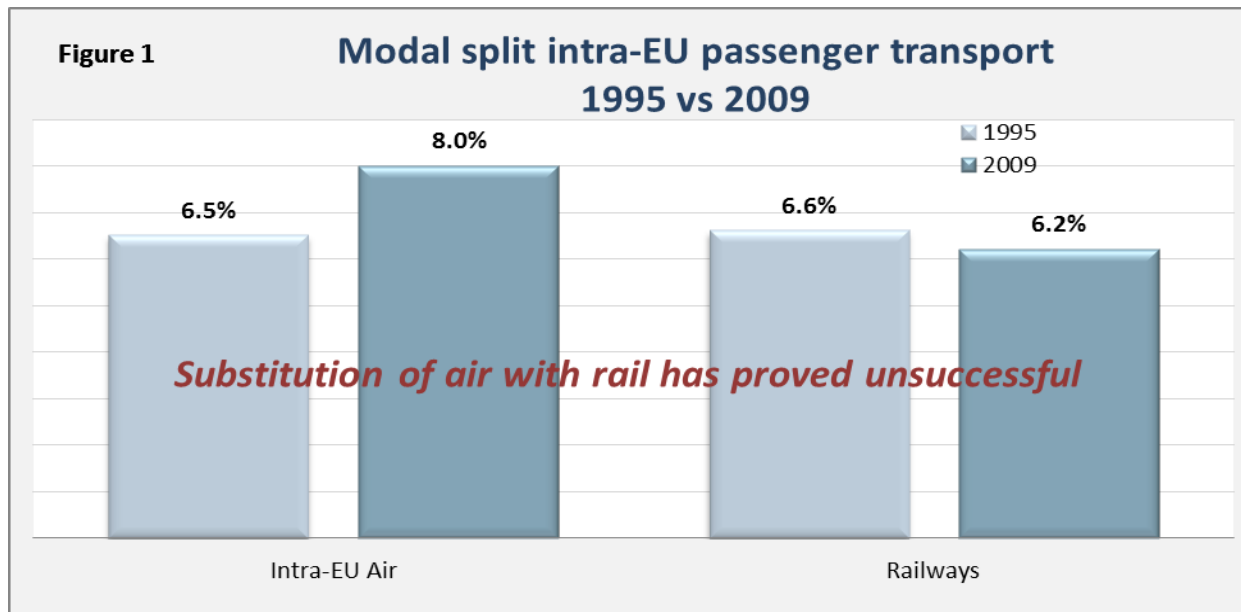


What about the new Guidelines?

“...to protect competition on the market as a means to enhance consumer welfare”?

NO!

Consumer welfare and demand is for aviation



What about the new Guidelines?

“...to protect competition on the market as a means to enhance consumer welfare”?

NO!

- Consumer welfare and demand is for aviation:
- Passenger traffic growth 2001-2010 (ACI-Europe):
 - **+81% (airports < 1 mil./year)**
 - +32% (5 mil./year < airports < 10 mil./year)
 - +25% (10 mil./year < airports < 15 mil./year)
 - +18% (airports > 25 mil./year)

Demand for regional airports should be accommodated!



What about the new Guidelines?

"good aid": sustainable aid addressing market failures; equity objectives in the interest of growth and jobs, such as regional investment aid

NO!

Small and Medium sized airports play invaluable regional cohesion role: local development, attract investment, tourism, accessibility, mobility, however...

...Commission proposing **SEVERE RESTRICTIONS** to **investment and operating aid** at regional airports



What about the new Guidelines?

"good aid": sustainable aid addressing market failures; equity objectives in the interest of growth and jobs, such as regional investment aid

NO!

Commission applies pure market economy principles:

- “Demand-oriented”
- “Growth-oriented”
- “Austerity-oriented”?



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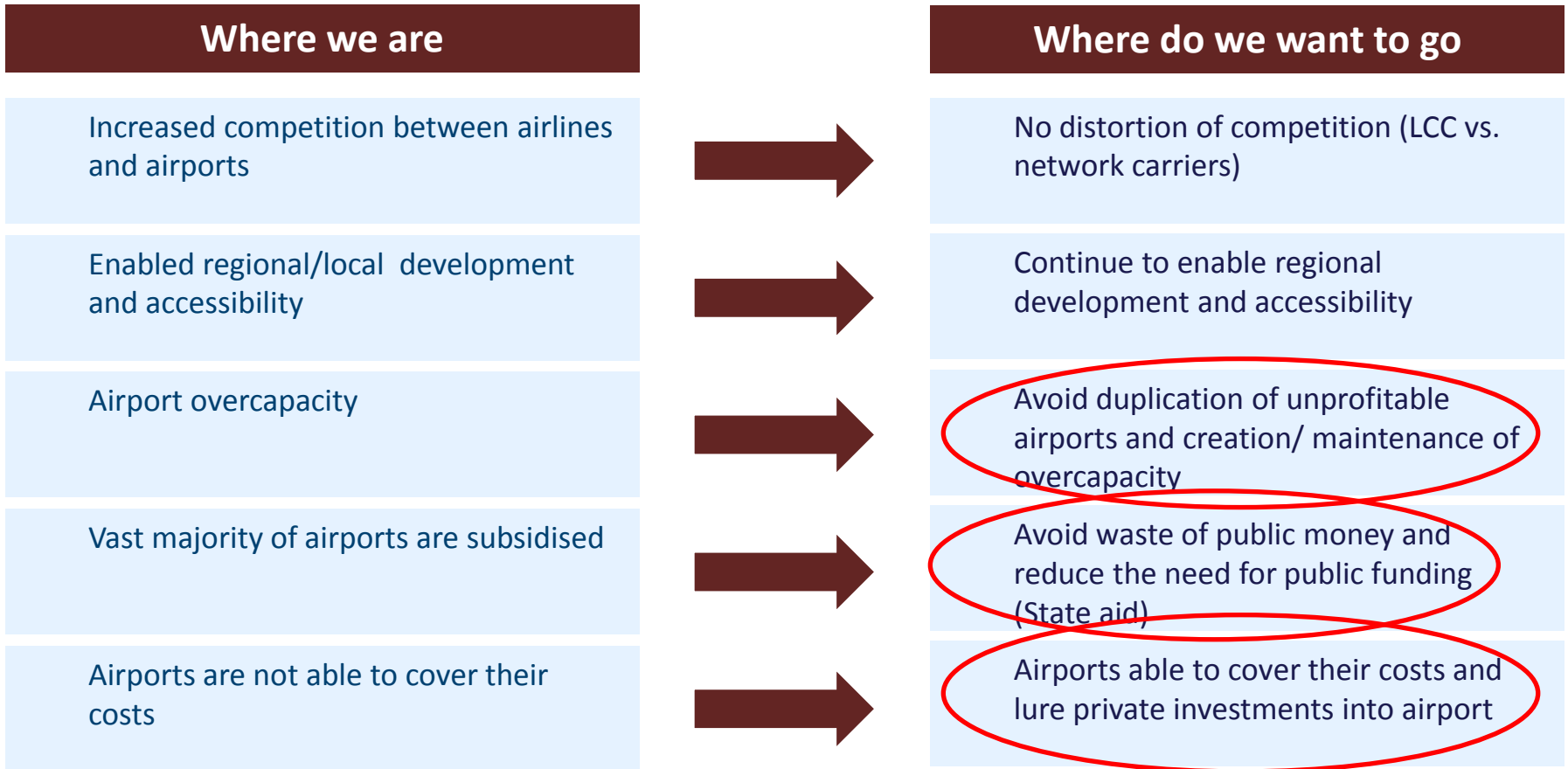
NO!

Commission's "solution" to regional airports:

- increase charges to airlines (**highly competitive market, tiny margins = shutting airport?**)
- Rationalisation measures (**= firing airport staff?**)
- Austerity measures (**= restricting State Aid?**)



What about the new Guidelines?



What about the new Guidelines?

Commission's new Guidelines do not improve:

- ✓ **transparency** in the costs and charges applicable at EU Airports (at all EU airports, irrespective of size/volume of passengers)
- ✓ fair and consistent **enforcement** of State aid rules to airports and airlines
- ✓ **complaint handling process** that allows operators or airports to rapidly and efficiently challenge possible breaches of the guidelines



What about the new Guidelines?

- **Transparency:** on detailed breakdown of costs in order to justify the calculation of airport charges. Remove 5 mil. passengers per annum threshold [data required is no more than any well-managed business should have already]
- **Transparency** attention is paid to disclosure of information regarding State Aid **after** they have been granted.
 - the biggest problem is that start-up aid schemes are not duly advertised **before** they are granted
 - Need clear and transparent criteria for any differentiation and rebates



What about the new Guidelines?

- **Subsidiarity principle affected?**
 - Regional airports as road and rail transport
 - Regional public, social, connectivity objectives
 - Regional and local authorities should assess the social and regional cohesion benefits from regional airports

It's up to **Regional and local authorities** to better decide about maintaining and developing regional airport infrastructure



What about the new Guidelines?

- Paradoxes of the new Guidelines:
 - ➔ They acknowledge that airports < 1 mil. pax/year need State Aid to financially survive
 - They require airports above 200.000 pax/year to survive without public support
 - ➔ They acknowledge capacity crunch and congestion at European main airports. EUROCONTROL: “by 2030 19 out 20 majors airports to be heavily congested”:
 - They will probably force some 80 regional airports out of business
 - ➔ Airlines operating at regional airports meet ADDITIONAL demand for transport:
 - Unlikely distortion of competition with legacy carriers, thus no need to restrict State Aid instruments



Conclusion

- Regional Airports and Airlines are vital contributors to keeping Europe connected
- They need to be promoted and encouraged because of their social role
- State Aid has an important role to play in their promotion and development
- BUT simple, effective rules are needed to ensure competition is not distorted

Closing dozens of regional airports is not an option



Conclusion

- **Regional and local Authorities** are encouraged to respond to the Commission's consultation on new State Aid Guidelines (deadline: 25 September 2013):
http://ec.europa.eu/competition/consultations/2013_aviation_guidelines/index_en.html
- ERA pleased to cooperate with regional authorities to jointly defend regional accessibility, tourism, cohesion, jobs



Thank you
for your attention

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