The Review of the EU State Aid Guidelines – The need for a clear legal framework

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THE VOICE OF EUROPE’S AIRPORTS

- +440 AIRPORTS / 46 COUNTRIES

- 172 WORLD BUSINESS PARTNERS
  Investors, Banks, Construction Companies,
  Security equipment manufacturers, Retailers, Consultants, etc.

- 6 NATIONAL ASSOCIATIONS
  - ALFA ACI (French Speaking airports Worldwide)
  - UAF (France)
  - Assaeroporti (Italy)
  - AOA (UK)
  - ADV (Germany)
  - Association des Aéroports Suisses
AIRPORTS – A MAJOR ECONOMIC ASSET

- **CONNECTIVITY OF A REGION**
  > Top Criteria for company location → Attraction of Foreign Investment!

- **JOB ENGINES**
  > Regional Airports: 500,000 local jobs, 1,000,000 regional jobs
  > 1000 on-site jobs = 2100 national indirect jobs

- **MAGNETS FOR WIDER ECONOMIC ACTIVITY**
  > Airport cities & villages
  > Tourism development
  > Economic regeneration
WHO OWNS THE AIRPORTS?

- PREDOMINANCE OF PUBLIC OWNERSHIP (Number)

- PRIVATE INVESTORS = LARGER AIRPORTS (Traffic)
REGIONAL AIRPORTS – CHALLENGING COST-REVENUE EQUATION

- AIRPORTS = CAPITAL-INTENSIVE BUSINESSES
  - Capital Costs: 31% of total airport costs in 2010!
  - Public finance is key, access to capital markets difficult for small airports

- REGULATORY COMPLIANCE
  - Safety/Security/Environment
  - Disproportionate cost impact on regional airports!

- REVENUE SQUEEZE
  - Strong pressure on airline-related charges: Only 16% of airport revenues
  - Difficulties to develop commercial revenues: Lack of critical mass
REGIONAL AIRPORTS – DIFFICULTIES TO REACH PROFITABILITY
PUBLIC FUNDING: A LEVEL-PLAYING FIELD & CLEAR RULES ARE NEEDED!

▪ AIRPORT COMPETITION: A REALITY!

> Liberalized EU Aviation Market: Freedom to establish routes & bases
> New business models: Low-Cost Carriers > 40% market share!
> Increased market power of airlines: Pressure on charges & revenues!

"We're going to be very, very tough about routes that aren't working."
(Carolyn McCall, CEO Easyjet in March 2011)

▪ PUBLIC FUNDING REMAINS A NECESSITY

> No sole focus on internal market: global competition!
> State capitalism in other world regions
> Airport capacity crunch in Europe
IMPLICATIONS FOR EU STATE AID POLICY

- PUBLIC FUNDING MUST ENSURE THAT
  - Regional airports can play their role as economic engines!
  - Regional airports have legal certainty on their investments!

- PUBLIC FUNDING MUST NOT
  - Distort competition between airports!
  - Distort competition between airlines!
THE 2005 EU GUIDELINES ON STATE AID: A MIXED ASSESSMENT

- OVERLY COMPLEX PROVISIONS
  > Lack of legal certainty & high administrative burden for airports
  > Not adapted to market reality

- FINANCING OF AIRPORT INFRASTRUCTURE
  > All notified measures approved by EU Commission
  > Pending appeal case at European Court of Justice (Leipzig/Halle)

- START-UP AID TO AIRLINES
  > Few notifications of start-up aid schemes
  > Many complaints from third parties, numerous cases
PRIORITIES FOR REVISED GUIDELINES: SIMPLER AND CLEARER RULES

▪ FULL FLEXIBILITY FOR SMALLEST AIRPORTS (< 1 million)
  > Possible need for public funds due to low profitability
  > No distortion of competition due to low traffic volume
  → Public support measures allowed without notification

▪ A CLEAR FRAMEWORK FOR LARGER AIRPORTS (> 1 million)
  > Need to take into account long-term character of airport investment
  > Pre-condition: No loss-making investments!
  → Public support possible if compliant with rev. Private Investor Test

▪ SUPPORT OF INTERMODALITY AND CONNECTIVITY
  > Enable funding of airport-related infrastructure (train stations, roads)
THANK YOU

www.aci-europe.org
www.airportcarbonaccreditation.org