Airports, regions & MEPs urge EC to revise proposed new State Aid rules

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**Brussels, 18 September 2013:** European airport trade body ACI EUROPE, in cooperation with Mr. Franck Proust MEP (EEP, South West France) and Union des Aéroports Français (UAF) yesterday held a joint-hearing in the European Parliament, on the European Commission’s (EC) proposals for revised State Aid Guidelines in the aviation sector. The event attracted more than 100 participants including individual airports, Member State representatives - in particular from many local and regional authorities, airline associations AEA, ELFAA, ERA, as well as MEPs and EC officials.

With these new proposed guidelines, the EC is explicitly seeking to curb the public financing of airport infrastructure across Europe. National, regional & local authorities would therefore have to comply with more restrictive rules limiting their ability to invest in the development of new or existing airport infrastructure (investment aid) as well as in the financing of day-to-day operations of smaller airports (operating aid).

**PROTECTION OF GROWTH & JOBS – NOT JUST COMPETITION**

At yesterday’s hearing, there was strong consensus from all airports, local & regional authorities and MEPs on the absolute need for the proposed Guidelines to be amended to better reflect and support airports' positive externalities and in particular their contribution to the economy and jobs.

In his address to the hearing, **Franck Proust MEP** said "What is being proposed is too damaging for us to stay quiet, especially when the very future of hundreds of communities and thousands of jobs is at stake. At grassroots level, I see our citizens and economic players want to know if the projects they have succeeded in growing over the years - with many positive externalities in their localities - are suddenly going to be brought to a halt by this."

He added "Economic renewal, growth and social cohesion are absolute priorities for Europe right now. Airports cannot be treated just as financial undertakings, their role as essential public infrastructure also needs to be respected. Competition policy should be at the service of economic development and growth, not the other way around."

The proposed new Guidelines do not reflect the economic fundamentals of small regional airports. Due to a combination of high fixed costs*, low non-aeronautical revenues and zero pricing power when it comes to airport charges, smaller airports structurally cannot achieve profitability - and any policy which ignores this reality will cost economic growth and jobs.

Yet, the EC is proposing to ban operational aid to all but the smallest of regional airports after a 10 year transitional period, during which such aid will need to be progressively phased out. This will require an increase in airport charges levied on airlines and passengers, which will simply price these airports out of the market. As a result, airlines will withdraw services and close down routes - and ultimately some of these airports will also face closure.

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Addressing the hearing, Olivier Jankovec, Director General ACI EUROPE said "Mark my words, if these rules are adopted they will reduce connectivity across Europe, with dire consequences for regional communities. Today, airports are businesses but they are also strategic assets driving economic growth and jobs. If you close down an airport, you severely cripple its community. Clearly, the EC has not struck the right balance – what they are proposing is at odds with their own Growth & Jobs agenda for Europe. These rules need to be revised."

For regional communities in particular, connectivity is essential for inward investment, tourism, trade and productivity. Air access is the only mode of transport which can deliver this global connectivity in an affordable and timely manner. Indeed, small regional airports in the EU alone support a GDP contribution of €16.15 billion, and 265,000 jobs.

REMEMBER THE BIGGER PICTURE

The EC proposals are subject to a public consultation ending on 25 September¹. In response, ACI EUROPE has released its own analysis paper**, calling for detailed specific changes in the areas of allowable operating and investment aid.

Apart from small regional airports, this analysis also deals with large-scale investments in greenfield airports, for which the EC proposed guidelines do not contemplate any possible public aid – despite the need to address possible funding gaps. This also ignores the fact that public aid in airport infrastructure is widespread outside Europe, where it is also used as a way to boost the competitive position of national aviation markets at global level.

Jankovec commented "EU State Aid rules were designed more than 40 years ago and their focus remains exclusively on intra-European competition. They do not take into account our globalised business environment, where emerged external markets are now a major source of competition for Europe’s airlines and airports."

He added "Europe already has a liberalised and highly competitive air transport market, arguably the most financially independent in the world. With EUROCONTROL having recently confirmed the extent of the airport capacity crunch that we are facing**, we will need new airport projects in the future and these projects may need some public support – let’s not close that door."

ENDS

Notes for Editors:

* Small airports have a high ratio of fixed costs including safety regulation, fire service, runway maintenance, perimeter fencing, security equipment and more.

¹ Interested parties can make submissions to the EC consultation via the website of the Directorate General for Competition at this link.

** Airports & State Aid – the ACI EUROPE Analysis paper responding to the EC’s proposed new guidelines can be downloaded here.

° How Airports Compete – a summary of the findings of Copenhagen Economics 2012 study on Airport Competition in Europe can be downloaded here.

°° In July, EUROCONTROL published its Challenges of Growth report, detailing the airport capacity crunch facing Europe, between now and 2035, downloadable here.
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ACI EUROPE is the European region of Airports Council International (ACI), the only worldwide professional association of airport operators. ACI EUROPE represents over 450 airports in 44 European countries. Member airports handle 90% of commercial air traffic in Europe, welcoming over 1.5 billion passengers each year.

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