

Re: Draft EU Guidelines on State aid to airports and airlines

Via email: Joaguin.Almunia@ec.europa.eu

12 September 2013

Dear Vice-President Almunia,

We write to you to outline our concerns in relation to the draft guidelines on State aid to airports and airlines. The guidelines need to be urgently reconsidered as they risk further distorting competition in the industry, wasting scarce public resources, as well as expanding billions of euros of climate harmful subsidies.

I write on behalf of Transport & Environment, the pan-European association of environmental citizens' organisations promoting sustainable transport.

Data released by the Commission suggests that at least €3bn a year of public money already goes to airports and airlines in infrastructure and operating aid. This comes on top of almost €40 billion worth of indirect subsidies¹ through its exemptions from fuel tax and VAT on tickets. The €3bn of State aid alone causes an estimated 3-5 million tonnes of excess CO₂ emissions through incentivising marginal flights.

Additional evidence that State aid has gone much too far is the fact that smaller and regional airports, the prime beneficiaries of State aid, have boomed. In the past decade airports under 1m passengers have grown by 135%, those under 5m by 79%, and those over 5m by 'only' 29%.

Hence a drastic reversal of State aid policy is needed. Indeed we question the rationale for sanctioning operating aid to airports and airlines at all, except if there is a justifiable public service obligation (PSO), for example in remote regions or islands that exclusively depend on air transport services.

The draft guidelines note that operating aid to airports is "in principle a very distortive form of aid and can only be authorised under exceptional circumstances" yet acknowledge that the prohibition against this type of aid has been openly flaunted and go on to propose legalising this very distortive form of State aid for 10 years. Even worse they allow for retroactively sanctioning some 70 illegal State aid cases in dispute, removing any semblance of a level playing field for the sector.

From the documents released so far – which inexplicably do not include an Impact Assessment - we fail to identify a solid economic underpinning for the proposals. If anything it seems that the numbers in the Commission's State aid scoreboard, are an order of magnitude below the €3 billion mentioned above, and therefore incorrect, which leaves serious questions over the assumptions on which the draft revisions have been based.

We call on the Commission to reconsider its position as follows;

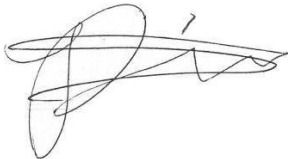
- To rethink the economic rationale for legalising future operating aid. Limit operating aid to PSO operations only, and make the phase-out shorter, more robust, and better enforced;

¹ <http://www.transportenvironment.org/publications/does-aviation-pay-its-way>

- Not to issue a general pardon for past illegal grants of State aid, instead to stick to a consistent case-by-case approach;
- To publish exact figures on what State aid has been granted and release the Impact Assessment immediately along with full and complete details of all aid, especially that already notified to DG Competition;
- To drastically improve transparency of airport charges across Europe, to enable a level playing field to emerge;
- To extend the time for public comment significantly. A consultation period largely over the summer months does not meet the spirit of transparency requirements;
- To work with Member States on a rationalisation and recovery plan which focusses scarce public resources where they make most economic and environmental sense.

We attach our short briefing further detailing our concerns. As the final date for comments is 25 September we would appreciate a substantive reply before that date.

Yours sincerely,



Jos Dings, Director, Transport & Environment

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