Lufthansa Group

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HT.4691
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COMMISSION REGULATION (EU) amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty, ref. HT.4691

Dear Madam
Dear Sir

I refer to the letter dated Mai 30, 2016 of Dr Andres Martin-Ehlers asking for the extension of the delay to submit our comments to the draft Regulation 651/2014. Due to an administrative error, you received a draft comment from Mr Martin-Ehlers yesterday. I kindly ask you to replace that document with the present one and apologize for the misunderstanding.

From the point of view of Lufthansa Group, the largest European network carrier, any state aid to airports is potentially distorting competition. Years of legal disputes about the legality of such aid and the lack of clarity and sanctions indicate that neither the Commission nor national authorities are able or willing to apply and enforce their own principles about state aid to airports. The various disputes about state aid to German airports like Frankfurt Hahn are a case in point. Year after year the airport keeps getting state aid, in excess of what is permitted by the current legal framework, benefitting one certain airline.

The detrimental effect of state aid to airports is confirmed by European Court of Auditors in its report of December 2014. It has concluded that “EU-funded investments in airports provide poor value for money”. This assessment has lost nothing in its validity and should guide the EU Commission when setting the future legal framework for state aid to airports.

In view of the above, Lufthansa Group respectfully submits the following position to the draft regulation for block exemptions:

1. **There should be no block exemption for state aid to airports**. Years of experience has shown that state aid to even small airports benefits certain carriers which based on this aid can operate at very low cost, increase their capacity and grow their market share at the expense of larger network carriers which depend on extensive hubs. Lufthansa Group airlines have suffered from this impact for the past decade. It is therefore necessary and justified that any public funds granted to airports is subject to approval and should not get the benefit of a block exemption.

2. **Better connectivity to certain regions does not justify the block exemption**. Lufthansa Group recognizes the need of certain regions for better connectivity and we are the first to promote the economic value of aviation. However, a free ticket for state aid is the wrong answer for connecting remote areas. The Market Access regulation 1008/2008 provides for Public Service Obligations – an effective instrument to solve this problem.

3. **State aid to small airports is as damaging as state aid to large airports – the size of the airport does not justify the block exemption**. The draft regulation seems to depart from the notion that aid to smaller airports is less damaging than state aid to larger airports. Experience has shown that this is not the case. It is the core of the business model of certain low cost carriers to operate to state supported small airports and then to expand to larger airports. The latest developments in Germany demonstrate this very clearly. For years Ryanair has operated to such small airports, many very close to larger airports. As mentioned under 1) above, these operations funded by tax payers allowed Ryanair to expand its network and fleet, as they were able to offer tickets at prices other airlines operating from non-supported airports were unable to match. Lufthansa has described these developments to the EU Commission/DG COMP in many pending proceedings. Therefore, any aid to airports should be under the scrutiny of the authorities and should be subject to scrutiny in order to make sure that they comply with applicable law.

In view of the above, we kindly ask the Commission to **delete art. 56a** from the current proposal for the revision of regulation 651/2014.

With kind regards

Sincerely yours,

Regula Dettling-Ott
Prof. Dr. Vice President EU-Affairs
Lufthansa Group