Ryanair Dublin Office
Airside Business Park
Swords
County Dublin
Ireland
Telephone: +353 1 945 1212
Fax: +353 1 945 1213
Website: www.ryanair.com

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30 May 2016

European Commission
Directorate-General for Competition
State aid registry
1049 Brussels
E-mail stateaidgreffe@ec.europa.eu

By email only

Re: Targeted review of the General Block Exemption Regulation (State aid): extension to ports and airports

Dear Sir / Madam,

I refer to the Commission's consultation of the General Block Exemption Regulation 651/2014.

While the Commission's aim to simplify and enhance the legal certainty behind the extension of the Regulation is welcome, this will prove counterproductive unless comments below are reflected in the final document.

The exclusion of airports within a 100 km or 60 minutes travelling time radius from another airport

The draft Regulation proposes that in order to be exempt from notification, investment aid should not be granted to airports that are located within 100 km **or** 60 minutes travelling time by car, bus, train, or high-speed train from an existing airport from which scheduled air services are operated (proposed Article 56a(4)).

This is presumably intended to prevent substitutable airports from benefitting from State aid, thereby contorting competition. While this is a justified rationale, this criterion in the final Regulation should be cumulative (*i.e.*, 100 km **and** 60 minutes) rather than alternative. In coastal or mountainous regions of Europe (e.g. Corsica, Scandinavia, or the Greek coast), airports may be less than 100 km apart, but travelling from one to the other may take in excess of 60 minutes, thereby rendering the airports unsubstitutable, and undermining the rationale behind this criterion if the cumulative condition remain in the final Regulation.

The 3 million passengers limit

The draft Regulation indicates that the block exemption would not apply to airports with average annual passenger traffic of more than 3 million passengers in the two financial years preceding the year in which aid is granted, and that the aid should not be expected to cause the airport to increase its average annual passenger traffic above 3 million passengers in the two financial years following

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the granting of the aid (proposed Article 56a(5)).

In the final Regulation, the relevant time period should be limited to the airports' traffic prior to the grant of the investment aid only. Investment aid should properly be provided in order to allow airports to grow, without distorting competition. As such it would be inappropriate to subject investment aid to airports that are below the relevant thresholds prior to the investment, but not after the investment, to the notification requirements. In practice, such a condition would stifle growth, and delay the economies of scale.

In addition, airports with 3 mppa to 5 mppa should be covered by the exemption if the aid intensity is below 25%, in line with paragraph 101 of the 2014 '*Guidelines on State aid to airports and airlines*'.

Investment aid

The exclusion of aid for the relocation or conversion of an existing airport (proposed Article 56a(8)) is a strong disincentive to operations that may make economic and environmental sense and would not distort competition if all the other conditions of the Regulation are satisfied. The Regulation fails to offer a justified rationale for this exclusion, and this should be excluded from the final Regulation.

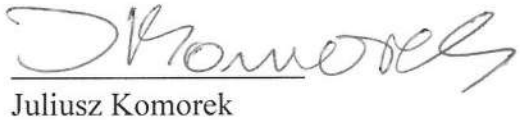
The final Regulation should also define "eligible costs". In the draft Regulation, this is currently unclear (proposed Article 56a(9)).

Operating aid

Inexplicably, the draft Regulation does not apply to operating aid. Given that many of the Commission's recent State aid decisions on airport-airlines arrangements concern both investment and operating aid to airports, the Commission has sufficient experience to devise criteria under which operating aid would be exempt, and this should be reflected in the final Regulation. Such criteria could include operating aid as considered compatible under the 2014 '*Guidelines on State aid to airports and airlines*' (paragraphs 128-130). The draft Regulation currently implies that the Commission is ready to reduce administrative burdens for investment in airports, but not for their operation or growth. This could have the unwelcome effect of discouraging investment in airports, and should be amended in the final Regulation.

I trust the above is of use, and will be reflected in the Commission's final version of the Regulation. Should you have any queries or wish to discuss, please do not hesitate to contact me or my colleague Matthew Krasa at krasam@ryanair.com.

Yours sincerely,



Juliusz Komorek
Chief Legal & Regulatory Officer