European Commission
Directorate-General for competition
State Aid registry
Re. HT.4691
1049 Brussels
BELGIUM

RE:
HT.4691 - Draft Regulation modifying the Commission Regulation (UE) n° 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty - Extension of the General Block Exemption Regulation to ports and airports

EBAA position on the consultation
20.05.2016

The European Business Aviation Association (EBAA) is grateful for the opportunity to contribute to the consultation on the European Commission's draft provisions to simplify the application of State aid rules.

I –State aid Guidelines

EBAA fully supports the Commission's initiative to simplify the aid measures for regional airports falling into the GBER scope. This is a step in the right direction to facilitate and speed up the implementation of projects at regional and smaller airports, especially after the worrying flaws misconceptions introduced by the 2014 Guidelines on State aid to airports and airlines.

At the time of release of the Guidelines, the EBAA had raised a number of concerns:

As a matter of principle, air transport is relevant for the economic development of a region. Just consider, around a given airport, how many companies have established their headquarters, or subsidiaries, in its vicinity. And what is true for companies is also true for individuals, who will buy property, go on holiday, etc. An airport is an economic magnet. It doesn't mean that each and every city must have its own airfield, although in the U.S., a country that is relatively similar in size to the EU, there are more than 5,000 airports compared to around 1,000 in Europe. Air transport is relevant for the economy irrespective of the frequency of the connections it proposes. The reverse is true as well. London and Paris, the two economic and financial powerhouses in Europe, boast the most important airport networks in Europe, and that is no coincidence. They also incidentally host unique examples of fully dedicated Business Aviation airports (Le Bourget in Paris, Farnborough and Biggin Hill in London). Building an airport is not a guarantee of economic boom or success for the region of course, but one should consider the other way round, i.e. a region with a fledgling economic activity will not be able to maintain, let alone develop, it above a given level without the help and support of a nearby airport, and the connections, either scheduled or unscheduled (ideally both) it can ensure. Please consider that BusAv passenger, on average, is worth 10 times the economic weight of a normal premium passenger on a scheduled connection. Whether this passenger is flying for business or leisure purposes, he will definitely have an impact everywhere he goes.

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The European Union should consider the number of regional airports as a strength, not a weakness. And without excluding the possibility that some regional airports might have to close, the question of how to boost their attractiveness in order to alleviate the current pressure on major hubs must be seriously considered. Many of these regional airports are costly because of ATC costs inherent to their service. Yet there are already technological solutions to replace ILS, or pricy control towers. It is a question of political will. One thing is certain: Europe will not solve its capacity, connectivity and competitiveness issues by closing down its runways.

Indeed, Europe must be consistent. It cannot complain about the dangers of a capacity crunch at 25 or so airports in Europe and at the same time consider closing hundreds of regional airports.

The State Aids Guidelines negatively impact the principle of subsidiarity. Member States, regional and local authorities have to comply with more restrictive rules, limiting their ability to invest in the airport development or daily operations, whereas the principle means that the decision of maintaining or developing an airport should be left to the local community .The Commission should not fight the wrong battle but should question the appropriateness of an initiative that puts at risk hundreds of aerodromes and airports across Europe.

In consideration of the above, the EBAA is obviously pleased with, if not relieved by, the Commission's draft provisions. They represent a fair counter-balance to the strict procedure set up by the State aid Guidelines and constitute an important step towards the recognition of the importance of airports as being more than mere economic entities.

II – EBAA comments to the extension of the scope of the General Block Exemption Regulation (GBER) to ports and airports

EBAA's major point regards Article 56a of the Commission's draft regulation:

- Paragraph (4) states that "*State aid is not granted to an airport located within a distance of 100 kilometers or 60 minutes travelling time by car, bus, train or high speed train from an existing airport from which scheduled air services, as heard under Article 2 par. 16 of Council regulation n°1008/2008, are operated*";
- While paragraph (5) excludes airports where the annual number of passenger traffic of more than 3m passengers from the scope.
- On the contrary, paragraph (7) overtakes paragraph (4) and provides that state aid granted is authorised at airports with *'an annual passenger traffic of up to 50 000 passengers'*.

EBAA understands the EC's proposal to exclude airports '*located within a distance of 100 kilometers or 60 minutes travelling time by car, bus, train or high speed train from an existing airport from which scheduled air services (…) are operated'.* The potential distortion of competition is a reality in such circumstances. However, further elements should also be taken into account to accommodate other realities. The type of movements that the airport is hosting for instance is an important such differentiator, or so it should be. Some airports are fully dedicated to Business Aviation or mostly oriented towards Business Aviation.

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Now, Business Aviation ensures yearly 103,000 airport-pairs in Europe compared to the 30,000 or so offered by scheduled airlines. This is why Business Aviation operations must be considered first and foremost as a useful and necessary complement to scheduled movements, and not as being in competition. An airport mostly dedicated to Business Aviation (Le Bourget in Paris, Farnborough or Biggin Hill in London), and being located within a shorter radius than the one-hour distance would fall within the scope of Article 56a§4, but it is clear that Le Bourget for instance is NOT competing against the likes of Charles de Gaulle or Orly. Their business models are not only different, they are somewhat complementary.

So much so that forcing them into major congested hubs would serve no purpose, on the contrary. It would do no good under a strict competition angle for above-mentioned reasons, would increase the pressure on hubs to accommodate more and unwanted traffic, and would do nothing to mitigate the looming capacity crunch. Making best use of the existing airport capacity is, by the way, one of the objectives fixed by the Commission in its Aviation strategy for Europe.

There are today 37 important Business Aviation dedicated airports that register less than 3m annual passengers but that are located within the one-hour radius of another airport where regular air services are operated. Whilst very important to the Business Aviation sector, they currently would not satisfy the criteria set out by the GBER and would hence be left to the sole device of the market.[1]

The EBAA therefore proposes to add another criterion based on the business model of the airport, which could be measured in function of the type of movements (other than scheduled flights). To that end, airports with an annual passenger traffic up to 3m AND located at less than 100 km or 60 minutes from another airport offering scheduled air services could, according to this proposal, still be allowed State aids if amongst its total traffic it is host to, say, more than one third (33%) of non-scheduled flights.

As for paragraph (7) and the threshold of 50,000 passengers, the EBAA was questioning the number and, based on the database it uses for the airports that matter to Business Aviation, it would suggest to raise that threshold to 100,000 annual passengers. An airport like Paris Le Bourget, with its approx. 85,000 passengers/year, could then avail itself of the block exemption if needed be.

III – Conclusion

The EBAA is very supportive of the Commission's initiative to extend the GBER scope to ports and airports. This is more than a step in the right direction as it corresponds to a de facto recognition of the important role that regional/small airports play for their community.

This is also an excellent opportunity to foster and maximise the best use of existing airport capacity, which is a key pillar of the Commission's Aviation strategy.

[1] Le Bourget, Biggin Hill, Cannes-Mandelieu, Northolt, Stockholm-Bromma, Lyon-Bron, Antwerp, Braunschweig, Rotterdam, Firenze, Manchester, Villacoublay, Monchengladbach, Bratislava, Toussus-Le-Noble, Oberpfaffenhofen, Dortmund-Wickede, Pratica di Mare, Wevelgem/Kortrijk, Augsburg/Muehlhausen, Mannheim-Neuostheim, Goteborg-Save, Lubeck-Blankensee, Annecy, Wiesbaden, Hawarden, Malmoe/Sturup, København-Roskilde, Treviso, Cascais, Liege, La Roche-sur-Yon, Ingolstadt, Ostrava, Frankfurt-Hahn, Istres, Madrid-Torrejon

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