



EUROPEAN COMMISSION

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Introductory remarks on new state aid rules for airports and airlines

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Es gilt das gesprochene Wort

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The Commission is launching today a public consultation on the next guidelines for State aid in the aviation sector. We are seeking the views of Member States and stakeholders – airlines, airports, business users and passengers – on the draft we have prepared.

This process will lead the Commission to adopt new guidelines at the beginning of 2014. They will set out the rules based on which the Commission will assess state aid to airports and airlines throughout the EU.

These guidelines are a further component of the State aid modernisation agenda. Its philosophy is simple: the state aid control carried out by the Commission should encourage aid that boosts economic growth and furthers other objectives of common European interest, while it should discourage harmful aid that does not bring real value added and introduces distortions to competition in the Single Market.

Let me recall briefly the backdrop against which we are launching this discussion.

Since 2001 the market environment of the air transport sector has changed quite considerably. The security challenge posed by 9/11, the oil price increases and the current economic crisis have all deeply affected the industry.

When we look at airlines, three major developments have taken place:

- 1) Concentration among airlines has stepped up.
- 2) In some countries, flag carriers of smaller size have run into serious financial trouble. We have taken several rescue and restructuring decisions in this area, and we still have a number of cases pending.
- 3) Thanks to the liberalisation of air transport at EU level, the "low cost low fares" model, has developed successfully and passengers enjoy now more opportunities to travel cheaply.

This is the landscape for airlines. When we look at airport infrastructure, important transformations have also taken place. We are witnessing a situation of wrong allocation of capacity in Europe.

- 1) Many new regional airports have been set up in the EU. Although they are important for the accessibility needs of some of Europe's regions, they are sometimes within a short distance from other airports. As a result, infrastructure sometimes remains unused or under-used.
- 2) By contrast, in large hubs, congestion problems have arisen. Some regional airports have helped to decongest these hubs.
- 3) The landscape of airport activities has also evolved; they have become a new market, with half of their revenues stemming from non-aeronautical activities, and increasingly in the hands of private companies.

Against this backdrop, to maintain a dynamic and competitive European aviation industry we need to ensure that public money is spent where it is actually needed; that is, where the market alone does not supply the necessary services or infrastructure.

This means we should avoid encouraging the duplication of unprofitable airports, the creation of unused capacities or the public financing of connections that private agents could afford anyway.

We must ensure that regional airports are viable and sustainable economic activities.

We must also make sure that a level playing field is guaranteed – both between airports themselves, and between airlines, regardless of their business models.

We should avoid that airport overcapacity gives airlines an opportunity to shop around for subsidies at taxpayers' expense.

Achieving all these objectives is only possible if we put in place an adequate framework of State aid control in the aviation sector.

So let me sum up the main orientations I am proposing.

The new rules should continue to allow State aid for investment in infrastructure. Of course, if public authorities invest in the same way as a private investor in the same situation would, there is no State aid. State aid is justified if there is a genuine transport need and public money is needed to ensure accessibility to a region. State aid should only be used to create additional transport capacity where demand for it exists. If an area is already well connected by other modes of transport – such as high-speed trains, – public money would be wasted.

Moreover the possibilities to grant investment aid should be higher for smaller airports than for larger airports.

Let me now move to aid to finance the operation of airports. The practice of subsidising the operating costs of airports through public money has become widespread over the last years.

Operating costs should normally not be subsidised by the taxpayer. Just like other economic activities, airports should recover their operating costs from those that use them: airlines and passengers.

This is where we want to go. But it would not be realistic to apply this principle already today. So what I propose to do is rather to accompany regional airports in the transition towards a steady state where they will no longer need operating subsidies. So during a 10 year transitional period, these small regional airports will be given time to adjust to the new market situation.

There will also remain an exception, where a genuine public service need is identified – this could be the case in particular if a region would be isolated without the operation of the airport. In this case state aid can be granted to cover operating costs provided that it complies with our rules on services of general economic interest.

The draft guidelines I propose also address the issue of the State aid that airlines may receive through their arrangements with airports. If these arrangements would have been accepted by a private investor operating under normal market conditions, then there is no State aid. In other words, if those arrangements are profitable for the airport, then they comply with our rules.

Finally, the proposal maintains the possibility for Member States to grant start-up aid to airlines, but under strict conditions. Such aid may be needed to launch a new route for a temporary period.

In sum, what we seek to achieve with these new guidelines is to make sure citizens – who may be taxpayers or passengers, or both – can reap all the benefits of air transport liberalisation and improved connectivity through affordable services responding to their transport needs.

I am seeking the views of interested parties on all the proposals I am making today. I am looking forward to receiving these comments. Of course we will look at them carefully before adopting new guidelines, at the beginning of next year.