

Mr Brian Simpson
 European Parliament
 Lakeside, Alexandra Park
 Prescott Road
 ST HELENS WA10 3TT, UNITED KINGDOM

26 October 2012
 ref: stateaid

Dear Mr Simpson

REVISION OF 2005 EC GUIDELINES ON STATE AID IN THE AVIATION SECTOR

Following the consultation that was launched last year by the Commission, ERA would like to add some additional comments. ERA sees great value from ensuring the transparent and consistent implementation of rules across the industry. The fair application of the EC State Aid Guidelines will help to ensure that regional operators will receive fair and equal operating terms across the EU, constructively support growth in the regions, improve transparency and prevent distortion of competition.

European Regional operators are deeply affected by the on- going economic crisis. Figure 1, below shows actual passenger growth numbers for European regional operators over the nine-year period spanning 2002-2010. As the graph clearly highlights, there is a significant downward trend in passenger growth numbers, furthermore the continued economic downturn has further undermined passenger growth, as detailed in Figure 2, which shows performance for first six months of 2012. It is clear that there is a downward spiral in passenger growth that is placing a considerable pressure on European regional operators.

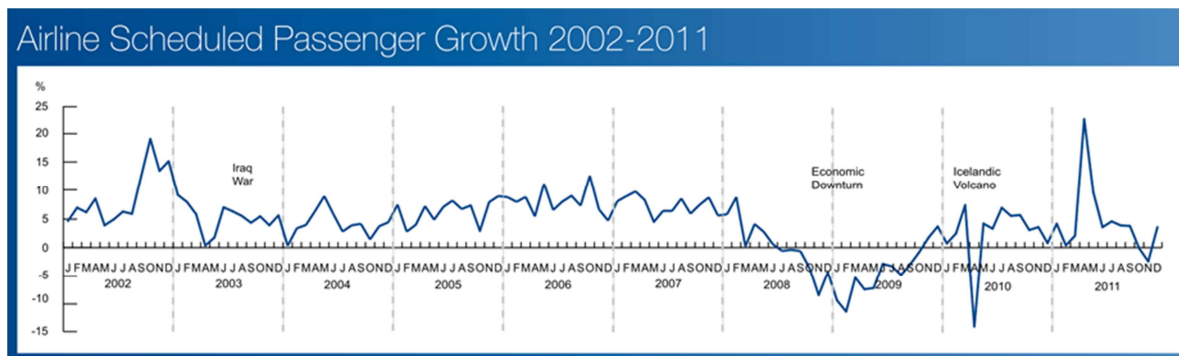


Fig. 1 Passenger Growth Figures for ERA member airlines 2002-11

Given the critical role that regional operators play in the economic prosperity of Europe’s regions and remote islands, it is even more critical now to ensure that access, which forms the impetus for economic growth and social cohesion in Europe, is maintained. To enable this, new routes may need to be supported for longer period than the 3 years foreseen by the current EU guidelines. Furthermore, there is a key need to safeguard Public Service Obligation (PSO) routes.

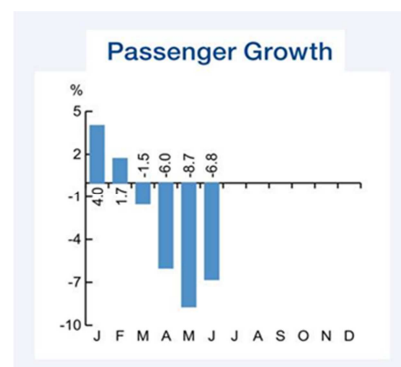


Figure 2 Passenger Growth January – June 2012

ERA position



ERA calls for a clear EU strategy and framework that focuses on EU regions and their socio-economic development, and the aviation transport needs that are required to enable a much-needed, cohesive, sustainable development for the regions.

To achieve this, future plans including all aspects related to state aid, should give careful consideration to regional economic needs and development. The development and modernisation of state aid regulations should reflect regional needs and ensure regional operators are fairly treated; failure to do so may result in potentially denying adequate access to the regions through unfair policy and regulation, with harmful unintended consequences including potential distortions of competition. State aid is an important, and in some geographic locations, critical aspect of the EU transport strategy, without which the very survival of some regional areas would be jeopardised. However, any state aid must always be granted in such a way that distortions of competition are avoided.

Revision of Guidelines

ERA believes that the current state aid regulations provide adequate provisions whilst striking the right balance between meeting socioeconomic needs and providing state aid to support infrastructure growth in cases when private funding might not be available in the free-market economy. However, ERA believes that, in some cases, compliance with the rules is not being enforced and ERA therefore believes that oversight of implementation and fair enforcement of the rules should be a priority in the current revision. Additionally, a simple, effective and expeditious complaints procedure should be developed in order to investigate and handle complaints more effectively and efficiently.

State aid, under the current regulation, can be provided to air carriers under strict guidelines and on a limited basis, only through the agreed Public Service Obligation (PSO) mechanisms. Where it has been granted outside of this process, an anti-competitive environment has sometimes been created.

Areas for Consideration

ERA believes that transparency is of the utmost importance in ensuring free competition. The current state aid guidelines do not explicitly state how transparency should be attained. In any case, state aid must not interfere with the market, distort competition or lead to an imbalance within and between modes.

From a regional perspective, where the vast majority of airlines operate to airports that have a volume below 5 million passengers a year, ensuring that state aid guidelines are complied with requires transparency in the costs and charges applicable at EU Airports, but this only currently applies to major airports, thereby undermining smaller aircraft operators by removing their ability to compete fairly and equally with other operators who may be receiving special treatment in the form of lower charges at the same regional airports. ERA would welcome a revision of the rules if this review provides the following:

- Simplification and increased transparency (at all EU airports, irrespective of size/volume of passengers), including the EC Directive 2009/12 on Airport Charges. The current Directive does not require transparency at regional airports (below 5 million passengers). This transparency is much needed for regional operators.
- More fair and consistent enforcement of State aid rules to airports and airlines
- Careful consideration for regional, remote and/or smaller airports. Any review needs to continue to enable regional development and accessibility. It is critical to ensure support for regional local economies and quality of life through the provision of access to hub economies and air travel that connects European regions to each other and to the world
- Rules to avoid distortion of competition between airports, and between airlines located in the same catchment area



- A simple, effective and expeditious complaint handling process that allows operators or airports to challenge possible breaches of the guideline. In order to allow operators to assess whether breaches are taking place it is essential that they have access to data on costs and charges being levied at airports.

Furthermore, ERA is concerned that aviation infrastructure has been, to a large extent, excluded from TEN-T funding. Any future revision of the guidelines should ensure the inclusion of aviation in all opportunities for funding, fairly and equally as with other modes of transport

In conclusion, ERA welcomes a meaningful review of the State Aid Guidelines. It is hoped that any new Guidelines will provide for a more consistent implementation, will support reasonable accessibility to the regions and provide transparency for regional operators that is currently missing in Directive 2009/12 on Airport Charges, by requiring all EU airports with commercial transport movements, including smaller regional airport operators to be transparent on costs and charges. In essence, any aid granted must benefit all users of the infrastructure equally without discrimination and must not provide a competitive edge to any one individual or specific group of operators.

Best regards

A handwritten signature in black ink, appearing to read 'S McNamarra', with a long horizontal flourish underneath.

Simon McNamarra
Deputy Director General

