Consultation on the draft Guidelines on State aid to airports and airlines

Comments from the Aviation Environment Federation (UK)

1. The Aviation Environment Federation AEF welcomes the intent to reduce state aid to aviation. In practice, however, the proposals will continue to allow Member States to continue to give massive subsidies that often make their way to low-fares airlines.

2. Although Members States are meant to declare their subsidies to airports and airlines, preliminary investigations indicate that many subsidies have not been declared. (Some would not have been required to be declared under current regulations; others should have been.) It has been estimated by Transport & Environment that under these proposals, Europe’s airports and airlines would continue to receive around €3 billion a year in direct subsidies.

3. In the UK a series of subsidies, direct and indirect, have been identified. These include: widening of the M25 motorway to facilitate construction of Heathrow Terminal 5, moving a road to allow lengthening of Birmingham airport runway and several Local Authorities subsidising airports at local taxpayers’ expense. We are planning to collect details of subsidies and submit these to the Commission in due course.

4. Under the proposals, States would continue to disproportionately subsidise smaller regional airports, whose airlines are almost exclusively low-fares carriers. Yet the current system is being abused – airlines are using subsidies to take traffic from their competitors and boost their own profits.

5. Aviation is one of the most environmentally damaging of all activities, already contributing some 5% of greenhouse gas emissions and, due to rapid increase of air travel, this proportion is rising. Subsidies artificially encourage even more air travel and thereby increase climate, noise, air pollution, blight and habitat destruction. The guidelines set no environmental conditions for whether an airport or airline is eligible for EU funds.

6. Quite apart from the environmental issues, it is very hard to justify subsidies for economic or social reasons.

7. The effect of subsidies across the EU is to increase that amount of air travel above that which is economically optimal. (As a general principle, subsidies or tax exemptions for a particular sector of the economy distort the whole economy. Therefore, in order to justify subsidies or tax exemptions, there needs to be a compelling social or economic justification.)

8. The main effect of subsidies is to encourage people, the great majority being tourists, to fly to places where they would otherwise choose not to go. While that no doubt benefits some individuals and companies in the vicinity of the airport receiving the subsidy, it is hard to see what net benefit there is to countries, the EU or the taxpayers who fund the subsidy. This is particularly the case when the beneficiaries are well-off citizens – poor people do not fly away on holidays and so do not benefit from the subsidies. In these times of stringency, with public services being cut and benefits to some of the poorest and most disadvantaged citizens being slashed, it is hard to see any justification for subsiding air travel.

9. The subsidies received by the aviation industry are complemented by even larger tax exemptions. These have been recently estimated by CE Delft at €30-42 billion every year. The figure for the
UK, estimated by AEF, is £10 billion pa (based on fuel tax at the UK rate for petrol, offset by Air Passenger Duty). These tax exemptions add to the social and economic distortions caused by subsidies.

10. The Aviation Environment is keen to explore the issue further and would welcome further information from the Commission and discussion with relevant officials.