Dear Sir/Madam,

DRAFT EU GUIDELINES ON STATE AID TO AIRPORTS AND AIRLINES

We welcome the opportunity to comment on the above consultation.

The potential reintroduction of state aid is welcomed. Parts of the European economy are beginning to show signs of recovery and further opportunities to enhance connectivity across the EU are essential to build upon this recovery. However, the aid should be available equally to all.

The current proposals identify different thresholds for awarding varying levels of aid, with more aid being offered to smaller airports and no aid being offered to airports with over 5 million passengers. Many of the smaller airports across Europe are either state owned, subsidised, or do not have the same catchment as the larger airports in Europe so are unable to support large route networks. Therefore potentially limiting funding to smaller airports may not necessarily result in routes that will become commercially viable.

The privatisation of airports in some parts of the EU, complemented by previous state aid, has transformed the European aviation market and the new dynamic approaches have resulted in and supported rapid route growth. It is our view that it is therefore essential for the EU to facilitate market conditions for airports and airlines to identify viable routes and allow them to broker an appropriate deal. The airline and airport would have to prove to the EU that state aid is required for two years from start up.

If state aid is not open to all it will potentially provide an imbalance to competition. In the UK the Competition Commission, an independent public body, aims to benefit consumers and the UK economy through healthy competition between companies and recently broke up the airport operator BAA. This was in order to encourage competition in the UK aviation market. BAA have subsequently sold three airports (Edinburgh, Gatwick and Stansted) and following the changes to their ownership and increased competition aviation in the UK is becoming a key component in enhancing connectivity for regional economies within the UK. If there is not a level playing field some airports and airlines will be unfairly excluded from creating potential new routes. For the UK this is particularly important where it is an island and air travel offers potential fast and efficient travel across the EU. Travel by train or ferry is generally impractical particularly from areas north of London which do not have access to high speed rail.

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Previous analysis by consultants Scott Wilson\textsuperscript{1} for Scottish Enterprise, the Scottish Government, VisitScotland, and Highlands and Islands Airports Limited (HIAL) highlighted the success of many of the routes created in Scotland. It is also important to note however that not all of the routes have continued and this is despite other local incentives, such as no air passenger duty for flights from Inverness being available. Introducing further incentives for smaller airports that already have an advantage is anti-competitive.

Should new state aid be created one of the proposed criteria is that a route is not eligible if it would be to a destination within the catchment of another airport/route. However there should also be provision to prevent an airline cancelling a service then creating a similar one at the same, or a nearby, airport in order to benefit from state aid for a period of at least 2 years. This period is suggested as it corresponds with the period in which the route should become profitable.

Please do not hesitate to contact me should you wish to discuss this further.

Yours sincerely,

Kevin Murphy
Planning and Surface Access Manager

1. Evaluation of the Scottish Air Route Development Fund: study report – final report