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

Response from HACAN

HACAN (Heathrow Association for the Control of Aircraft Noise) represents residents under the flight paths to Heathrow Airport: www.hacan.org.uk

We want to make the following points:

Currently state aid to airports is considerable. Authoritative analysis by Transport & Environment shows that since 2005 Member States have been granting the aviation industry an average €3bn of State Aid every year. This figure is some seven times higher than the Commission has recognized. And, indeed, the real figure is probably much higher still as it does not include the 70 cases are still pending with the Commission.

State Aid is not the only subsidy aviation receives. Aviation in the EU is exempt from both VAT and fuel tax – basic levies on almost all most sectors of the EU economy. This leaves a gap of almost €40 billion a year in national budgets.

The Commission provides no water-tight economic case for State Aid. The Commission implies state aid to the smaller airports and some of the airlines will promote regional growth because it will improve connectivity. There is no proven economic case for this as demonstrated by the recent CE Delft report we helped to commission: http://www.cedelft.eu/publicatie/the_economics_of_airport_expansion/1363

State Aid has distorted market demand. State Aid has created artificial demand. Over the past decade, airports under than 1m passengers grew by 135%, airports under 5m passengers by 79%, and airports over 5m passengers by ‘only’ 29%. It seems small airports are exploding rather than struggling. State Aid is the primary reason that smaller airports have grown so much faster than larger airports. This serious and unfair distortion of competition must be addressed urgently. This also means that phasing out State Aid is unlikely to lead to massive closures across Europe; more likely it will even out growth rates.

The claims of the aviation industry that it, unlike rail, pays for its entire infrastructure are not true. An analysis by Transport & Environment gives the details: http://www.transportenvironment.org/news/proposal-reducing-aid-aviation-leaves-distortions.

State Aid to airports and airlines should be very limited indeed. There may be social and equity reasons for State Aid in some very, very limited circumstances. For example in the UK, there may be a case for State Aid to support services to the remote islands off the coast of Scotland.

Finally, in the event that the EU decides that State Aid to the aviation sector must continue in some form, the following must at least be assured:
• All grants (real and potential) of State Aid must be notified to the Commission and clearly accounted for in one publicly transparent database.

• The Commission has proposed ending operating aid at the end of 10 years. It must be ensured that a glut of aid is not built up during this time. Where operating aid is already being issued, it should be phased out by a reduction of 10% a year. However, in the meantime the Commission proposes to continue allowing new grants of aid. It is thus clear that limits need to be placed on the aid during those 10 years to ensure that aid does not build up during this “phase-out”. Thus we propose that the maximum intensity of aid that can be granted to airports should decrease by 10% a year, in line with the reductions required of airports which are already receiving aid, so that if aid is granted in the 10th year of the phase out, it can only be for 10% of operating costs at the airport.

• Aid for airport infrastructure must be phased out as well. If the Commission has recognised that operating aid to airports and airlines is not a good use of tax payer money, it is not a good use of taxpayer money to build infrastructure for the sector either.

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