European Commission consultation on the Guidelines on State Aid to airports and airlines

Contribution from the Swedish S&D-delegation in the European Parliament

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A - Background

The revision of the present state aid rules is motivated by the aim of ensuring that state aid rules preserve fair competition between airlines and airports. So that taxpayers' money is well-spent and goes only where it is truly needed. We fully support this underlying rationale of the Commission's work. We also support the Commission's assessment that air transport plays an integral role in the integration and global competitiveness of the European Union. However, we would in this regard also underline that Europe is made up of regions, which all need to be taken into account on an individual basis when creating a framework for smart, sustainable and inclusive growth.

Sweden has the second lowest population density in the union with 21 people per square km. This compares to an EU average of around 116 people per square km. The northern sparsely populated areas (NSPA) of Sweden, Finland and Norway have a combined population density of less than 5 people per square km. This very low population density translates into long distances between communities and markets. Driving the 1 754 km between Sweden's northernmost and southernmost cities takes 21 hours. At the same time the country's railway network is 16 500 km long but concentrated around the southern and central parts of the country, with high speed rail connections existing only as far north as Stockholm. Yet still, crossing the country from east to west in these southern parts means that one has to undertake a 5 hour drive or train ride.

These specific geographical features and constraints are acknowledged by the EU since the Sweden's accession in 1994 (Protocol nr 6 to Finland and Sweden's accession treaty). Under the Lisbon Treaty (TFEU art. 174) specific measures are justified for regions suffering from "severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions." Furthermore, the NSPA-regions are
allocated extra funding and more flexibility in the current and future programming period of EU Cohesion Policy in order to meet the acknowledged constraints.

As a direct consequence of the geographic realities described above, domestic flying has been incorporated as a component of Sweden's basic infrastructure network. A national model, planned by the national government and local authorities jointly, ensure a network of regional airports that complement each other.

Access to air travel and transport is a necessity for people and businesses outside of the major urban areas. Without an evenly spread number of regional airports many parts of Sweden would simply be detached from the rest of the country and from Europe even more so. There are today 37 operational Swedish regional airports. Practically all of these airports play a role in keeping a certain part of Sweden accessible for people to live in and businesses to grow.

For the abovementioned reasons it is also the case that Swedish airports do not compete, rather they complement one another. Competition is instead seen between airlines, whilst nearly all airports are inherent loss makers. The vast majority of regional airports in Sweden have no prospect of ever making a profit because of the small economies of scale outside of the major urban areas.

Bearing this in mind, one has to recognise the fundamental importance that regional airports, and an all-encompassing infrastructure network, plays for the heavily export oriented Swedish economy. Without good infrastructure reaching all parts of our vast country, the large raw materials and high technology industries operating outside of the major urban areas would suffer the consequences of Sweden's real and permanent geographic handicaps. This would hinder their ability to grow, export, and through natural resources and scientific research, offer added value to the whole of Europe.

B - Comments to the Commission proposal

Based on the Commission proposal we would like to bring forward the following views.

B a, We partly disagree with the Commission's description of the rapid developments in the European aviation sector during the last decade, as described in the Communication, points 3-7. Whilst true for a large number of European regions, the particular characteristics and circumstances for aviation in Swedish regions are static. For Swedish regions it is simply not the case that market conditions are in transition as described in the Commission draft document. The absolute majority of our regional airports do not hold the potential of ever becoming profit makers. Hence, it is highly problematic to set a deadline for the phasing out of operational aid to regional airports, as is indicated in point 17 of the Commission document. For markets and regions that show no sign of being in transformation - a transitional period clearly makes no sense.

B b, The use of terms such as exceptional in point 14 is ill-fitting when describing a situation which is permanent, or since long an established practise in parts of the union. A greater sense of respect for geographic and demographic differences is
needed throughout the document. Otherwise the impression will be that a central European yardstick is used when instead it is a pan-European one that is needed.

B c, In reference to points 62 and 65 of the Communication, the exact conditions for an airport to be deemed a Service of General Economic Interest has to be made absolutely clear.

"The Commission considers that this (to be considered an SGEI) can only be the case if part of the area potentially served by the airport would be, without the airport, isolated from the rest of the EU to an extent that would prejudice its social and economic development. Such an assessment should take due account of other modes of transport, and in particular of high-speed rail services or maritime links served by ferries." (point 65)

All regional airports in Sweden that are currently receiving public funding do so because they are fundamental to the survival of that region. Should the SGEI-status not be open to a Swedish regional airport, strong arguments would always exist showing how this prejudices the region's social and economic development. A definition should allow for any airport that does not compete with another airport in the same region, and which contributes to the region's social and economic development, to be declared an SGEI. Furthermore, it is necessary to clarify the meaning of the phrase "cut off from the rest of Europe".

B d, From a Scandinavian perspective it is clear that a low population density and long distances between communities translates into a need for public funding of regional airports. Hence, such conditions should be fully taken account of in the new state aid rules. For example in the latter part of point 65. Here sparsely populated regions should be added alongside outermost regions and islands for the sake of clarity.

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