19 September 2013

European Commission
DGCOMP

Consultation on the proposal of revised state aid guidelines for airports and airlines - Comments from Swedavia Swedish Airports

Dear Sir/Madam,

SWEDAVIA

Swedavia, which was formed in 2010, is a limited state-owned company with a mission to own and operate ten of the largest airports in Sweden on a wholly commercial and business oriented basis.

The company operates the airport network profitably without public aid and delivers a return on equity in line with the requirement set by the owner (9 per cent).

Swedavia’s network of ten airports has recently been recognised by the Swedish Transport Authority as an airport network, to introduce a common and transparent airport charging system to cover the airport network, under the provisions of the Directive No 2009/12 on airport charges.

As Swedavia is profitably financing its business operations and investments through its own aviation business and commercial services Swedavia believes that the proposed aid schemes in the guidelines will have no direct effect on Swedavia, but as can be seen from our comments below we are concerned that some elements in the present proposal may have harmful effects on European, national and regional accessibility to aviation markets and thereby indirectly have an adverse effect on our business.

GENERAL REMARKS

Swedavia welcomes the opportunity to participate in an open consultation on the proposal of revised guidelines for airports and airlines.

Swedavia, as does the whole airport industry, advocate State aid guidelines which promote and protect undistorted competition, while still reflecting the economic reality of the airport industry. It is for this reason that the fundamental message of
Swedavia’s position on State aid is that a level-playing field must be promoted and protected within the airport industry.

Indeed, with a more holistic approach to the issue of competition within the transport sector – inter-modal competition should also be protected from distortions, and in particular such competition between rail and air. In comparison with the rail, road, combined services and maritime transport aviation receives only a small fraction of the public funding in the Union. This indicates that public funding to the aviation sector should perhaps not be the priority concern for Europe. In particular when considering that the connectivity gains and economic benefits generated by aviation are far more significant than other modes of transport.

For guidelines to be fit for purpose, they must reflect the market realities which the industry in question faces, as well as the wider economic positive externalities generated. It is precisely because there is no ‘one size fits all’ approach that these guidelines specifically for the aviation sector are required. From a European airport perspective, while the underlying approach of the EC is correct, the draft guidelines do not reflect the fundamental economics of the industry and the aviation sector, and therefore will not optimally balance the twin objectives of economic growth and undistorted competition.

COMMENTS AND PROPOSALS

- Swedavia main concern is that the proposal may affect negatively the accessibility to the aviation market for many regions and smaller cities in Sweden, the Nordic countries and other parts of Europe. In our view the proposal to phase out operating aid to airports with between 200 000 and 1 million passengers yearly passengers would lead to a need to drastically increase airport charges which in turn would mean increased tickets for passengers or closure of routes and airports if these airports are not able to transform their business models in the direction envisaged by the Commission due to the underlying existing economic and market conditions of the airport and aviation industry.

- Our conclusion is that it is not a realistic goal to make airports with less than 1 million yearly passengers completely independent of public operating aid. Swedavia therefore advocate that public operational aid, as is proposed in the case of investment aid, should be a permanent aid scheme, not phased out in ten years’ time.

- If it is not acceptable to the Commission to allow full public operating aid to airports with less than 1 million yearly passengers Swedavia propose a staged approach with digressive levels of allowed operating aid, similar to the approach chosen for allowed investment aid intensity.
• With regard to the investment aid scheme Swedavia however believes that a 100 per cent allowed aid intensity will remain necessary for the smallest airports with less than 200 000 yearly passengers. It should be remembered that also maintenance of existing airport infrastructure require substantial periodical investments by airports.

• In order to promote Intermodality the Guidelines should clearly facilitate the public funding of airport access projects (e.g. people-movers, light rail, metro connections, road) by specifying that the EC considers such projects to be ‘non-economic activities’. The EC’s 2011 White Paper on transport policy states that swift action should be taken to integrate all modes of transport - supportive State aid Guidelines are a prerequisite for this.

• A limited percentage of investment aid will be permitted for airports with 3-5 million annual passengers. Swedavia questions the proposal that such aid should have to be refunded. In order not to close the door on any new major airport development projects some provisions should also be made to allow individual assessment of future major landmark green field airport projects in Europe.

• Swedavia welcomes that the Commission explicitly states in paragraph 59 that it considers that price differentiation is a standard business practice, as long as it complies with all other relevant competition and sectorial legislation. We also appreciate that the proposal develops and clarifies the conditions publicly owned airports must meet to pass the MEIP (Market Economy Investor Principle) test when offering incentive schemes to airlines to increase air traffic and the airports profitability. We consequently believe that the revised guideline, in comparison with the 2005 guidelines, contributes to an improved legal certainty regarding price differentiation at airports. Swedavia wish to underline the importance of distinguishing between, on the one hand price differentiation meeting the MEIP conditions, and on the other hand allowed public aid to new air routes as proposed in section 5.2 of the guidelines.

• Concerning use of State Resources Swedavia respects the Courts ruling concerning States’ control/dominant influence over public entities, as referenced in Paragraph 36 of the draft Guidelines.74% of publically-owned European airports are run in a completely commercial manner. Notwithstanding the predominance of this ownership model, the Guidelines should reference the position of these airports, and reaffirm their commercial freedom.

• Concerning the proposed guidelines for start-up aid to airlines Swedavia have no objection to the proposal as such, but we rather think it can be questioned why the operation aid scheme for airports must be phased out in ten years while the operation aid scheme for airlines would be allowed indefinitely.
Regardless of how the Commission chooses to revise the guidelines, we welcome that the Commission will undertake a review of the guidelines at the latest seven years after the entry into force of the guidelines and in particular analyse the progress concerning operating aid to airports.

For further detailed comments and supporting material we refer to the papers and comments made in the consultation by ACI EUROPE on behalf of the airport industry of Europe.

Yours sincerely,

[Signature]

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CEO and head of Swedavia Group

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