Dear Sir / Madam

Response to the consultation on the draft Guidelines on State aid to airports and airlines

The Welsh Local Government Association (WLGA) welcomes the opportunity to provide comments as part of the consultation on the new draft Guidelines on State aid to airports and airlines.

Wales has a small number of airports, currently fourteen (including those operated by the UK Royal Air Force and Ministry of Defence). Cardiff Airport is Wales’ largest airport, which has recently been acquired by the Welsh Government to improve domestic and international connectivity, contribute to the economic development of Wales’ capital city and surrounding areas as part of the Welsh Government’s City Regions approach, and arrest the alarming decline in passenger numbers over the past five years (2.111 million in 2007, 1.013 million in 2012). We were encouraged to see the Commission confirming in June 2013 that the acquisition did not contravene State aid rules.

Some of our smaller commercial airports are owned and operated by our local authorities e.g. Anglesey Airport owned by Isle of Anglesey County Council, Haverfordwest/Withybush Aerodrome owned by Pembrokeshire County Council.

In the context of today’s economic climate and dwindling budgets and resources local authorities are facing ever-increasing challenges to run and maintain their local/regional airports (acknowledged in Point 5 of the draft guidelines). These airports are strategic public infrastructures, are crucial components of local economic development strategies, and are integral to creating sustainable jobs, boost economic growth and improve connectivity to and from peripheral areas (acknowledged in Points 9 and 13).

1 http://www.caa.co.uk/default.aspx?catid=80&pagetype=88&pageid=3&sglid=3
4 http://www.pembrokeshire.gov.uk/content.asp?nav=838.878&parent_directory_id=646
We express real concerns regarding the new guidelines as it seems that any small airport may be subject to the rigorous State aid guidelines irrespective of very small passenger numbers e.g. 8914 passengers at Anglesey Airport in 2012, 1971 passengers at Haverfordwest/Withybush Aerodrome in 2012/13.

The new guidelines should better clarify whether local/regional airports such as those operated by our local authorities in Wales are subject to or exempt from the new arrangements. We understand that airports below 200k passengers per annum may be exempted from the guidelines if they have some sort of public service remit or they have been designated as a ‘service of general economic interest’ (SGEI) by a public authority. Should an airport demonstrate that it is a ‘Market Economy Operator’ (Section 3.4) and providing a market return on a commercial investment then it is exempt from the new guidelines.

Should it not be proved however that there is neither a commercial nor a public service rationale to the ownership of an airport then the airport would be subject to the guidelines and receive limited investment and/or no operating aid after a transitional period of up to ten years. Without access to public operating subsidies local authorities will be unable to maintain these airports, leading to inevitable closures, job losses, severe reductions in accessibility for peripheral regions and significant damage to local economic development strategies. Even granting investment aid up to 75% for airports with less than a million passengers per annum (Point 92) and, in Cardiff Airport’s case, 50% (between 1-3 million passengers), would be very damaging for local jobs, public authorities and economies. This approach completely contradicts the Commission’s Europe 2020 goals of smart, sustainable and inclusive growth.

Whilst we acknowledge the Commission’s aim of ensuring a balanced approach and a level playing field for Europe’s airports and airlines, the expectation that airports “should be able to cover their operating costs” (Point 18) may be applicable for larger airports and those EU regions with a high density of regional airports, but unrealistic for our small peripheral airports in Wales. Grouping these very small airports which handle a few thousand passengers with airports which handle less than 3 million passengers per annum and asking for notifications of schemes for investment aid from all (Point 98) is incredibly burdensome for local authorities and hinders their ability to operate these airports within their means.

We strongly suggest that smaller airports across the EU i.e. those with less than a million passengers per annum are exempted en bloc from the guidelines, and for airports of all sizes to be able to benefit from SGEI designation.

We sincerely hope that the Commission reviews the draft guidelines and find ways to ensure that State aid rules for airports and airlines do not contradict the urgent need to improve regional economic development and accessibility to remote and peripheral areas across the EU. Continuing with the new proposals will be to the detriment of Europe’s regions. The new guidelines should therefore help rather than hinder the EU’s agenda for growth and jobs.

Yours Sincerely

5 http://www.caa.co.uk/docs/80/airport_data/2012Annual/Table_12_2_Dom_Air_Pax_Route_Analysis_2012.pdf
Lowri Gwilym
Team Manager – Europe and Regeneration
Rheolwr Tim – Ewrop ac Adfywio