



AIRPORTS & STATE AID

Protecting BOTH Growth & Competition

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European Parliament, 17 September 2013



→ Shared Objectives with EC



“State aid control [...] should encourage aid that boosts economic growth and furthers other objectives of common European interest, while it should discourage harmful aid that does not bring real value added and introduces distortions to competition in the Single Market”

EC Vice President Joaquín Almunia, 3 July 2013

BUT

High Level Principles will only deliver if Guidelines reflect the Specific Characteristics of the Industry

→ Airport Industry Characteristics



• **POSITIVE EXTERNALITIES** for regional economies & communities

- > Air connectivity = crucial **lifeline** for regional communities
- > Major additional LOCAL economic benefits

• **DUAL MANDATE** of airports: commercial & public service roles

- > Guidelines need to cater for **both airport roles**

• **GLOBAL SHIFT** in economies & aviation

- > External trade dependance = **strategic relevance of airports**
- > **External competition** for European aviation & global position

• **AIRPORT ECONOMICS: cost & revenue & viability parameters**

- > **Size does matter**

“Profitability prospects remain highly dependent on the level of throughput, with airports with less than 1 million ppa typically struggling to cover their operating costs”



→ Major Positive Externalities

• Airports as engines of growth

> Tourism



> Trade in Products & Services



> Inward Investment



> Productivity Increases



	EU Airports	EU Airports with > 1mppa
Annual GDP Contribution	€475 bn	€16.15 bn
Jobs Supported	7.8m	265,000

'Benefits Beyond Borders' ATAG, March 2012 – figures exclude Croatia



Dual Role of Airport Industry

- SOME** airports can have **COMMERCIAL** mandate

- > Targeting **growth** to achieve **profitability**
- > Changing shareholders' expectations

- ALL** airports have **PUBLIC SERVICE** mandate

- > Providing connectivity & Ownership structure
- > **Smaller airports:** local demographics & wealth

= **limited growth opportunities**

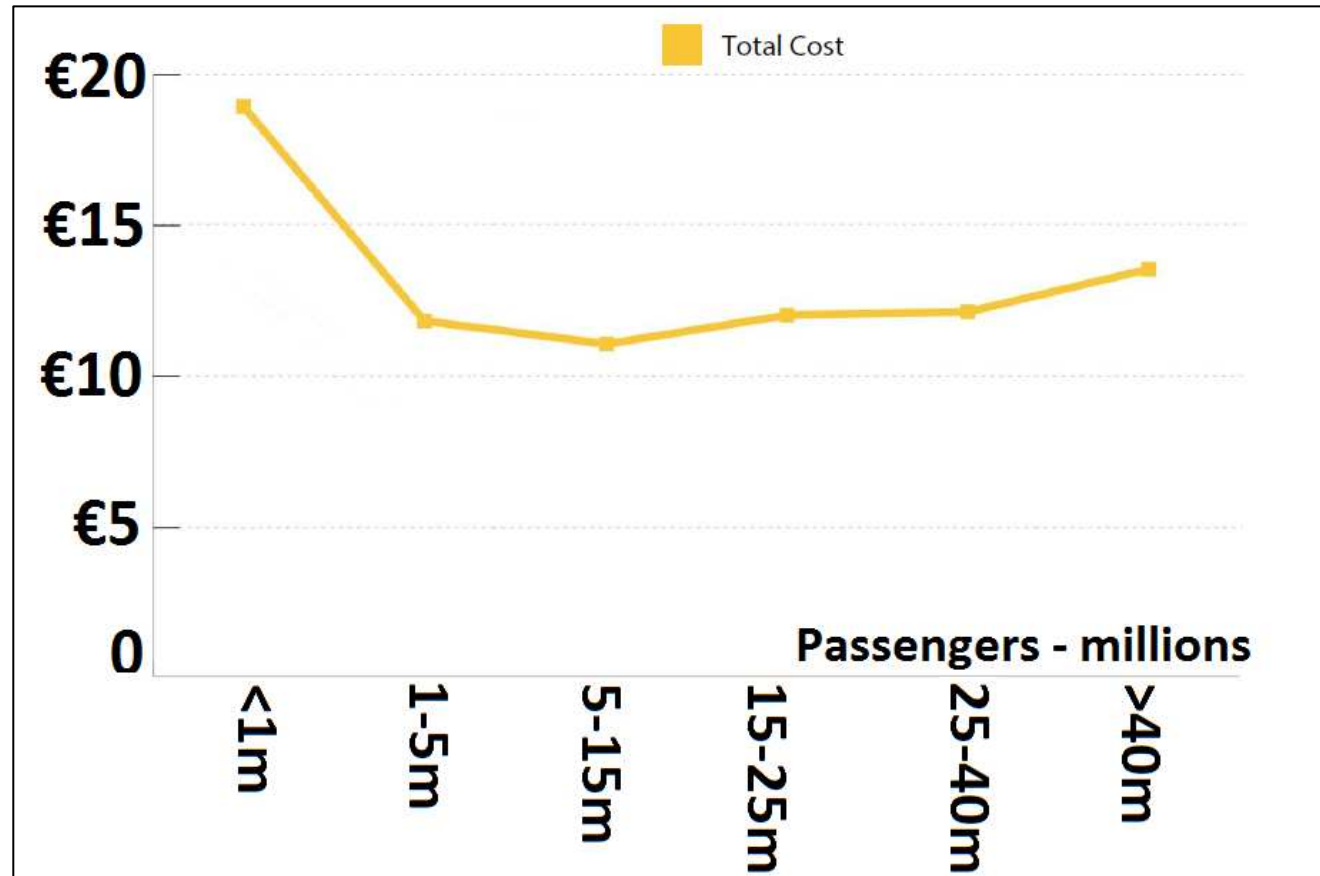


*Number of EU airports in
different size categories in
2001, 2006 & 2010*



→ Distinct Cost & Revenue Parameters I

·COSTS



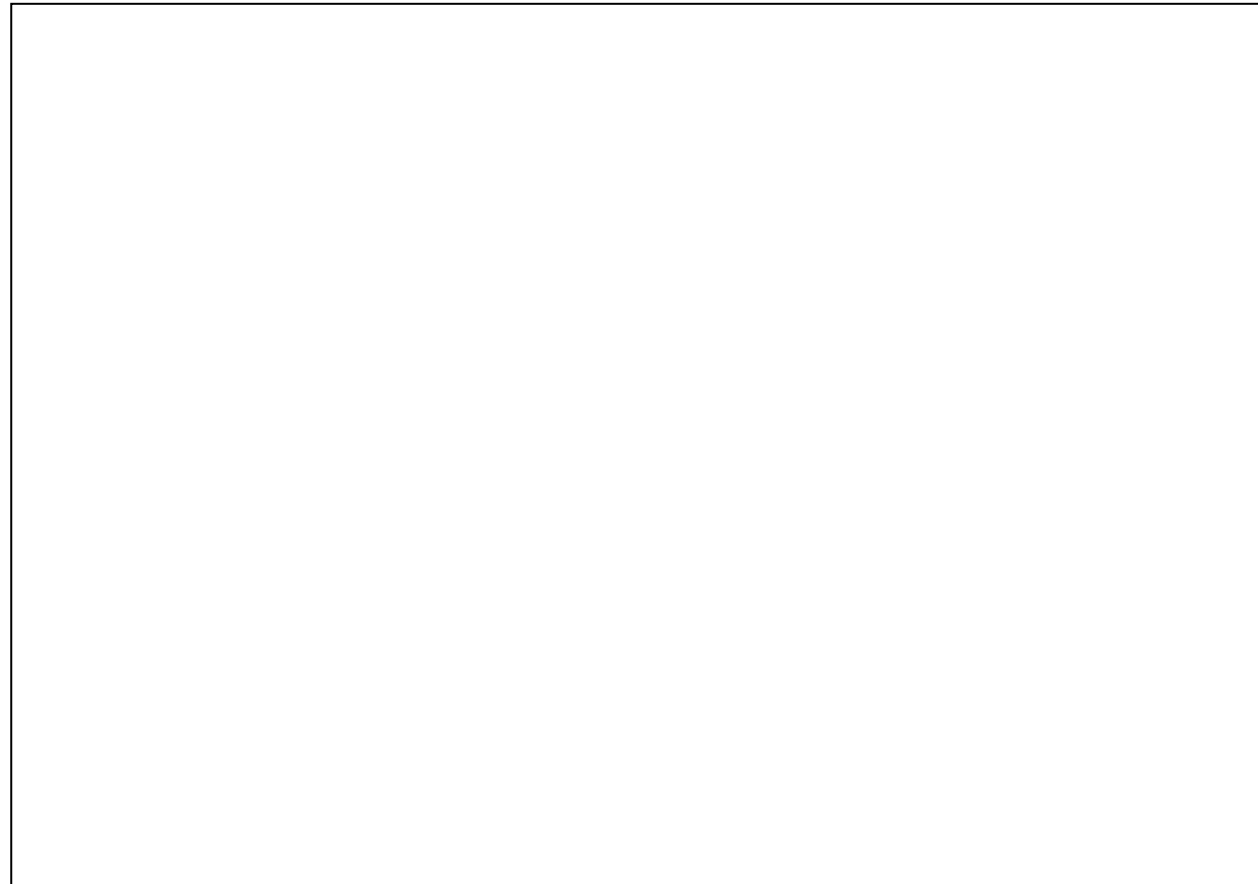
Source: 2012 ACI Airport Economics Report, ACI World €1 = US\$1.33



→ Distinct Cost & Revenue Parameters II



•REVENUES



Source: 2012 ACI Airport Economics Report, ACI World €1 = US\$1.33



Small airports & Structural impact

- **HIGHER COSTS**

- > Fixed costs & limited economies of scale

- **LOWER REVENUES**

- > Smaller & less affluent catchment area

- = **lower yield** local markets

- = Limited or **no transfer potential**

- > Less commercial interest to airlines + **extreme price elasticity**

- > **Intense competition** amongst smaller airports



LOW PROFITABILITY

(65% loss making)

&

NO MARGINS TO INCREASE CHARGES



→ Fit For Purpose Guidelines – Operating Aid I



- **STRUCTURAL PROBLEM** requires **STRUCTURAL SOLUTION**
 - > Airports with **less than 1M passengers**

- **DG COMP fundamental flaws**
 - > Transitional period = **transient solution & negative outcomes**
 - > Market will **not bear** charges increases
 - > Operating aid = redresses uneven cost & revenue structure

- **RISKS**
 - > **Increase in air travel costs**
 - > **Route closures**
 - > **Airport closures & capacity crunch**



Loss of connectivity = less GROWTH & JOBS



→ Fit For Purpose Guidelines – Operating Aid II

- **PROPOSAL: incentivise growth
& minimise distortion of competition**

Airport Size (passengers per annum)	Allowed Intensity of Operating Aid
< 200,000	100%
200,000 - 399,999	50%
400,000 - 599,999	40%
600,000 - 799,999	20%
800,000 - 999,999	10%
> 1,000,000	0%

- **REVIEW CLAUSE: 2024**

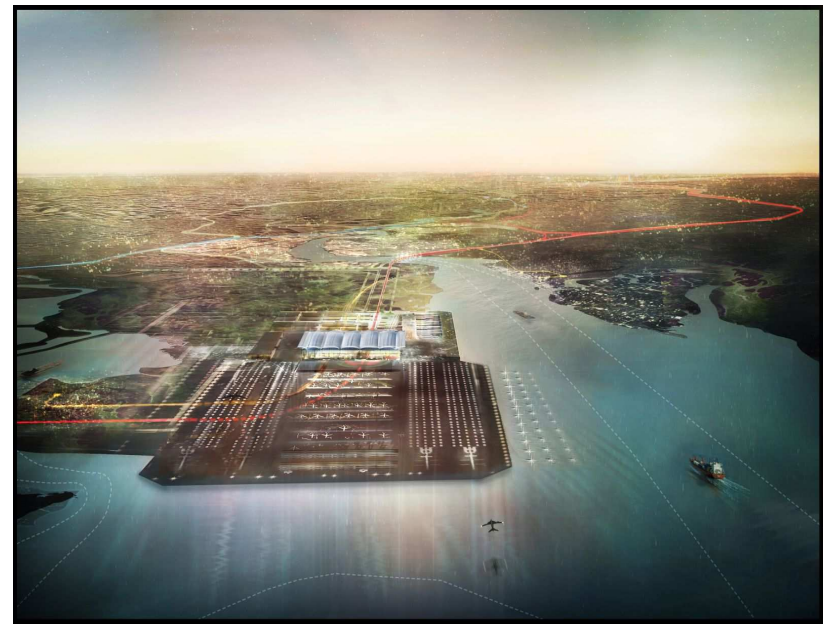


Fit For Purpose Guidelines – Investment Aid

- Airports with 3-5mppa: aid should **NOT** be refundable
 - > Only 25% intensity allowed
 - > 3-5mppa airports still face structural financial disadvantages
- Do not close the door to large greenfield airport sites in Europe
 - > Size & risk = funding gap
 - > Public support may be needed
 - > Public funding = global norm

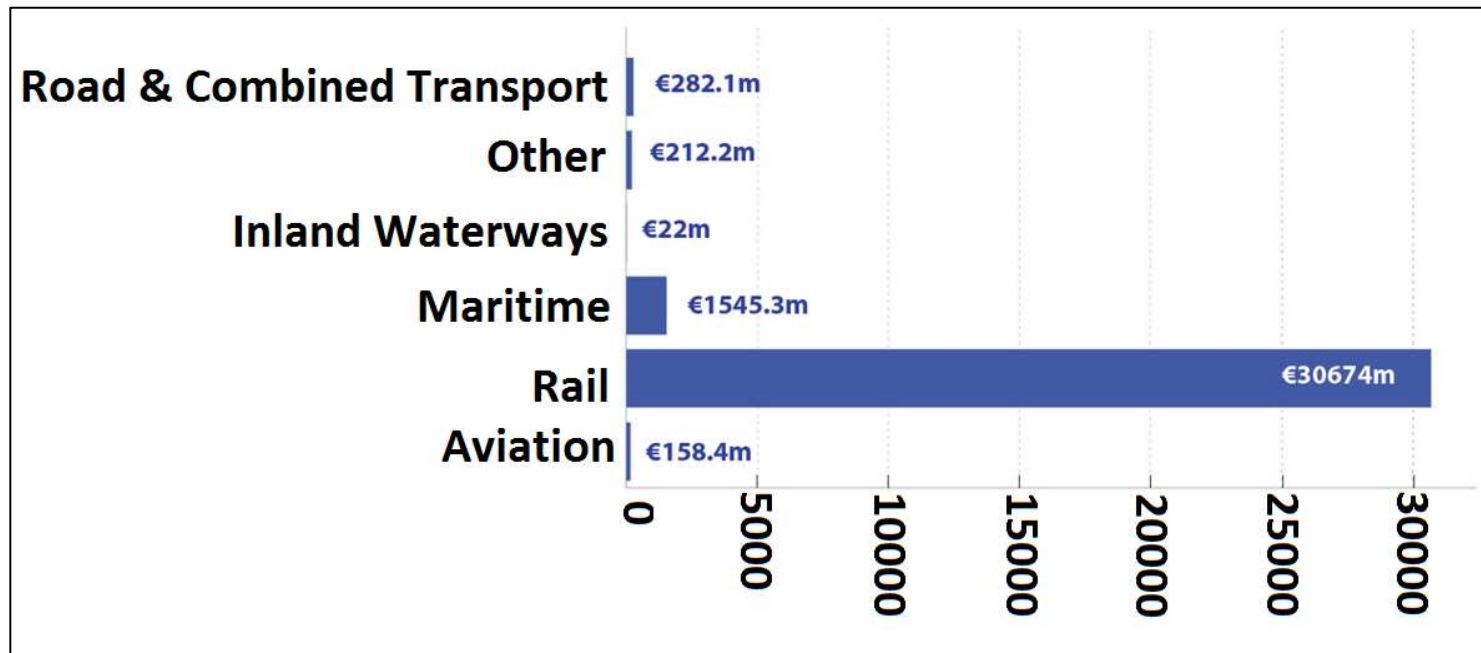


**Global competition
=
Europe to lose out**



→ A Wider Perspective...

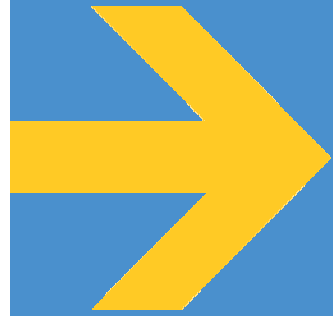
- Aviation's economic growth credentials = **indisputable**
 - > 'Inland waterways' is the only transport mode which receives less State aid than aviation



Notified State aid to various modes of European transport sector in 2011

- Time to **align** TRANSPORT & COMPETITION policy





THANK YOU

www.aci-europe.org

www.airportcarbonaccreditation.org

