



## Regional Airports



### Editorial

A year after its decision in the Charleroi/Ryanair case, the Commission is preparing to publish a directive aimed at regulating cooperation between regional airports, low-cost airlines and the regional authorities. The future of booming regional airports in Europe is at stake. They will all have to follow the same rules irrespective of whether they are located in built-up areas, in the countryside or in up-and-coming districts. They will in particular have to compete with the major airports used by most large airlines that continue to ignore peripheral airports, which they consider unprofitable.

Unless considerable care is taken, this project runs the risk of impeding the future development of many regions, since apart from the direct aid granted to low-cost airlines, the facilities offered to them by the regional airports are in no way excessive. On the contrary: the support given is part of a genuine public service strategy which will help bring about sustainable economic development. All studies prove this. The presence of an airport is a vital factor when companies choose to set up sites, bringing economic growth and jobs back to a region.

The AER is very concerned at the consequences of the Commission's 'one size fits all policy', which also runs counter to the subsidiarity principle, undermines the creation of an efficient trans-European network of intermodal interconnections and is in conflict with the Lisbon objectives of strong economic growth, full employment and mobility of citizens.

The regions of Europe instituted a strategic alliance with regional airports and low-cost airlines on 21st April, and urge the new Barroso Commission to rethink the Community's policy and to bring it more closely into line with the objectives that the EU has set itself. Europe's economy cannot be made more dynamic by decree. What is needed is a realistic, deliberate and diversified approach taking account of local realities which the regions are best placed to understand and encourage. <

**Onno Hoes**  
Coordinator of the AER's 'Regional Aviation' Group

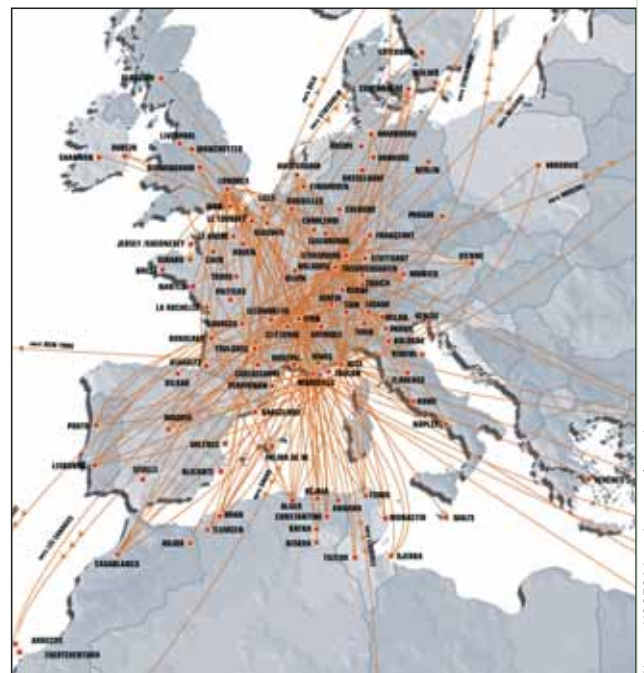
## The regions must be free to spread their wings!

FACING DISCRIMINATION IN THEIR DEVELOPMENT THANKS TO RIGID EUROPEAN RULES ON STATE AID, REGIONAL AIRPORTS ARE NEVERTHELESS AMONG THE FASTEST-GROWING SECTORS OF THE EUROPEAN UNION. THE NEW EUROPEAN COMMISSION MUST REALISE THIS IF IT IS TO ACHIEVE THE GROWTH AND EMPLOYMENT GOALS LAID DOWN IN THE LISBON STRATEGY.

**Is the European Union** capable of hearing and listening to its regions and its citizens? If we are to believe the recent report "Can EU hear me?" commissioned by Gallup Europe on the public communication strategies employed by the Commission, nothing could be less certain. MEPs, senior officials, former political leaders, consultants and journalists do not mince their words. "You can stand up at a public meeting and argue that Europe is a force for economic stability and peace, but when people go home they don't make the connection. They know the theory, but they don't experience it in practice", are the regretful comments of Belgian MEP Jean-Luc Dehaene. And Giuliano Amato, former Italian Prime Minister, adds: "An institution which is regarded as merely a body which regulates the size of apples cannot attract the slightest emotional attachment". At the time that the European Constitution is being ratified, it would appear from the words of

### A policy that flatly contradicts the Lisbon objectives

The only adjective that springs to mind when attempting to describe the Commission's strategic approach to regional airport development policy is "contradictory". But the Lisbon



Low-cost airlines benefit above all the development of interregional flight connections

the hundred or so people involved in Europe and the two Vice-presidents of the Convention on the future of the Union that the EU is facing a serious problem: how to restore its fragile links with a population that is increasingly sceptical about a Community project whose benefits and contradictions they find it difficult to perceive and understand.

strategy adopted in March 2000 was meant to be clear. The idea was to make the European Union the most competitive and dynamic economy in the world by 2010. To this end job creation and social and environmental policies aimed at bringing about sustainable development and social cohesion would be encouraged. Not just in words, but also in deeds.

Photo : UCCEGA-les aéroports français

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This message was strongly welcomed by the regions, some of which decided to restructure by concentrating on developing air travel in an effort to overcome their geographical isolation. Pisa, Strasbourg, Gerona and Charleroi are just a few examples. Aid to help low-cost airlines set up shop in areas neglected by conventional airlines turned out to be a powerful instrument for economic liberation, bringing in tourists, business travellers and students. And this was not the end of the story: some jobseekers used this new opportunity to widen their search for work and were interviewed for jobs in peripheral regions which these airlines now served and which until then they could not afford to visit. The Commission's verdict was that these aids contravened European competition rules, though the same Commission would then approve substantial state aid to national flag carriers such as Air France, Alitalia and Olympic Airways.

### Interregional air connections are vital

Even more disappointing is the slow response of the main groups concerned, such as the

Committee of the Regions, which did not take a position on this matter until 17 June 2004, six months later than the Assembly of European Regions (AER), which at the time was the only body representing European regions to sound the alarm. "Interregional flight connections are as indispensable for economic growth and citizen mobility as railways, roads or waterways", comments Onno Hoes, Coordinator of the AER Regional Aviation working group. "Scientific analysis shows clearly that possessing an airport is a must for every region in order to be a player in the globalised world. This implies that the Commission's approach is too narrow when regarding the matter only from the aspect of distortion of the common market." What is even worse: it runs counter to the very principle of Community general interest and the trans-European transport network development policy, having the knock-on effect of preventing some communities from revitalising their local economy and making them permanently dependent on structural aid merely to survive. This strategy is not only very expensive to the Community budget, but

once again in clear contradiction with the objectives laid down in the Lisbon strategy.

The new Commission's role in this affair will therefore be vital. The economic and social future of countless individuals will depend on its ability to listen to what Europeans have to say. Far more than an instrument promoting the interests of low-cost airlines, taking account of the problems of regional airports will be one of the key issues facing Europe in the future. On 27 October 2004 José Manuel Durao Barroso learnt to his cost that only listening to and taking account of the general interest would enable him to properly pursue his task as the new President of the Commission. This new era of dialogue opened up by the European Parliament should now be of benefit to the regions, the principal conduit for Community decisions affecting citizens.

## Interregional flights looking for a skilled Community pilot

REGULATION, HARMONISATION, DISTORTION OF COMPETITION. THESE ARE THE WORDS WHICH ARE NOW INCREASINGLY HEARD FROM THE SERVICES OF THE COMMISSION. BUT IF THEY ARE SPOKEN TOO OFTEN THEY COULD WELL CAUSE EUROPE'S REGIONAL ECONOMY TO CRASH.

**The European Commission** today took a major decision of significance for the future of air transport by ensuring full competition between carriers operating out of regional airports". Published on 3 February 2004, this decision by the European executive should in theory have been welcomed by all local airports, as they would now be entitled to offer aid which would help new routes to thrive. The main beneficiaries were to be the low-cost airlines, as they would now be eligible for some regional aid. But the devil is in the detail: regional aid could only be granted under "clearly defined conditions". In practice, this means that "direct aid granted by the Walloon Region and partly by BSCA, the body which runs Charleroi airport, is incompatible with the proper functioning of the internal market and will have to be repaid"(!), leading Ryanair to pull out of the Walloon base and abandon the economic revival which was starting to happen in a region still facing some difficulties. It is true that this decision did allow the Irish low-cost airline to keep some of the regional aid that had already been granted, particularly payments for the marketing and advertising needed to open new routes, as article 87(3)EC defines these as aiming to "facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest".

But aid of this kind can only be paid for a period of five years and cannot be combined with other social or public service payments, even though it is clear from the American aviation industry, and particularly the history of Dallas/Fort Worth and Kansas City airports, that fifteen to twenty years of sustained investment are needed to make an airport truly profitable.

### No real distortion of competition

"Any discount on airport taxes that is more generous than the discounts already allowed for in national legislation is also prohibited, as are reductions in ground handling fees not offset by surpluses from other commercial airport activities such as parking charges, shops and catering income", according to the Commission. Basically, any public-sector regional airport will be able to negotiate with a new operator to start up routes provided that it does not look to the long term and justifies its expenditure on the



Regional airports, factors of economic growth and employment

basis of the 'prudent private investor' criterion, which outlaws any profit higher than that which a private firm would expect. Conversely, private airports are entirely free to look to the long term when seeking to attract operators.

In addition to the actual discrimination between public-sector and private-sector airports and the prohibition on regional authorities, preventing them from expanding their trans-

port infrastructure as they see fit, the Commission has, in its "reasoned" decision, forgotten one aspect vital to an understanding of the strategic partnerships that have been established between regional authorities, regional airports and low-cost airlines. Aid is not simply a matter of direct structural payments to low-cost airlines, but is an integral part of attempts to break geographical isolation and boost the local economy. It has a leverage effect on tourism and many other strategically important sectors, and can help create and attract businesses which see the availability of an intermodal transport network as a key priority.

The Commission also seems unaware of the fact that, with very few exceptions, low-cost airlines set up their operations in regions, and develop new interregional routes or pick up those which have been abandoned by the conventional carriers; therefore, the idea that competition is being distorted is false. How could British Airways or Air France be harmed by an airline operating on a practically moribund route such as Strasbourg-London? In a letter sent on 5 February 2004 to Loyola de Palacio, Vice-President of the European Commission and Transport Commissioner, Jacques Blanc, former President of the Languedoc Roussillon region (F) made the point that "*low-cost* airlines often operate routes which have been abandoned by the major flag carriers. They play a full role in regional development. They offer attractive products, meeting the needs of demanding customers and bring in considerable income, mainly from tourism, which benefits the local economies that they serve."

### Dialogue falling on deaf ears with the Commission

Contacted again by Brian Greenslade, President of the AER's 'Regional Policy' Com-

## Why public-sector airports will not oppose the draft directive

The rules of the game as defined by the Commission in the Charleroi/Ryanair case, and underlying the proposed directive aimed at regulating future cooperation between regional airports, low-cost airlines and regional authorities, are quite straightforward. Public bodies which operate regional airports must act in accordance with the 'prudent private investor' principle. But this rule does not apply to private-sector airports which are completely free to court any carriers they wish, including low-cost airlines. It should be pointed out here that most airports in the EU are owned by national, regional or local authorities. Therefore, privately owned airports or those whose management has been entirely handed over to the private sector by the state are in a minority, but enjoy a considerable competitive advantage over their public-sector counterparts.

Many regional airports run the risk of operating below capacity if the Commission refuses to soften its stance. Their owners would then have no other financial option than to close them or, in the best-case scenario, to hand them over to a private-sector investor willing to take on this public-service activity that the European Commission will not allow regional authorities to exercise, as this, in the Commission's view, would be contrary to free competition.

mittee, on 1 June, Loyola de Palacio insisted, in a letter dated 2 September, that the decision reached in the Ryanair/Charleroi case was entirely favourable to the regions, and that her services would now transpose these conclusions into a directive aimed at regulating future cooperation between regional airports and low-cost airlines, focusing in particular on state aid granted by regional authorities. This prospect is entirely contradictory to the conclusions of the hearing held by the AER's 'Regional Policy' Committee on 21 April in Barcelona, which was attended by members of the Forum of European Regional Airports (FARE) and the European Low Fares Airline Association (ELFAA). These bodies underlined the importance of a flexible legal approach to the issue, given the diversity of situations that pertained.

By working towards ad-hoc Community harmonisation, the Transport DG is turning its face against this argument, making no distinction between the socioeconomic positions of urban and rural areas. Some regions will find it completely impossible to use this new air travel market created by low-cost airlines for the benefit of local development, as they will be unable to put any commercial argument to these private-sector operators. What is more serious is that the Commission's hunger for regulation is now in conflict with its desire to set up an efficient intermodal trans-European transport network, facilitating interregional connections and the mobility of citizens, as recommended by the Treaties and the Lisbon objectives. That is, unless the guardians of the Community temple are forced to take these requirements on board.

## Low-cost airlines help local economies soar

MORE TOURISM, BUSINESS OPPORTUNITIES, NEW JOBS, EXPOSURE TO THE OUTSIDE WORLD: THE POSITIVE IMPACT THAT LOW-COST AIRLINES HAVE HAD ON THE REGIONS IS CLEAR. LET'S TAKE A CLOSER LOOK.

**19,99 Euros** for a return ticket from Hahn to Pisa in Italy, and the same price to fly from Gerona, near Barcelona, to Glasgow in Scotland. Fares like these would have been inconceivable seven years ago before the Irish firm Ryanair took on the airport market. A success story? Yes, but in more ways than you might expect. The daring venture started by low-cost airlines in 1997 has had a broader and unexpected impact on local development. It has affected jobs, real estate, tourism, universities and businesses. Colleges and firms based near an airport served by low-cost airlines are riding the wave.



An increasing number of passengers use regional airports

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### An economic renaissance

In Stansted, a town forty miles north of London which had until recently been blighted by high levels of unemployment, the arrival of Ryanair created over 9,500 jobs, with 7,500 being taken by local people. The same thing happened in Charleroi where passenger numbers rose from 41,000 in 1995 to 1.8 million in 2003. 700 jobs directly related to the airport were created, and in a knock-on effect suppliers and related sectors increased their staff numbers by 2,600. Pisa, a city now served by five low-cost airlines, the airport which until recently was hovering on the brink of bankruptcy now handles thousand of visitors. In Sardinia, usually neglected by tourists out of season, hotels and shops are now busy all year round. More and more

people are now going to the German towns of Hahn (Rheinland-Pfalz) and Baden-Baden (Baden-Württemberg). In Montpellier (Languedoc-Roussillon/F), the arrival of Ryanair brought in almost 200,000 tourists from the UK and Germany and an income of 40 million euros for the local tourist economy in 2003 alone.

### Business travellers are catching on

Some regions are just seeing a rise in passenger numbers, while others are experiencing a boom in employment, real economic activity or the second-homes market. The benefits of low-cost airlines vary according to geographical location, distance from a major city, university or centre of economic activity, but all the destinations served have one thing in common: regions

that were previously isolated and suffering the effects of a fragile jobs market are now thriving as part of a first-line transregional airport network, facilitating trade and business.

These low-cost flights were initially bought mainly by lower-income groups, but now business travellers account for almost 16% of passengers. Among the reasons encouraging business travellers to turn their backs on traditional carriers are the fares, very attractive to SMEs, frequent flights (five to seven a day on the same route), interconnections between the airlines' various bases, and better timekeeping than the big names.

## The AER is calling for a Power of Three

THE NEW BARROSO COMMISSION HAS BEEN WARNED. THE REGIONS, REGIONAL AIRPORTS AND LOW-COST AIRLINES WILL NOT GIVE IN. NOW PART OF A STRATEGIC ALLIANCE, THEY WILL BRING ALL THEIR WEIGHT TO BEAR TO PROMOTE THE SUSTAINABLE DEVELOPMENT OF LOCAL AIRPORTS.

**The Assembly** of European Regions has long been arguing for the development of a trans-European network of intermodal and interregional connections, with regional aviation and regional airports as an integral part of the network, in contrast to current European transport policy. With the breaking down of regional isolation and boosting local European economies as its priorities, the AER now has two new allies in its fight with the Commission on this issue. On 21 April regional airports and low-cost airlines joined forces with the AER in a new strategic alliance aimed at achieving sustainable development of regional routes and airports.

### A public-private partnership for employment

"This innovative partnership should be viewed as a joint venture that supports regional and local development, with each party taking a share in the risks and responsibilities as part of a long-term commitment, and not as competition for national carriers," stressed Onno Hoes, coordinator of the AER's 'Regional aviation' Group. "This public-private partnership which promotes growth, job creation in the tourism industry, hotels and SMEs, and helps satisfy citizens and consumers, should be supported by Europe or at least not give rise to such hostility on the part of the European authorities." This new alliance is based on the observation that the two sectors - traditional carriers and international hubs on the one hand and low-cost airlines and regional airports on the other - are in no sense comparable. Destinations, customer profile, type of investment, price, fleet, load factor, timekeeping... these two sectors have nothing in common with regard to these parameters, and yet the Transport DG still intends to treat

them in the same way, imposing the same charges and time limits to show the viability of new routes. The risk is that this approach will knowingly disadvantage regional airports, making it more difficult for them to develop with the help of low-cost airlines.

### Too much regulation is bad for growth

"The Commission's position on this issue is untenable," argues Manel Nadal, Mobility Secretary for Catalunya (E). "It is out of the question for the same rules to be applied to low-cost airlines and emerging regional airports as to the major carriers and international hubs. Allowing this would be to forget rather too fast the contribution that low-cost airlines have made to creating a new type of travel which is opening up many regions of Europe. These airlines have attracted new customers to often unknown regions, some at the periphery of Europe, and many of these regions have enjoyed strong economic growth as a result." And he went on to say: "In fact, the benefits go even further, as small regional airports, abandoned as unprofitable by national carriers, have become independent and viable despite the difficult economic conditions." With real practical experience behind them, the AER's partners in the alliance are certainly not going to give in. On the contrary, they see the appointment of a new Commission as an opportunity to redouble their efforts. Their objective is quite clear: **to oppose unwarranted regulation of this sector and persuade the Commission to take a more flexible approach.** This would be entirely in line with the 'prudent private investor' principle: how many outsourcing decisions by European-based firms does it take to show that excessive regulation

impedes growth? A prospect which neither the regions nor the Community authorities could welcome.

For more information on this issue, please go to the dedicated page on the AER website: <http://www.a-e-r.org/COMMUN/A52.html>. We recommend also having a look at the recent Report made by ELFAA (the European Low Fares Airline Association) "Liberalisation of European Air Transport: The benefits of low fares airlines to consumers, airports, regions and the environment", available on the AER web page.

All readers are encouraged to view the AER website (<http://www.a-e-r.org>) for current information.



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