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*By email only*

Nyköping , December 6, 2016

**Re: Targeted review of the General Block Exemption Regulation (State aid): extension to ports and airports (2nd consultation)**

Dear Sir/Madame,

I refer to the European Commission's (the "Commission") second round consultation concerning the Commission's proposal to extend Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (the "GBER") to include ports and airports. Below are comments on the draft amending regulation from Stockholm Skavsta Flygplats AB ("SSF").

SSF operates Stockholm Skavsta Airport, which is located outside of Nyköping in Sweden, some 100 km south-west of Stockholm. Although Stockholm Skavsta Airport offers connections for the southern Södermanland County, it primarily serves the greater Stockholm region with scheduled flights to mostly European destinations. The airport welcomed approx. 1.8 million passengers in 2015 (growing to approx. 2 million in 2016), making it the fifth largest airport in Sweden behind Arlanda (Stockholm), Bromma (Stockholm) Landvetter (Gothenburg) and Sturup (Malmö). Currently, two airlines, Ryanair and Wizz Air, operate scheduled flights at Skavsta. SSF is a privately operated company, with 90.1 per cent of the shares are held by Airports Worldwide, a US based corporate group which operates airports world-wide. SSF was until 1998 owned by Nyköping municipality, which still holds a 9.9 per cent stake.

SSF welcomes the opportunity to submit comments on the draft amending regulation. In particular, SSF wishes to draw the Commission's attention to one aspect of the draft regulation which threatens to negatively affect competition between airports.

**Exclusion of small airports from key conditions for block exempted aid**

Article 56a of the draft regulation sets out that investment aid to airports shall be block exempted provided certain conditions are fulfilled. For example, aid shall not be granted to airports located within 100 km or 60 minutes travelling time by car, bus, train or high-speed train from an existing airport from which scheduled air services are operated (paragraph 4), and aid shall not be granted to airports with an average annual passenger traffic of more than three million passengers (paragraph 5). Further, paragraph 13 of Article 56a provides that airports with an annual passenger traffic of up to 150 000 passengers are excluded from paragraph 4, meaning that such airports can receive aid even if they are located within 100 km or 60 minutes travelling time from another airport which provides scheduled air services.

While Stockholm Skavsta Airport has below three million passengers per year, it would effectively be excluded from receiving aid under the GBER as there are a number of regional airports with scheduled air services within 100 km or 60 minutes travelling time (see below). At the same time, paragraph 13 of Article 56a would allow for some or all of those airports to receive aid as they have below 150 000 passengers per year.

Recital 4 of the draft regulation reads as follows: *"The exemption should not apply to aid granted to airports located in the vicinity of an existing airport from which scheduled air services are operated, because aid to such airports entails a higher risk of distortion of competition and should therefore be notified to the Commission, with the exception of aid granted to very small airports (up to 150 000 passengers per annum), which is unlikely to result in significant distortion of competition."* Hence, the Commission acknowledges the distortive effects of aid granted to airports in the vicinity of existing airports, but asserts that such distortive effects do not arise in case of small airports. This assertion is incorrect in the case of Stockholm Skavsta Airport's catchment area.

There are a number of, mostly publicly owned and subsidized, regional airports in Southern Sweden, sometimes within as little as 50 km of each other, meaning that airlines have ample alternatives. Regional airports do not necessarily have to be of a certain size to attract airlines and are by no means excluded from competition simply on the basis that they have below 150 000 passengers. By way of illustration, within Stockholm Skavsta Airport's catchment area can be found the airports of Linköping (83 km, approx. 150 000 passengers), Norrköping (44 km, approx. 130 000 passengers) and Västerås (90 km, approx. 115 000 passengers). At these airports major domestic and international airlines such as Ryanair, Nextjet, BRA, as well as SAS, KLM and Czech Airlines operate scheduled flights. In certain cases, it is believed that local authorities are even instrumental in initiating such services through the provision of financial guarantees or support. As mentioned above, Ryanair and Wizz Air operate out of Stockholm Skavsta Airport.

Undoubtedly, there is competition between Stockholm Skavsta Airport and the airports in Linköping, Norrköping and Västerås even though the latter are smaller in terms of number of passengers. Key competitive parameters of regional airports are location of the airport, number of inhabitants and international businesses in the catchment area and, most importantly, cost incentives and/or guarantees provided. Operating a non-primary hub airport (in Sweden hubs are Stockholm Arlanda; Gothenburg and Malmö) is a business model with extremely low returns, making the market particularly sensitive to state aid granted selectively to one or some airports. As noted in the Commission's 2014 Guidelines on State aid to airports and airlines:

*"The charge level is a key factor, since public funding granted to an airport could be used to maintain airport charges at an artificially low level in order to attract airlines and may thus significantly distort competition."*<sup>1</sup>

Under the draft regulation, small regional airports will be allowed to receive aid under the GBER, whereas Stockholm Skavsta Airport, with which they compete, will not. It is submitted that this is likely to have distortive effects on competition, in particular in a market like Stockholm Skavsta Airport, where SSF is a privately operated company in competition with airports owned by municipalities which have a history of granting aid to their airports.<sup>2</sup>

SSF recognizes that there may be reasons to award airports favourable terms to receive aid, where the aid is likely to contribute to regional growth and competitiveness. However, when small regional airports are located in densely/relatively densely populated areas, within the same catchment area as other airports, state aid is

<sup>1</sup> *Guidelines on State aid to airports and airlines* [2014] OJ C 99/03, p. 43.

<sup>2</sup> SSF notes in this respect that the Commission is currently investigating aid granted to small regional airports in Sweden.

likely to distort competition and cause market failures. Such state aid risks replacing private sector investments that would otherwise have taken place in that same geographical area. As noted in the 2014 Guidelines:

*"State aid control in the airport and air transport sectors should therefore promote sound use of public resources for growth-oriented policies, while limiting competition distortions that would undermine a level playing field in the internal market, in particular by avoiding duplication of unprofitable airports in the same catchment area and creation of overcapacities."*<sup>3</sup>

In order not to undermine a level playing field among airports, SSF urges the Commission to reconsider the wording concerning the preferable treatment of airports with less than 150 000 passengers in the contemplated revision of the GBER. The most straight-forward way to avoid the above-described distortive effects would be to remove Article 56a, paragraph 13, of the current draft. Alternatively, the proposed paragraph 13 could be extended to include airports with (a majority of) private ownership and with up to 3 million passengers (i.e. such airports should be allowed to receive aid under the GBER even if located within a radius of 100km or 60 minutes traveling of an existing regional airport).

I trust the above is of use and look forward to seeing it being reflected in the forthcoming legislative process. I am at the Commission's disposal in this process and am available to discuss the above or other queries.

Yours sincerely



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<sup>3</sup> Guidelines on State aid to airports and airlines [2014] OJ C 99/03, p. 8.