

# European Low Fares Airline Association



ELFAA's views on State Aid

*Competition between air transport and rail.  
An un-level playing field*

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**'High speed rail vs low-cost air: competing or complementary modes?  
3 March 2014, Florence Italy**

# Benefits of aviation

- Aviation is a significant enabler of socio-economic development,
- essential to deliver the
  - EU objectives of regional economic development
  - connectivity of EU regions
  - mobility of citizens
- EU liberalisation of market access for airlines has led to significant increase in competition
- emergence of low fares airlines made air travel affordable to all
- resulting in significantly shifted patterns of demand for air travel in Europe



# Benefits of aviation

- Between 2005 and 2007, 426 new city pairs were introduced in Europe, of which 413, ie. 96% were by ELFAA members
- most of these connected regions with other regions, bypassing hubs
- Secondary and regional airports offer significant latent capacity, capable of easing the strain on congested main airports. They particularly lend themselves to point to point traffic, subject to adequate public transport access to airports
- Aviation emphatically has a major role to play, therefore, in the prosperity and continued development of regions in Europe
  - within the European aviation sector, LFAs are major contributors to these benefits
- By contrast, European rail networks radial from/to capital cities. Transversal routes much less developed, resulting in circuitous, time-consuming journeys.

# Subsidies to rail

- Rail is heavily subsidised by taxpayers' money to fund its infrastructure and needs an average of €40 billion per year in operating subsidies, just to survive
- if subsidies were removed, fares would have to be 270% higher than the equivalent air fare
- in contrast Aviation pays the full cost of its infrastructure (air traffic management costs, airport operations, runways, airport terminals etc.) – equivalent to approximately 11% of an airline's revenues



# Meanwhile, within air transport...

- National governments continue to allocate aid to their national, ailing carriers, eg.
  - Italian Government to Alitalia
  - Swedish, Norwegian and Danish governments to SAS
  - Cyprus to Cyprus Airways
  - Polish Government to LOT
  - Czech Republic to Czech Airlines, etc.
- thus creating a distortion of competition also within air transport, to the detriment of other airlines, especially LFAs, taxpayers and EU air travellers

# Putting it into context: Subsidies to rail vs air

- According to the Commission's own website, approved subsidies to rail 2007-2009 were 125 times higher than any State aid granted to aviation:
  - 41.85 billion Euros to rail sector
  - 0.34 billion Euros allocated to air transport,

# Regulation of Transport in the EU

- It is common knowledge that there is a presumption in favour of HSR over air transport in EU policy and the funding choices they make
  - e.g. EC white paper on the future of transport – heavily biased toward HSR as a claimed means of solving Europe's congestion and environmental concerns attributed to aviation.
  - EU funding for Research and Development – 19 out 30 funding projects are dedicated to rail, but only 1 to air transport
  - while no start-up aid is allowed to airlines on a new route which is already served by HSR, HSR is heavily subsidised to operate that particular route



# Taxation on Transport in the EU

- significant financial burden on aviation through taxation (most egregious of which is UK Air Passenger Duty)
- UK airlines operating domestic routes, is subject to APD charges on both legs of a return flight within the UK, while its main competitor – rail, is not subject to any equivalent tax
- reduced scope of EU ETS results in little environmental gain yet considerable market distortion to intra-EU airlines and a penalty on EU passengers, unmatched by any other air passenger group.



# Intermodality – what are the opportunities and obstacles?

## OPPORTUNITIES:

- improved rail services to airports could significantly reduce car journeys
- not necessarily HSR or even mainline services required in all cases
- passengers currently take the train to more distant airports, which are more easily accessible by rail e.g. LGW
- improved rail transport between some secondary airports and city centres could lead to switch of more point to point services, relieving congestion at principal airports - example London Stansted
- LFAs already offering tickets on board for rail travel connections to city centre
- German airports offer reduced rate onward rail transportation from the airport on presentation of an air ticket



# Intermodality – what are the opportunities and obstacles?

## IMPEDIMENTS:

- even where main-line stations at airports exist, little evidence of integrated scheduling
- through check-in of passengers and baggage would reintroduce the complexity and associated costs which led to abandonment of check-in facilities at town terminals and city rail stations e.g LON Paddington and Victoria
- also poses significant security risks
- incompatible passenger rights legislation also poses difficulties and exposure of airlines to APR liability for delays on rail journeys, totally outside their control
- through-ticketing requires massive software applications through GDSs, at significant cost, for little consumer gain

# Intermodality – what are the opportunities and obstacles?

## CONCLUSION:

- avoid complex and cost-intensive solutions and stick to low-hanging fruit



# Competition between modes

- ELFAA members have always welcomed competition in the transport sector, however,
- a significant distortion of competition exists between different modes, particularly between aviation and high speed rail
- LFAs are compoundly affected by distortion within air transport in that state aid is still being allocated to ailing national carriers
- ELFAA appeals to regulators to create a level playing field between different modes of transport in order to allow fair competition between them. Such fair competition will benefit EU taxpayers and passengers



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# Thank you!

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