

Position and Comments of IG Nachtflugverbot Leipzig/Halle e. V. (Germany)
on
Draft EU Guidelines on State aid to airports and airlines

IG Nachtflugverbot Leipzig/Halle e. V. is a non-profit association aiming to protect residents living close around Leipzig/Halle airport from negative impacts of the airport's operation, especially from exposure to night-time aircraft noise.

IG Nachtflugverbot is one of the 22 members of the network of citizen's campaign groups at Leipzig/Halle airport (Netzwerk Zukunft LEJ) which has been established after the new DHL Hub has started its operation in 2008.

Provision of massive state aid is both the foundation and keystone that has made nothing lesser possible to happen than moving the European airfreight hub of DHL from Brussels to Leipzig/Halle. Therefore all types of governmental grants given to Leipzig/Halle Airport are in the focus of not only those people who directly are affected by the operation of a small number of enterprises who took advantage of that financial support, such as Flughafen Leipzig-Halle GmbH (FLH), DHL, Aerologic (Deutsche Lufthansa), Ruslan Salis GmbH, just to mention the most important players.

1. History of providing state aid to Leipzig/Halle Airport

The European Commission has reason to doubt (as the residents of the Leipzig/Halle region do have as well) that loans and capital injections granted to the Leipzig/Halle airport that have financed 100 % of the new infrastructure projects are in line with EU state aid rules. A 100% public funding does neither appear to be justified and proportionate nor it has been limited to a necessary minimum. A large regional airport as Leipzig/Halle should be able to self-financing at least a remarkable portion of its required investments. Otherwise an unfair advantage is given to DHL Express (as the no.1 beneficiary behind) compared with other airports in Germany and all over Europe. ¹⁾

Mitteldeutsche Flughafen AG (MFAG), the owner of Flughafen Leipzig/Halle airport is a 100% publicly owned company.

The development of Leipzig/Halle airport to become the European airfreight hub of DHL was funded by MFAG with a total of 350 million Euros for the construction of the new „runway south“ and a new airport apron area at the south (DHL-) side of the airport ground.

This investment jointly with a comprehensive permission for night-time cargo flights have made it possible to move the DHL-hub from Brussels to Leipzig/Halle.

In the case of any restrictions of night time operation would have been applied, DHL has received the rights to demand financial compensation from public budgets.

The free state of Saxony would have been responsible for the coverage of 500 million Euros in penalties by a letter of responsibility (comfort letter; guarantee of financing).

Lawfulness of both the investment as well as the letter of responsibility have been subject of an investigation of the EU-Commission. In a decision of the commission (C 48/2006 (ex N 227/2006)) dated 23rd of July 2008 the amount of investment has been accepted to be admissible and lawful state aid in the meaning of a governmental start-up aid for an airfreight carrier to be established at a regional airport.

The letter of responsibility, however, had been annulled by the commission because public budgets would have to hedge business risks for DHL at terms which a private investor would not have accepted. Without public support Leipzig Airport would have neither been able to finance the southern runway nor to enter into the Framework Agreement with DHL. ²⁾

Basically the development of Leipzig/Halle airport aimed to create a new intercontinental civil airport. Almost 1.7 billion Euros of tax payer's money have been spend so far on airport expansion and upgrading. Despite of the vast investments the shareholders had to refrain



from their airport development plans due to low demand for international and, much more than this, for intercontinental flights in the region, which had been foreseeable for a long time.

Nowadays shareholders focus on airfreight and military use of this civil airport, which works most efficient without any restrictions of night-time operation.

Resulting of that about 1.5 million people in the area of Leipzig, Halle and Merseburg are affected by irrefutably harmful night-time aircraft noise.

70.000 residents live under immediate aircraft noise exposure and to only 30.000 of them the most simple structural noise protection measures have been granted.³

Two years after the project „new construction of the southern runway and apron area“ had been completed, the public shareholders (free state of Saxony, state of Saxony-Anhalt, the cities of Leipzig, Dresden, Halle and other municipalities) have granted another 255 million Euros of state aid. These public funds were foreseen to be used as

- **about 124 million € for the increase of capital reserves and**
- **about 131 million € additional infrastructure-related measures**

2. About the economic efficiency of the latest granted state aid for Leipzig/Halle airport

The following measures which recently have been financed by state aid must be evaluated to be long-term uneconomical and inefficient, which could have been foreseen just before their realization has begun:

1. Third aircraft taxiway bridge

Public means have been used for the construction of a third taxiway bridge that spans the motorway A14 in the same way the two sister-bridges already do. In fact there is only one of the three taxiway bridges required for the airport's operation while the two other bridges work as an „infrastructural reserve“.

Nevertheless the licensing procedure for a fourth taxiway bridge already has completed and therefore it's most likely that this building is supposed to be built from state aid as well.

2. Airport freight railway station

Another 30 million Euros of the means on additional infrastructure-related measures have been wasted to build an airfreight railway station in the southern area of the airport, nearby to DHL, that was planned to establish a railway service from Leipzig/Halle to Frankfurt/Main and reverse.

According to the initial planning of DHL the service was scheduled to run one time a night in either direction.

Until today the railway station remains to be unused and freight train services never have been performed except of one test run.

Both of these investment projects are examples of uneconomical and inefficient use of state aid and even in the future there aren't any signs to be seen that would make them becoming efficient. But this, unfortunately is not the end of misuse of state aid at Leipzig/Halle airport.

3. Aircraft Maintenance Hangar for Volga-Dnepr airline

As a so called “dedicated infrastructure project” a new aircraft maintenance hangar for Volga-Dnepr airlines started to operate on January 16th, 2013.

The enormously dimensioned 95 x 95 meters colossus as well as the apron related to it have been financed by more than 40 million Euros of state aid, most of it granted by the state of Saxony.

Volga-Dnepr is an airline that is specialized on very heavy and bulky airfreight. Starting in 2006 two of Volga-Dnepr’s Antonov A124 heavy-duty freightliners are based at Leipzig/Halle airport. A majority of the flights is being performed on behalf of the NATO in order to move oversized cargo such as tanks and helicopter gunships within the so called SALIS project. SALIS stands for Strategic Air Lift Interim Solution, replacing the A400M military freighters which are still unavailable.

Volga-Dnepr-Technics not only want to repair and maintain ANTONOV aircrafts in the new hangar but numerous Boeing 747 of Volga-Dnepr’s subsidiary Air-Bridge-Cargo as well.

There is very good reason why Volga-Dnepr has decided in favor of Leipzig/Halle airport. Nowhere else in Europe large capacity freighters have to pay such low landing- and take-off charges. This way the return of money to compensate granted state aid is going to take a very, very long time.

Particularly low dumped prices and the unrestricted permission of night-time cargo flights are obvious to be the only reason why Volga-Dnepr-Group has decided to settle at Leipzig/Halle. The largest freightliner ever built is banned from landing and take-off at most of the other German airports even during daytime.

Flights into crisis regions are expensive and loading capacities are limited: On every charter service to Masar-i-Scharif (Afghanistan) and return German Armed Forces (Bundeswehr) are paying EUR 420 000.⁶

Leipzig/Halle airport receives only EUR 2.967,44 (excl. VAT) of this amount according to current airport price list⁷. There is no difference being made between daytime and nighttime flights⁷. Additionally Leipzig/Halle airport has completely waived all exhaust- and noise emission-based differential take-off and landing charges.

A totally different picture provides a closer look at Frankfurt/Main International Airports fee structure. At this airport additional fees apply, comprising exhaust- and noise emission-based components as well as fees on passive noise reduction measures.

To protect the health of inhabitants from harmful noise and exhaust emissions a general ban on night flights applies to all Antonov AN124. A ban on taking off and landing applies to AN124 also from Fridays 8.00 p.m. until Monday morning at 8.00 a.m. .⁸

Airlines are paying fees of EUR 43.699,16 during daytime and in the night-rim-times and amount of EUR 53.965,66 plus VAT is due to be paid for one AN 124-100.

This is 12 times more during daytime and 15 times more at night-rim of what Leipzig/Halle is calling for taking-off and landing.

All these examples are symptomatic for a misguided and failed state aid policy at Leipzig/Halle airport. Due to consistently positive forecasts in economic studies on Leipzig/Halle airport which were based on totally false conditions each additional support measure will be supposed to increase the airports losses instead of turning its economic situation to the better.



Thus the states of Saxony and Saxony-Anhalt and the cities of Leipzig, Dresden and Halle annually have to contribute EUR 40 million in order to balance the airport's losses, as long as this amount cannot be taken from the capital assets any longer, as it still is practiced. The economic situation of Leipzig/Halle airport has not enhanced due to the before mentioned investments.

The airport company has achieved an operating result of EUR -44,8 million in the year 2010.⁴

In conclusion it may be stated that Leipzig/Halle airport

- Has received competitive-contrary benefits which have been made possible by granting state aid
- is expected to not be able to operate profitably for an unforeseeable time and therefore will need to get continued public funding
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A benefit of state aid for the public cannot be identified because

- A majority of DHL's employees get extremely low salaries despite the lots of night work that has to be performed. Contracts of 67% of the DHL staff have been cut down to 27 hours a week. State social benefits are required in many cases to complete the wages of DHL workers.
- The in fact unlimited authorization for night-time flights is going to create serious damage of health in thousands of individual cases which will lead to a significant increase of public health care costs.

An economic review, as long as it takes the significantly increased total public expenses into account, would neither be able to justify the so far provided state aid nor the unrestricted permission of night flights at Leipzig/Halle airport and also should not allow the airports continued, unmodified operation in the state as it currently is.

3. Demands for future state aid to airports and airlines

In the light of the before mentioned failed policy on state aid to Leipzig/Halle airport which neither can be justified economically nor financially we make the following demands on a future sustainable state aid policy:

1. Promotion of night-time flights by state aid must be stopped

As long as nocturnal aircraft operation has not become banned European wide it must be ensured, that the without any doubt health-damaging night flights aren't additionally promoted by state aid.

Any type of state aid to airports and airlines financing any infrastructure for night-time flight operation must be prohibited.

This applies in particular to such projects who can work profitably only if night-time flight operation is included.

2. Evidence of medium-term cost effectiveness to become mandatory

Granting state aid should be strictly limited to such projects that are able to proof cost effectiveness within a period of not more than 3 years, based on realistic and reasonable assumptions reflecting real world market conditions.

Economic feasibility studies must include future charges of public budgets such as wage subsidies, capital increase and loss balance.

3. Exclusion of displacement effects

All those projects whose cost effectiveness essentially is created by displacement effects, in particular meaning the transfer of aircraft operation from one airport to the other within the European Union, shall not be allowed to receive state aid.

Such traffic movements aren't economically to be justified. At one hand such operations devaluate existing airport infrastructure which has been supported by tax payers money before, while on the other hand massive additional public investments are required in the new place of operation.

4. Assessment of environmental compatibility

Every granting of state aid must require the environmental effects of that project to be assessed.

European funded public projects must comply with the requirements of European environmental standards even though these requirements go beyond their national counterparts.

If a project receives public funding the public interest in ecological sustainability must play a much more important role than now. The assessment of environmental compatibility shall not be limited to an evaluation of aircraft noise and exhaust emissions. It must be ensured, the granted state aid doesn't lead to get other, ecologically more favorable traffic, replaced by air transport.

5. No support of unnecessary domestic flights within the EU

In particular it can be assumed that all measures promoting flights on distances lower than 500 km are ecologically not sustainable.

Any infrastructural measures aiming to the promotion of such flights shall not be subject of public funding.

State aid as well shall be refused to be granted to such airports, who would exceed the limits of their full capacity utilization due to these short distance flights.

¹ Landtag Sachsen Drs.-Nr.: 5/6159

² Landtag Sachsen-Anhalt KA 6/7425 and COMMISSION DECISION of 23 July 2008 on measures by Germany to assist DHL and Leipzig Halle Airport C 48/06 (ex N 227/06)

³ Beschluss des Landtages Drs. 6/124, Beschlussrealisierung Landesregierung, Drs. 6/297 im Verkehrsausschuss von Sachsen-Anhalt

⁴ Landtag Sachsen-Anhalt Drs. 6/1065 vom 26.04.2012

⁶ Spiegel_14/2012

⁷ Landtag Sachsen Drs.-Nr.: 5/4138

⁸ http://www.fraport.de/content/fraport/de/misc/binaer/kompetenzen/aviation-services/flughafenentgelte-2013/jcr:content.file/flughafenentgelte_airport-charges_2013.pdf