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Special Report

EU-funded airport infrastructures: poor value for money

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(pursuant to Article 287(4), second subparagraph, TFEU)

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Airport infrastructure investments: Investments on the landside and airside of airports. Landside infrastructure investments include the construction of new terminal buildings, extensions of existing terminals and connections to the road and rail network. Airside infrastructure investments include the construction of runway, taxi-way, exit-way and apron space, air traffic control infrastructure and equipment and safety equipment.

Air traffic movement (ATM): A landing or take-off at an airport of an aeroplane engaged in air transport. Airside capacity is usually measured in terms of ATMs per hour — indicating the number of aeroplanes able to land, park or take-off within 1 hour.

Catchment area: The area of influence of an airport to attract visitors and customers, depending on the population nearby and the surface transport possibilities.

Cohesion policy funds: Funds to promote the policy which aims at strengthening economic and social cohesion within the European Union, reducing the gap in the level of development between the regions of the EU. This audit concerned in particular: (i) the European Regional Development Fund (ERDF): aimed at investing in infrastructure, creating or preserving jobs, sustaining local development initiatives and activities of small and medium-sized enterprises, and (ii) the Cohesion Fund (CF): aimed at strengthening economic and social cohesion by financing environment and transport projects in Member States with a per capita GNI of less than 90 % of the EU average.

Directorate-General (DG): A department of the European Commission (EC). In this audit, the relevant DGs were DG Regional and Urban Policy and DG Mobility and Transport.

Managing authority: The body at national, regional or local level designated by the Member State that proposes the operational programme for adoption to the Commission and that is responsible for its subsequent management and implementation.

Major project (MP) and cohesion fund project (CFP): A project which comprises of an economically indivisible series of works fulfilling a precise technical function having clearly identified aims and whose total cost taken into account in determining the contribution of the funds exceeds 50 million euro. The approval of the Commission is required for both MPs and CFPs at individual project level.

Operational programme (OP): The document prepared at central or regional level in a Member State and approved by the Commission which takes the form of a consistent set of priorities comprising multiannual measures.

Executive summary

I

Through this audit, the Court analysed EU-funded investments in airport infrastructures and examined whether:

— there was a demonstrated need for these investments;

— constructions were completed on time and on budget;

— the newly built (or upgraded) infrastructures were fully used.

In addition, the Court assessed whether these investments resulted in higher passenger numbers and in an improved customer service. Finally, the Court analysed whether the EU-funded airports were financially sustainable.

II

The audit focused on 20 EU-funded airports in five Member States (Estonia, Greece, Spain, Italy and Poland). These airports received a total EU funding of 666 million euro during the 2000–06 and 2007–13 programme periods through the European Regional Development Fund (ERDF) and the Cohesion fund (CF).

III

The overall conclusion is that the EU-funded investments in airports produced poor value for money: too many airports (which were often in close proximity to each other) were funded and in many cases the EU-funded infrastructures were oversized. Only half of the audited airports succeeded in increasing their passenger numbers and improvements in customer service were either not measured or not evidenced.

IV

The Court also observes that the EU funding was not cost-effective and that seven of the 20 airports examined are not profitable and, as a result, there is the risk that they may need to be closed unless they receive continuous public financial support. This is particularly the case with small regional airports having fewer than 100 000 passengers per year. The Court also noted that the EU funding is not well coordinated by the Member States and, in particular as regards major projects and cohesion fund projects, is insufficiently supervised by the Commission, leading to over-capacity and poor value for money.

V

The Court recommends that:

(i) the Commission should ensure during the 2014–20 programme period that Member States only allocate EU funding to airport infrastructures in those airports which are financially viable and for which investment needs have been properly assessed and demonstrated. This should also be part of the approval and monitoring of operational programmes carried out by the Commission;

(ii) the Member States should have coherent regional, national and supranational plans for airport development to avoid over-capacity, duplication and uncoordinated investments in airport infrastructures.

Introduction

Main characteristics of air transport in Europe

01

Air transport is the dominant form of passenger transportation over long distances but it also serves the needs of many middle-distance travellers. According to Eurocontrol, air traffic in Europe will nearly double by 2030 and Europe will not be in a position to meet a large part of this demand due to a shortage of runway and ground infrastructure, mainly at major hub airports.

02

There are over 500 commercial airports in Europe today, divided into:

(i) hub airports, providing a full range of services (business/leisure, domestic/intra-European/inter-continental) and bringing together traffic from smaller airports; and

(ii) regional airports connecting remote regions to the centres of economic activity, feeding hub airports but also having direct flights to other regional airports.

03

The main hub airports in Europe with at least 5 million passengers per year[1] capture 78 % of the total European air traffic; airports with between 1 and 5 million passengers per year have 18 % of the overall numbers whereas smaller airports with less than 1 million passengers per year are only used by 4 % of passengers.

04

Air transport is an important economic area: European airports directly and indirectly employ over a million people working for airlines as well as on maintenance, catering services, retailing and air traffic control. As such, airlines and airports contribute more than 140 billion euro to the European GDP[2].

05

However, profitability is often problematic: despite the fact that, between 2001 and 2010, traffic at regional airports in Europe increased by nearly 60 %, nearly half (48 %) of Europe's airports were loss-making in 2010. This is in particular the case for smaller, regional airports which the public authorities may wish to maintain for socioeconomic reasons.

EU air transport policy and funding of airport infrastructures

06

Since the early 1990s, EU air transport policy[3] has aimed at overcoming capacity problems by building additional infrastructure, but also by making better use of existing facilities. Such optimisation could be achieved via a more efficient use of slots[4], better ground-handling services and better integration with the railway network.

1 For classification rules see 'Community guidelines on financing of airports and start-up aid to airlines departing to regional airports', Section 1.2.1(12) (OJ C 312, 9.12.2005, p. 1).

2 http://ec.europa.eu/transport/modes/air/internal_market

3 Council Regulation (EEC) No 95/93 of 18 January 1993 on common rules for the allocation of slots at Community airports (OJ L 14, 22.1.1993, p. 1); White Paper 'European transport policy for 2010: time to decide' (COM(2001) 370 final of 12.9.2001); 'Keep Europe moving — sustainable mobility for our continent' (COM(2006) 314 final of 22.6.2006); 'An action plan for airport capacity, efficiency and safety in Europe' (COM(2006) 819 final of 24 .1.2007); White Paper 'Roadmap to a single European transport area — towards a competitive and resource efficient transport system' (COM(2011) 144 final of 28.3.2011).

4 A permission given to use the full range of airport infrastructure necessary to operate an air service at an airport on a specific date and time for the purpose of landing or take-off.

07

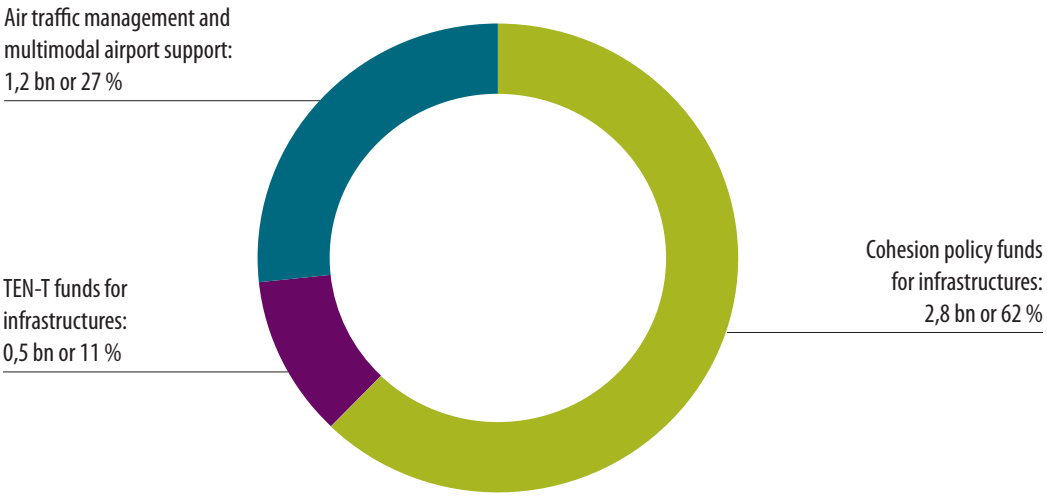
Transport infrastructure projects, including airport-related actions, are an important area of spending from the EU budget. The EU allocated some 4,5 billion euro[5] over the 2000–13 programme periods to airport infrastructures via the European Regional Development Fund (ERDF), Cohesion Fund (CF) and TEN-T[6]. Some 1,2 billion euro (or 27 % of this) was allocated to airport-related investments in technologies and in multimodal connections (e.g. air traffic management infrastructure and airport–city centre links), see ***Figure 1***.

5 In addition, EIB loans of 14 billion euro were provided to support airport infrastructures as of 2000 in non-cohesion policy regions, and some 2,3 billion euro were provided as loans to support fleet renewal for European air carriers (http://www.eib.org/projects/loans/sectors/transports.htm).

6 The trans-European network for transport (TEN-T) funding is mainly limited to studies and some smaller infrastructure works in airports in non-cohesion policy areas.

Figure 1

Overview of funding sources for airport infrastructure investments in 2000 to 2013



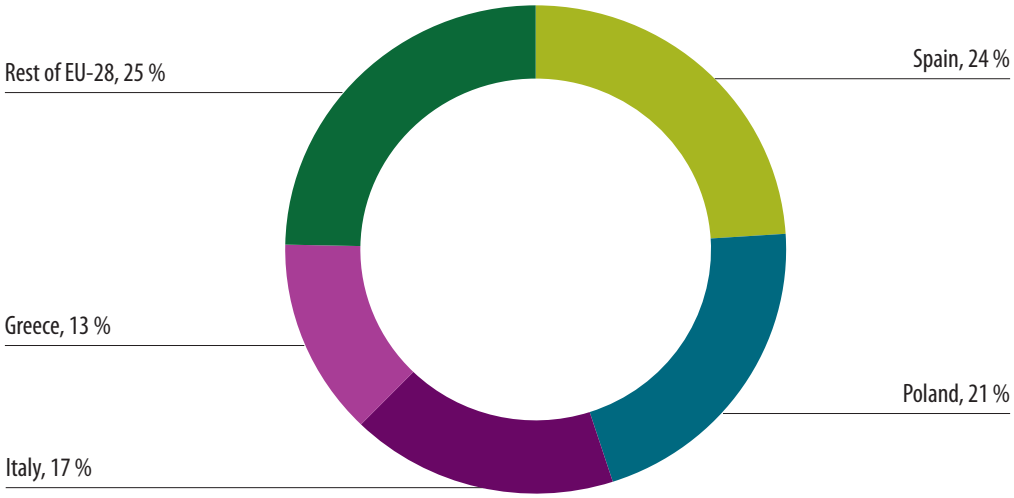
Source: European Court of Auditors.

08

More than 2,8 billion euro of the 3,3 billion euro infrastructure support (85 %) for the 2000–13 period came from cohesion policy funds (i.e. ERDF and CF), and 75 % of this was invested in four Member States (Greece, Spain, Italy and Poland). ***Figure 2*** provides an overview of the allocations and ***Annex I*** has the detail per Member State.

Figure 2

Overview of cohesion policy funds allocations for airport infrastructure investments per Member State in 2000 to 2013



Source: European Court of Auditors.

The management of investments in airport infrastructures under the ERDF and CF

09
The responsibility for EU spending under the ERDF and CF is shared between the Commission and the Member States[7]. The Commission establishes guidelines for the planning of operational programmes (OPs), and negotiates, approves and monitors the implementation of the OPs proposed by the managing authorities in the Member States.

10
The Commission bears overall responsibility for the proper use of funds, as it is responsible for supervising the set-up and operation of control systems in the Member States, and for reimbursing approved expenditure. The managing authority is responsible for the OP management and implementation, while Commission approval is required for both major projects and CF projects[8].

11
Implementing bodies, acting on behalf of the managing authorities, are usually in charge of managing the airport infrastructure project itself. For the projects examined, the entities concerned were AENA (Spain), ENAC and ENAV (Italy) and Tallinn airport (Estonia). In Poland, the centre for EU transport projects carries out functions the managing authority has delegated to it and projects are managed by the beneficiaries, whereas in Greece the HCAA, a public service owning and managing all airports, except Athens airport, is responsible for prioritisation and selection of airport infrastructure investment projects.

Types of airport infrastructures examined

12
Airport infrastructures can be either landside or airside. Landside infrastructure investments include the construction of new terminal buildings, extensions of existing terminals and connections to the road and rail network. Airside infrastructure investments include runway, taxi-way, exit-way and apron-space constructions, air traffic control infrastructure and equipment and safety equipment.

13
Most investments in the sample of projects examined were for airside infrastructures: these covered investments in runways, aprons, taxi-ways as well as safety improvements in 18 of the 20 airports. Landside infrastructure investments were mainly the construction of new terminals or extensions to existing terminals. The remainder of the audited funds were spent on miscellaneous infrastructures such as car parks, cargo terminals and automated people movers. ***Table 1*** provides a general overview of the EU co-financing per type of infrastructure.

7 http://ec.europa.eu/regional_policy/how/index_en.cfm

8 The Commission approval for all cohesion fund projects applies only to the 2000–06 programme period; in the 2007–13 period, such approval was only needed for projects costing more than 50 million euro.

Table 1

Type of EU-funded airport infrastructures examined

Audited airport infrastructure types	EU funds audited (in euro)	%
Terminals (14 airports)	164 227 220	35,66
Runways (13 airports)	80 590 629	17,50
Aprons (14 airports)	50 988 499	11,07
Taxi-ways (10 airports)	39 594 288	8,60
Safety improvements (12 airports)	34 681 200	7,53
Other (12 airports, e.g. car parks, cargo terminals, automated people movers)	90 419 523	19,64
TOTAL	**460 501 539**	**100,0**

14

The objectives of most projects examined were to tackle existing or upcoming infrastructure bottlenecks[9], to increase the level of services to passengers, to adapt to new safety requirements or to improve connections to and from the airports.

15

Box 1 provides two examples of the type of airport infrastructures examined during the audit.

9 A bottleneck is a limitation in the operational capacity of the overall airport caused by a single component (e.g. runway, apron, terminal) which determines the overall airport capacity and prevents the other components being used to their full capacity.

Box 1

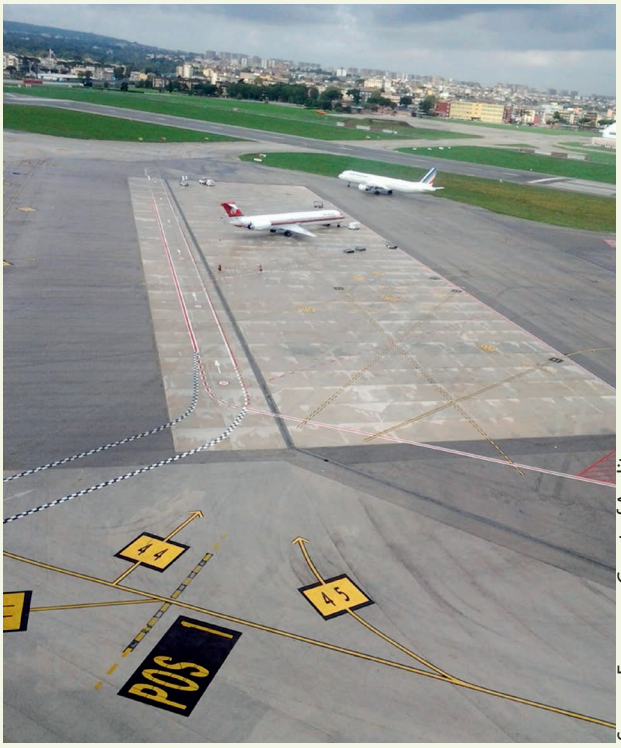
Examples of EU-funded airport infrastructures

Source: European Court of Auditors.

Picture 1 — View of the new terminal and apron space at Tallinn airport

(a) In Tallinn airport in Estonia some 53 million euro of EU funding was invested in an extension to the terminal, an extension of the runway, a reconstruction of the biggest part of the apron as well as environmental, safety and security infrastructure.

(b) The investments audited at Naples airport in Italy dealt with the extension of the terminal, runway, apron and air traffic management equipment. The cost of the investments was 52,4 million euro, out of which 20,6 million euro was from the EU.



Source: European Court of Auditors.

Picture 2 — Part of the extended apron space at Naples airport

Audit scope and approach

16
Through this audit, the Court analysed EU-funded investments in airport infrastructures and examined whether:

- there was a demonstrated need for these investments;
- constructions were completed on time and on budget;
- the newly built (or upgraded) infrastructures were fully used.

In addition, the Court assessed whether these investments resulted in higher passenger numbers and in an improved customer service. Finally, the Court analysed whether the EU-funded airports were financially sustainable.

17
The audit focused on 20 EU-funded airports in five Member States (Estonia, Greece, Spain, Italy and Poland). These airports received a total EU funding of 666 million euro during the 2000–06 and 2007–13 programme periods through the ERDF and the CF, out of which 460 million euro was audited.

18
Eight airports were selected for audit in Spain, five in Italy, three in Greece, two in Poland and two in Estonia. The sample selection methodology was that:

(i) all airports which had major projects and cohesion fund projects were selected[10];

(ii) five airports were selected randomly;

(iii) five airports were selected on the basis of risk assessment. The remaining[11] four airports were selected because these were the airports with the largest amounts spent on infrastructure projects other than major projects and cohesion fund projects. ***Annex II*** provides a list of the audited airports with the amounts audited, implementation periods and types of infrastructure audited per airport.

19
The audit comprised a desk review of relevant legislation, air transport planning documents of the five Member States and publications of the main industry associations (including Airports Council International, Air Transport Research Society, Eurocontrol, IATA, International Transport Forum — OECD, etc.). It also involved on-the-spot audit visits to assess the outputs, results and impacts of the EU funding and the financial situation of the airports. The audit scope did not include an analysis of state aid issues in relation to airport infrastructures.

20
The audit work was carried out between May 2013 and May 2014.

10 This concerns six airports: three in Spain, one in Italy, one in Greece and one in Estonia.

11 The audit concentrated on mainland airports: small airports on islands, wherever possible, were excluded from the audited population, as generally these would exhibit lower economies of scale and also the population has limited possibilities to choose another airport.

Audit scope and approach

21

The Court notes the following.

- The long-term trend of air transport demand is positive: despite a temporary dip following the economic crisis, there was a recovery of air transport numbers in Europe in 2010, with a 3,4 % increase in total number of passengers compared to 2009[12]. Overall, EU-27 passenger numbers increased by 6 % between 2007 and 2013.

- The national averages for all airports in the five Member States examined in this report had an average growth of 2 % between 2007 and 2013.

- While there was a limited and temporary crisis effect noted in 2007 and 2008, growth returned to the air transport sector for the rest of the audited period. Therefore the economic crisis did not significantly affect the results of the airport infrastructure projects examined.

12 Eurostat, 'Air transport recovers in 2010', Issue number 21/2012 (http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-12-021/EN/KS-SF-12-021-EN.PDF).

Observations

Need for new or upgraded infrastructures demonstrated for half of the airports examined

22

During the audit the Court assessed whether at landside there had been a need for the investments in terminals. To this purpose, the Court compared the yearly number of passengers per m^2 before and after the investment using as criteria the European benchmark[13] of 104 annual passengers per m^2.

23

In 10 of the 14 terminal construction projects, there was a demonstrable need for expansion to avoid future saturation or projected bottlenecks (Catania, Crotone, Naples, Fuerteventura, La Palma, Vigo, Heraklion, Thessaloniki, Rzeszów and Tallinn). In two cases (Comiso and Tartu), new terminals were needed to allow the operation of commercial traffic. However, there was no pressing need for terminal expansions at Alghero (5,2 million euro of EU funds spent) or Badajoz (6 million euro of EU funds spent): sporadic hourly peaks at these airports could have been better dealt with through temporary solutions[14], rather than building permanent infrastructures which are for the most part under-used (see ***Figure 3***).

24

Similarly, at airside, half of the runway and apron expansions financed with EU money were needed to manage peak hour bottlenecks: in nine of the 18 EU-funded airside investments, there was evidence that capacity expansion was needed (Badajoz, La Palma, Murcia, Vigo, Catania, Naples, Gdansk, Rzeszow and Tallinn). In three cases (Córdoba, Fuerteventura and Kastoria), the need for a capacity expansion was not justified: the existing airside infrastructure was more than sufficient to cope with the forecast demand even in the long run in Córdoba and Fuerteventura, while in Kastoria the business case supporting the project to extend the runway was not adequate.

25

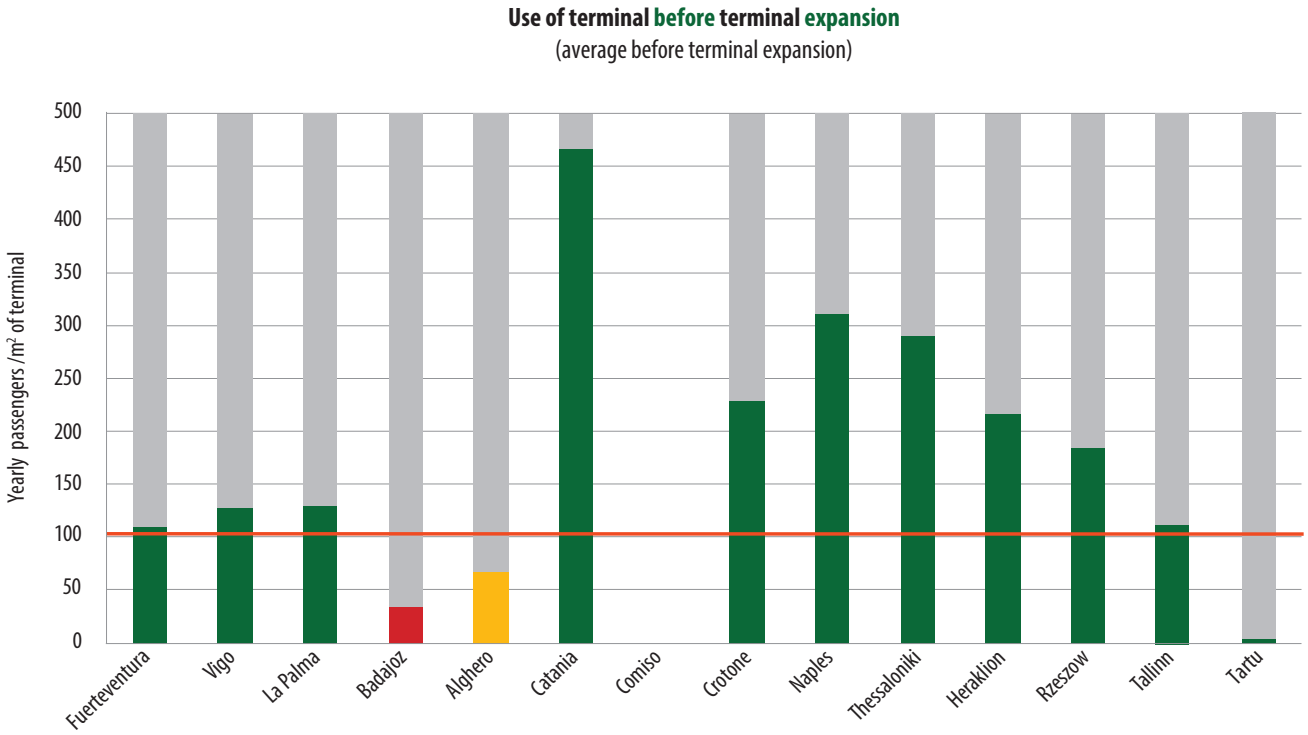
Overall, in 9 of the 20 airports audited, one or more of the projects sampled for audit were not needed at all. This represents 28 % or 129 million euro of the EU funding to airports examined.

13 '2012 Airport Benchmarking Report', Air Transport Research Society (ATRS) (http://www.atrsworld.org/docs/KeyFindings2012ATRSBenchmarkingReport-June22.pdf).

14 E.g. hiring more (part-time) staff to speed up the handling of incoming or departing passengers; installing temporary and mobile infrastructures to transport passengers between airside and landside.

Figure 3

Use of terminal before expansion



Source: The airport authorities' data.

Key: The benchmark of 104 passengers per m^2 is indicated by the red line; use of the existing capacity before expansion above this benchmark is coloured in green; orange is used for airports having between 50 and 100 % of the benchmark; whereas red is used for airports with less than 50 % of the benchmark. As Comiso is a new airport that was only opened in 2013, analysis of the use of the terminal before expansion is not relevant.

26

Box 2 provides examples of EU-funded infrastructure projects.

Box 2

Examples of EU-funded airport infrastructures

(a) Building of a new terminal

In Catania in Italy, the terminal building was too small for the number of passengers using the airport. A local aero-club hangar was therefore upgraded and used as a temporary departure hall until the opening of the new passenger terminal building (see ***Figure 3***) which could accommodate passenger traffic and eliminate the previous bottlenecks.

Source: European Court of Auditors.

Picture 3 — New terminal building at Catania airport

Box 2

(b) Unnecessary airside expansion

The 2001 master plan for Córdoba airport in Spain stated that there would be no need for expansion of the existing runway based on the traffic forecast and the types of aircraft expected (the historical maximum of ATMs/hour in Córdoba was four, while the existing capacity of the apron and runway was 11 ATMs/hour). Moreover, 99 % of the 4,2 million residents living in the catchment area of this airport also have access to at least one other airport within a 2-hour drive. The traffic attracted by the nearby airports of Málaga (12,5 million passengers in 2012) and Seville (4,3 million passengers), combined with the connectivity provided by the high-speed rail line between Seville, Córdoba and Madrid, significantly limits the air traffic demand of this airport. Nevertheless, the Spanish government decided in 2008 to expand the runway, without any needs analysis or study of potential growth, cost–benefit analysis or justification for the sudden expected increase in passenger traffic. The runway was extended, allowing the landing and take-off of larger aircraft, at a cost of more than 70 million euro, of which more than 12,6 million came from the EU budget. However, the volume of air traffic, essentially non-commercial general aviation, remained at the low level which existed prior to the expansion. The apron space was also extended by 17 300 m^2 at a cost of 1,5 million euro, including an 810 000 euro EU investment, despite the original plan being for an expansion of only 6 775 m^2. Since there is very little commercial traffic at this airport (less than 7 000 passengers in 2013), the extended runway is rarely used and the increased apron space is used as parking space for non-commercial planes (general aviation) (see ***Picture 4***).

Source: European Court of Auditors.

Picture 4 — Córdoba apron: expansion used only for general aviation purposes

Delays in constructions for most and cost overruns for half of the airports examined

27

The Court also examined whether the examined airport infrastructure projects were completed on time and on budget. The audit found that:

- at the time of the audit, all but one project had been completed;
- there were delays in construction and in the final delivery of the airport infrastructures in 17 of the 20 audited airports[15]. In 14 cases, the delay was more than a year with the average delay being 23 months. The longest delays were noted in Murcia-San Javier, Thessaloniki and Naples[16]; and
- there were cost overruns noted at 9 of the 20 audited airports, resulting in approximately 95,5 million euro more being spent than initially budgeted (eight of these nine airports[17] had cost overruns of several million euros). The highest cost overrun was noted in La Palma, with 25,6 million euro on the projects audited, and Thessaloniki, where the runway extension to the sea had a cost overrun of 21,7 million euro at the time of the audit. These cost overruns are more than 10 % of the total cost amount for these nine airports and are covered by national budgets[18].

More than half of the constructions were under-used

28

The IATA[19] manual suggests a careful approach when investing in airport infrastructure, recommending a policy of modular growth[20]. European Commission guidance on such building stressed the need to make better use of existing capacity in the first instance and only build infrastructures which are necessary, proportional to the objective set and which have satisfactory medium-term prospects for use[21].

29

The Court examined the actual use of the EU-funded infrastructures in the audited airports. To this purpose the Court assessed the use of the additional terminal space created by analysing the annual number of passengers per m^2 as well as the use of the terminal at the peak hour. For airside investments, the Court examined the use of the capacity created by analysing the evolution of the ATM numbers.

15 The airports without any delay in the building and delivery of the infrastructure compared to initial planning were Crotone, Gdansk and Tartu.

16 In Murcia-San Javier, the airside facilities, the control tower and the runway were put into operation 5 years after their completion; in Thessaloniki, the delay was 4,5 years for the terminal project; in Naples, the delay was 4,5 years for the air traffic management project despite the fact that the contracting authorities had awarded works directly for reasons of urgency.

17 The exception is the airport of Badajoz, where a small overrun of 223 000 euro or 2,8 % of the budget was noted.

18 In another audit the Court also noted similar weaknesses in project preparation in an airport infrastructure project financed under TEN-T spending. In the case of Berlin Brandenburg international airport, planning documents were not ready and had to be modified during the tendering process, leading to significant cost overruns.

19 The International Air Transport Association is the trade association for the world's airlines. It represents some 240 airlines or more than 84 % of total air traffic. IATA supports airline activity and helps formulate industry policy and standards.

20 Building of infrastructure in a modular fashion (phases) and at intervals to keep slightly ahead of demand, and to maintain predetermined and required levels of service. *Source:* Section C1.13.7 of the 2004 IATA *Airport Development Reference Manual.*

21 Point 61 of 'Community guidelines on financing of airports and start-up aid to airlines departing from regional airports' (OJ C 312, 9.12.2005, p. 1).

30

At landside, when comparing the use of the new or additional terminal space created to the benchmark[22] of 104 annual passengers per m^2, only 4 of the 14 audited airports (Catania, Naples, Heraklion and Thessaloniki) attained the benchmark. Average use at the other 10 airport terminals was considerably below the benchmark with seven terminals[23] having a yearly utilisation rate below 50 % (see ***Figure 4***). Overall, more than half of the EU funds audited (55 %, or 255 million euro) went into infrastructures which were unnecessarily large.

31

When assessing the use of the additional terminal space at the peak (usually the busiest hour of the busiest month of the year[24]), eight airports had a good use of their terminal space (Alghero, Catania, Comiso, Thessaloniki, Heraklion, Rzeszów, Tallinn and Tartu) and three airports had a reasonable use of their capacity (La Palma, Vigo and Naples). However, two airports (Badajoz and Fuerteventura) had built capacity which is not fully used at peak hour.

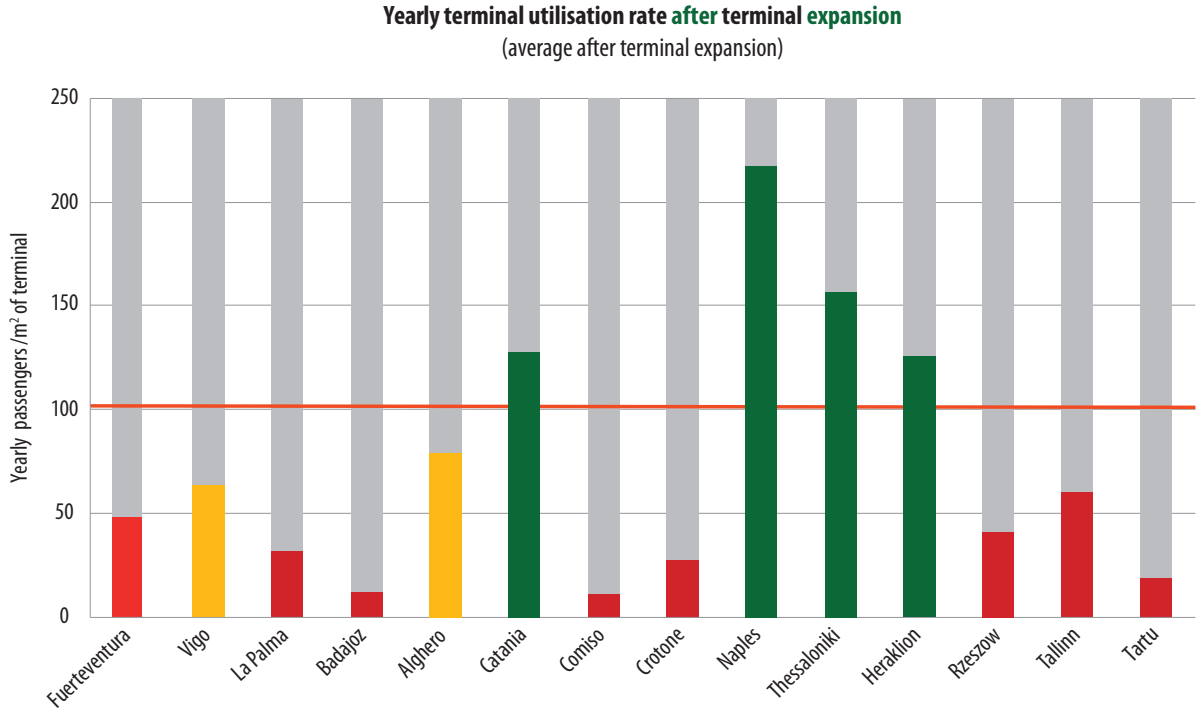
22 As published by the ATRS in respect of European airports in 2010 (http://www.atrsworld.org/docs/KeyFindings2012ATRSBenchmarkingReport-June22.pdf).

23 Of the seven terminals identified as being underused, the terminals at Comiso and Rzeszów only became operational in 2013 and 2012 respectively. According to their forecasts, these airports will reach the benchmark of 104 passengers per m^2 in 2018 (Comiso) and 2031 (Rzeszów).

24 In Spain, the definition of the peak hour was either the 30th busiest hour of the year or the one that accumulates 97,75 % of the traffic.

Figure 4

Yearly terminal utilisation rate after terminal expansion



Source: The airport authorities' data.

Key: The benchmark of 104 passengers per m^2 is indicated by the red line; green is used for airports which have an average use above this benchmark following expansion; orange is used for airports between 50 and 100 % of the benchmark; whereas red is used for airports which have an average of less than 50 %.

32
Similarly, the Court assessed airside capacity, which depends on the number and characteristics of runways, the size and configuration of aprons, the existence of taxi-ways and exit-ways and the type of aeroplanes using the airport. In only four of the airside infrastructure expansions using EU funding (in Catania, Naples, Thessaloniki and Tallinn) were the works in line with real needs; one airport (Alghero) created reasonable capacity regarding peak hour use, while excessive capacity was created in the other 11 airports audited.

33
Box 3 provides examples of oversized infrastructures.

Box 3

Examples of oversized infrastructures

(a) New terminal

At Fuerteventura airport in Spain, a project involving 21 million euro of EU funding was undertaken to enlarge the terminal. This project almost tripled the existing floor area (from 34 000 m^2 to 93 000 m^2), added 14 boarding gates (from 10 to 24), eight more luggage belts (from 7 to 15) and four additional contact gates (from five to nine contact gates). The scale of the works was predetermined by a passenger forecast of 7,5 million passengers by 2015, whereas in 2013 the airport had 4,3 million passengers. However, even if the forecasted 7,5 million passengers had been achieved, the terminal would still have been over-dimensioned as, according to IATA standards, 10 belts would have been sufficient rather than the 15 built. Moreover, as there was not enough traffic to allow the new terminal to be used to its full capacity, and as there will not be enough traffic before 2030 taking into account the latest forecast, the airport authority decided to close part of it (6 of the 24 gates) in order to reduce overall maintenance costs (see ***Picture 5***).

Source: European Court of Auditors.

Picture 5 — Closed part of the Fuerteventura terminal

Box 3

(b) Expansion of runway

Although there was a need to extend the airside capacity at La Palma, one of the Canary Islands, the additional capacity created by expanding the platform and works on the runway (including the construction of two car parks under the runway which are not used) in 2008 was not in keeping with the real needs: after expansion (total cost 36,4 million euro; EU funding of 17,1 million euro) the new airside capacity increased from 12 to 30 ATMs/hour, while the peak of ATMs/hour since the expansion has only been 13 ATMs/hour. Therefore the additional capacity created will continue to be under-used until the number of ATMs/hour rises significantly (see ***Picture 6***).

Source: European Court of Auditors.

Picture 6 — Oversized apron at La Palma airport

34
The Court also assessed whether the built infrastructures were in use at the time of the audit. Most of the infrastructures were being used, but some 38 million euro (8 % of the total) of EU funds audited was invested in infrastructures which were not used at the time of the audit.

35
Box 4 provides an example of an unused infrastructure.

Box 4

Empty and unused airport infrastructures

The cargo project at Thessaloniki airport in Greece involved building two new cargo terminal buildings, the renovation of two existing cargo buildings and the construction of a parking area. The two newly built cargo buildings remained empty (see ***Picture 7***), and only one of the two renovated cargo buildings was in regular use at the time of the audit visit (EU funds involved: 7 million euro). There was no evidence of any study being carried out to demonstrate a need to extend capacity for air cargo in the region.

Source: European Court of Auditors.

Picture 7 — One of the two new cargo buildings at Thessaloniki airport which were empty at the time of the audit visit

EU funding for investments which are not cost-effective

36

For infrastructure projects, at the project application approval stage, an investment decision is made based upon the projected costs and revenues of future operation. Theoretically the project should only go ahead if forecast revenues more than cover costs and ideally make a contribution towards financial sustainability. The risk to EU investment in such projects would be that the forecast costs and revenues turn out to have been unrealistic. For the type of project examined, the main areas of concern would be a failure to see the expected increase in passenger numbers or that costs have been underestimated.

37

The Court calculated an estimated cost per additional passenger and compared this with the planned cost included in the forecasts made when the investments were being decided upon to assess the risk for the EU of investing in airport infrastructures which are not cost-effective. This cost per additional attracted passenger was calculated by dividing the capital investments made in the 20 airports during the period 2000 to 2012 by the number of passengers over a notional 20-year[25] period (based on the actual number of passengers up to 2013 and on the latest forecasts made by the airports for the remainder of the period (see ***Figure 5***).

38

The Court's assessment[26] shows that:

- for 10 airports (Alghero, Catania, Comiso, Crotone, Naples, Thessaloniki, Heraklion, Rzeszów, Gdansk and Tallinn), the cost per additional passenger is less than 10 euro, and is generally in line with the forecast cost;

- for Madrid, the estimated real cost per passenger is 32 euro, far higher than the 19 euro used at the planning stage;

- for six Spanish airports (Fuerteventura, Burgos, Murcia, La Palma, Badajoz, Córdoba) and Tartu in Estonia, the estimated actual cost of attracting an additional passenger is more than double that forecast. This indicates that these investments bear a higher risk of not providing a return on investment, and that the forecasts upon which they were based were over-optimistic; and

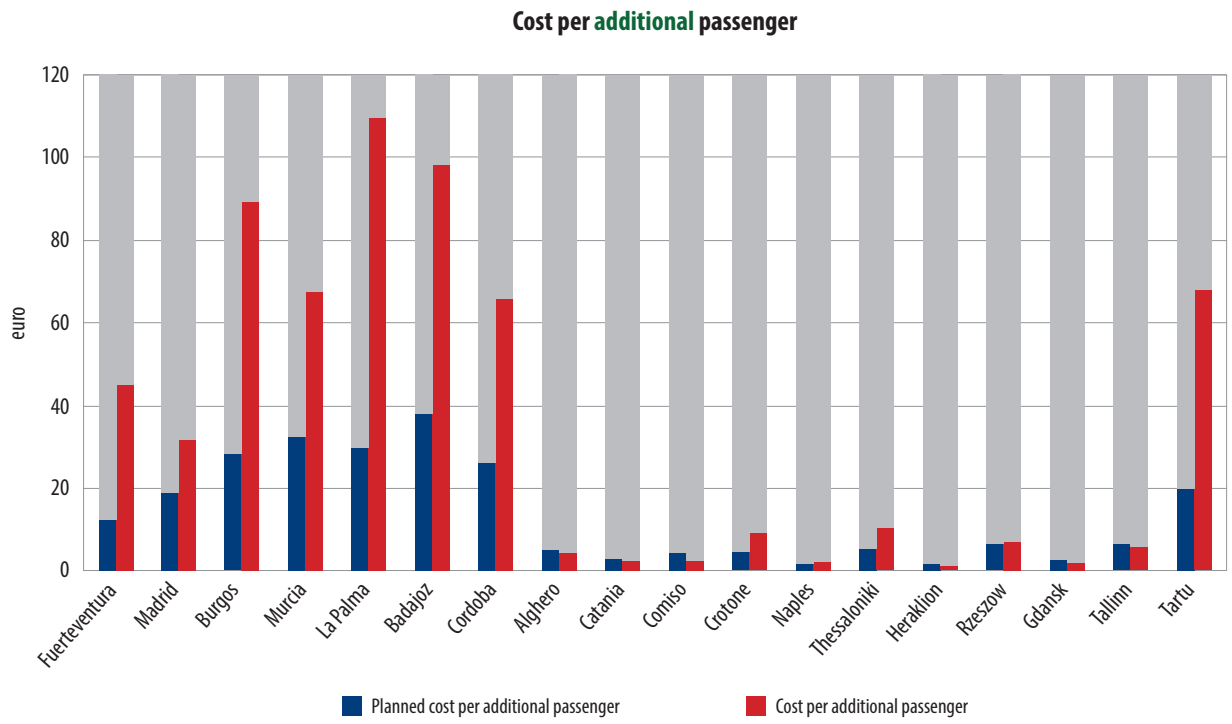
- for Vigo and Kastoria, the estimated cost per additional passenger cannot be calculated as the investments did not result in attracting any additional passengers.

25 Different time spans are suggested for assessing the lifetime of airport infrastructures: the European Commission cost–benefit analysis (CBA) guide suggests a 25-year period; the Jaspers (Joint Assistance to Support Projects in European Regions) guidance gives a range of 20 to 40 years for buildings and between 15 and 30 years for runways, taxiways and aprons; IATA suggests to build for 10 years and national implementing bodies have 20 or 25 years as standards. On this basis, the Court's calculation took 20 years as the expected lifespan of the infrastructure.

26 It should be noted that the figure reported includes only initial infrastructure costs while operational items such as the cost for maintaining the infrastructure, police, firefighters, customs and marketing have not been included.

Figure 5

Cost per additional passenger[1]



Source: The airport authorities' data.

Key: Blue = planned cost per additional passenger; red = calculated cost per additional passenger.

1 The planned cost per additional attracted passenger was calculated by dividing the capital investments made in the 20 airports during the period 2000 to 2012 by the number of passengers forecast over a notional 20-year period. The cost per additional attracted passenger was calculated by the Court by dividing the capital investments made in the 20 airports by the actual number of passengers up to 2013 and by the most up-to-date forecasts for the remainder of the period, provided by airport management.

Seven of the 20 audited airports are not financially self-sustainable

39

The Court also assessed whether the audited airports are financially self-sustainable and profitable[27]. To this end the Court carried out an analysis of the financial statements of the airports.

40

The analysis showed that 4 of the 20 audited airports were regularly profitable during the audited period (Catania, Naples, Tallinn and Gdansk). Seven airports, whilst not yet profitable, had prospects of breaking even in the medium term (Fuerteventura, Madrid-Barajas, Murcia, Alghero, Comiso, Rzeszów and Tartu) but another seven airports audited (Badajoz, Burgos, Córdoba, La Palma, Vigo, Crotone and Kastoria) made significant losses between 2007 and 2012.

41

The Court also calculated a profit or loss per passenger using the airports' financial statements and categorised the airports using three thresholds based on the number of passengers served on average during the audited period: fewer than 100 000 passengers, between 100 000 and 1 500 000 passengers, and more than 1 500 000 passengers. This analysis (see ***Figure 6***) shows that airports with fewer than 100 000 passengers per year made an average loss per passenger of 130 euro over the period.

42

Although not the only factor, the low number of passengers at many of the airports audited suggests that there is a high risk that there will not be a financial turnaround in the medium term (the lower the passenger numbers, the higher the loss per passenger as such items as high fixed costs or depreciation are spread across a relatively small number). Typically, those with fewer than 100 000 passengers per year are smaller regional airports, which will struggle to remain in operation without continuing financial support from public funds.

43

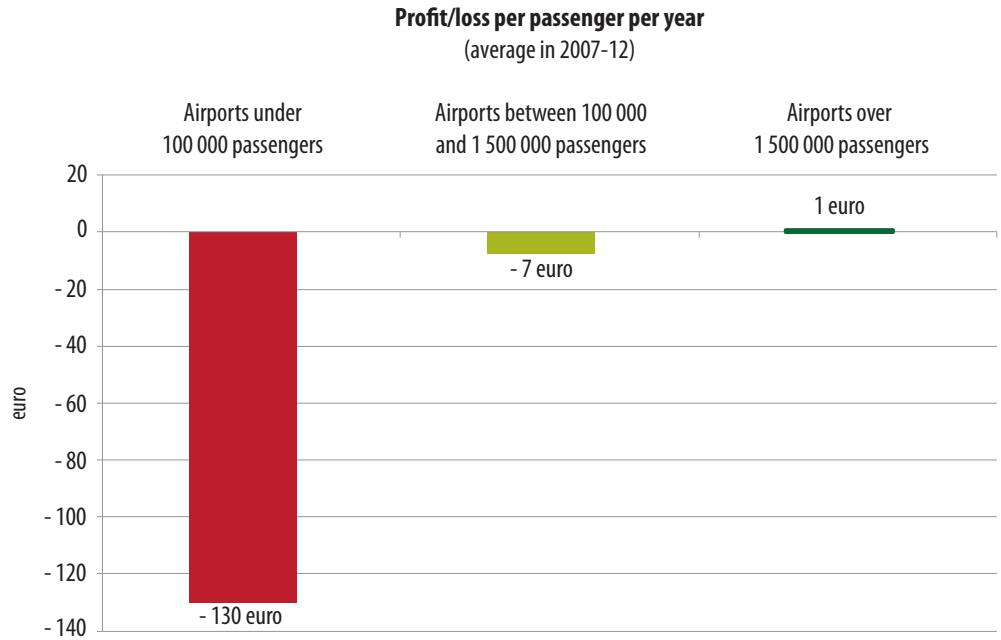
Investments in airport infrastructure also imply costs in future years for both operations and maintenance. Therefore, any decision to invest in such airports needs to be based upon convincing evidence that the socioeconomic benefits will outweigh the often significant costs involved[28].

27 Based on the financial statements provided by the HCAA for the airports of Thessaloniki, Heraklion and Kastoria only an estimation of cash flows could be produced by the Court.

28 For example, in order to cut costs while maintaining the operability of smaller airports, the Spanish Ministry of Development decided in June 2012 to reduce the maintenance costs of 17 airports having fewer than 500 000 passengers per year, and decreased their weekly operating hours and staff numbers.

Figure 6

Average profit or loss per passenger for the audited airports over the 2007 to 2012 period



Source: The airport authorities' accounting data. The losses per passenger may in reality be higher as:
(i) some of the costs for operating an airport do not appear in an airport's financial statements (for example the cost of policing, the fire service, customs, marketing, etc.); and
(ii) the Greek airports neither calculate depreciation costs nor include interest charges.

44

An example of the problems facing smaller airports can be seen at Burgos. Burgos airport, due to high depreciation charges on the infrastructure and low passenger numbers (18 905 passengers in 2013), accumulated a financial loss of 30 million euro (67 % of its total assets) from its opening in July 2008 until the end of 2012. In addition, as 90 % of all commercial flights are operated by one single carrier to only one destination (Barcelona), this airport runs a high risk of continuing unsustainably low passenger numbers going forward as the population in the catchment area has at least five alternatives[29] to fly from other airports within a 2-hour drive (see also ***Box 5***).

29 The airports of Bilbao, Leon, Logrono, Valladolid and Vitoria are less than a 2-hour drive from Burgos, while Pamplona, Santander and San Sebastian are within 2 hours and 10 minutes.

Box 5

Example of an airport which is not financially self-sustainable

In Kastoria, airport revenue was 176 000 euro for 2005–12 whilst, during the same period, the total cost of keeping the airport open was 7,7 million euro. For the period given, the total number of passengers was 25 thousand people representing a loss of about 275 euro per passenger. Some 16,5 million euro (5,6 million euro of EU funds) has been invested in an extension to the runway at this airport which has up to the time of this report never been used by the type of aircraft for which the extension was built. This cannot be considered as an effective use of public funds.

45

According to the Airports Council International (ACI) *Economics Report 2011*, airports with over 5 million passengers per year can operate profitably, airports having between 1 and 5 million passengers per year can meet their operational expenses and the revenues of smaller airports cannot even cover their variable costs. This is in keeping with the Court's own calculations outlined in ***Figure 6***.

Forecast of passenger numbers significantly over-optimistic for 12 of the 20 airports examined

46

The Court assessed the quality and the reliability of the traffic forecasts that were prepared to support the investment decisions, examining the divergences with the actual evolution of passenger numbers.

47

The Court found that the forecasts of additional passenger numbers contained within these plans were significantly over-optimistic in 12 out of 20 airports. For example, in Córdoba, in 2013, 6 955 passengers travelled, against 179 000 forecast, and for Crotone, the numbers were 28 892 passengers, against 306 000 forecast.

48

Considering the number of passengers that used the airports up to 2013 and the numbers forecast by the airports for the following years, the additional passengers are likely to be on average 36 % less than had been forecast at the time of deciding on the investments. In only six cases (Alghero, Catania, Comiso, Gdansk, Heraklion and Tallinn) were actual passenger numbers in 2013 higher than those forecast. Two airports had forecasts which were less than 10 % higher than the actual additional passenger numbers (Naples and Rzeszów) while the forecasts for all other airports were significantly over-optimistic (see ***Figure 7***).

Limited impact of EU-funded investments on passenger numbers, customer service and job creation[30]

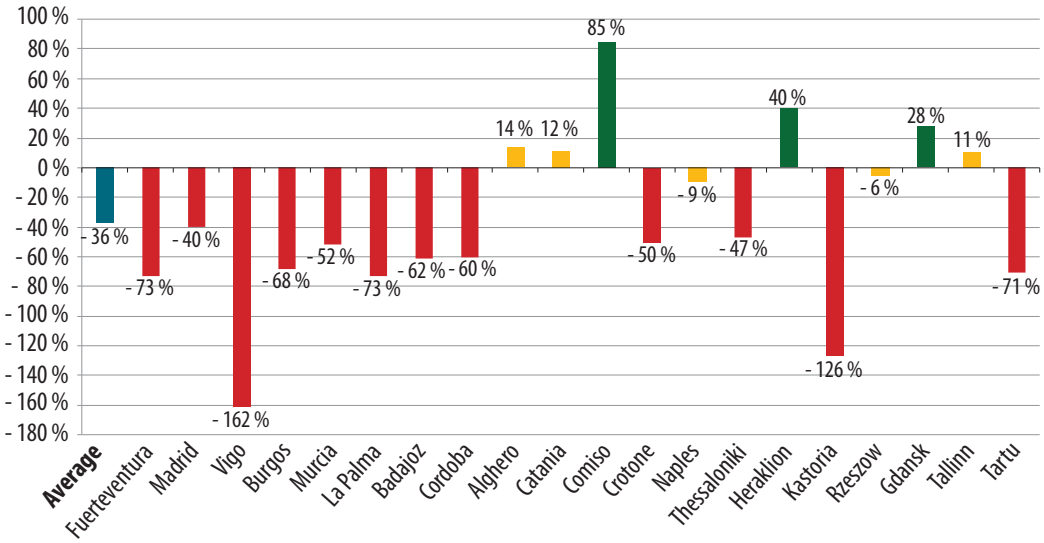
49

The Court examined whether anticipated results have been achieved by analysing the evolution of passenger numbers, customer services and the impact of the investments on job creation.

30 A list of the audited airports with a full overview of audit findings and results can be found in ***Annex III***.

Figure 7

Quality of forecasting[1]



Source: The airport authorities' data.

Key: The airports having a higher number of additional passengers in the 20 years after expansion works compared to those forecast are in green; additional passenger numbers of less than 10 % below the forecasts are in orange; whereas those below the latter threshold are in red.

1 The Court assessed the quality of the forecasting by comparing, for each airport, the original forecast of additional passengers to be attracted with the actual number of passengers that used the airport until 2013, and with the most up-to-date forecast for the remainder of the period, provided by airport management. This was calculated for a period of 20 years following the expansion works.

50

Table 2 provides the passenger data for the audited airports for 2007 (the first year of measurement), 2010 (passenger data after the crisis) and 2013. Only 10 of the 20 audited airports succeeded in increasing their passenger numbers between 2007 and 2013. The main gains in passengers were noted in Gdansk (an increase of 1,1 million passengers) and in Catania, Heraklion and Rzeszów (300 000 to 400 000 more passengers). Nine of the airports (Fuerteventura, Madrid, Vigo, Murcia, La Palma, Badajoz, Cordoba, Crotone and Naples) had even lower passenger numbers in 2013 than they had in 2007.

Table 2

Overview of passenger trends at the examined airports

	2007	2010	2013	Variation 2007–13
Fuerteventura	4 629 877	4 173 590	4 259 341	**- 8 %**
Madrid	52 110 787	49 866 113	39 729 027	**- 24 %**
Vigo	1 405 968	1 093 576	678 720	**- 52 %**
Burgos	13 037	33 595	18 905	**45 %**
Murcia	2 002 949	1 349 579	1 140 447	**- 43 %**
La Palma	1 207 572	992 363	809 521	**- 33 %**
Badajoz	91 585	61 179	29 113	**- 68 %**
Córdoba	22 410	7 852	6 955	**- 69 %**
Alghero	1 300 115	1 388 217	1 563 908	**20 %**
Catania	6 083 735	6 321 753	6 400 127	**5 %**
Comiso			59 513	
Crotone	106 122	103 828	28 892	**- 73 %**
Naples	5 775 838	5 584 114	5 444 422	**- 6 %**
Thessaloniki	4 168 557	3 910 751	4 337 376	**4 %**
Heraklion	5 438 825	4 907 337	5 675 653	**4 %**
Kastoria	3 806	3 019	5 304	**39 %**
Rzeszów	279 996	454 237	589 920	**111 %**
Gdansk	1 715 816	2 225 113	2 844 308	**66 %**
Tallinn	1 728 430	1 384 831	1 958 801	**13 %**
Tartu	1 182	23 504	13 790	**1 067 %**
TOTAL	**88 086 607**	**83 884 551**	**75 594 043**	**- 14 %**

Source: The airport authorities' passenger data.

51
Evidence showing improvements in customer service was limited. At three airports (Fuerteventura, Thessaloniki and Heraklion) EU-funded projects had specific objectives to increase the quality of service to passengers. Surveys among passengers and airlines using 'satisfaction indicators' generally indicated an upward trend of customer service since 2010 at these three airports. This was also the case for eight others (Badajoz, La Palma, Madrid-Barajas, Vigo, Alghero, Catania, Naples and Rzeszów). In the remaining nine airports, there was either no improvement in the quality of service provided to passengers, or no measurement of whether such improvements had taken place.

52
Job creation and economic growth are generally claimed to be good reasons for investing in airports. The Court found, however, that socioeconomic benefits were generally not measured. There was also little evidence that additional jobs were created as a result of the EU investments in the audited projects. In the case of four airports (Comiso, Rzeszów, Gdansk and Tallinn), a limited number of newly created permanent jobs can be directly linked to the EU projects audited. Studies provided by Madrid-Barajas, Alghero and Gdansk indicate generic benefits for a region from the siting of an airport and its operation. However, these studies do not establish a link between an improvement in regional GDP figures and EU-funded investments in airport infrastructures.

Similar investments in airports in close proximity to each other

53
The Court also examined the area of influence of the airports, i.e. their capacity to attract visitors and customers (the catchment area) which depends on the population nearby and the surface transport possibilities. To this purpose the Court used the latest Eurostat data available on current road connections, traffic speed data, population and potential tourist numbers[31]. The Court analysed the overlaps of catchment areas, applying a uniform criterion of 120 minutes' driving distance[32].

54
This analysis (all charts for the audited airports are in ***Annex IV***) indicates the following.

- For 13 out of 18 audited airports[33], significant overlaps[34] exist with the catchment areas of neighbouring airports, and in many cases there are overlaps with several catchment areas. The vast majority of the population living in the catchment area of the airports audited had several other opportunities within a 2-hour drive to travel by air via a neighbouring airport. Only five airports of the audited sample (Madrid-Barajas, Badajoz, Tartu, Tallinn and Rzeszów) were located in places where the majority of the population had limited opportunities to choose an alternative airport within a 2-hour drive.

31 The latest road data available was from the 2009 TeleAtlas road network. Population data were based on the 2006 population grid. Tourism data were also from 2006, derived from nights spent in tourist accommodations and number of beds. Airport locations were taken from the reference database of Eurostat (GISCO). Nearby competitor airports were identified based on the number of passengers per year (airports having fewer than 15 000 passengers per year were not considered).

32 While accepting that each individual airport has its own specificities, the Court has opted to use an overall 2-hour catchment area definition for its assessment, as this was supported by various references in the relevant literature: e.g. Starkie 2008, Marucci and Gatta, 2009. In addition, many passengers go beyond this time: for example there are regular bus lines scheduled to bring passengers from the audited airport of Tartu to Riga in 3,5 hours (https://www.airbaltic.com/en/bus).

33 The airports of Fuerteventura and La Palma were excluded from this assessment, as these are single-island airports.

34 The Court considers an overlap to be significant if more than 75 % of the population has access to multiple airports within a range of 120 minutes' driving time.

- There is a proliferation of airports very close to each other which invested in similar infrastructure (terminals, aprons, runways): although most airports had significant overlaps, there was little consideration given to investments in neighbouring airports, which would have been necessary for rational planning and optimising the use of EU funds.

55

An alternative analysis carried out by the Court, using the 90 minutes' driving distance as criterion which has also been used by the Commission in a 2013 study[35], has resulted in similar findings[36].

56

Only some airports used catchment area analysis in their future investment planning. However, each airport had a differently defined catchment area as none of the Member States had established a common definition. Catchment area analysis was generally not used to identify overlaps between airports in close proximity to each other and their consequences on growth potential. This often resulted in the double counting of potential passengers in the totals used by each airport to justify its expansion (for example, the master plans of Catania and Comiso airports, both of which received significant EU funds, double counted a major part of the population living in the catchment area of both airports).

57

The impact of the investments made in the nearby airports or the impact of competing modes of surface transport was usually not taken into consideration when deciding whether or not to expand an airport's capacity (see the two examples in ***Box 6***). A notable exception was Madrid-Barajas airport, where traffic forecasts were adjusted to take into account the fact that the air route to Barcelona would lose 40 % of its passengers as a result of the expected opening of a high-speed rail line.

35 Commission publication 'Measuring accessibility to passenger flights in Europe: Towards harmonised indicators at regional level', *Regional Focus*, 01/2013, September 2013.

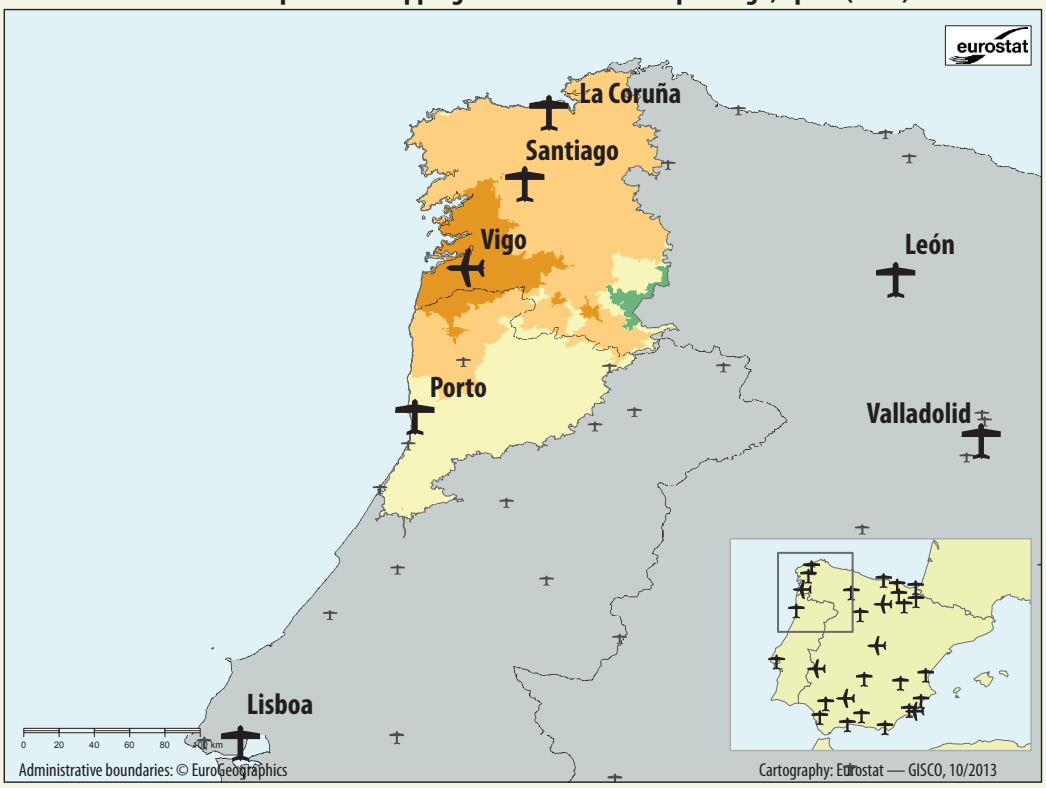
36 The percentage of residents with access to multiple airports — when using the 90 minutes' instead of the 120 minutes' driving distance criterion — remains over 75 % for 12 audited airports.

Box 6

Examples of catchment area analysis

(a) In Vigo, extensive overlaps exist as basically the whole population (99,92 % of the 6 164 630 residents in the Vigo catchment area) also has access to at least one other airport within a 2-hour drive. The air traffic demand of this airport will be affected by the presence of nearby airports at La Coruña, Santiago de Compostela and Porto, and high-speed rail connections to other parts of Spain.

Number of airports overlapping with the audited airport Vigo, Spain (LEVX)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Vigo (LEVX) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
La Coruña (LECO)	2 431 790	39,45	137	83
Santiago (LEST)	3 316 240	53,79	93	57
Porto (LPPR)	4 658 720	75,57	128	77
León (LELN)	411	0,01	328	234
Lisbon Portela (LPPT)	527	0,01	439	226

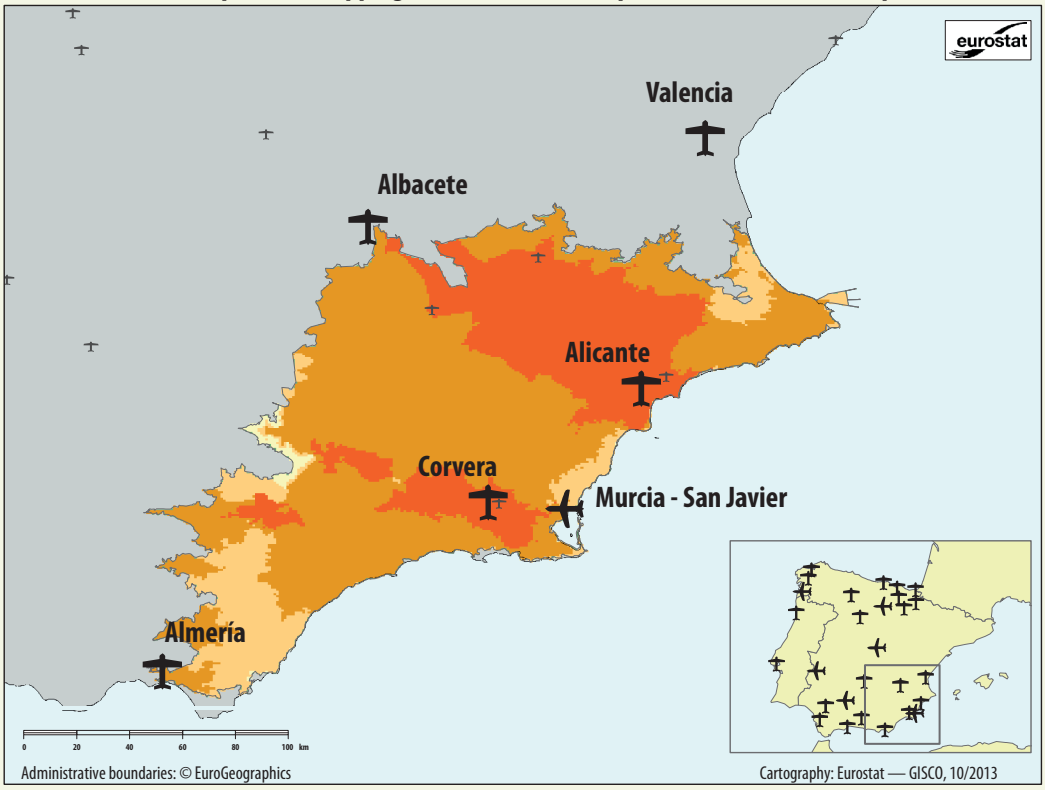
No of residents within 2 hours of audited airport	Total No of **residents** overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourist **nights per year within 2 hours** of audited airports
6 164 630	6 159 440	99,92	3,02	2,98	19 166 393

Sources: Eurostat population (2006) and tourism data (2006/10).

Box 6

(b) Murcia-San Javier was initially a military airport open to civil traffic with some restrictions related to the operating hours. Decisions were taken from 2003 to 2007 to build additional airside capacity for the military which would in return allow the civil airport to also open in the morning. However, there was no analysis of the overlap between the catchment areas of San Javier and Alicante, or the nearby airport of Corvera, only 37 kilometres away[37]. The Corvera airport was completed in 2012, at the same time as the Murcia-San Javier investments, but was not operational at the date of the audit as it had not yet received the certification it had applied for in October 2011.

Number of airports overlapping with the audited airport Murcia - San Javier, Spain (LELC)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Murcia (LELC) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Albacete (LEAB)	2 451 970	66,39	183	123
Alicante (LEAL)	3 532 000	95,64	69	52
Almeria (LEAM)	691 125	18,71	201	118
Granada (LEGR)	77 610	2,10	307	200
Valencia (LEVC)	1 733 710	46,94	232	149
Corvera (LEMI)	3 431 170	92,91	36	33

No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
3 693 100	3 692 610	99,99	13,28	13,02	28 630 490

Sources: Eurostat population (2006) and tourism data (2006/10).

58

For the airports of Córdoba, Vigo, Murcia, Burgos, Alghero, Crotone, Naples, Catania, Comiso, Kastoria and Gdansk, overlaps in their catchment areas were particularly pronounced. The nearest competitor airport is in most cases only a 1-hour drive away and 97 % of those living within 2 hours of these 11 airports also have access to at least another airport within a 2-hour drive. In Córdoba, Vigo, Murcia and Naples, there are three competitor airports within a 2-hour drive and in the case of Burgos there are five competitor airports within the same range, see ***Table 3***.

59

The definition used by the Commission for issuing state aid decisions is that the catchment area of an airport in general means a geographic market boundary that is normally set at around 100 kilometres or around 60 minutes' travelling time by car, bus, train or high-speed train. On the basis of new guidelines on state aid adopted in February 2014, the Commission adopted a number of decisions concerning investment and operating aid to airports and airlines highlighting that: (i) subsidies to airport infrastructures which are too close to each other do not contribute to regional accessibility or development, and (ii) the duplication of unprofitable infrastructure is a waste of taxpayers' money which distorts competition between airports[38]. These observations are in keeping with the Court's audit results.

37 In 2003, the idea of the new airport in Corvera was approved by the ministry and the airport was declared to be of a general interest for the state. The tender for concession was awarded in May 2007; the technical design project was completed in June 2008 and the physical installations completed in April 2012.

38 Statement of the Vice-President of the Commission, Joaquín Almunia, 1.10.2014; see also: IP/14/1065, MEMO/14/544.

Table 3

Number of airports competing with the audited airports with data on driving time and distance

Country	Audited airports	No of competitor airports within 2 hours of audited airport	Average driving time to competitor airports (min) for residents in overlaps	Nearest competitor airport	Driving time to nearest competitor airport (min)	Road distance to nearest competitor airport (km)
Spain	Córdoba	3	113	Seville	87	119
	Vigo	3	72	Santiago	57	93
	Fuerteventura	1	79	Lanzarote	79	81
	La Palma	0				
	Murcia	3	80	Corvera	33	36
	Badajoz	0	134	Lisbon	127	226
	Burgos	5	100	Vitoria	70	114
	Madrid-Barajas	0	158	Valladolid	140	213
Italy	Alghero	2	109	Olbia	93	126
	Crotone	1	101	Lamezia T.	62	88
	Naples	3	94	Salerno	47	73
	Catania	2	103	Comiso	67	84
	Comiso	1	111	Catania	66	84
Greece	Thessaloniki	1	105	Kozani	87	137
	Heraklion	1	116	Sitia	107	102
	Kastoria	2	85	Kozani	52	68
Poland	Gdańsk	2	65	Gdynia	37	32
	Rzeszów	0	152	Lublin	138	155
Estonia	Tallinn	0	131	Helsinki	124	109
	Tartu	0	174	Tallinn	160	189

Planning of investments in airport infrastructures generally not coordinated at national level

60
The Court examined the robustness of the long-term strategies on airport developments of the five Member States visited, checking whether there was a strategic framework for a coherent development of all airports within its territory based upon the identification of needs.

61
The Court found that at the time the decisions were taken on the main airport investments in the audit sample, only one of the five Member States had a long-term strategic vision: in Poland there was an 'Airports development programme' with a list of airport infrastructure investments deemed necessary.

62
There was no strategic long-term airport development plan in Spain, Italy, Greece or Estonia. These countries had general and long-term plans encompassing all modes of transport which, however: (i) had no particular focus on either air travel or airport development, and (ii) were not coordinated with developments in other transport modes which could potentially compete with air traffic.

63
Master plans usually existed for individual airports and described their geographical and economic context. However, only 11 of the 20 airports (Badajoz, Burgos, Fuerteventura, La Palma, Madrid-Barajas, Murcia, Vigo, Catania, Heraklion, Thessaloniki and Kastoria) included a needs assessment for additional infrastructure investments for the airport in their plans.

64
The objectives set for the audited airport projects were usually neither quantified nor time-scaled. They tended to be expressed in terms of construction outputs, such as: 'to build an airport for 400 000 passengers per year', or to 'increase the level of service to passengers and improve infrastructures'. Once the projects were implemented, the Member State authorities checked the outputs but did not usually check whether, or to what extent, the project objectives had been achieved.

65
The indicators used to measure project success tended to be physical output indicators and the number of jobs created during construction. In the few cases where there were results indicators, they were either not sufficiently specific or they lacked a baseline or a stipulation as to how and when their achievement should be measured. Sometimes, project data were aggregated with other projects making it impossible to measure *ex post* the achievement of individual project objectives[39]. As a result, the management and monitoring systems in Member States usually only compared achieved outputs using physical indicators.

39 For example, the indicator 'expected growth in domestic passenger numbers' for the 2007–13 projects at Tartu airport does not allow analysis of airport passenger growth as airport passenger numbers are included with ferry passenger numbers.

Limited information available to the Commission on EU funding of airports

66
The way the shared management reporting system worked in the 2000–06 period meant that information on ERDF infrastructure projects in EU airports was not available to the Commission until the closure of the operational programme (at the end of 2009 at the earliest). There should have been an improvement for the 2007–13 multiannual financing period as managing authorities were supposed to publish information on such projects on their website. However, there is still no full overview of airport infrastructure projects financed by the ERDF and CF.

67
This situation prevents the Commission from having a complete picture of all EU investments going to airports and limits its possibilities for monitoring and ensuring that policies are properly designed and implemented.

Conclusions and recommendations

68
The overall conclusion is that the EU-funded investments in airports produced poor value for money: too many airports (which were often in close proximity to each other) were funded and in many cases the EU-funded infrastructures were oversized.

69
In particular, the Court found that:

- a need for the EU-funded investments in airport infrastructure could be demonstrated for around half of the projects examined (based on a benchmarking with comparable airports, paragraphs 22 to 26);
- there were delays in construction and the final delivery of airport infrastructures in 17 and cost overruns in 9 of the 20 airports examined (paragraph 27);
- more than half of the newly built (or upgraded) infrastructures were not fully used. In some cases, this was even the case at peak hours (paragraphs 28 to 35).

70
The Court also observes that the EU funding was not cost-effective and that 7 of the 20 airports examined are not profitable and, as a result, there is the risk that they may need to be closed unless they receive continuous public financial support. This is particularly the case with small regional airports having fewer than 100 000 passengers per year (paragraphs 36 to 48).

71
Moreover, the EU-funded investments did not always lead to anticipated results: actual passenger numbers fell significantly short of initial forecasts and only 10 of the 20 airports succeeded in increasing their passenger numbers between 2007 and 2013. Improvements in customer service were in most cases not measured and therefore difficult to assess (paragraphs 49 to 52).

Recommendation 1

The Court recommends that the Commission should ensure during the 2014–20 programme period that Member States only allocate EU funding to airport infrastructures in those airports which are financially viable and for which investment needs have been properly assessed and demonstrated. This should be part of the approval and monitoring of operational programmes carried out by the Commission.

72
In many cases EU funding is provided to airports in close proximity to each other. The Court's analysis showed that for 13 of 18 airports examined, significant overlaps exist with the catchment areas of neighbouring airports. This can result in over-capacity and is poor value for money (paragraphs 53 to 59). Finally, the EU funding of airports is not well coordinated at national level and, in particular as regards major projects and cohesion fund projects, is insufficiently supervised by the Commission. For projects selected by Member States, the Commission generally does not know which airports receive funding and how much they receive (paragraphs 60 to 67).

Recommendation 2

The Court recommends that the Member States should have coherent regional, national or supranational plans for airport development to avoid over-capacity, duplication and uncoordinated investments in airport infrastructures.

This Report was adopted by Chamber II, headed by Mr Henri GRETHEN, Member of the Court of Auditors, in Luxembourg at its meeting of 12 November 2014.

For the Court of Auditors

Vítor Manuel da SILVA CALDEIRA
President

Annex I

ERDF and CF allocations between 2000 and 2013 for airport infrastructures[1] per Member State (in euro)

	Country	ERDF + CF (2000–06)	ERDF + CF (2007–13)	ERDF + CF (2000–13)	% of total ERDF + CF
1	Spain	390 324 552	295 047 976	685 372 528	23,98 %
2	Poland	0	601 446 388	601 446 388	21,04 %
3	Italy	306 237 009	187 381 345	493 618 354	17,27 %
4	Greece	170 111 813	202 400 000	372 511 813	13,03 %
5	Czech Republic	4 203 169	96 510 469	100 713 638	3,52 %
6	France	44 861 420	50 609 810	95 471 230	3,34 %
7	Latvia	16 562 376	78 500 000	95 062 376	3,33 %
8	Estonia	54 973 097	12 526 683	67 499 780	2,36 %
9	Lithuania	11 388 469	48 066 024	59 454 493	2,08 %
10	Portugal	13 820 420	40 959 745	54 780 165	1,92 %
11	United Kingdom	30 703 979	23 000 000	53 703 979	1,88 %
12	Bulgaria (ISPA)	45 000 000	0	45 000 000	1,57 %
13	Romania	0	41 061 301	41 061 301	1,44 %
14	Slovenia	0	28 700 000	28 700 000	1,00 %
15	EU cross-border cooperation	13 789 117	14 007 318	27 796 435	0,97 %
16	Hungary	15 516 000	0	15 516 000	0,54 %
17	EU interregional cooperation	6 060 967		6 060 967	0,21 %
18	Germany	5 341 238	490 000	5 831 238	0,20 %
19	Slovakia	4 261 687	0	4 261 687	0,15 %
20	Sweden	0	3 347 149	3 347 149	0,12 %
21	Austria	1 317 325	0	1 317 325	0,05 %
	Totals	**1 134 472 638**	**1 724 054 208**	**2 858 526 846**	**100 %**

1 Not including the cohesion policy funding for technologies and multimodal investments, estimated to be around 1,2 billion euro.

Annex II

List of airports and projects audited

Country	Airport	EU funds for projects audited	Start date (main works)	End date (main works)	Audited terminals (EU funding)	Audited aprons (EU funding)	Audited taxiways (EU funding)	Audited runways (EU funding)	Audited safety and control tower systems (EU funding)	Other (e.g. APM, cargo, car park) (EU funding)
Spain	Badajoz	6 134 779	2008	2010	4 047 417	1 409 190		84 785		593 387
	Burgos	191 603	2007	2008						191 603
	Córdoba	13 468 562	2006	2008		810 855		12 657 707		
	Fuerteventura	53 695 604	2004	2010	21 358 194	7 549 633	3 464 284	17 463 071	2 631 649	1 228 773
	La Palma	49 764 569	2004	2010	26 315 005	13 661 002		3 435 400	220 835	6 132 327
	Madrid	41 043 520	2000	2007						41 043 520
	Murcia	20 396 706	2004	2011			2 636 907	2 937 427	2 775 913	12 046 459
	Vigo	6 058 451	2006	2009	734 640	2 459 015			2 017 122	847 674
Italy	Alghero	13 278 792	2001	2007	5 179 050	2 338 322	2 482 393	2 192 707	1 086 320	
	Catania	44 660 578	2002	2006	28 012 093	2 688 203	6 090 574	2 329 754	5 539 954	
	Comiso	20 263 062	2004	2010	5 209 079	1 366 465	1 578 057	5 607 996	5 183 279	1 318 186
	Crotone	4 736 007	2006	2011	869 283	1 877 056	1 199 550	437 453	352 665	
	Naples	20 649 583	2000	2009	5 517 072	2 817 663	5 106 493	3 124 613	4 083 742	
Greece	Thessaloniki	54 054 434	2001	2009	11 779 105	1 524 912		23 908 629		16 841 788
	Heraklion	9 240 605	2001	2005	9 240 605					
	Kastoria	5 635 060	1999	2003				5 635 060		
Poland	Gdańsk	13 732 481	2007	2012		1 401 465	5 594 565			6 736 451
	Rzeszów	18 597 944	2009	2013	15 686 246				2 090 980	820 718
Estonia	Tallinn	53 093 520	2005	2008	29 212 175	10 308 691	10 665 438		288 579	2 618 637
	Tartu	11 805 499	2008	2012	1 067 256	776 027	776 027	776 027	8 410 162	
	Population audited	460 501 359			164 227 220	50 988 499	39 594 288	80 590 629	34 681 200	90 419 523
	In %				35,66 %	11,07 %	8,60 %	17,50 %	7,53 %	19,64 %

Annex III

Overview of audit results and assessment[1]

Country	Airport	Was the investment well planned?	Were the physical outputs achieved?	Were the investments needed?	Are all outputs being used?	Were expected quantitative results between 2007 and 2013 achieved?	Were qualitative benefits achieved?	Was any impact on regional economy evidenced?	Is the cost per additional passenger reasonable?	Is this a sustainable airport?
Spain	Badajoz									
	Burgos									
	Córdoba									
	Fuerteventura									
	La Palma									
	Madrid-Barajas									
	Murcia									
	Vigo									
Italy	Alghero									
	Catania									
	Comiso									
	Crotone									
	Naples									
Greece	Heraklion									
	Kastoria									
	Thessaloniki									
Poland	Gdańsk									
	Rzeszów									
Estonia	Tallinn									
	Tartu									

1 See the key on the next page.

Annex III

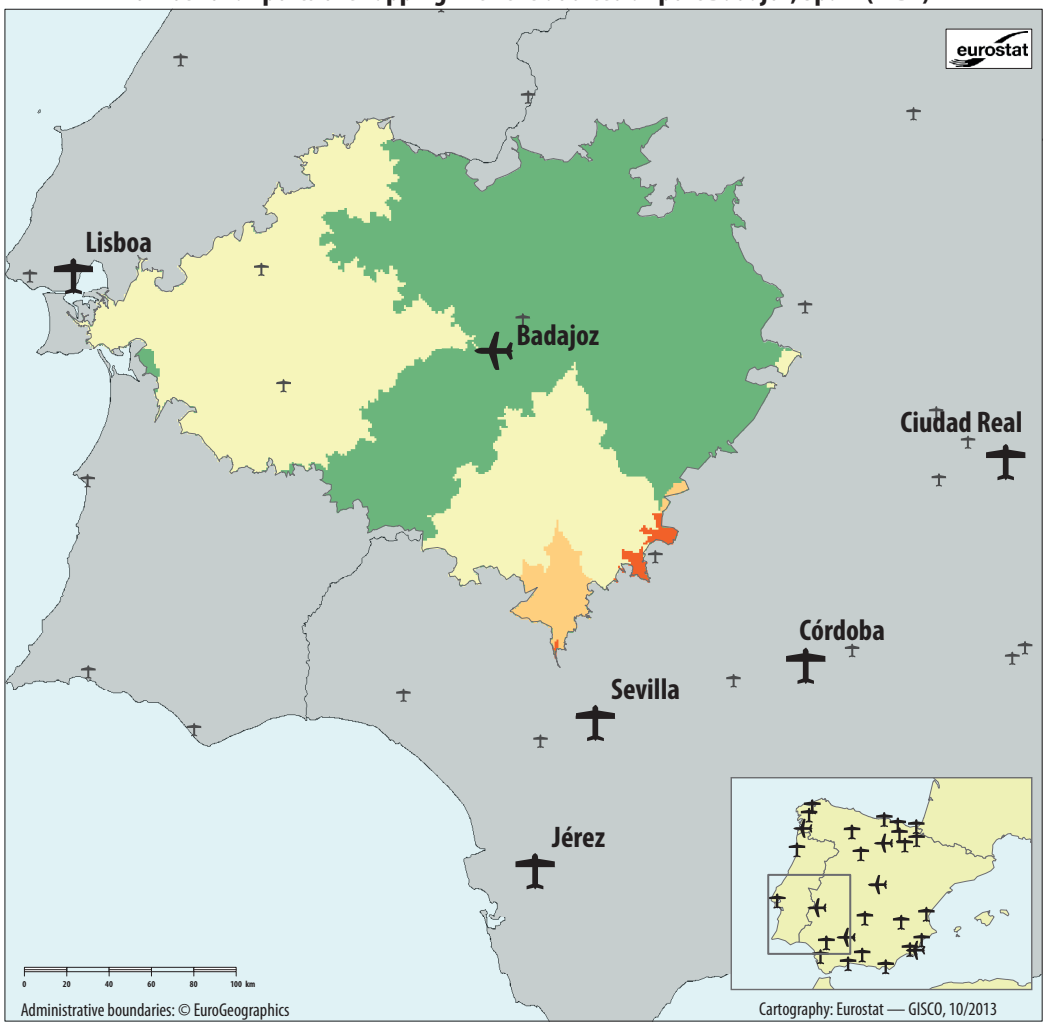
Key to Annex III

	Was the investment well planned?	Were the physical outputs achieved?	Were the investments needed?	Are all outputs being used?	Were expected quantitative results between 2007 and 2013 achieved?	Were qualitative benefits achieved?	Was any impact on regional economy evidenced?	Is the cost per additional passenger reasonable?	Is this a sustainable airport?
Green indicates a satisfactory situation	A long-term air sector plan exists; catchment area analysis and reliable forecasts are in an airport master plan	Outputs have been built as planned	Evidence of a proper needs assessment has been produced	Co-financed infrastructures were being used effectively	The expected quantitative improvements have been achieved	The expected qualitative benefits have been evidenced via passenger surveys	The positive impact on the regional economy has been evidenced	The real cost per additional passenger is below 20 euro	The airport is profit-making
Orange indicates an in-between situation	Some of the above indicated elements exist	Outputs have been built with differences compared to what was planned	There was no evidence that some of the investment was needed	Co-financed infrastructures were being used, but far below capacity	There were improvements, but lower than expected, or too early to tell (Comiso)	There were qualitative benefits, even though these were not measured	There were studies on the impact on the regional economy without a link to the investments	The real cost per additional passenger is between 20 and 80 euro	The airport is not profit-making but will be able to break even within the medium term (7 years), or there are no transparent accounts (two Greek airports)
Red indicates an unsatisfactory situation	None of these elements either exist or are taken into account for the investment decision	(Part of the) outputs planned have not (or not yet) been built	There is evidence that the investment was not needed	(Part of) the infrastructures were not being used	There were no quantitative improvements	There was no evidence of qualitative benefits	The positive impact on the regional economy has not been evidenced	The real cost per additional passenger is above 80 euro	The airport depends on a continuous support for its operations

Annex IV

Catchment area analysis of individual airports: Badajoz

Number of airports overlapping with the audited airport Badajoz, Spain (LEBZ)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Badajoz (LEBZ) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Sevilla (LEZL)	204 602	14,80	211	143
Lisbon Portela (LPPT)	486 566	35,20	226	127
Córdoba (LEBA)	8 488	0,61	248	216
Jérez (LEJR)	16 550	1,20	284	188
Ciudad Real Central (LERL)	1 372	0,10	278	225

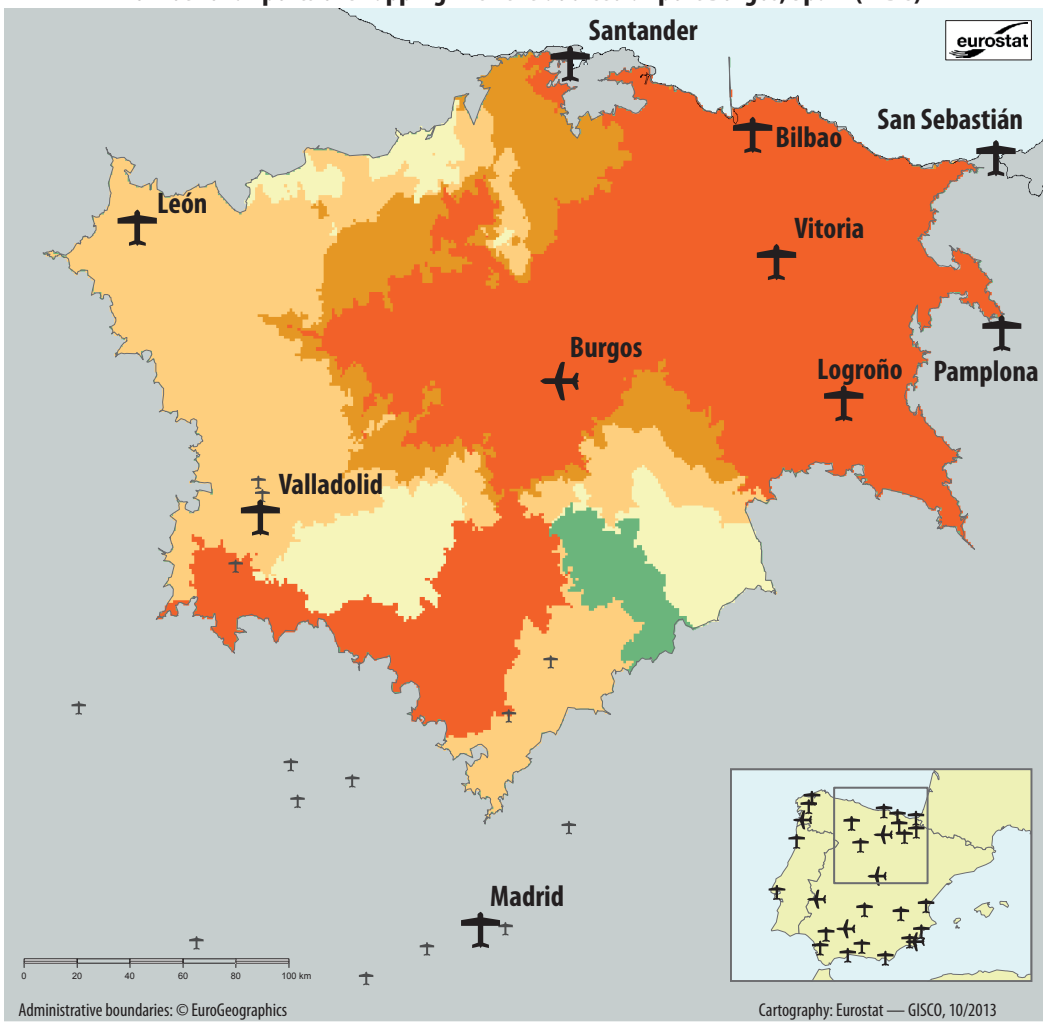
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
1 382 390	693 233	50,15	6,01	6,01	6 167 787

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Burgos

Number of airports overlapping with the audited airport Burgos, Spain (LEBG)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Burgos (LEBG) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Bilbao (LEBB)	2 987 330	73,59	150	90
León (LELN)	1 056 690	26,03	184	105
Madrid-Barajas (LEMD)	148 291	3,65	237	151
Pamplona (LEPP)	2 523 380	62,16	194	124
Valladolid (LEVD)	1 220 930	30,08	140	96
Vitoria (LEVT)	3 047 830	75,08	114	70
Santander (LEXJ)	2 721 210	67,04	153	122
San Sebastián (LESO)	2 549 690	62,81	226	126
Logroño (LERJ)	2 835 972	69,86	120	85

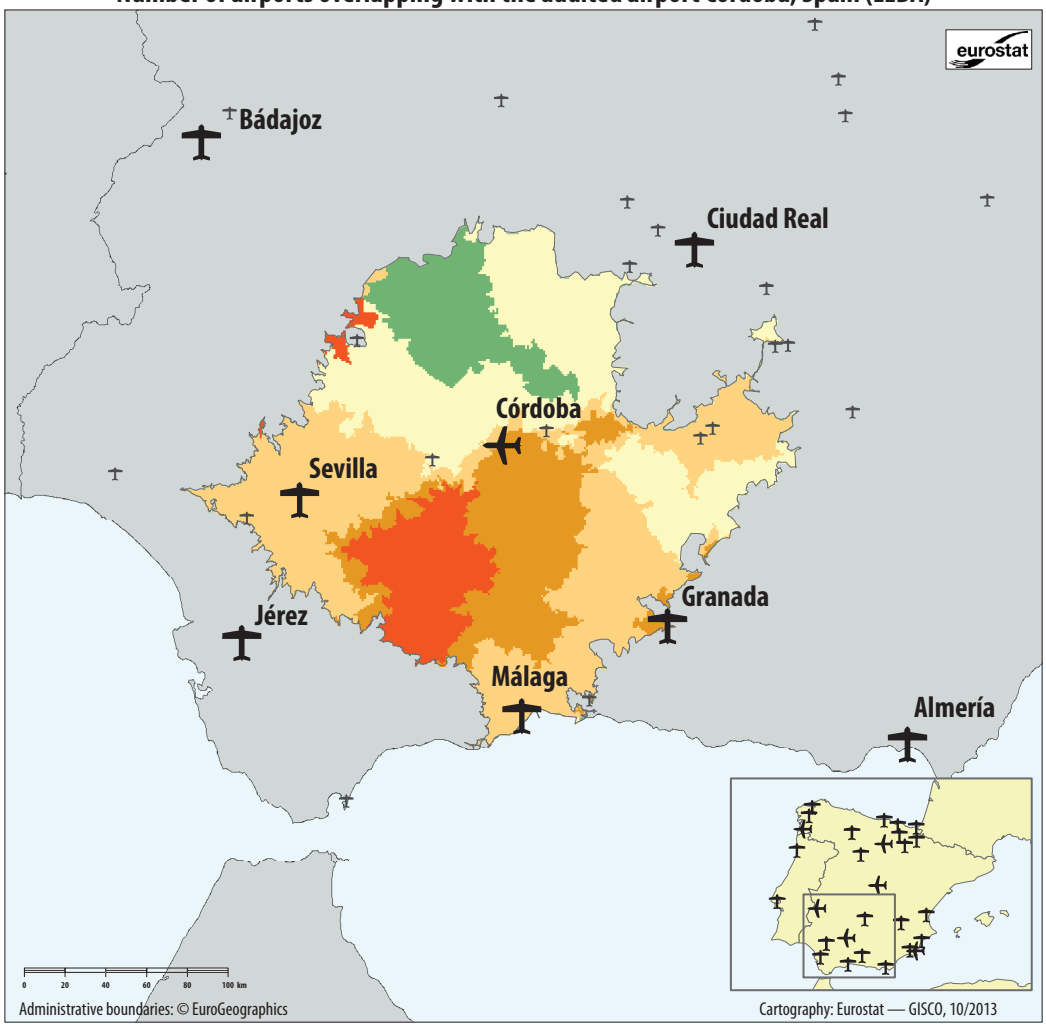
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to line station (km)	No of tourists **nights per year within 2 hours** of audited airports
4 059 290	4 048 972	99,75	0,52	0,23	17 919 871

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Córdoba

Number of airports overlapping with the audited airport Córdoba, Spain (LEBA)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Córdoba (LEBA) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Granada (LEGR)	2 322 320	55,51	157	117
Jerez (LEJR)	1 762 730	42,13	195	143
Málaga (LEMG)	1 981 110	47,35	167	109
Sevilla (LEZL)	2 526 950	60,40	119	87
Ciudad Real Central (LERL)	300 514	7,18	180	146
Almería (LEAM)	20 044	0,20	249	217
Badajoz (LEBZ)	8 488	0,20	249	217

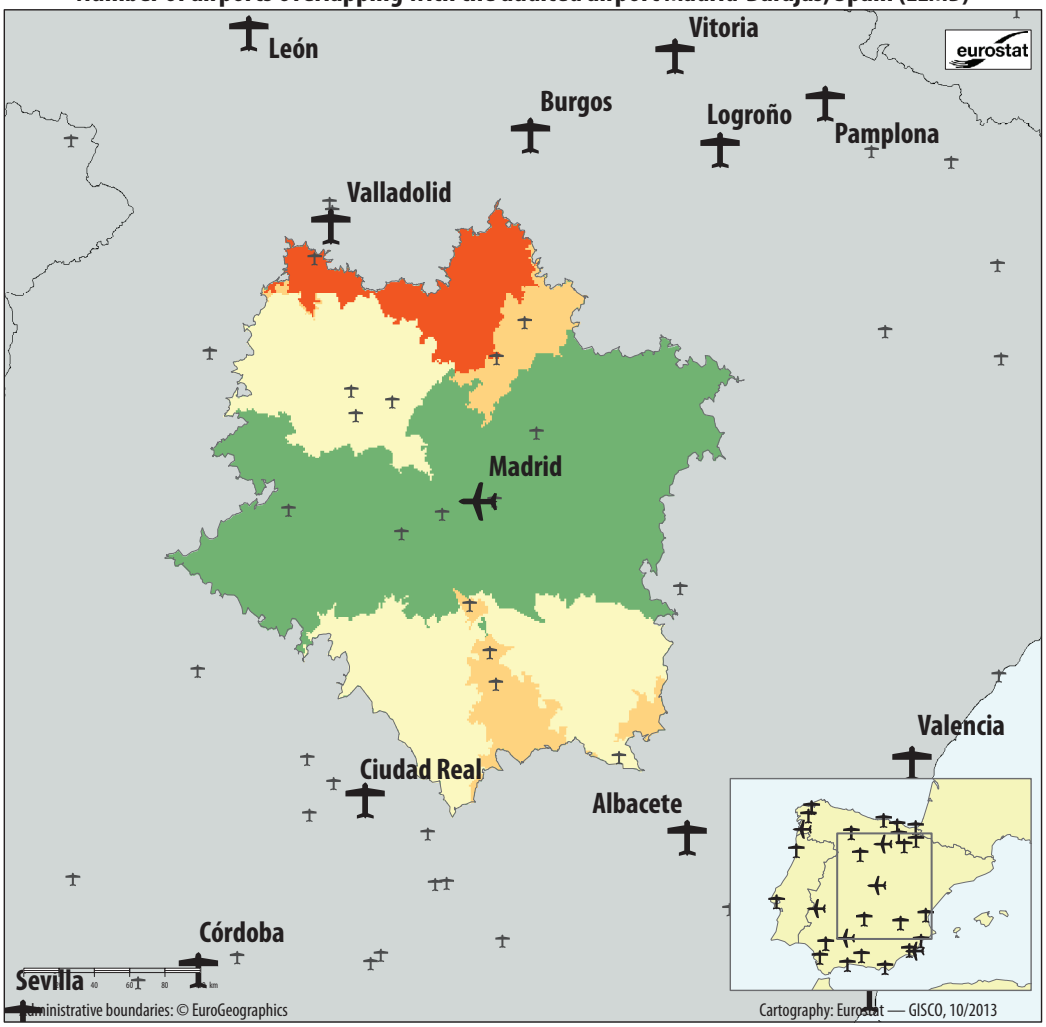
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
4 183 640	4 130 200	98,72	1,40	1,31	14 544 934

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Madrid-Barajas

Number of airports overlapping with the audited airport Madrid-Barajas, Spain (LEMD)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Madrid Barajas (LEMD) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Ciudad Real Central (LERL)	364 187	4,86	215	155
Albacete (LEAB)	212 409	2,83	248	156
Bilbao (LEBB)	124	0	379	231
Burgos (LEBG)	148 291	1,98	236	152
León (LELN)	40 648	0,54	335	205
Logroño (LERJ)	404	0,01	565	379
Valencia (LEVC)	4 724	0,06	335	218
Valladolid (LEVD)	552 119	7,37	213	140
Vitoria (LEVT)	32 433	0,43	345	211

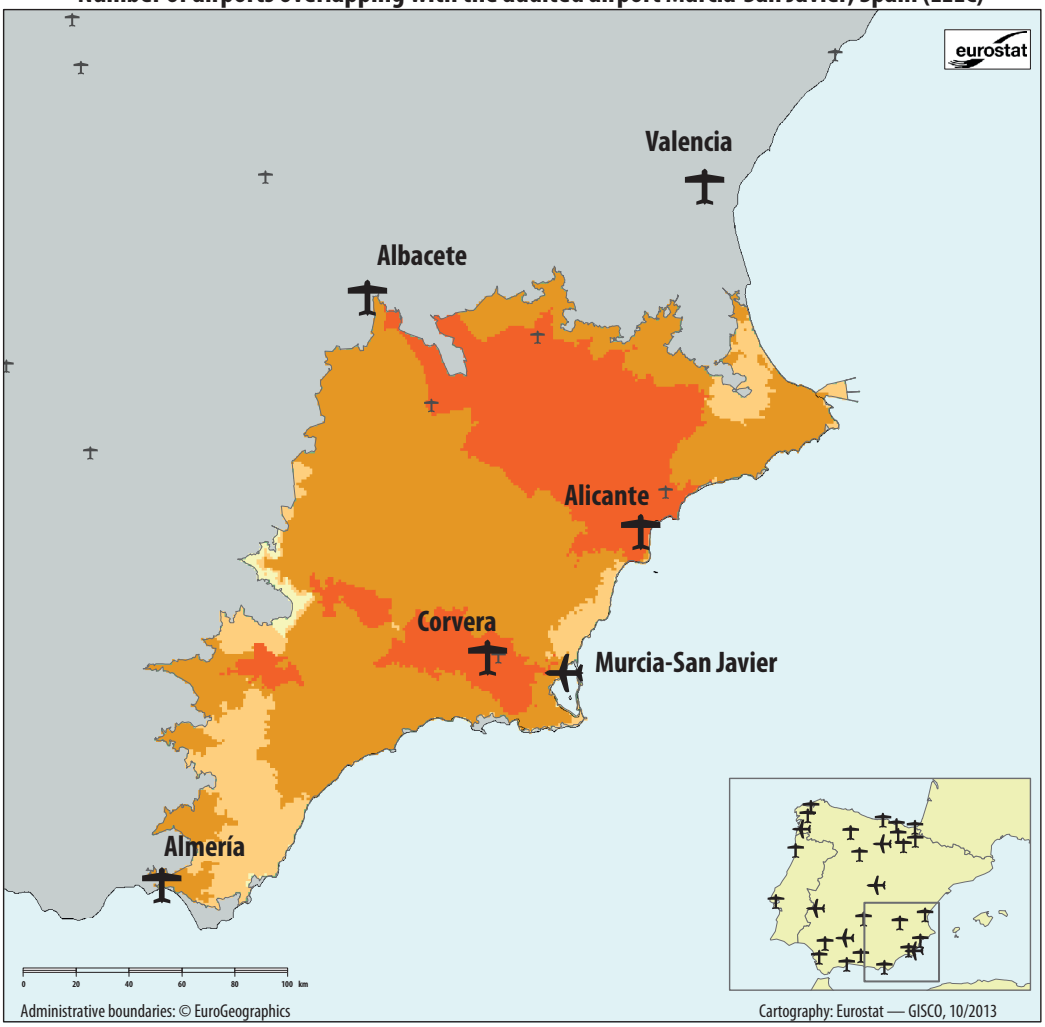
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
7 493 690	1 032 770	13,78	1,76	1,02	20 680 692

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Murcia

Number of airports overlapping with the audited airport Murcia-San Javier, Spain (LELC)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Murcia (LELC) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Albacete (LEAB)	2 451 970	66,39	183	123
Alicante (LEAL)	3 532 000	95,64	69	52
Almeria (LEAM)	691 125	18,71	201	118
Granada (LEGR)	77 610	2,10	307	200
Valencia (LEVC)	1 733 710	46,94	232	149
Corvera (LEMI)	3 431 170	92,91	36	33

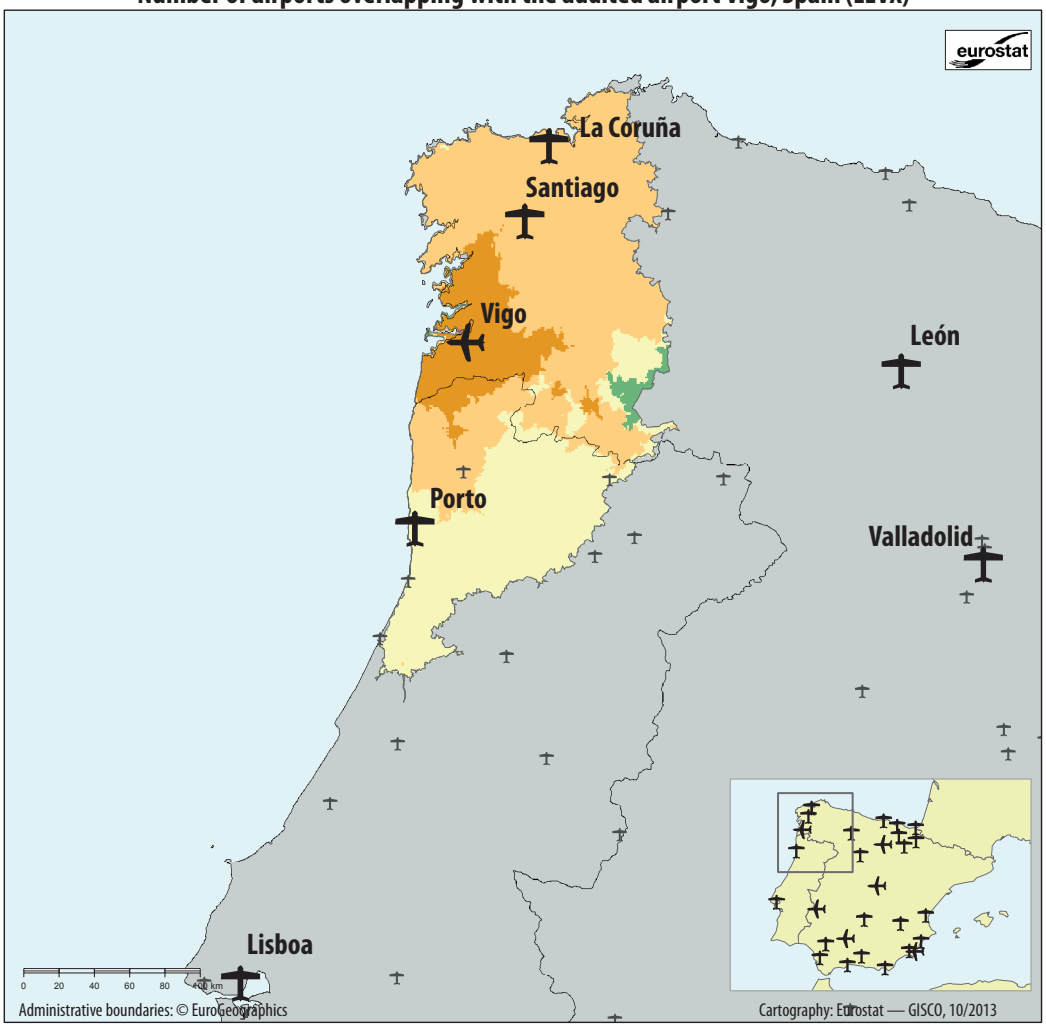
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
3 693 100	3 692 610	99,99	13,28	13,02	28 630 490

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Vigo

Number of airports overlapping with the audited airport Vigo, Spain (LEVX)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Vigo (LEVX) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
La Coruña (LECO)	2 431 790	39,45	137	83
Santiago (LEST)	3 316 240	53,79	93	57
Porto (LPPR)	4 658 720	75,57	128	77
León (LELN)	411	0,01	328	234
Lisbon Portela (LPPT)	527	0,01	439	226

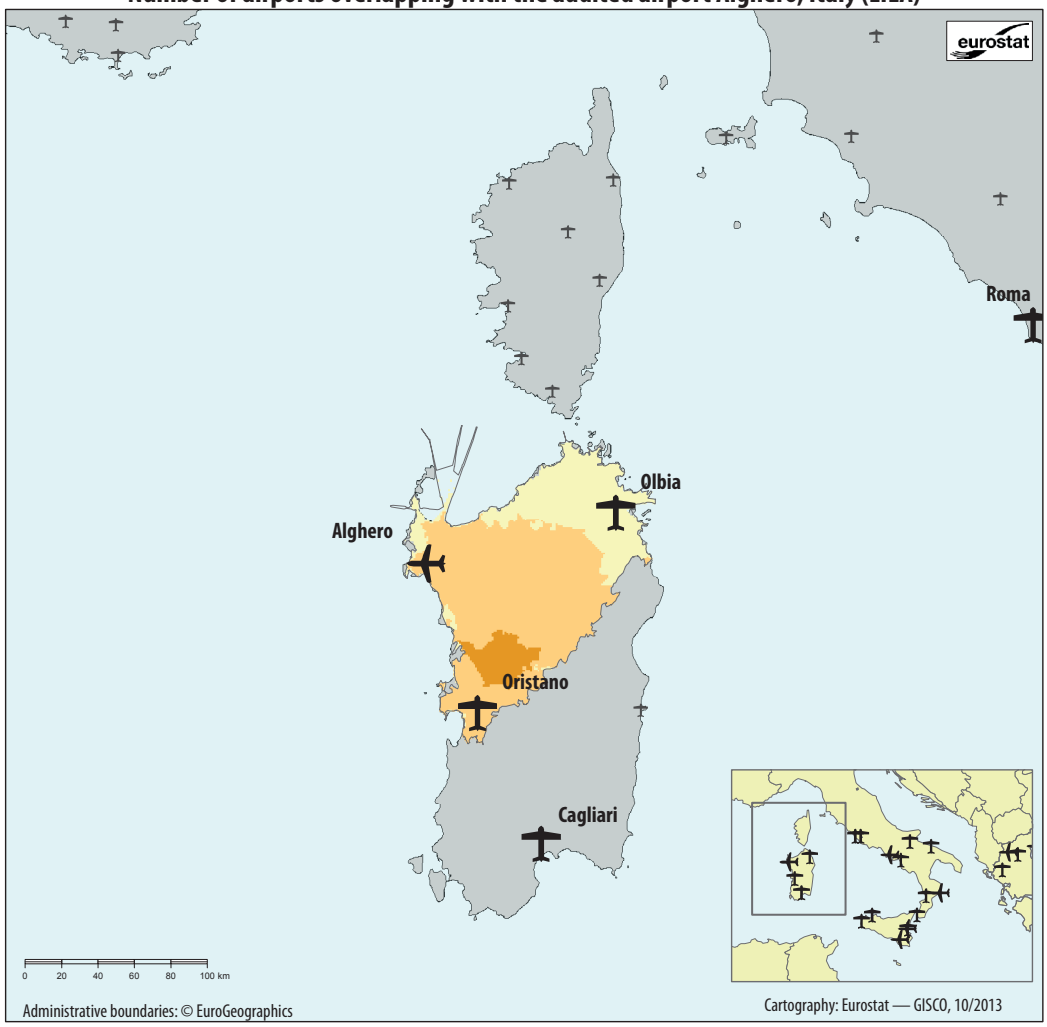
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
6 164 630	6 159 440	99,92	3,02	2,98	19 166 393

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Alghero

Number of airports overlapping with the audited airport Alghero, Italy (LIEA)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Alghero (LIEA) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Cagliari Elmas (LIEE)	125 890	18,69	202	177
Olbia - Costa Smeralda (LIEO)	580 098	86,11	126	93
Oristano (LIER)	520 798	77,31	117	111

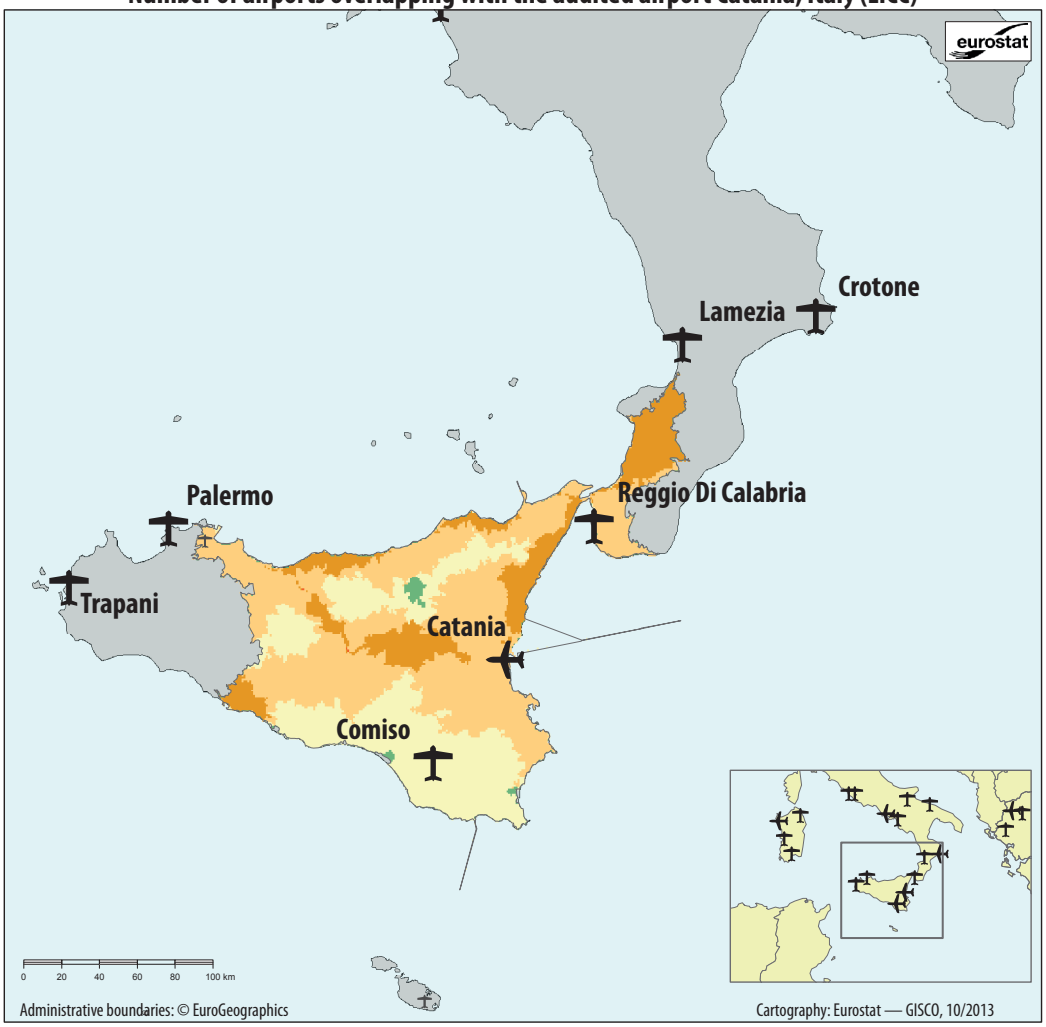
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
673 656	670 032	99,46	6,06	6,05	9 850 595

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Catania

Number of airports overlapping with the audited airport Catania, Italy (LICC)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Catania (LICC) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Palermo/Falcone-Borselino (LICJ)	1 567 350	35,04	236	130
Reggio di Calabria (LICR)	2 437 880	54,87	122	82
Vicenzo Florio (LICT)	960 610	21,62	300	169
Comiso (LICB)	2 733 510	61,52	84	67
Crotone (LICB)	225 174	5,07	306	189
Trapani/Lamezia Terme (LICA)	1 188 268	26,74	224	129

No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
4 473 650	4 435 420	99,15	8,89	1,16	13 018 947

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Comiso

Number of airports overlapping with the audited airport Comiso, Italy (LICB)

Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Comiso (LICB) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Catania (LICC)	2 733 510	99,10	84	66
Trapani/Vincenzo Florio (LICT)	115 839	4,20	254	200
Palermo/Falcone - Borselino (LICJ)	524 789	19,03	247,92	175,11
Reggio di Calabria (LICR)	1 619 010	58,70	203,49	137,35
Lamezia Terme (LICA)	477 309	17,3	306,1	185,2

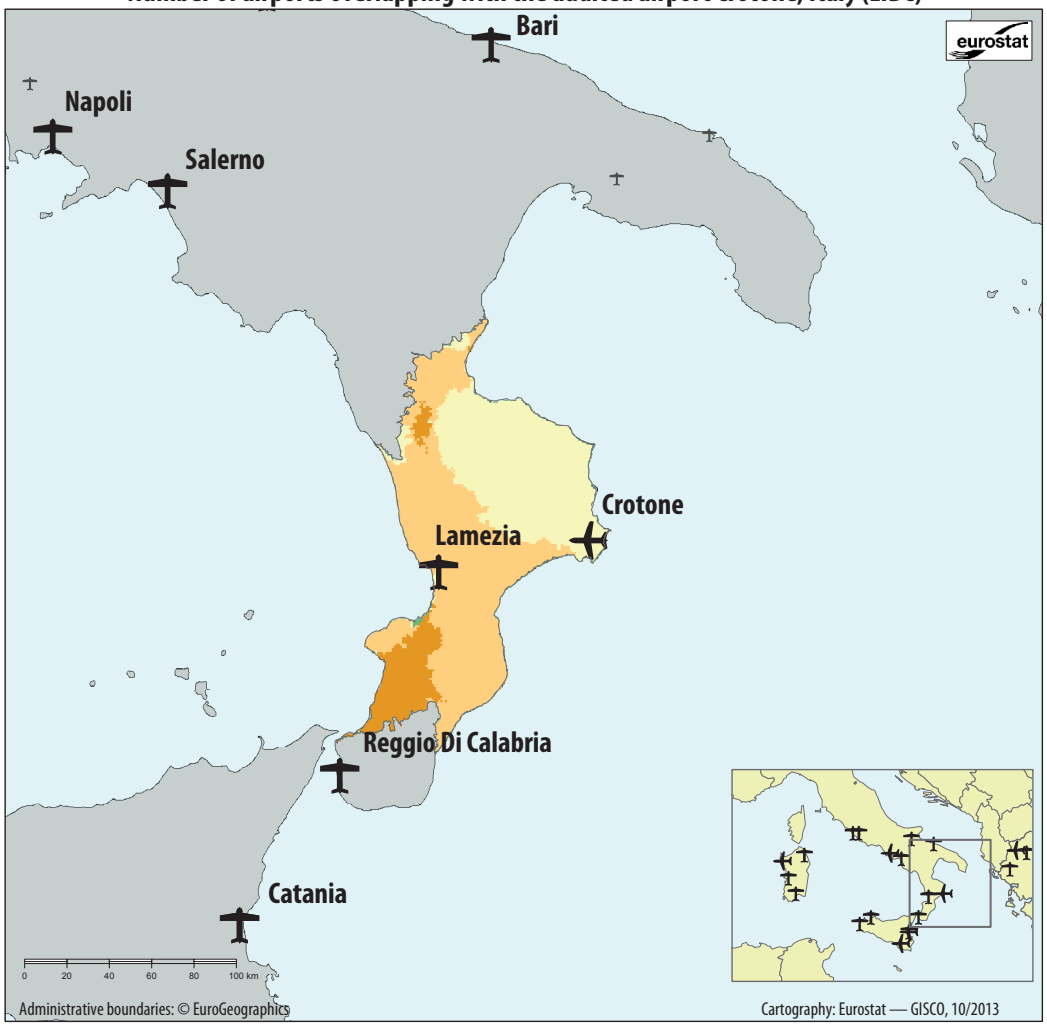
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
2 758 230	2 753 410	99,83	7,72	4,38	6 532 819

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Crotone

Number of airports overlapping with the audited airport Crotone, Italy (LIBC)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Crotone (LIBC) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Lamezia Terme (LICA)	1 511 610	98,61	88	62
Reggio di Calabria (LICR)	1 061 540	69,25	211	128
Bari (LIBD)	10 695	0,70	300	222
Catania (LICC)	225 174	14,69	307	189
Salerno (LIRI)	96 220	6,28	325	209

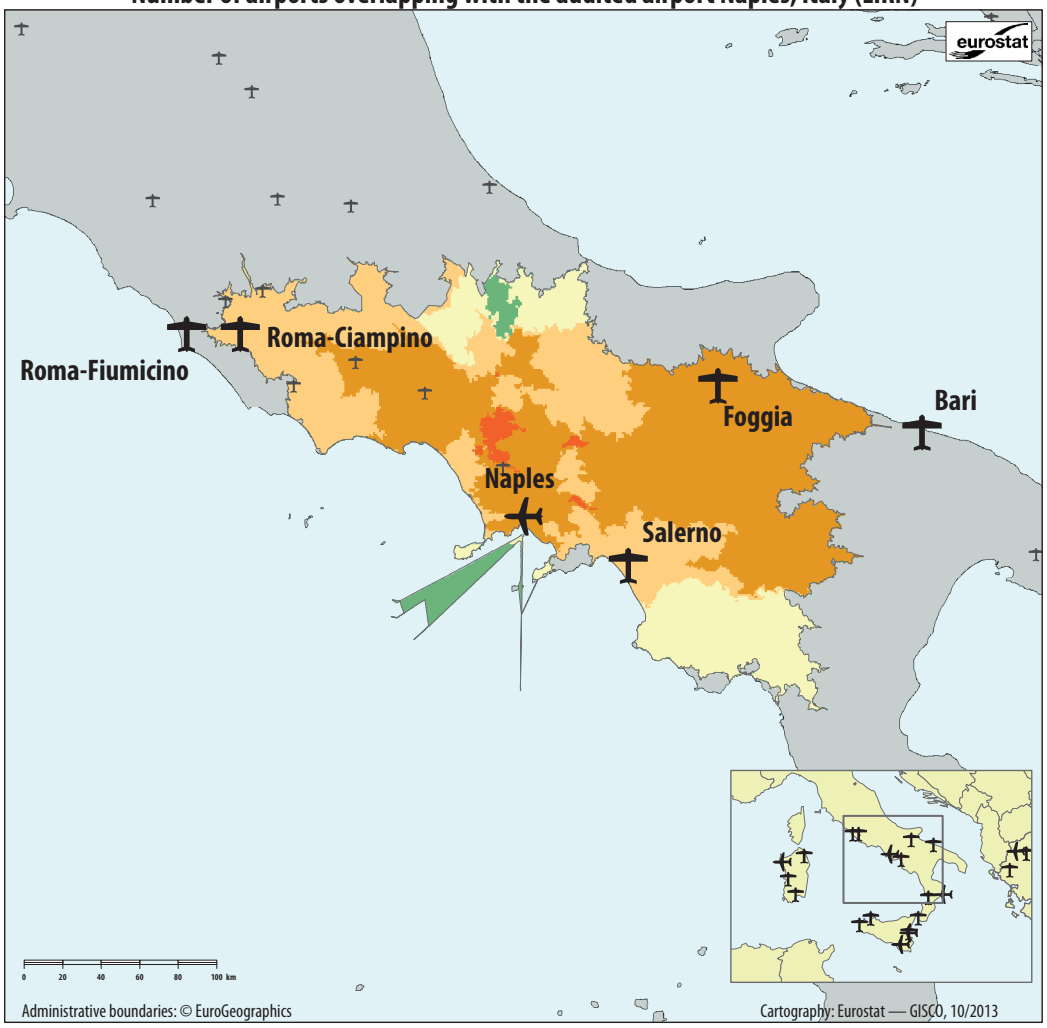
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
1 532 920	1 514 999	98,83	5,96	5,86	13 361 638

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Naples

Number of airports overlapping with the audited airport Naples, Italy (LIRN)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Naples (LIRN) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Bari (LIBD)	1 459 880	14,96	243	135
Foggia (LIBF)	6 320 640	64,78	146	102
Fiumicino - Leonardo da Vinci (LIRF)	2 964 220	30,38	239	137
Salerno (LIRI)	7 401 890	75,87	73	47
Rome Ciampino (LIRA)	6 532 240	66,95	201	111

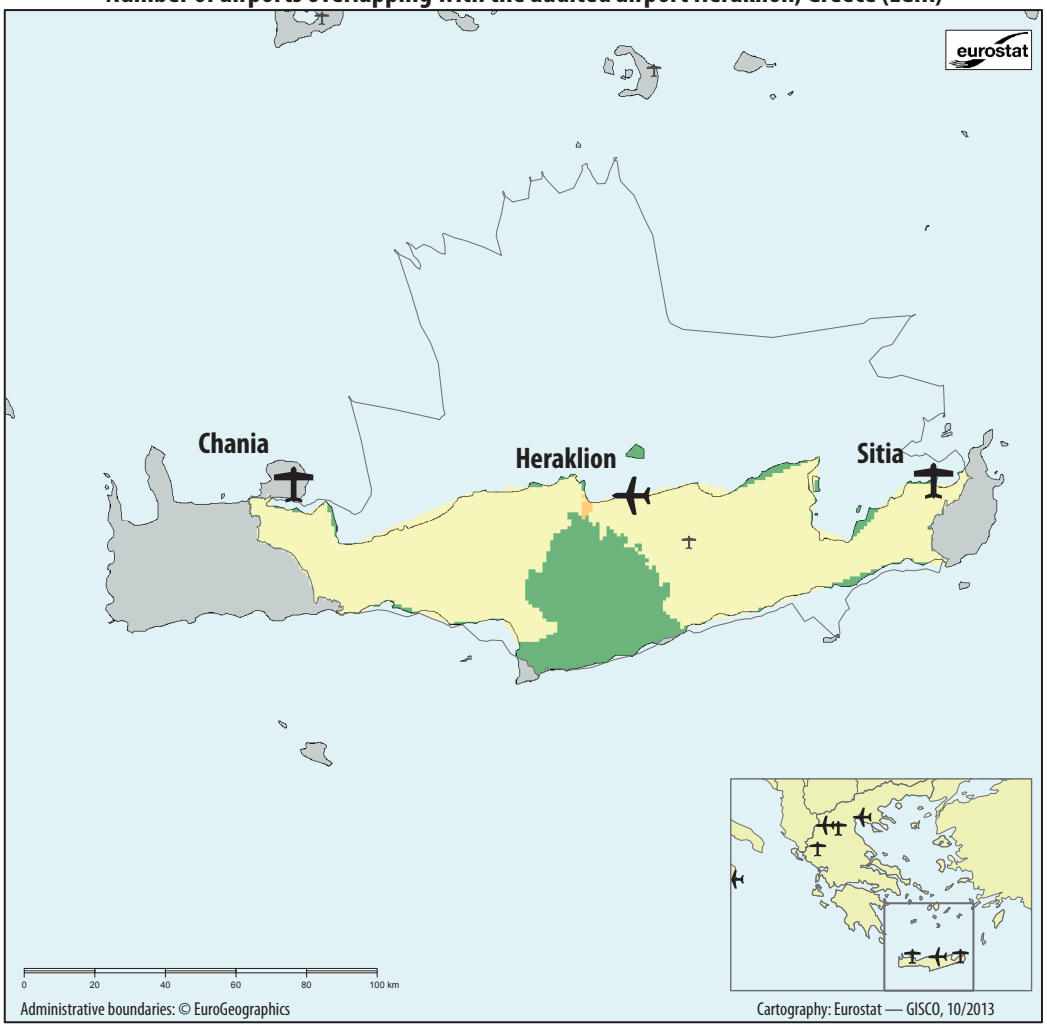
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
9 756 490	9 728 730	99,72	9,78	1,33	33 232 248

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Heraklion

Number of airports overlapping with the audited airport Heraklion, Greece (LGIR)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Heraklion Kazantzakis (LGIR) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Sitia (LGST)	294 139	56,87	102	107
Chania (LGSA)	168 734	32,62	144	131

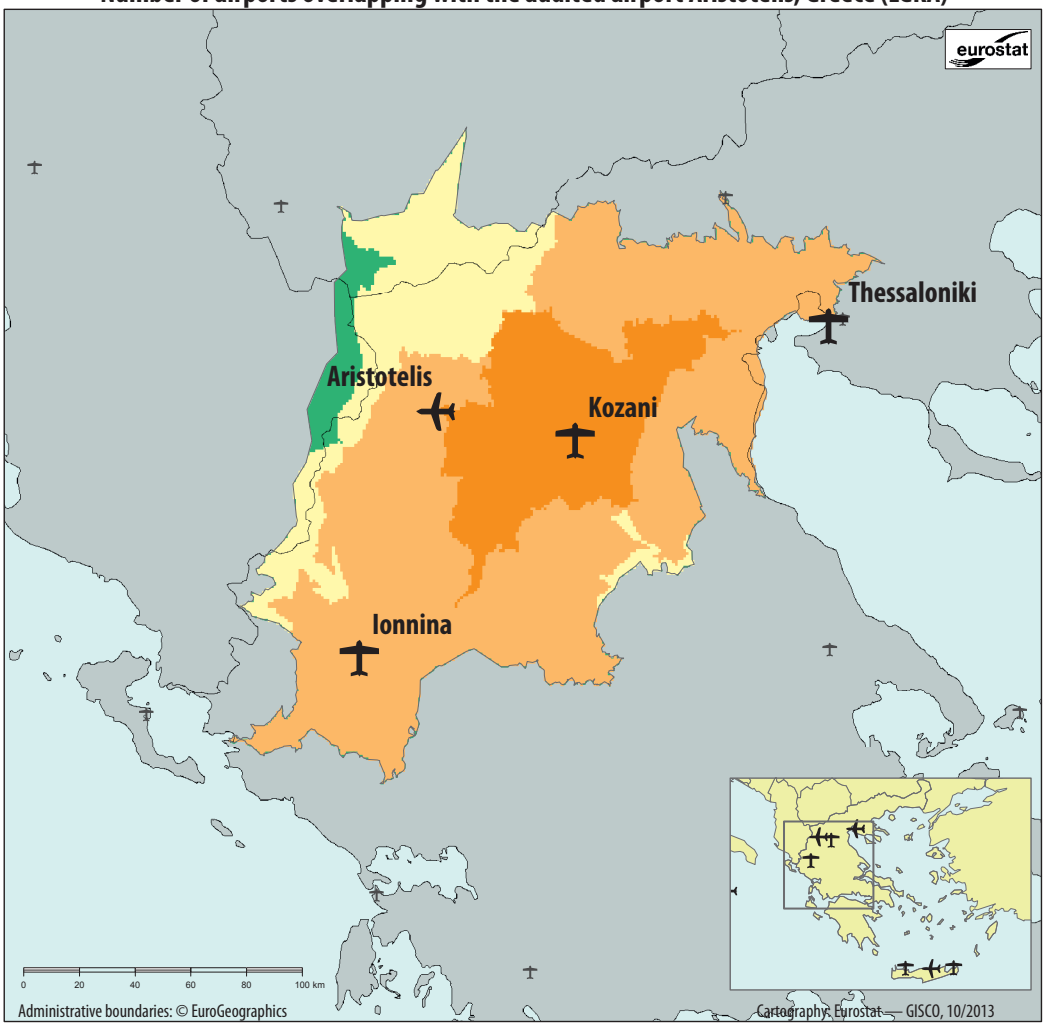
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
517 246	459 637	88,86	320,53	280,84	9 403 257

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Kastoria

Number of airports overlapping with the audited airport Aristotelis, Greece (LGKA)



Legend

- 2-hour travel time from audited
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Aristotelis (LGKA) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Kozani (LGKZ)	1 953 400	99,80	68	52
Thessaloniki "Macedonia" (LGTS)	1 557 190	79,56	196	121
Ioannina (LGIO)	632 234	32,30	150	93

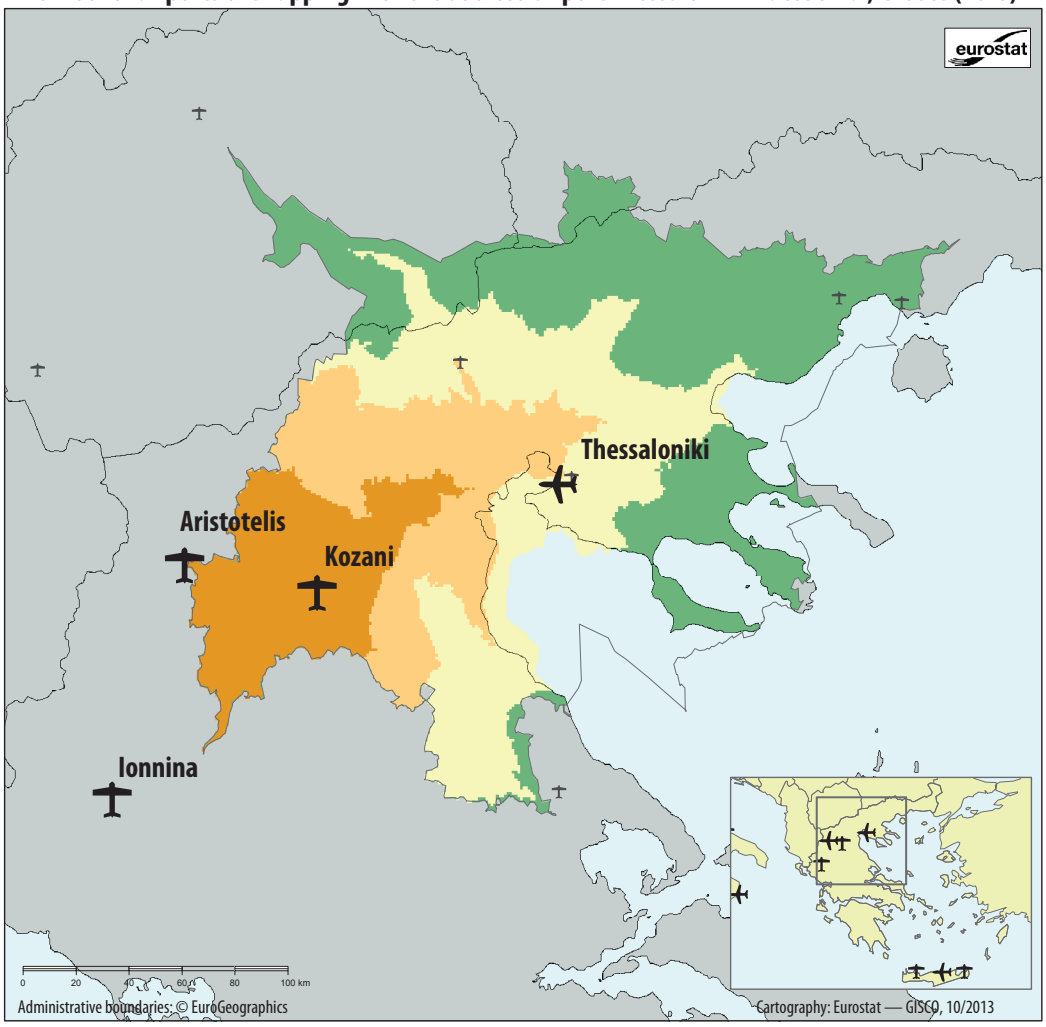
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
1 957 300	1 953 400	99,80	132,70	36,10	3 792 879

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Thessaloniki

Number of airports overlapping with the audited airport Thessaloniki 'Macedonia', Greece (LGTS)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Thessaloniki 'Macedonia' (LGTS) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Kozani (LGKZ)	2 063 090	78,74	137	87
Aristotelis (LGKA)	1 557 190	59,43	196	121
Ioannina (LGIO)	279 278	10,66	270	154

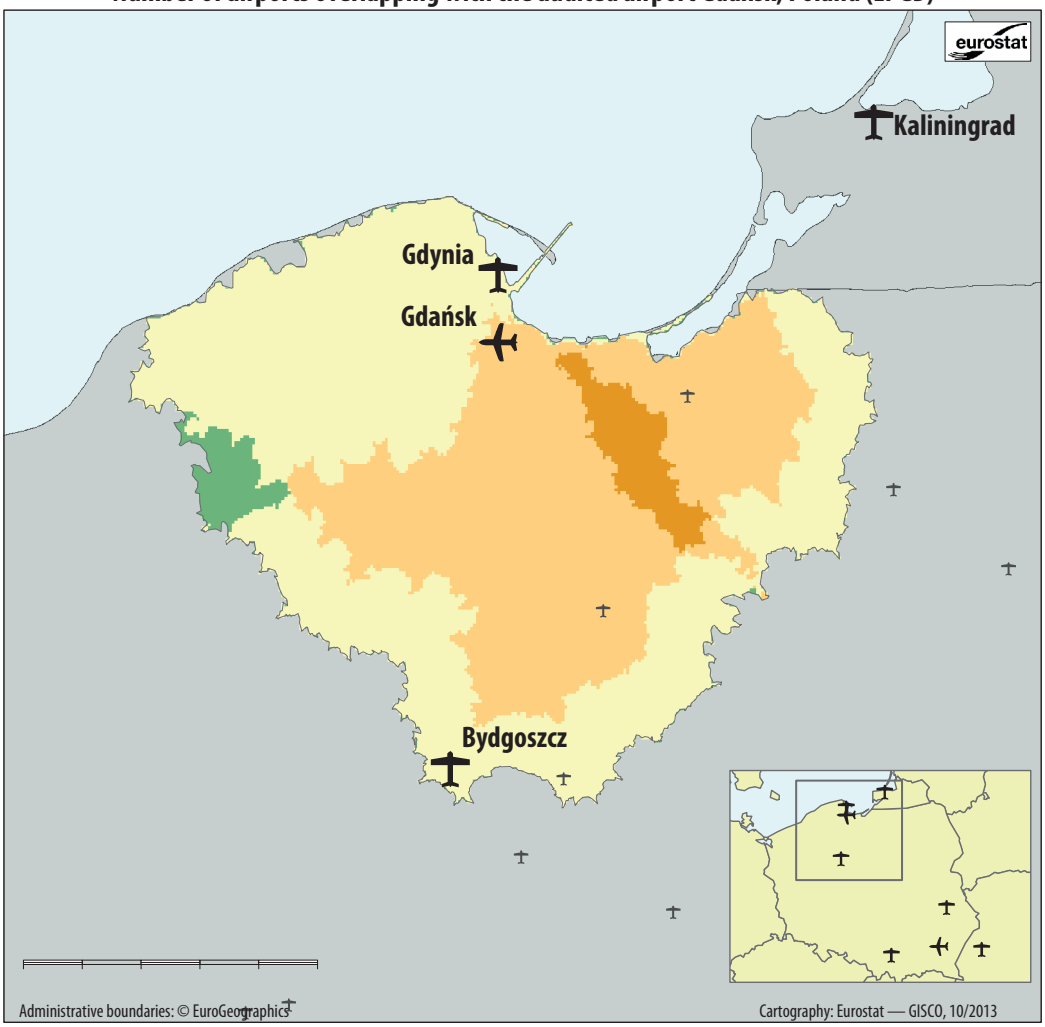
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
2 620 110	2 063 090	78,74	17,22	12,81	10 276 325

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Gdańsk

Number of airports overlapping with the audited airport Gdańsk, Poland (EPGD)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Gdansk (EPGD) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Bydgoszcz (EPBY)	2 361 950	63,15	166	111
Khrabrovo/Kaliningrad (UMKK)	528 010	14,12	N/A	N/A
Gdynia (EPOK)	2 620 577	70,12	32	37

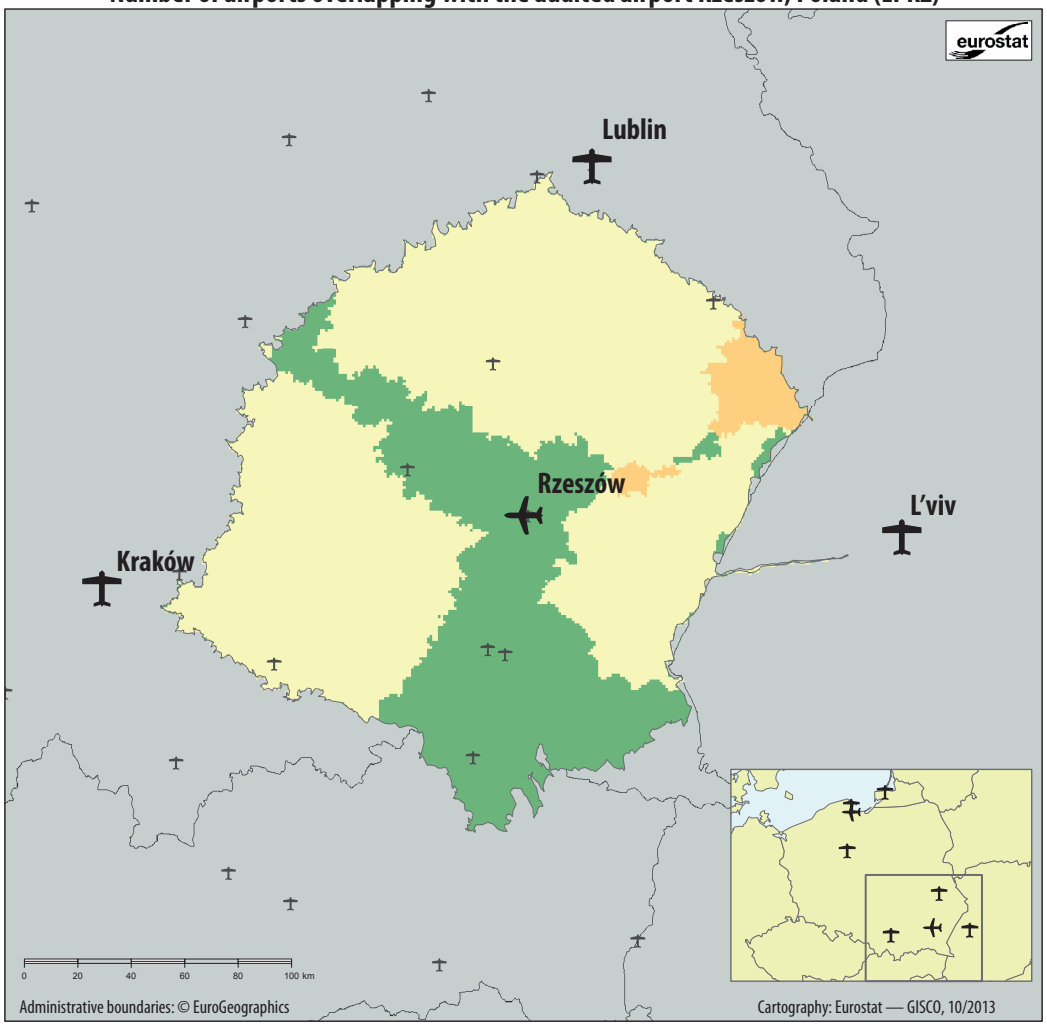
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
3 717 825	3 738 940	99,39	1,90	0,83	7 816 900

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Rzeszów

Number of airports overlapping with the audited airport Rzeszów, Poland (EPRZ)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Rzeszów (EPRZ) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Kraków/John Paul II International Airport (EPKK)	1 305 790	33,31	217	167
L'viv (UKLL)	509 919	13,01	169	140
Lublin (EPLB)	1 022 582	26,08	155	138

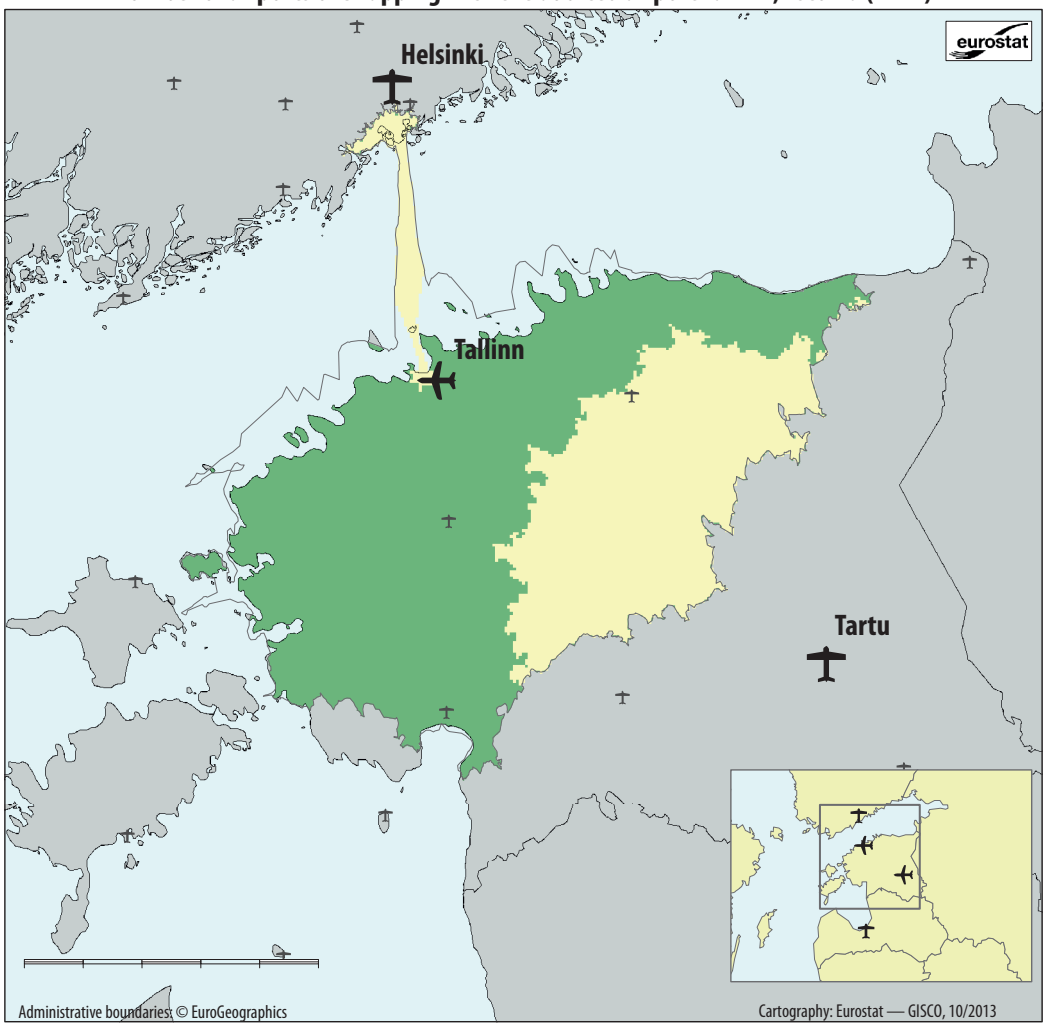
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
3 920 450	2 761 281	70,43	3,81	3,77	2 937 098

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Tallinn

Number of airports overlapping with the audited airport Tallinn, Estonia (EETN)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Tallinn (EETN) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Helsinki (EFHK)	562 190	43,81	109	124
Tartu (EETU)	120 234	9,37	190	161

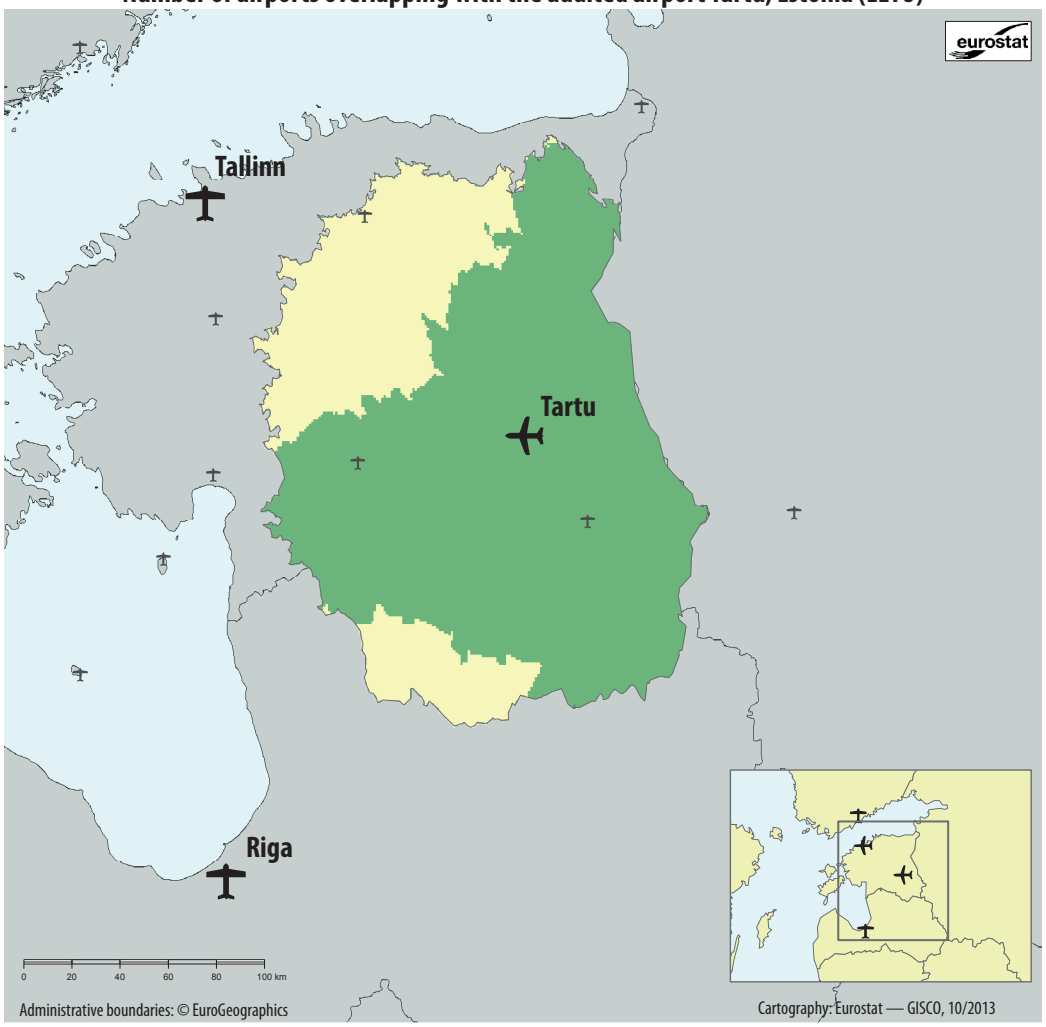
No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
1 283 340	682 424	53,18	2,36	0,83	1 707 093

Sources: Eurostat population (2006) and tourism data (2006/10).

Annex IV

Catchment area analysis of individual airports: Tartu

Number of airports overlapping with the audited airport Tartu, Estonia (EETU)



Legend

- 2-hour travel time from audited airport
- Audited airports
- Competitor airports
- Non-competitor airports

Number of overlapping airports

- No overlaps
- 1
- 2
- 3
- > 4
- Country border

Tartu (EETU) overlap with airport (ICAO code)	No of **residents** in the overlap area per airport	**Residents** in overlap (%)	**Distance** to competitor airport (km)	**Time** to competitor airport (minutes)
Tallinn (EETN)	120 234	20,59	189	160
Riga (EVRA)	60 168	10,30	248	202

No of residents within 2 hours of audited airport	Total No of **residents** in overlap with access to multiple airports	**Residents** in overlap with access to multiple airports (%)	**Distance** to rail station (km)	**Distance** to rail line (km)	No of tourists **nights per year within 2 hours** of audited airports
583 965	180 401	30,89	2,32	1,82	997 201

Sources: Eurostat population (2006) and tourism data (2006/10).

Reply of the Commission

Executive summary

III

The Commission acknowledges the Court's conclusions for the audited projects of the 2000–06 and 2007–13 periods and accepts that in these programming periods support from cohesion funding for airport infrastructure did not in certain cases represent an effective use of EU funds. It wishes to underline that lessons have already been learned from this experience, and as a result there is a radically different approach in the legislation for the 2014–20 programming period.

The new regulatory framework has been made stricter when it comes to investing in airport infrastructures, limiting the possible options to improving the environmental performance or safety features of the infrastructures. On top of that, the Commission services are following a more limited line in the negotiations, focusing in particular on airports belonging to the core TEN-T network.

As far as strategic planning is concerned, the new framework requires the existence of transport plans at regional or national level as a specific *ex ante* conditionality, which set out a comprehensive transport strategy per sector, the contribution to the completion of the TEN-T and which include a list of projects to be implemented (a 'mature and realistic project pipeline'). The Commission takes these plans fully into account before approving any operational programme which provides for investments in the transport sector.

Concerning major projects, the Commission has adopted delegated and implementing acts that will define the quality review process and the quality elements of the cost–benefit analysis (CBA) to be respected by all major projects, such as the main benefits and costs by sector, list of risks to be considered, precise reference periods by sector, etc. In addition, CBA guidance will soon be issued including practical recommendations for specific sectors and case studies to allow the beneficiaries to modulate their projects towards the best EU added value.

All major projects will have to go through a quality review, either by the Commission or by independent experts (Jaspers or other entities nominated by Member States and agreed by the Commission) before approval by the Commission.

IV

The Commission notes that regional airports may often serve communication purposes for a region or community and the public authorities may wish to maintain their functioning for other than simply financial reasons. That is why public transport infrastructures which are not profitable and require state support are kept in functioning.

The fact that the Commission does not have full detailed knowledge of all EU-funded projects throughout the EU and throughout sectors does not mean that it fails to fulfil its regulatory supervisory role. On the contrary, the Commission exercises its supervisory role — often beyond its regulatory prerogatives — through annual reporting and monitoring also at project-by-project level if needed, ad hoc treatment of problematic issues and specific audits. What is more, the Commission has in the past refused co-financing to regional airports for which the business case was not evident and which did not seem justified from the cohesion point of view.

The Commission also notes that Cohesion Fund projects were directly approved by it in the 2000–06 period, while in the 2007–13 period they were included in the programmes and approved individually only if they were major projects. The Commission took steps in the 2007–13 period to improve the assessment of major projects, through the establishment of the Jaspers initiative, which provides technical assistance to Member States, the preparation of a comprehensive CBA guide and the use of outside expertise if needed.

In the 2007–13 period, the Commission received 17 major project applications for airports. During the appraisal, the Commission paid significant attention to the issue of overall cost of the projects, their benefits and added value for society. This resulted in specific cases such as the reduction of scope of projects (e.g. Lasi airport and Wroclaw airport) or the inclusion of conditions in the approval decision (for Gdansk airport due to construction plans for the adjacent airport in Gdynia). The Commission always carefully verified the demand analysis. In some cases, the Commission urged national authorities to abandon projects (e.g. airports in Kielce, and in Bialystok) due to insufficient demand and the Commission's concerns linked with the financial sustainability of those airports.

V(i)

The Commission accepts the recommendation and will implement it during the negotiations on operational programmes for the period 2014–20. The approach of the Commission's services in the negotiations is that EU funding to airport infrastructure is focused in particular on airports belonging to the core TEN-T network. The Commission also requires that the comprehensive transport master plans should serve as a basis for the choice of transport investment priorities. All investments should contribute to delivering the objectives for the priority axis concerned and investments in any airport would in particular need to be subject to a prior detailed assessment of economic viability and competition (e.g. whether private operators could finance the investment). Finally, investments should be underpinned by plausible results of the required feasibility study and a positive CBA.

V(ii)

The Commission agrees with the importance of coherent airport strategic planning as a means to avoid misplaced capacity in the future.

The Commission agrees with the recommendation which is addressed to the Member States (coherent regional, national and, where appropriate and possible, supranational plans for airport development). On its side, it will verify the implementation during the negotiations on operational programmes for the 2014–20 period through the assessment of transport plans in the framework of the fulfilment of *ex ante* conditionalities. See also reply to paragraphs 68 to 71.

At another level, the Commission will intensify the monitoring and assessment of the ability of the EU air transport market to meet future challenges and opportunities.

Introduction

01

The latest Eurocontrol 'Challenges of growth 2013' study confirms and reiterates the capacity challenge identified in previous studies.

In the most-likely (capacity constrained) scenario, there will be 50 % more flights in 2035 than in 2012. Nearly two million flights will not be accommodated (12 % of total demand for travel) because of reduced airport expansion plans. That is equivalent to an estimated 120 million passengers unable to make their return flights (in total, 240 million passengers per year).

In addition, by 2035, more than 20 airports will be running at or close to capacity, compared to just three in 2012 (hotspots — including airports in Spain and Greece).

This study shows that misplaced capacity is an issue for further discussion and that, based on the recently reported airport expansion plans, capacity shortages will occur in Europe in the next 20 years.

Source: 'Challenges of growth 2013' study, available at https://www.eurocontrol.int/articles/challenges-growth.

06

In its 2011 White Paper on transport policy, the Commission considered congestion as a major concern. It went on to affirm that 'airport capacity needs to be optimised and, where necessary, increased to face growing demand for travel[1].

1 The 2011 White Paper 'Roadmap to a single European transport area — Towards a competitive and resource efficient transport system' (paragraph 28), available at http://eur-lex.europa.eu/legal-content/EN/ALL/;ELX_SESSIONID=HjP8JnxMmKkbg0nMHrxTqR3DX1042Lqfy2gdgLbQLf5rnTVZwSq6!1996567712?uri=CELEX:52011DC0144.

In its subsequent 2011 communication accompanying the airport package, the Commission confirmed that congestion at airports is an issue for Europe. Besides, if capacity on the ground is lacking, the success of the single European sky project as a whole will be threatened. At the same time, Europe's aviation sector faces increased competition and a shift in the global aviation market towards regions such as Asia Pacific, the Middle East and Latin America, which threaten Europe's privileged position as a cross-road of the global aviation network and the benefits in terms of connectivity that this position provides[2].

Audit scope and approach

21 First bullet point

While air transport has picked up in the EU-27 since 2010, the Commission considers that there has been no general recovery in air transport in the years 2007–13. The average EU-wide figures alone cannot reflect the different developments in air transport in different Member States which vary considerably between each other. In 2010, 21 Member States faced an increase and six a decrease in passenger volumes; in 2011, 25 an increase and two a decrease; in 2012, 18 an increase and nine a decrease; and in 2013, 21 an increase and six a decrease. The fluctuation between increase and decrease during the last few years was significant in Spain, Italy and Greece — the economic woes of all three being well documented. Eurostat data for 2013 confirm that air passenger numbers have not reached the pre-crisis levels for Greece and Spain.

2 2011 communication on airport policy in the EU, available at http://ec.europa.eu/transport/modes/air/airports/index_en.htm.

21 Second bullet point

The Commission considers that there is no clear trend in air passenger transport development in the audited Member States. For the years 2007–13, air transport in Greece decreased by 3,3 % and in Spain by 3,5 %. In Spain, air passenger transport decreased in 2008, 2009, 2012 and 2013; in Greece it decreased in 2008, 2009, 2010 and 2012; and in Italy, it decreased in 2008, 2009, 2012 and 2013.

21 Third bullet point

The Commission notes that the economy of the EU-27 has been either in stagnation or in recession since 2007, with the only exceptions of 2010 and 2011. Some of the audited Member States experienced dramatic GDP drops: Greece is in its sixth consecutive year of recession, and Italy and Spain were in recession in four out of six years. Therefore, the Commission considers that the crisis has had a serious and continuous impact on air transport.

Observations

Common reply to paragraphs 28 and 30

Airports are infrastructures which have a long lifetime. The Commission considers that the utilisation rate of airports should be verified over the lifetime of the investments made in order to assess whether they have fully reached their operational usage. In addition, building airport infrastructure in phases to keep close or just above the benchmark, while ideal, would in practice mean that works would have to be constantly carried out in the airport, requiring particular arrangements and disturbance in the functioning and services offered by the airport.

37
The Commission considers it difficult to identify a trend in passenger traffic figures for the years 2007–13, on which the Court bases itself for the re-calculation of the cost per additional passenger. The Commission therefore considers that an assessment on the basis of milestones and mid-term reviews would provide a suitable basis for the assessment of the cost-effectiveness of projects. See also the Commission's reply to paragraph 21.

Common reply to paragraphs 40 to 43
For the purposes of assessing major projects in cohesion policy, financial sustainability is understood by the Commission as the capacity of a project to generate enough revenues to cover the operating costs in every year of its operation, and not the capacity to generate profits. Though indeed EU support should ideally be provided to profitable infrastructures, it happens that some transport infrastructures are loss-generating, despite the existence of revenues, and in such cases the decision to provide EU support is based on whether the project is socioeconomically desirable (i.e. brings more benefits than costs).

45
Regional airports may serve communication purposes for a region or community and the public authorities may wish to maintain their functioning for other than simply financial reasons. That is why public transport infrastructures which are not profitable and require state support are kept in functioning.

50
Air passenger transport in Spain decreased between 2007 and 2013 by some 3,5 % and in Greece by 3,3 %. The Commission considers that the audited airports followed this trend and noted also a decrease in traffic, which follows the course of the Spanish and Greek economies, which is in recession almost without interruption since 2007.

See also the Commission's reply to paragraph 21.

Common reply to paragraphs 53 to 55
The definition used by the Commission for issuing state aid decisions is that the 'catchment area of an airport in general means a geographic market boundary that is normally set at around 100 kilometres or around 60 minutes travelling time by car, bus, train or high-speed train. However, the catchment area of a given airport may be different and needs to take into account the specificities of each particular airport. The size and shape of the catchment area varies from airport to airport, and depends on various characteristics of the airport, including its business model, location and the destinations it serves.' The 100 km threshold (200 km if a high-speed railway line exists) is also defined in Article 24 of the TEN-T regulation setting out the criteria for air transport infrastructure components. As mentioned by the Court, in a recent study of the Commission's services on accessibility to passenger flights in Europe, the Commission's services drew conclusions on the basis of a catchment area of 90 minutes' travel time to the airports. The Commission considers that the catchment areas should also take into account other elements such as the business model of the airport, number and type of destinations served, availability of airport capacity at other airports, public transport links, time-sensitive travellers and whether the airport mainly serves the residents or visitors coming to the area.

Regional airports often do not serve the same destinations with the same frequency as their neighbouring airports and even more so as the main airport in the Member State.

Common reply to paragraphs 61 to 63

As far as strategic planning is concerned, a radical reform has been put in place for the 2014–20 period, whereby the legal framework provides for the fulfilment of specific *ex ante* conditionalities in the transport sector, which require the existence of a specific comprehensive transport plan or framework at national or regional level prior to approval of support to operational programmes. The transport plan is to set out the contribution to the single European transport area, the core and comprehensive TEN-T where investment from the ERDF and the CF will be made, as well as a realistic and mature project pipeline for implementation by the operational programmes.

Operational programmes include an analysis of the situation and specific needs at the time of programming and a link with the interventions planned. As such, the Commission considers them as planning documents for the purposes of EU co-financed interventions.

Common reply to paragraphs 66 and 67

Under the system of shared management, powers are shared between the Commission and the Member States, the latter being responsible for the day-to-day management and the former being responsible for the monitoring and overview at programme and not at project level. This means that the Commission is not supposed to and cannot base its implementation and monitoring compliance activity by reference to detailed information on every single project, given that thousands of projects are co-financed every year through cohesion policy.

Conclusions and recommendations

Common reply to paragraphs 68 to 71

The Commission acknowledges the Court's conclusions for the audited projects of the 2000–06 and 2007–13 periods and accepts that in these programme periods support from cohesion funding for airport infrastructure did not in certain cases represent an effective use of EU funds. It wishes to underline that lessons have already been learned from this experience, and as a result there is a radically different approach in the legislation for the 2014–20 programme period.

The new regulatory framework has been made stricter when it comes to investing in airport infrastructures, limiting the possible options to improving the environmental performance or safety features of the infrastructures. On top of that, the Commission services are following a more limited line in the negotiations, focusing in particular on airports belonging to the core TEN-T network.

As far as strategic planning is concerned, the new framework requires the existence of transport plans at regional or national level as a specific *ex ante* conditionality, which set out a comprehensive transport strategy per sector, the contribution to the completion of the TEN-T and which include a list of projects to be implemented (a 'mature and realistic project pipeline'). The Commission takes these plans fully into account before approving any operational programme which provides for investments in the transport sector.

Concerning major projects, the Commission has adopted delegated and implementing acts that will define the quality review process and the quality elements of the CBA to be respected by all major projects, such as the main benefits and costs by sector, list of risks to be considered, precise reference periods by sector, etc. In addition, CBA guidance will be soon issued including practical recommendations for specific sectors and case studies to allow the beneficiaries to modulate their projects towards the best EU added value.

All major projects will have to go through a quality review, either by the Commission or by independent experts (Jaspers or other entities nominated by Member States and agreed by the Commission) before approval by the Commission.

69 First bullet point

The Commission considers that the utilisation rate of the airport should be verified over the lifetime of the investments made in order to assess whether they have fully reached their operational usage.

70

Regional airports may serve communication purposes for a region or community and the public authorities may wish to maintain their functioning for other than simply financial reasons. That is why public transport infrastructures which are not profitable and require state support are sometimes kept in functioning.

Recommendation 1

The Commission accepts the recommendation and will implement it during the negotiations on operational programmes for the period 2014–20. The approach of the Commission's services in the negotiations is that EU funding to airport infrastructure is focused in particular on airports belonging to the core TEN-T network. The Commission also requires that the comprehensive transport master plans should serve as a basis for the choice of transport investment priorities. All investments should contribute to delivering the objectives for the priority axis concerned and investments in any airport would in particular need to be subject to a prior detailed assessment of economic viability and competition (e.g. whether private operators could finance the investment). Finally, investments should be underpinned by plausible results of the required feasibility study and a positive CBA.

72

The definition used by the Commission for issuing state aid decisions is that 'catchment area of an airport in general means a geographic market boundary that is normally set at around 100 kilometres or around 60 minutes travelling time by car, bus, train or high-speed train. However, the catchment area of a given airport may be different and needs to take into account the specificities of each particular airport. The size and shape of the catchment area varies from airport to airport, and depends on various characteristics of the airport, including its business model, location and the destinations it serves.' The 100 km threshold (200 km if a high-speed railway line exists) is also defined in Article 24 of the TEN-T regulation setting out the criteria for air transport infrastructure components. As mentioned by the Court, in a recent study of the Commission's services on accessibility to passenger flights in Europe, the Commission's services drew conclusions on the basis of a catchment area of 90 minutes' travel time to the airports. The Commission considers that the catchment areas should also take into account other elements such as the business model of the airport, number and type of destinations served, availability of airport capacity at other airports, public transport links, time-sensitive travellers and whether the airport mainly serves the residents or visitors coming to the area.

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Reply of the Commission

The Commission also notes that Cohesion Fund projects were directly approved by it in the 2000–06 period, while in the 2007–13 period they were included in the programmes and approved individually only if they were major projects. The Commission took steps in the 2007–13 period to improve the assessment of major projects, through the establishment of the Jaspers initiative, which provides technical assistance to Member States, the preparation of a comprehensive CBA guide and the use of outside expertise if needed.

In the 2007–13 period, the Commission received 17 major project applications for airports. During the appraisal, the Commission paid significant attention to the issue of overall cost of the projects, their benefits and added value for society. This resulted in specific cases such as the reduction of scope of projects (e.g. Lasi airport and Wroclaw airport) or the inclusion of conditions in the approval decision (for Gdansk airport due to construction plans for adjacent airport in Gdynia). The Commission always carefully verified the demand analysis. In some cases, the Commission urged national authorities to abandon projects (e.g. airports in Kielce, and in Bialystok) due to insufficient demand and the Commission's concerns linked with the financial sustainability of those airports.

Recommendation 2

The Commission agrees with the importance of coherent airport strategic planning as a means to avoid misplaced capacity in the future.

The Commission agrees with the recommendation which is addressed to the Member States (coherent regional, national and, where appropriate and possible, supranational plans for airport development). On its side, it will verify the implementation during the negotiations on operational programmes for the period 2014–20 through the assessment of transport plans in the framework of the fulfilment of *ex ante* conditionalities. See also the reply to paragraphs 68 to 71.

At another level, the Commission will intensify the monitoring and assessment of the ability of the EU air transport market to meet future challenges and opportunities.

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The Court audited 20 airports in five Member States and found that EU funding is in many cases provided to airports in close proximity to each other: for 13 airports, significant overlaps exist with the catchment areas of neighbouring airports. This produced poor value for money and resulted in oversizing of the EU-funded infrastructures and in over-capacity. The Court also observes that the EU funding was not cost-effective and that seven of the airports examined are not profitable: these may need to be closed unless they receive continuous public financial support. The EU funding of airports is not well coordinated at national level and, in particular as regards major projects and cohesion fund projects, insufficiently supervised by the Commission which generally does not know which airports receive funding, and how much they receive.

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