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From: General Secretariat of the Council
To: Permanent Representatives Committee (Part 2)/Council

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Subject: Draft Council conclusions on Special Report No 21/2014 by the European Court of Auditors: "EU-funded airport infrastructures: poor value for money"

1. On 18 December 2014, the General Secretariat of the Council received Special Report No 21/2014 "EU-funded airport infrastructures: poor value for money", adopted by the Court of Auditors at its meeting on 12 November 2014.
2. Pursuant to the rules laid down in the Council conclusions¹ on improving the examination of special reports drawn up by the Court of Auditors, the Permanent Representatives Committee (Part II) at its meeting on 15 January 2015 instructed the Working Party on Structural Measures to examine this report according to the rules laid down in the abovementioned conclusions.

¹ Doc. 7515/00 FIN 127 + COR 1.

3. The Working Party on Structural Measures examined the Special Report on 28 January and 23 February 2015 and an agreement on draft Council conclusions was reached on 27 February 2015 following a silence procedure.

 4. The Permanent Representatives Committee is therefore invited to recommend to the Council to adopt, as an "A" item, these draft Council conclusions as set out in the Annex to this document.
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**Draft Council conclusions on Special Report No 21/2014
by the European Court of Auditors:
"EU-funded airport infrastructures: poor value for money"**

THE COUNCIL OF THE EUROPEAN UNION:

- (1) WELCOMES the special report from the European Court of Auditors (hereinafter referred to as 'the Court') and TAKES NOTE of its observations.
- (2) NOTES that the audit covers 20 EU-funded airports in five Member States. These 20 airports have received a total EU funding of 666 million euro during the 2000-2006 and 2007-2013 programme periods through the European Regional Development Fund (ERDF) and the Cohesion fund (CF) (thus representing almost 23,30 % of more than 2,86 billion euro total ERDF and CF support to infrastructure over 2000-2013), out of which 460 million euro was actually audited (69,07%).
- (3) RECALLS that the Commission in the 2011 White Paper on Transport Policy considered congestion as a major concern. It went on affirming that 'airport capacity needs to be optimized and, where necessary, increased to face growing demand for travel'. POINTS also to the 2011 Commission communication COM(2011) 823 accompanying the Airport package, in which the Commission confirmed that congestion at airports is an issue for Europe and that if capacity on the ground is lacking, the success of the Single European Sky project as a whole will be threatened. Although the trend in air passenger transport development differs among Member States, overall EU-27 passenger numbers increased by 6% between 2007 and 2013. Meanwhile 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.

- (4) RECOGNISES the strategic importance of airports in i) transportation of people and cargo; ii) creation of direct and spill-over opportunities for employment, business, commerce, trade and tourism industry; iii) connectivity of all European regions, including insular, remote, isolated areas, outermost regions and northernmost regions with very low population density (provision of services of general economic interest and directive on airport charges²); iv) overall contribution to EU GDP, as well as to integration and global competitiveness of EU.
- (5) TAKES NOTE of the overall conclusion by the Court and in particular that:
- 5.1. A need for the EU-funded investments in airport infrastructure could be demonstrated for only around half of the projects examined (according to a benchmarking used in the Court's analysis);
- 5.2. There were delays in construction and the final delivery of airport infrastructures in 17 and cost overruns in 9 of the 20 airports examined;
- 5.3. More than half of the newly built (or upgraded) infrastructures were not fully used;
- 5.4. In many cases EU-funding was not cost-effective, thus 7 of the 20 airports examined were not profitable and, as a result, there is a risk that they may need continuous public financial support to remain in operation;
- 5.5. The planning (forecasting, cost-benefit analysis, cash flow profiles, self-sustainability assessment), co-ordination and supervision in some cases were not sufficient, thus resulting in overcapacity, overlaps with the catchment areas of existing neighbouring airports, low productivity;

² Directive 2009/12/EC of the European Parliament and of the Council of 11 March 2009 on airport charges.

5.6. Improvements in customer service were in most cases not measured and therefore difficult to assess.

(6) TAKES NOTE of the Court's recommendations that:

6.1. The Commission should ensure during the 2014-2020 programme period that Member States allocate EU funding to airport infrastructures in those airports which are financially viable and for which investment needs have been properly assessed and demonstrated.

The new European Structural and Investment Funds regulatory framework for the period 2014-2020 has limited the investment opportunities in airports to those that:

- i) are needed to ensure the compliance with the safety requirements and
- ii) are accompanied by measures mitigating or reducing negative environmental impact of the airport infrastructures;

6.2. Call upon Member States to have coherent transport plans at regional, national or supra national level to avoid overcapacity, duplication and uncoordinated investments in airport infrastructures.

The new European Structural and Investment Funds regulatory framework for the period 2014-2020 has foreseen such coordination through the fulfilment of applicable ex-ante conditionalities that require existence of a comprehensive plan or framework for transport investment in accordance with the Member States' institutional set-up (including public transport at regional and local level) which supports infrastructure development and improves connectivity to the TEN-T networks comprehensive and core networks.

- (7) CONSIDERS that the Court's recommendations are properly addressed by the new European Structural and Investment regulatory framework for the period 2014-2020 and CALLS on Member States and the Commission to build on lessons learned from previous experiences of investments in airport infrastructure.
- (8) Understanding the capital intensive nature of investments in airports and noting the core business model differences between hub airports and regional airports that may result in their capacity to generate enough revenues, and taking into account the time lag between supply and demand for infrastructure facilities, as well as the actual economic situation hampered by the crisis and slow recovery, UNDERLINES that every decision in favour of EU fund allocation to airport infrastructures should be taken fully in accordance with the new European Structural and Investment Funds regulation, therefore:
- 8.1. HIGHLIGHTS the necessity for Member States to assess ex ante the financial, economic, social and territorial objectives and the proper amount of investments needed in airport infrastructure;
- 8.2. CALLS upon the Commission to ensure that Member States only allocate EU funding to airport infrastructures in those airports for which investment needs have been properly assessed and demonstrated;
- 8.3. After the investments in the airport infrastructure are made, INVITES Member States to measure properly airport service quality improvements and evaluate relevant contributions to the fulfilment of national and regional socio-economic development objectives in order to fully reflect the effects of EU funding.

- (9) **WELCOMES** the improved approach concerning the management of major projects that defines the quality review process and the quality elements of the cost benefit analysis to be respected (main benefits and costs by sector, list of risks, precise reference periods by sector etc.), including the establishment of the Jaspers initiative, which provides technical assistance to Member States.
- (10) **INVITES** the Member States to consider whether less profitable airports can be encouraged to explore further options in order to reduce losses or maintenance costs, enhances productivity and improve other performance indicators of airports.
- (11) **TAKES NOTE** of the definition of catchment area of an airport used by the Commission for issuing state aid decisions stating that the catchment area of a given airport may be different and needs to take into account the specificities of each particular airport.
- (12) **HIGHLIGHTS** the importance of airport infrastructure compliance with the safety requirements in order to protect the interests and health of people who use it.
