

ROMANIAN REGIONAL AIRPORTS PRIORITISATION STUDY

1. INTRODUCTION

1.1 BACKGROUND

There were 17 operating airports in Romania in 2011¹, handling in total 10.6 million passengers. The latest complete passenger traffic statistics are for 2011 and are shown in the Table 1 below.

The distribution of traffic between Romanian airports, however, is heavily skewed. The top four airports – Henri Coanda International, Aurel Vlaicu International, Traian Vuia International and Cluj-Napoca International – handled between 1 and 5 million passengers each in 2011 and accounted together for 89% of total traffic. The next four ranked airports – Georg Enescu International, Targu Mures Transilvania, Iasi International and Sibiu International – handled between 176'000 and 327'000 each and accounted for a further 8% of the total². Traffic at the remaining nine airports ranged from a mere 300 to 76'000 passengers per year.

With the exception of 2008, total air passenger traffic at Romanian airports has grown strongly in recent years compared to traffic across the EU as a whole. In the five year period 2007-2011 it increased 38%, equivalent to an average annual growth rate of 7%; roughly equivalent for example to the rate of growth in Polish air traffic over the same period. Growth at the top four airports in that period was 35%; while at the next four ranked airports traffic was up 76%; and by 45% at the remaining airports.

Such rates of traffic growth are expected to continue over the medium term as a result of forecasted general economic development and possibly rise even higher in the short-term as a result of the lifting of restrictions on the free movement of labour between Romania and the rest of the EU at the end of 2013.³ These increases in traffic will place further demands on the infrastructure of the sector. To meet those greater demands, while maintaining compliance with international operational safety, security, environmental and passenger handling standards, it will be necessary to rehabilitate, modernize and expand much of the existing regional airport infrastructure.

However, it has long been recognised that there are too many regional airports in Romania⁴ and this has resulted in duplicated infrastructure, overlapping catchment areas, and diluted traffic levels in certain instances – see Figure 1 below. With only limited national financial resources available for regional airport investment at the time, the Ministry of Transport, Communications

¹ This was reduced to 16 in March 2012 when Aurel Vlaicu Baneasa Airport, Bucharest ceased public operations.

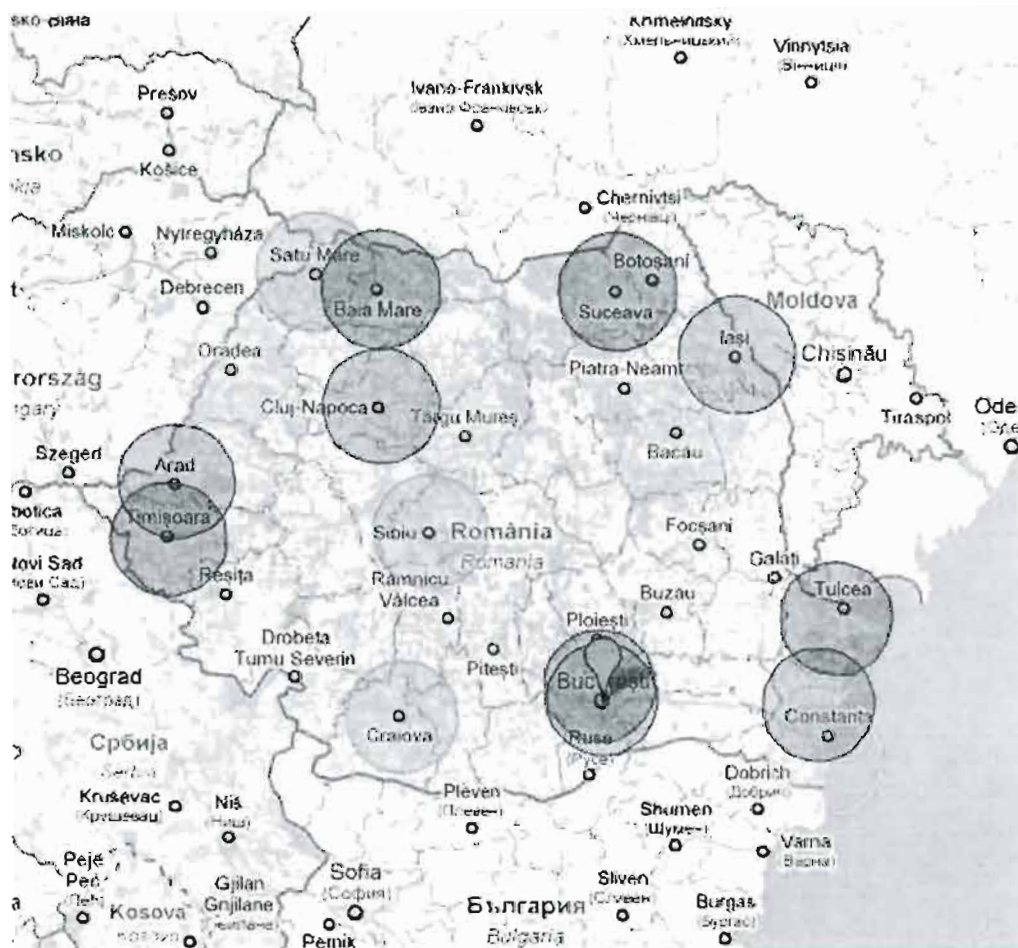
² Traffic statistics for 2012 show traffic at George Enescu International Bacau reaching almost 400'000 and Targu Mures Transilvania almost 300'000 passengers.

³ There were no restrictions on the free movement of labour after the accession of Poland to the EU and, driven by low cost carrier operations set up to service migrant workers, passenger traffic at Polish airports increased by 30% in 2005, 33% in 2006 and 24% in 2007. The rate of growth then declined to 7% in 2008 and went negative to minus 8% in 2009. In 2010 and 2011 traffic grew at 8% and 6% respectively. It seems likely a similar pattern will emerge in Romania after 2013.

⁴ *Sectoral Operational Programme - Transport 2007-2013*, Ministry of Transport, page 35 / *Regional Airports Investment Priority Study*, JASPERS 2007, page 9 / *Draft letter from DG Competition to the Romanian Minister of Foreign Affairs dated 24 May 2011*, page 11.

and Tourism commissioned JASPERS in 2007 to carry out a study to prioritise an investment programme. The study recommended that in making such a prioritisation certain adjacent airports should be consolidated. In the absence of a National Transportation Master Plan, however, there was no national strategy for the selective development of regional airports and eventually only two projects, were implemented on a 'first come first served basis', Constanta and Suceava, neither of which was the highest priority in the JASPERS report.

Figure 1: Romanian airports catchment areas



In 2010 the Romanian authorities notified the Commission of an aid scheme providing for the public financing of 15 regional airports. Following an initial review the Commission decided in May 2011 to open a formal investigation into the notified aid and other measures in favour of the airports. In response the Romanian authorities withdrew their notification and announced their intention to finance such airports in compliance with the provisions of the Community 2005 Guidelines on financing airports and the SGEI Decision.

The modernization and development of selected Romanian airports, with a special focus on improving the TEN-T connectivity of landlocked territories and the promotion of regional economic

development are objectives of the SOP-T 2007-2013.⁵ The SOP-T has noted that Henri Coanda International Airport has been the beneficiary of most of the aid for investment in airport infrastructure and not much focus has been placed on regional and secondary airports. Given the lack of any planned high-speed rail developments in Romania, investment priority for selected regional airports may be more strategically important than usual to the economic and social development of certain regions, at least in the medium term.

The possibility of financing regional airport investment needs through EU funds has been discussed by the Commission and the Romanian Authorities. The Commission has expressed a concern regarding the need for a clear, objective and transparent framework against which such a selection and prioritisation of airports and their proposed investment projects can be made.

The SOP-T Managing Authority in the Ministry of Transport has applications for investment proposal funding from seven regional airports presently on hand:

- Arad
- Baia Mare⁶
- Craiova
- Iasi
- Oradea
- Satu Mare
- Targu Mures

The Managing Authority now plans to seek approval from the SOTP Monitoring Committee to reallocate some of the funds remaining from the 2007-2013 programming period to support certain of these investment proposals and has requested JASPERS assistance in (i) selecting and prioritising amongst the seven regional airports above-listed; and (ii) appraising and prioritising the investment projects proposed by those selected priority airports.

In parallel, the Ministry of Transport has commissioned a National Transport Model and Master Plan which will include a list of transport projects (including airports / aviation sector projects) recommended for the forthcoming programming period 2014-2020. The data, methodology and recommendations for prioritisation of proposed airport investment projects from this JASPERS assignment should be coherent and consistent with the findings of the National Transport Master Plan and any recommendations it may make concerning airport investment projects to be included in the 2014-2020 programming period.

⁵ *Sectoral Operational Programme - Transport 2007-2013*, Ministry of Transport, Section 3.2.2.4 Modernization and development of air transport infrastructure p.65

⁶ There is some question about the status of the Baia Mare proposal; whether it has already been rejected by the Ministry of Transport. For the sake of completeness it has been included here.

Table 1: Romanian airports passenger traffic 2007-2011

Airport	City	2007	2008	2009	2010	2011	% Increase 2007-2011	% Share of total	2012***	Year%
Henri Coandă International*	Bucharest	4,835,566	5,023,158	4,449,927	4,929,403	5,030,692	4	47.47		
Aurel Vlaicu International**	Bucharest	968,094	1,724,401	2,033,247	2,096,805	2,077,706	114.6	19.6		
Traian Vuia International	Timisoara	818,534	886,274	1,038,436	1,136,326	1,356,019	65.7	12.79		
Cluj-Napoca International	Cluj	390,523	751,202	834,448	1,028,987	1,004,821	157.3	9.48		
George Enescu International	Bacau	112,080	120,369	195,724	238,258	327,414	192.1	3.09		
Târgu Mures Transilvania	Targu Mures	156,999	66,962	83,949	73,524	202,450	28.9	1.91	299,264	47.8
Iasi International	Iasi	126,655	142,971	147,830	158,743	184,483	45.7	1.74	170,640	-7.5
Sibiu International	Sibiu	109,824	140,012	154,161	198,753	176,906	61.1	1.67		
Mikhail Gogăniceanu International	Constanta	42,324	60,307	68,660	74,587	76,464	80.7	0.72		
Oradea International	Oradea	36,803	38,868	39,107	39,229	60,646	69.1	0.57	40,356	-33.3
Craiova International	Craiova	5,113	13,021	13,977	23,636	31,269	511.6	0.3	29,232	-6.5
Suceava Stefan cel Mare	Suceava	20,741	23,468	32,558	33,590	27,208	31.2	0.26		
Satu Mare International	Satu-Mare	5,893	7,326	11,113	18,950	22,741	285.9	0.21	19,366	-14.8
Bala Mare International	Bala Mare	14,483	22,312	23,818	19,011	18,568	28.2	0.18	16,554	-10.8
Arad International	Arad	28,718	76,777	42,900	8,395	599	-97.9	0.01	14,968	2398.8
Tulcea Danube Delta	Tulcea	1,087	758	599	1,342	258	-76.3	0		
Caransebes Airport	Caransebes	0	0	0	0	0	0	0		
Total		7,672,437	9,098,186	9,170,454	10,079,539	10,598,144	38.1	100		

* Includes Ion Tiriac Business Terminal

** Aurel Vlaicu International Airport ceased public services in March 2012 and all traffic was transferred to Henri Coanda

Data source: National Transport Master Plan - in preparation by AECOM Consultants March 2013

***Additional data for 2012: Ministry of Transport, Civil Aviation Department

1.2 TERMS OF REFERENCE

The Terms of Reference set out the tasks of the assistance to be provided by JASPERS as:

- Preparing a prioritisation study for public financing in regional airports, building on the 2007 *Regional Airports Investment Priority Study*, taking into consideration the developments between then and now both at the national (demand/traffic changes, airport developments, etc.) and EU level (in particular new state aid provisions).
- Reviewing / appraising Feasibility Studies for airport project proposals received by the Ministry of Transport and recommending which proposals (if any) would be worth financing with priority in the current programming period;
- Engaging with the Consultant working on the National Transport Master Plan (AECOM), with a view to: reviewing/commenting on aviation-related outputs; getting any data / information from the Master Plan necessary to complete this assignment; ensuring that there is no inconsistency between the recommendations from the Master Plan and this study.

1.3 REPORT STRUCTURE

In response to the Terms of Reference this Report is structured as follows:

Chapter 2: Recommendations for, and application of, the criteria to be used by the Managing Authority in selecting and prioritising regional airports for the purposes of reallocating funds available from the SOP-T 2007-2013 period. These criteria should form a clear, objective and transparent selection and prioritisation framework as requested by the Commission.

Chapter 3: Recommendations for the criteria to be used by the Managing Authority in appraising and prioritising investment proposals received from priority regional airports identified in Chapter 2 and the subsequent allocation of funds. These criteria should again form a clear, objective and transparent selection and prioritisation framework as requested by the Commission.

Chapter 4: Review and appraisal of investment proposals from priority regional airports against the criteria set out in Chapter 4.

Chapter 5: A review and comments on the aviation-related outputs from the Romanian National Transport Master Plan currently being prepared by the consultants AECOM with a view to: (a) contributing to the airports development strategy proposed by the Plan; and (b) ensuring that the data, methodology and recommendations of this JASPERS study are consistent with those used in the Plan and coherent with any airport investment projects recommended by the Plan for inclusion in the 2014-2020 programming period.

2. PRIORITISATION OF REGIONAL AIRPORTS

2.1 PURPOSE

In May 2011 the Commission questioned the support scheme for investments in regional airports in Romania proposed by the Ministry of Transport, doubting whether the public financing met a clearly defined objective of general interest, given the apparent oversupply of airport services in Romania.⁷

Recognising those doubts, the purpose of this chapter is to recommend to the Managing Authority which criteria it should use for selecting and prioritising regional airports when proposing a reallocation of some of the funds remaining available from the SOP-T 2007-2013 period.

The Commission has requested that such criteria should form a clear, objective and transparent framework for selection and prioritisation. In response to this requirement three criteria are recommended:

- select only airports which improve regional accessibility (TEN-T comprehensive network);
- among those select only airports which have no overlapping catchment areas; and
- prioritise the selected airports on the basis of financial sustainability, with particular reference to the levels and expected durations of operating subsidies required and their related compliance with state aid rules.

2.2 IMPROVED REGIONAL ACCESSIBILITY

Regional accessibility is a specified objective and priority of the TEN-T guidelines set out in Decision No 661/2010 and its proposed revision COM(2011) 650 final/2, in particular as regards the definition of the "comprehensive network".

In defining the comprehensive network, the revised guidelines use the following criteria (art. 29.2) for passenger airports:

- (i) *"the total annual passenger traffic is at least 0,1 % of the total annual passenger volume of all airports of the Union. The total annual passenger volume is based on the latest available three-years average, as published by Eurostat;*
- (ii) *the volume threshold of 0,1 % does not apply if the airport is situated outside a radius of 100 km from the nearest airport in the comprehensive network, or outside a radius of 200 km if the region in which it is situated is provided with a high-speed railway line."*

In order to ensure coherence with the criteria used in those guidelines for defining the airports serving the objective of regional accessibility, JASPERS recommends that the Managing Authority uses the list of airports on the TEN-T comprehensive network as the first step to select which airports qualify for consideration in respect of the proposed reallocation of SOP-T 2007-2013 funds.

The table below shows which out of the 7 airports subject to this assessment meet this first criterion:

⁷ EC Press release Référence: IP/11/633 24 May 2011 and DG Competition letter to the Romanian Minister of Foreign Affairs of the same date.

Airports	TEN-T comprehensive network
Arad	NO
Baia Mare	YES
Craiova	YES
Iasi	YES
Oradea	YES
Satu Mare	NO
Targu Mures	NO

It is suggested therefore to continue the appraisal further only with the four airports which are part of the TEN-T comprehensive network, namely:

- Baia Mare
- Craiova
- Iasi
- Oradea

2.4 OVERLAPPING CATCHMENT AREAS

The Commission normally considers that adjacent airports within 100 km radius or one hour or less travel time between them have overlapping catchment areas and may be thus substitutes with respect to giving improved accessibility to an area and that the use of public funds for investment at one or the other such airports could be duplicative and not proportional to the need.⁶

As Figure 1 above shows, none of the four airports passing the first criterion are overlapping with each other.

However, three of the four airport catchment areas may be overlapping with other non-TEN-T airports in the region, namely:

- **Bala Mare** should be checked in terms of catchment areas with:
 - **Satu Mare** (by location within the radius of 100 km), but:
 - The travel time (which has also been adopted by the Commission as a criterion for substitutability⁹) is above 1 hour, i.e. 69 minutes¹⁰.
 - Satu Mare was anyway excluded under the regional accessibility (TEN-T criterion).
 - **Cluj** (by location just within the radius of 100 km – as straight line on the map), but in practice:
 - The actual distance by road is approx. 140 km;
 - The travel time is approx. 1 hour and 57 minutes.
- **Iasi** should be checked in terms of catchment areas conflict with:

⁶ Letter from DG Competition to the Romanian Minister of Foreign Affairs, 24 May 2011, para 62.

⁹ Case No. COMP/M.2239 – Ryanir / Aer Lingus, para 99.

¹⁰ Distances and times are according to <http://www.rac.co.uk/route-planner/> and <http://www.viamichelin.com/web/Routes>

- **Bacau** (by location within the radius of 100 km – as straight line on the map), but in practice:
 - The actual distance by road is approx. 130 km;
 - The travel time (which has also been adopted by the Commission as a criterion for substitutability¹¹) is approx. 2 hours and 4 minutes.
- **Suceava** – but this is even less of an issue since:
 - The distance is of approx. 112 km even as straight line on the map;
 - The actual distance by road is approx. 146 km;
 - The travel time is of approx. 2h and 34 minutes.
- **Oradea** is overlapping with Debrecen Airport, Hungary (by location within the radius of 100 km) but the travel time by road is 1 hour 26 minutes.

As such, JASPERS recommends that all the four airports be considered as passing this criterion.

2.5 FINANCIAL SUSTAINABILITY

No airport infrastructure investment proposal can be justified without a credible assurance that the airport entity itself is, or at some foreseeable point will become, financially sustainable and thereby ensure usage of the proposed infrastructure.

3.5.1 Traffic as an indicator of financial sustainability

A commonly used industry indicator of airport financial sustainability is annual traffic volume.¹² Earlier¹³ and recent¹⁴ research indicates that breakeven against operating costs, excluding depreciation and other capital related costs lies between 200'000 and 400'000 passengers per year depending on the range of activities included in the airport cost base. For example, French regional airports have the lowest breakeven points. This is mainly due to air traffic control services at these airports ('terminal navigation services') being provided by the national directorate of civil aviation (DGCA) and not included in the airport cost base. In the UK, where breakeven points are higher, this is not the case. The situation in Romania in this respect is similar to France in that ROMATSA provides terminal navigation services not the airports.

Apart from such disparities, it should also be noted that while traffic data is simple and usually readily available, when used in this way as a surrogate for financial performance, it can be misleading in some circumstances. For example, at the simplest level, two regional airports, identical in traffic volumes and in all other respects can have differing points of financial breakeven depending upon the landing and passenger charges policy each employs. If all or most of the services to/from the airport are operated by low cost carriers (LCCs) then it is likely that the level of unit user charges will be lower, and hence the breakeven level of traffic higher, than at an airport where most of the services are operated by legacy carriers.

¹¹ Case No. COMP/M.2239 – Ryanair / Aer Lingus, para 99.

¹² Most of the research referred to in this section is based on "Work Load Units" (WLU), where one unit is equivalent to one passenger or 100 kgs of cargo. As most regional airports handle minimal amounts of cargo, passenger numbers are used in place of WLUs.

¹³ 'Study on competition between airports and the application of State aid rules' – Cranfield University, June 2002

¹⁴ 'Benchmarking European Airports Based on a Profitability Envelope' Figure 1, Branko Bubalo, Berlin School of Economics and Law, June 2012.

http://www.garsonline.de/Downloads/120616/Bubalo_Benchmarking_European_Airports.pdf

Recognising that future growth at many of the regional airports will probably be generated by LCCs, for the purposes of this study, it is assumed that breakeven for the Romanian regional airports being examined here will lie somewhere around 300'000 passengers per year.

However, since it cannot be excluded than in particular cases - considering the local costs and revenues structure - airports in the range of traffic between 200'000 and 300'000 passengers per year could achieve financial sustainability, the proposed approach for selection under this heading is as follows:

- Airports > 300'000 pax/year – passing the criterion;
- Airports < 200'000 pax/year – not passing the criterion;
- Airports > 200'000 < 300'000 pax/year – passing provisionally the criterion, subject to a more detailed sustainability check at the project appraisal stage;

The question now is to determine which airports are likely to reach that traffic level and when.

2.5.2 Traffic forecasts

Each of the airports applying to the Managing Authority for infrastructure financing assistance has produced a traffic forecast as part of the feasibility study supporting its investment proposal. These forecasts will be reviewed in detail in the chapter 4 of this report as a part of the individual investment proposal appraisals. On initial inspection, however, most appear to be highly optimistic (even in respect of their 2012 traffic projections against what has been actually reported for the year).¹⁵

For the sake of consistency in the forecast assumptions underlying this airport selection and prioritisation process, it is proposed therefore to set aside the feasibility study forecasts for the time being and, for the purposes of estimating roughly when financial breakeven might be achieved, instead to extrapolate the actual 2012 traffic levels at each airport using similar growth rates to those experienced in Poland in the years immediately after Accession, when there was an immediate free movement of labour to the rest of the EU similar to that which will come into force between Romania and the EU at end of 2013.

Two extrapolations have been made:

(1) 2012-2015 20% per annum / 2016-2030 10% per annum

(2) 2012-2015 35% per annum / 2016-2030 10% per annum

The results from each are summarised in Tables 2 and 3 below.

Table 2: Traffic extrapolation 1 (2012-2015 20% 2015-2030 10%)

Airport	2012	2013	2014	2015	2020	2025	City Population**	Catchment area population
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¹⁵ For example, Satu Mare Feasibility Study forecasts 60'428 passengers in 2012 – actual was 19'366; Oradea Feasibility Study basic scenario forecasts 115'110 passengers in 2012 – actual was 40'356; Iasi Feasibility Study forecasts 206'099 passengers in 2012 – actual was 170'640.

	Actual*	Extrapolation						Millions***
Baia Mare	16,554	19,865	23,838	28,605	46,069	74,195	114,925	2.75
Craiova	29,232	35,078	42,094	50,513	81,352	131,017	243,765	2.2
Iasi	170,640	204,768	245,722	294,866	474,885	764,806	263,410	3.7
Oradea	40,356	48,427	58,113	69,735	112,309	180,875	183,123	1

Table 3: Traffic extrapolation 2 (2012-2015 35% 2015-2030 10%)

Airport	2012	2013	2014	2015	2020	2025	City Population**	Catchment area population Millions***
	Actual*	Extrapolation						
Baia Mare	16,554	22,348	30,170	40,729	65,595	105,841	114,925	2.75
Craiova	29,232	39,463	53,275	71,922	115,831	186,546	243,765	2.2
Iasi	170,640	230,364	310,991	419,838	676,154	1,088,953	263,410	3.7
Oradea	40,356	54,481	73,549	99,291	159,909	257,535	183,123	1

* Civil Aviation Department, Ministry of Transport

** Wikipedia

*** As stated in respective Feasibility Studies

As a credibility check, the respective airport catchment area populations are also shown above. By the end of the extrapolation period the expected passenger numbers at Baia Mare and Craiova are still small compared to the catchment area populations. Oradea, is higher but still plausible and Iasi is even higher and could be questionable, especially given competition from Bacau Airport but even if reduced would still be well above the 300'000 threshold.

As can be seen, in terms of achieving the 300'000 passenger threshold **by 2025** (the assumed mid of the expected working life of any infrastructure investment and the duration limit for SGEI compensation covering the operating costs deficit assuming project investment completed by end 2015):

- **Baia Mare** and **Craiova** are clearly not likely to be sustainable, having by 2025 even in the most optimistic forecast less than 200,000 passengers. Therefore, under these extrapolation assumptions, they cannot be considered as meeting the financial sustainability criterion.
- **Iasi** is clearly very close of achieving sustainability -- in only few years' time, well before 2025. Therefore it clearly meets the financial sustainability criterion.
- **Oradea** might possibly achieve sustainability – with traffic just above 250'000 passengers around 2025, depending actually on the traffic scenario. Therefore it should be provisionally considered passing the criterion, subject to a detailed analysis (in the next stage of project appraisal) of:
 - the traffic forecast;
 - the actual costs and revenue structure;

- (iii) the budgetary capability and willingness of the Oradea local authorities to take on such long-term SGEI compensation commitments.

While the draft of this report was under review, the Managing Authority received a letter from the Director General of Craiova Airport giving a number of route development and other reasons why traffic growth prospects are better than might be expected, not the least of which was an enquiry from the CEO of Carpatair concerning the possible relocation a significant part of the airline's operations to Craiova on the condition that the required aircraft parking space can be provided and a suitable charges regime agreed.¹⁶

JASPERS has examined the traffic increases expected from the contracted new route developments at Craiova and drawn the following conclusions:

- based on the new routes to Dortmund, London, Rome and Bergamo, the assumed 60% loadfactor and annual growth rate of 10%, Craiova expect traffic volume to reach 232'000 passengers by 2025. Overall this seems plausible and could even be understated as most LCCs have a higher target loadfactor than 60%¹⁷. However, if actual loadfactor targets are not achieved and sustained within the three year contract period, then it is likely that the route(s) in question will be dropped. As each of these routes is expected to generate 30'000+ passengers per year in the long term, the cancellation of just one could push the expected 2025 traffic level below 200'000, JASPERS cannot therefore recommend inclusion of Craiova under the financial sustainability criterion solely on the basis of these new routes alone.
- the establishment of a Carpatair hub-and-spoke operation at Craiova, however, would make a radical difference, increasing traffic substantially. Under such conditions JASPERS would have no reservation in recommending the inclusion of Craiova under the sustainability criteria. However, at present Craiova does not have the eight aircraft parking spaces required by Carpatair. Eight suitable parking spaces are included in the airport investment proposal but Craiova will only be able to respond to Carpatair positively if its investment proposal can be accepted for funding. The Carpatair enquiry is encouraging to Craiova but it must be seen in the context of the current disputes the carrier has with the management of Timisoara Airport.
- JASPERS could, therefore, only consider inclusion Craiova to be meeting the financial sustainability criterion if Carpatair intentions are shown to go beyond just the present enquiry. For example, if Carpatair issue a letter of intent or commit publicly in some way to the establishment of an operations base at Craiova. This is suggested to be further reviewed as part of stage II

The recommendation is therefore to exclude on the sustainability criterion Baia Mare and to take forward only the other three airports to the project level appraisal, with the caveat that the financial sustainability of Oradea and especially Craiova will be further reviewed and will need to be re-confirmed as part of the next stage assessment.

The compatibility of SGEI aid, and of infrastructure investment financing assistance is linked with the discussion of EU State aid regime.

2.6 STATE AID

¹⁶ Copies of the letters and attachments relating to the new routes are shown at Annex1. A copy of the enquiry letter from Carpatair is shown at Annex 2

¹⁷ For example systemwide in 2012: Ryanair 82%; Easyjet 89%; Wizzair 86%. Etc. Source European Low Fare Airline Association

State aid to airport operators for the financing of infrastructure investments is governed by the 2005 Guidelines. The guidelines provide a framework for assessing whether such aid may be declared compatible with the internal market pursuant to Article 107(1) of the TFEU. The guidelines also allow certain activities carried out by airports to be considered as SGEI which may be financed by State aid but also declared compatible under conditions specified in the Commission Decision on SGEI.¹⁸

It should be noted that activities which normally fall under State responsibility, such as safety, air traffic control, police, security, pollution control etc. are not considered of an economic nature in the guidelines and as such therefore do not fall within the scope of the rules on State aid.¹⁹ This distinction is relevant here because a number of the airport investment proposals include infrastructure devoted to such functions.²⁰ These should be treated separately in the application.

In the specific case of the Romanian airports intended for financing, we understand the applicable state-aid regime was extensively discussed between the Commission (in particular DG COMP) and the Romanian authorities in the context of the investigation of 2011.

We further understand the investigation was closed to the satisfaction of the Commission in a context whereby Romania decided to proceed with the financing of the respective airports under the framework of compensations for providing SGEI formally entrusted to the said airports by the relevant public authorities – in accordance with the Commission Decision (2012/21EU).

From the information provided to JASPERS it appears the 3 remaining airports in question are covered by public service contracts compensating SGEI entrusted by the local authorities, as follows:

- Iasi - SGEI entrusted by the County Council Iasi by decision of 27/07/2011;
- Oradea - SGEI entrusted by the County Council Bihor by decision of 29/07/2011;
- Craiova - SGEI entrusted by the County Council Dolj by decision of 27/07/2011.

Therefore, it would seem all the three airports may be publicly financed in the context of the SOPT under the SGEI framework.

Indeed, a more detailed analysis will be required at project level in order to ensure amongst others that:

- (i) The actual infrastructure proposed for financing is covered by the activities assigned as respective SGEI.
- (ii) The actual infrastructure proposed for financing is necessary and proportional to the objective which has been set.
- (iii) The actual infrastructure proposed for financing infrastructure has satisfactory medium-term prospects for use

¹⁸ 'COMMISSION DECISION of 20 December 2011 on the application of Article 106(2) of the TFEU to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest'

¹⁹ 2005 Guidelines paragraph 54

²⁰ For example, the Iasi proposal includes rescue and fire fighting service equipment, air navigation and protection equipment, fencing, access gates, checkpoints and outdoor surveillance systems; and the Turgu Mares proposal includes FAR/SRE radar and NDB transmitter equipment.

- (iv) The potential users of the actual infrastructure proposed for financing have access to it in an equal and non-discriminatory manner
- (v) The actual financing requested under SOPT is not over-compensating²¹.

All these questions are proposed to be assessed in detail within the context of the next stage, i.e. appraisal of the actual projects proposed for SOPT financing by the respective three airports, together with the other usual feasibility review issues (e.g. refined demand analysis, options analysis including operational/capacity/technical review, economic and financial analysis including funding gap and risk analysis, actual maturity for financing in this period, etc.).

End of Stage 1 Report

²¹ Although this is in practice quite automatically solved through the funding gap mechanism of structural funds – as far as the Community contribution is concerned.