Failed Assessment of Mobility Needs – ‘White Elephant’ Airports

Abstract

Mobility is one of the most important factors to be considered in planning transport development. Mobility needs and patterns determine the use of transport means and infrastructure, therefore the scope of investment in new infrastructure or decisions to modernize already existing infrastructure elements should always be backed by a proper mobility analysis. The paper is devoted to the phenomenon of ‘white elephants’ in air transport, i.e. expensive to build as well as to maintain and at the same time useless airports. The decision to build such airports is not justified by a reliable socio-economic analysis but usually is a result of overgrown ambitions of the investor. Inherent characteristics of such investments is high capital intensity, overestimation of future usage, many deficiencies and low-quality solutions. The analysis of the ‘white elephants’ phenomenon is important not only because such investments lead to economic inefficiencies but also this wrong allocation may result in an excessive infrastructure supply in some areas while other remain underinvested, which may lead to a suboptimal development of mobility and may also skew mobility patterns.

Keywords: airports, white elephants, EU policy, mobility
Introduction

Mobility is one of the most important factors to be considered in planning transport development. Mobility needs and patterns determine the use of transport means and infrastructure, therefore the scope of investment in new infrastructure or decisions to modernize already existing infrastructure elements should always be backed by a proper mobility analysis justifying the necessity of such investments as well as defining their scope.

The term white elephants refers to useless investments whose maintenance is expensive and construction costs are not with a chance to break even; and every year their maintenance generates losses. The investment prestige dominates the functionality of the facility which meets neither its functional nor financial role. Public or private investors are often driven by the desire to create icons which may become milestones in the development of a country or region. As a consequence, they contribute to the creation of highly capital-intensive facilities, very expensive to maintain. It results from the overestimation of the degree of usefulness, underestimation of investment budgets, defects and high cost of the repair as well as an occasional use, e.g. stadiums built for specific sports events. The term white elephants is directly related to the phenomenon of infrastructure excess supply, which has recently been topical within the European Union. This statement is reflected in the Union changes initiated in 2014 in reference to the principles of co-financing infrastructure investments from EU funds and restrictions with regard to granting public aid. A new stance of the European Union and its bodies is an after-effect of long-term negligence and abuse of all forms of financing of the construction of new or modernisation of existing airports.

This article is aimed at the presentation of a new phenomenon of excess supply of airport infrastructure in face of the lack of demand for its services, which indicates a wrong assessment of the air mobility of people and inaccurate demand forecasts.

The authors have decided to analyse the profitability of airports in Poland, Germany and Spain as well as on the Asian market. The subject of unprofitable airports is being broadly discussed in the whole European Union, and in Poland discussions often focus on the appropriateness of construction of new airports in increasingly smaller towns. Furthermore, Poland, besides Spain, is the largest beneficiary of the EU aid in the area of financing construction and modernisation of airports. Airports in Spain are an extreme example of wastefulness of the EU, state as well as private funds, being a perfect illustration of what an unreliable ex ante economic analysis may lead to. Thus, the experience of this state is an interesting research area from the Polish and EU perspective.
The analysis of the ‘white elephants’ phenomenon is important not only because such investments lead to the economic inefficiencies but also this wrong allocation may result in an excessive infrastructure supply in some areas while other remain underinvested in terms of infrastructure, which may lead to a suboptimal development of mobility and may also skew mobility patterns.

1. Transport Infrastructure Specificity

Transport infrastructure plays a significant role in spatial planning. It may be either a growth stimulant or a barrier to economic development and people’s mobility.

Transport investments and infrastructure are primarily public. It results from the fact that the infrastructure, which is the basis of transport operations, is also used by other sectors of the economy as well as the whole society. Thus, infrastructure is a strategic area, and the provision of access to it rests with the public sector.

There are three main groups of transport infrastructure features to be distinguished: technological, economic and organisational ones.

The technological features include: a long creation period, long life span, technological indivisibility and no possibility of import.

A long creation period of infrastructural facilities usually exceeds the duration of the investment cycle in the economy. The process of investment design is fairly complex and time-consuming, which results from the interdependencies within the transport sector as well as the impact on other sectors of the economy. This period also depends on the level of economic development and work efficiency. The life span of such investments is also significant.

In the case of infrastructural investments, it is especially important to think long-term, to analyse the directions of transport development and to forecast the future needs of infrastructure users. The risk of failed investments should be minimized as to avoid highly capital intensive construction and maintenance. It is desirable to make long life span investments whose investment outlays break even in a definite time. It should be borne in mind, though, that due to the rapid development of technology, many investments become useless before the time of their functionality expires as they tend to age “morally.”

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3 Ibidem, pp. 45–46.
Technological indivisibility means a minimum scale of a facility that makes its use rational. It is also a combination of technological features necessary for the facility to operate.

No possibility of relocation, i.e. the so-called immobility is a general inability to transfer infrastructure facilities and their operations to a more efficient environment.

The economic features of transport are: material intensity (about 20 per cent of the total value of national property) and capital intensity, a high share of fixed costs, costs growing abruptly and the economies of scale\(^4\).

Due to a long period of designing and also implementation of infrastructural investments, and consequently long-term freezing of funds, the participation of private partners in this type of projects is considerably limited.

Material intensity and capital intensity decline with the economic growth and the development of the economy. It is caused by the saturation of the economy with infrastructural investments over time. However, both of these factors are constant in well developed countries, for example due to the need for modernisation and renovation of infrastructure\(^5\).

Organisational features to be mentioned include primarily, as a rule, the state property and a monopolised character of operations in a given area.

2. Transport Infrastructure Investment Efficiency

The assessment of efficiency requires an integrated approach to analysis. What should be accounted for is not only the relation between input resources and the obtained output, but also the compliance of the results with the goals assumed before.

This assessment is made from the perspective of investors as well as the social and economic dimension of an investment. In the case of investments co-financed from EU funds, it allows for answering the questions about the appropriateness of financing from EU funds.

A prerequisite for the creation and existence of airports is an effective and profitable business operation. The appropriateness of their construction is determined by the relation between costs and prices within this transport sector. It is not really obvious, due to subsidising transport, which plays a strategic role in the operation state organisations and is also socially useful. Hence, there is a wide range of subsidies


\(^5\) Ibidem.
for carriers and airports from central or local budgets. Nevertheless, the information on costs and incomes determines the basis of running an airport company.

The profitability of an airport is affected by the reduction in the costs of operations with a simultaneous retention of incomes of their growth. At the same time the efficiency of an enterprise and its productivity grow.

The costs of air transport infrastructure maintenance to a large extent are fixed in character (there are indispensable elements of airport infrastructure like runways, taxiways, airfield and premises for different services, including passenger and freight handling terminals).

The incomes generated by an airport are divided into aviation and non-aviation revenue. Depending on the size of an airport, the share of these in the airport income structure is different. Non-aviation revenue dominates in large airports, while regional airports have smaller opportunities in this respect.

Taking into account a long process of implementation of airport investments and also their long life span, it should be remembered that long-term thinking, analyzing the directions of transport development as well as forecasting future needs of infrastructure users play a key role here. Numerous ways of financing of transport infrastructure and an opportunity to acquire EU funds within the European Union programs have allowed the state and local authorities to easily acquire funds for costly infrastructure investments. In many cases, guided by a desire to develop a region or due to prestige, the assessment of investment efficiency failed to be accurate. In this regard, in some European Union countries we can observe presently an excess supply of air transport infrastructure, i.e. the white elephants effect. Spain is an infamous leader in the area, whose case is to be discussed later. The problem refers to airports in Germany, Poland or Asian countries.

3. The Analysis of Air Transport Overinvestment – the Case of Spain

Spain, administratively divided into 52 provinces, possesses the same number of airports: 49 airports managed by the state entity AENA Aeropuertos, 2 private airports (in Castellón and Ciudad Real) and 1 public airport belonging to an autonomous community in Catalunia (the airport in Lerida). A strategic sector for the

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development of economy is definitely tourism, which requires a suitable infrastructure, including a base in the form of air transport services. In 2014 in Spain there were 195.9 million passengers handled.

It is worth emphasizing that the majority of regions have more than one airport, which may be considered to be a worldwide sensation. As a consequence, as many as 22 airports handle a number of passengers below the profitability threshold, i.e. the volume of 500,000 people annually.

The airport in Ciudad Real is an interesting case of an orphaned airport in Spain. The investment financed from private funds of 1.1 billion euros was meant to relieve the capital airport Madrid-Barajas (used to be called Madrid Sur-Ciudad Barajas). It was planned to connect Ciudad Real of 72,000 inhabitants with high speed trains, thanks to which the trip from Madrid to cover 230 km would take below 50 minutes. At the same time, it was to be the first airport connected with the network of the AVE high speed trains. The first regular flights were launched by Ryanair in June 2010 to London Stansted (3 times a week). It is estimated that after three years of launching the airport operations, its debts reached as much as 300 million euros. These are media figures, not official data, as the airport does belong to the state-owned company AENA. In April 2012 the airport was formally closed down due to the bankruptcy of the company managing it. At present the airport is used for private purposes. However, it is worth noting that the airport infrastructure was really impressive. Its runway is one of the longest in Europe (4,000 m × 60 m), and the passenger terminal was designed to handle 10 million passengers annually. The reason behind the failed investment in Ciudad Real is big decision mistakes resulting from the wrong investment planning. The estimates failed with regard to costs as well as the demand and air transport traffic⁸. The airport was sold in July 2015 for 10,000 euros to a Chinese investor.

The airport which has become a symbol of the financial crisis in Spain as well as the excess supply of air transport infrastructure in Spain is the Castellón airport in the Valencia region.

A monthly cost of running the airport, not including aircraft, amounts to 300,000 euros. The expenditure burdens the region of Valencia, which spent 30 million euros on its maintenance and advertisement within the first year after launching it⁹.

Another airport which since the completion of construction (2008–2012) has not launched any commercial flights (as of February 2015) is an international

⁸ M. Wasilewski, op.cit.
airport in Murcia. Considerable doubts are raised of its possible profitability due to its neighbourhood with the airport in Alicante and Murcia-San Javier airport. The airport is a private investment, supported by the regional authorities, which guaranteed 200 million euros for the implementation of the investment. In 2013 the government in Madrid decided to grant the aid of 40 million euros to the region of Murcia in order to reduce its financial liabilities resulting from the guarantee.¹⁰

4. The Reasons Behind the Air Transport Infrastructure Excess Supply in Spain

In connection with a growing demand for air transport services, Spanish authorities made an assessment of the air transport infrastructure traffic capacity, deciding that it is not sufficient. The regional and central state authorities began to devote enormous amounts to financing the air transport infrastructure in Spain. It turned out, though, that not all investments were based on thorough financial and economic analyses. In many cases the real demand for air transport services, which would ensure airport profitability in the long run, was not taken into account. Thanks to a considerable decline in air fare prices and also to the popularity of air travel among people (due to low-cost carriers offering point-to-point connections), many regional governments decided to build airports in their regions. When making decisions they were guided by the vision of potential economic and social benefits, which were to positively affect the development of the region in which an airport was to be built. Benefits were perceived with regard to the creation of jobs, region promotion, its higher attractiveness for example for investors or the increase in the mobility of people.¹¹ All these factors became an impulse to implementing investments on a big scale, building new facilities as well as modernizing the existing ones.

Due to the high material intensity as well as capital intensity of air transport infrastructure, the implementation of investments required additional sources of financing. EU funds came to the rescue. In the years 2000–2013 the EU earmarked, for example within its structural programs, as much as 685 million euros for the modernization and building of airports in Spain, which accounts for 24 per cent of


¹¹ M. Wasilewski, op.cit.
all funds aimed at this goal. Poland obtained about 21 per cent, Italy 17 and Greece 13 per cent. The rest (25 per cent) was given to the other members of the EU.

5. Reaction of the European Union to Spanish Airports’ Indebtedness

Numerous controversies over the use of EU funds for air transport infrastructure financing coincided with the audit conducted by the European Court of Auditors from May 2013 till October 2014 in the airports supported by the EU. A special attention was paid to the airports which proved to be unprofitable. The airports which used the EU funds in the years 2000–2013 came under close scrutiny. The audit dealt with 20 airports in Spain, Poland (in Gdańsk and Rzeszów), Greece, Estonia and Italy. All the audited airports received 666 million euros from the EU funds in the years 2000–2013 (the audit concerned the amount of 460 million euros). It is 23.3% of all EU funds designed for the development of airport infrastructure. In the years 2000–2013 the EU spent in total 2.858 billion euros on this sort of investment. The biggest beneficiary of this EU aid appeared to be Spain with 685 million euros, followed by Poland 601 with million euros, Italy 494, Greece 372, and the Czech Republic 101.

The report claims that the EU aid was really necessary only in half of these airports (in total the subsidy was used by nearly 500 airports of all kinds in the whole European Union). In Spain the auditors visited the following airports: Badajoz, Burgos, Córdoba, Fuerteventura, La Palma, Madrid-Barajas, Murcia and Vigo. The audit report is explicit – all these eight airports are unprofitable. Three of them: Fuerteventura, Madrid-Barajas and Murcia are described as those that are with a chance of turning the corner. The rest recorded considerable losses in the years 2007–2012 and are described as highly unprofitable. Besides, airports: Fuerteventura, Madrid, Vigo, Murcia, La Palma and Badajoz handled a lower number of passengers in 2013 than in 2007.

The greatest attention of the auditors was attracted by the airport in Badajoz. According to the report, it was not economically justified to invest in the enlargement of its terminal taking into account for the annual number of passengers at this airport.

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In reference with these conspicuous investment mistakes and abuses, Spain should close down as many as 9 airports which do not even approach the traffic volume of 500,000 passengers (from 259 passengers at Huesca to 37,000 at Badajoz); they are: Badajoz, León, Burgos, Salamanca, Logroño, Vitoria, Córdoba, Albacete and Huesca.\(^{15}\)

Moreover, in four countries where the audit was held: Spain, Italy, Greece and Estonia, there was no nationwide long-term plan to develop airports.

Summing up, the Court states that seven out of 20 airports examined by the auditors did not indicate any prospects for profitability, and every second did not prove that there was a well-grounded reason behind the implementation of the investment.

The most important conclusion drawn by the Commission is that investment in airport infrastructure should only be implemented where there is a real potential for the development of air transport traffic, which would allow for the operation of airports in the reality of market competition. The European Commission also points to the problem of support and development of regional airports through public funds. In these terms, in 2011 the EU began the review of its directives with regard to financing airports and state aid to launch operations of air transport companies which offer flights from regional airports.\(^{16}\)

In response to the report released by the European Court of Auditors in 2014 with regard to the audit in 20 airports in Spain, Poland, Greece and Italy, the European Commission issued a document entitled "EU-funded airport infrastructures: poor value for money."

In the context of strategic planning in reference to the period of 2014–2020, the EU introduced a radical reform whose legal frameworks determine prerequisites in the transport sector: the requirement of the detailed and complex transport plans or frameworks at a national or regional level before the approval of support for operational programs. The transport plan should define the contribution to the uniform European transport, complex TEN-T Core Network within which investments from ERDF and SFCF will be made as well as a refined and realistic project series to be implemented within the framework of operational programs. The subsidy will only be available to these airports which are important from the perspective of the whole Union, and the use of financing will be monitored more thoroughly than so far. Such assumptions made by the European Commission will also affect to a large extent the capability of development and further expansion of airports in Poland.


\(^{16}\) M. Wasilewski, op.cit.
6. Polish Airports and a New EU Policy

In reference to the audit pursued by the European Court of Auditors, the European Union has decided to change the principles of financing of air transport infrastructure investments. The new principles imposed by the Union will also directly concern Polish airports.

Poland has received the total funding of 601 million euros for the air transport infrastructure development. Polish airports look positive in comparison with other audited airports. The auditors stated that Poland is the only country out of five which has a strategy of air transport development, although it needs to be updated. The airports in Gdańsk and Rzeszów were classified as investments actually needed. Both were included in the group of airports with low, as planned, (below 10 euros per person) passenger handling costs. The Court stated that it a good harbinger in relation to profitability.

The ECA also stated that only four out of 20 audited airports were self-sufficient financially (including the airport in Gdańsk). The airport in Rzeszów was included in the group of seven airports with the mid-term profitability chances. Both airports were positively assessed for cautiousness in estimating passenger traffic: Gdańsk after the expansion exceeded 40% of the assumption, while Rzeszów overestimated its statistics only by 6%.

In Poland there have been three new airports launched in the period of the last three years: in Modlin, Lublin and Radom. The latter airport is similar to deserted airports in Spain. The town invested nearly 70 million zlotys in its construction. Since it was launched there have been regular attempts to attract airlines to it, so far with no avail. Although there were no regular passenger flights from this airport, it employed 140 people.

Taking into account the plague of unprofitable airports, including also ghost airports in Poland, the European Commission decided not to finance a new airport in Poland by 2020.

The money from Brussels will only go to the existing airports within the Trans-European Transport Networks TEN-T. The airport at Szczytno-Szymany will receive the EU support as the project of its implementation was accepted within the former budget perspective17. The value of this investment amounts to over 205 million euros.

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76% of which is EU-funded. If these funds were not to be lost, the construction had to be completed by the end of 2015\textsuperscript{18}. The Szymany airport launched its operation in January 2016.

The Gdynia-Kosakowo airport is also an example of a failed airport investment. The European Commission declared that the financial support from public funds for the project of expansion of this airport results in selected benefits for the airport management. The financing was derived from the state budget funds, so it may be ascribed to the state (according to Article 107 Section 1 TFEU). The European Commission declares that such activities result in disrupting competition and trade exchange between member states.

Due to such a low assessment of the investment, the EC demanded the return of public aid of 21.8 million euros (91.7 million zlotys) from the airport management, stating at the same time that such a considerable aid from the local government is a source of dishonest competitive advantage (especially over the Gdańsk airport) and violates the EU principles concerning the state aid.

The excess supply of air transport infrastructure, i.e. the phenomenon of \textit{white elephants} is a current transport system problem in the whole European Union. An excessive number of airports appears to be a problem troubling more and more EU member countries.

There are a few reasons for the phenomenon of excess supply of air transport infrastructure. The most important obviously include: no common internal transport policy of every country and consequently, unclear principles of conferring public aid, too easy access to EU infrastructural investment funding sources, inefficient auditing by respective EU institutions as well as \textit{ex ante} overestimated analyses of the economic appropriateness of investments and forecasts on passenger traffic in every airport.

The problem was noticed by the European Commission, which decided to change the legal regulations on the financing of construction and modernisation of air transport infrastructures. Within the reform program of the State Aid Modernisation (SAM), it determined the directives with regard to the principles of granting public aid. From now on, the EC will decide whether it is appropriate to grant aid on the local as well as the central level. If it is to be regarded well-justified, an investment has to meet a number of conditions, for example it should relieve another airport and affect the development of the region.

The new EU policy on the principles of financing of air transport infrastructure has directly affected the plans of some local governments and regional authorities in Poland. Thus, the way to the acquisition of their own airport was closed, at least temporarily, for the authorities in Kielce, Białystok or Koszalin.

Despite numerous controversies over the plans to build next airports in Poland, it should be remembered that Poland is one of few countries which has a coherent plan of air transport infrastructure development. It requires certain improvements and updates as well as appropriate regulations which will not allow for a situation similar to that in Spain. Although the mobility of the Polish society is on the rise, reliable economic analyses are indispensable with regard to the demand and profitability of any further investments. The completed construction of the airport at Szymany has improved the accessibility to air transport services in northeastern Poland. It should be borne in mind, however, that putting an airport into commission itself does not determine the real accessibility of services, there have to be operators who will launch connections, and most importantly: there should be enough demand for their services.

7. White Elephants in Germany

The problems with overinvesting in the air transport infrastructure have also appeared in Germany. They concerned regional airports, like in other analyzed countries.

The research focused on the period of 1993 till 2014. The analysis included the airports which in the years when air transport operations were pursued, handled on average at least 20,000 passengers annually. The airports were divided into groups: those which handled up to 5 million passengers in 2014 (there were regional and local airports in this group, most of them focusing on servicing low cost carriers and those above 5 million passengers (in turn, this group was dominated by hub airports catering mainly to network air carriers). In 2014 smaller airports handled totally 21.3 million passengers, which accounted for 10% of all passengers handled in the analysed airports; while large airports handled 187.9 million passengers (90% of all passengers). From 1993 the share of small airports nearly doubled, however, in the course of the analysed 22 years the changes were not monotonic in character: after the initial rise in the share of airports handling up to 5 million passengers from 2008 there was a steady decline in passenger traffic handling.

The whole market dynamics, especially after 2008 was different, though. Although indeed in 2009 there was a considerable decline of over 5% in the number of carried
passengers over the previous year, from 2010 there was a stable growing trend. It should be emphasized that this rise refers only to large airports, while in airports handling up to 5 million passengers after 2009 there was a decline in the absolute number of handled passengers, except for 2010.

The majority of airports are dominated by low cost air carriers which are well known for pursuing an aggressive policy in relation to airport management and local authorities, consisting mainly in enforcing subsidies (mainly in the form of payment for the so-called marketing support) to cover partially the costs of existing as well as newly launched connections. The domination of this kind of business partners in airports is highly disadvantageous from the perspective of airport managing bodies due to the connection network instability and as a consequence no stability of revenue flow, especially in the medium and long run. Despite doubtless problems which trouble small regional German airports, in this country there have been no cases of failed investment as spectacular as Spanish airports Castellon and Ciudad Real or Radom-Sadków in Poland, with no regular traffic at the moment this study was being prepared. However, in the context of white elephant investments, there has recently been a mention of the Berlin-Brandenburg airport, whose construction has been under way much longer than initially assumed and requires considerably higher outlays than planned. However, despite substantial problems with regard to the schedule of construction work and commissioning as well as the financial issues, it should be expected that the airport will be eventually launched and it will not become a classical example of a white elephant. On the other hand, it is absolutely clear now that the opening will not be effected until 2018\textsuperscript{19}, and the airport capacity in its present shape, due to implementation delays and inappropriate traffic forecasts, is too small, which will require additional reconstructions, besides those which result from the design faults disclosed to date.

Additional difficulties in operating such deficit bringing airports or to be faced by local governments and other public entities in possession of such airports are the principles defined by the European Commission in 2014 in the communication Guidelines on State Aid to Airports and Airlines\textsuperscript{20}, which will considerably hinder financing of economically unjustified investments in airport infrastructures and supporting the existing airports whose operation is not economically well-justified or justified insufficiently.

\begin{itemize}
  \item \textsuperscript{20} Guidelines on State Aid to Airports and Airlines, Commission Communication, 2014/C 99/03, O.J. C99/3 of 04/04/2014.
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8. Failed Airport Investment in India

Presently, we are observing a dynamic air transport development in the countries of rapid economic growth, for example countries belonging to the BRICS group. This informal group, whose name is derived from initial letters of the countries, includes India, which represents an enormous economic growth potential. India is the third largest economy in Asia, to follow China and Japan, and besides it follows China as the second most populous country in the world. Therefore, it is worth looking at the development of air transport in this country, as this youngest transport sector, being also the most modern sector, is a carrier of technological progress and rapidly implements different innovations, and consequently contributes to the economic and social development of every country.

In the contemporary world, tourist traffic is a very important factor of air transport development. The potential of economic growth, together with the demographic potential, includes India in the group of rapidly growing economies, which very quickly compensate for delays. In this connection, it is indispensable to possess a good transport infrastructure, and in this area India has a lot to do.

The total number of airports in India comes up to 132, 19 of which are international. There are 14 domestic airlines operating to offer 150 connections in the local air traffic. Although travelling by air does not belong to the cheapest, due to the fact that it is the quickest means of travelling on the subcontinent, it has numerous followers among tourists and businessmen.

India – like other thriving Asian countries – has joined the process of expansion of their largest hub airports as well as the construction of new regional airports.

However, the involvement of large funds in the expansion of airports in India does not always bring expected results. The airport at Jaisalmer built in 2012 is an example; it is a small town in the Indian region of Rajasthan on the Pakistani border. In March 2013 the terminal and 2,742 m long runway were completed. The construction cost 17 million dollars. However, in the course of three years since the airport was built – though it would be able to handle more than 300,000 passengers – not even a single passenger has been handled.

After 2009 the former Indian government spent over 50 million dollars on the construction of 8 airports, which were meant to help develop tourism and encourage travelling even to the most remote parts of this large country. It appears not to be

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profitable for airlines to fly to such airports as Jaisalmer and the airports remain idle. It means that the development of airport networks in every country requires thorough economic and financial analyses on the basis of reliable traffic forecasts so that costly investments in the construction of new airports could become profitable and bring desired effects to the investors as well as regional development not enlarging the white elephant herd.

Summary

The air transport infrastructure excess supply, i.e. the phenomenon of white elephants, is a current problem in the whole European Union as well as in other continental markets. An excessive number of airports appears to be an issue affecting an increasing number of EU countries, which is best exemplified by Spain possessing as many as 52 airports, 22 of which handle below 500,000 passengers annually (data for 2014). In this country there are also non-operating airports in Ciudad Real and in Castellón, often referred to as a ghost airport or orphaned airport. The total cost of construction of both airports, which are private investments, amounts to about 1.3 billion euros. The problem of Spain, on the part of both private investors and public authorities, was a wrong approach to the cost as well as the demand related to the investment. As a consequence, it led to the construction of several airports in the same catchment area and to the necessity of taxpayers’ contribution to their operation.

There are many reasons for the phenomenon of air transport infrastructure excess supply. The problem was noticed by the European Commission, which decided to amend the legal regulations with regard to financing the construction and modernization of air transport infrastructures. The Commission confined granting financial aid in the years 2014–2020 only to the airports included in the list of TEN-T network airports. The program of reforms called the SAM – State Aid Modernisation gives guidelines on the principles of granting public aid. It seems appropriate that the EC should decide whether or not it is legitimate to grant public aid both at a local or central level. Investments should meet numerous conditions, for example they should relieve other airports and positively affect the development of the region. The modification of the EU policy of financing air transport infrastructure is to favor the stimulation of the air mobility of people and to greater extent correspond to the disclosed preferences related to the demand for transport services.

The new regulations and Financial Perspective 2014–2020 will be more demanding for the air transport sector and funds designed to finance infrastructure investment will be subject to a more restrictive control.
References


