The European Commission's consultation on the 2014 Aviation State Aid Guidelines

An economic analysis of the European Commission's definition of airports' catchment area

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1 Introduction

1.1 In January 2019, the European Commission launched a comprehensive policy evaluation of current state aid rules ('the Fitness Check').[1] This exercise includes the evaluation of the state aid rules in the aviation sector, namely the 2014 Aviation State Aid Guidelines ('the Aviation Guidelines').[2] The objective of the Commission's evaluation is to gather stakeholders' views on how the state aid rules are working, and whether to further prolong or possibly update the rules.[3]

1.2 In light of these developments, the Airports Council International Europe (ACI EUROPE) and the French Airports Association (Union des Aéroports Français, UAF) have commissioned Oxera to consider specific questions raised by the Commission in relation to the definition of airports' catchment areas.

1.3 In particular, in this report, we consider the following questions:

- is the criteria of 100km/60 minutes travel time sufficient for defining the boundaries of a geographic market to determine the relevant catchment area and possible effects on competition?
- are other parameters sufficiently taken into account (e.g. diverging business models, geographic markets, congestion and competition with other modes of transport, etc.)?

1.4 To answer these questions, we analysed four airport pairs, which are located in the same catchment area as currently defined by the Commission (i.e. within 100km distance or 60 minutes travel time). We mainly relied on information from public sources. In addition, some information was provided by the airports directly. This report sets out the results from the catchment area analysis of the four airport pairs considered in this study.

[1] European Commission (2019) 'State aid: Commission to prolong EU State aid rules and launch evaluation', press release, 7 January.
[2] European Commission (2014), 'Guidelines on State aid to airports and airlines', Communication from the Commission, *Official Journal of the European Union*, C 99/3, 4 April, paras 43 and 25 (12).
[3] European Commission (2017) 'Better Regulation Guidelines', Staff Working Document, Chapter IV, Guidelines on evaluation (including fitness checks).

1A Structure of this report

1.5 This report is structured as follows.

- Section 2A sets out the introduction to the analysis on the definition of airports' catchment areas.
- Section 2B considers various factors to assess the degree of competition between airports.
- Section 2C covers the case study analysis on the four airport pairs.
- Section 3 provides an overall conclusion and sets outs specific policy recommendations in relation to possible future changes to the Commission's Aviation Guidelines for determining whether aid should be notified in the first place, if airports are located in the same catchment area as currently defined by the Commission.

2 Catchment area analysis

2A Introduction

2.1 The notion that airports can and do compete has featured in regulatory and policy debates for some decades. To an increasing extent, airports are having to compete for airlines and passengers, with trends in the aviation market continuing to drive airport competition.[4] There are a number of factors that need to be taken into account in assessing airport competition, many of which are the same whether competition is being assessed for the purposes of a market power assessment or determining whether state aid for a particular airport may distort competition with another airport. However, the starting point for the analysis in the cases of a market power and a state aid assessment is different.

2.2 The current Aviation Guidelines define an airport's catchment as:

> 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; [5]

2.3 The Commission therefore acknowledges that the catchment area of airports can differ and the assessment of an airport's catchment area should take account of the characteristics of each individual airport.

2.4 However, according to the Aviation Guidelines, airports seeking operating aid or investment aid need to notify the measure to the Commission if there is another airport in the same catchment area, whereby the catchment area is strictly defined as a distance of 100km or 60 minutes travel time between two airports.[6] Catchment area analysis is also used to determine the eligibility for compensation for Public Service Obligation (PSO) routes, and to assess compatibility for start-up aid to airlines.

2.5 In particular, in relation to operating and investment aid, the Aviation Guidelines state that an airport must notify aid if there is another airport located within a 100km radius or 60 minute travel time by car, train or high-speed

[4] See Oxera (2017), 'The continuing development of airport competition in Europe, prepared for ACI EUROPE', 15 September, p. 46.
[5] European Commission (2014), 'Guidelines on State aid to airports and airlines', Communication from the Commission, *Official Journal of the European Union*, C 99/3, 4 April, para 25 (12).
[6] There is an exception for airports below 200,000ppa, which can benefit from the notification exemption under the GBER.

train.[7] For example, under the current Aviation Guidelines, aid to Marche Airport, which served approximately 453,000 passengers in 2018, would have to be notified because it is located within 100km (and 60 minutes travel time) of Federico Fellini Airport, which served approximately 306,000 passengers in 2017.

2.6 Therefore, there is a presumption in the Aviation Guidelines that all airports within the same catchment area compete with one another. While it is possible that airports in the same catchment area compete, there may be situations when the provision of aid to an airport in the same catchment area as other airports may not significantly distort competition based on the characteristics of the airports under consideration.

2.7 Therefore, even where catchment areas overlap in a way that establishes the potential for competition, other factors need to be considered in order to determine whether, in practice, there will be any such impact. Factors such as limited capacity, focus on particular market segments, and/or differences in infrastructure may practically limit competition between airports and therefore the potential for distortions from aid.

2.8 In its consultation on the Aviation Guidelines, the Commission has raised the following questions about the definition of the catchment area:

> Is the distance of 100km/60 minutes travelling time an adequate criterion for determining the boundaries of a geographic market where given airports intensely compete?
>
> Are other parameters being sufficiently taken into account (e.g. diverging business models, geographic market, congestion, competition with other modes of transport, etc.) to determine the relevant catchment area and possible effects on competition?

2.9 This section considers these questions in more detail in order to determine whether the current catchment area criterion is appropriate.

2B Determining the extent of competition between airports

2.10 Competition authorities and policymakers frequently look at the geographic distance between firms as a first indicator of whether, and the degree to which, the firms are likely to compete. A tool that is often used for these purposes is catchment area analysis, which identifies the geographic area from which a firm is likely to attract the majority of its customers. For example, if two airports are located within each other's catchment areas, or if they have significant

[7] European Commission (2014), 'Guidelines on state aid to airports and airlines', Official Journal of the European Union, para. 136 (b).

overlapping catchment areas, they are likely to compete for at least some of the same passengers.

2.11 In mergers and abuse of dominance assessments, the Commission uses catchment area analysis to help define the geographic market. In past merger assessments, the Commission has used a catchment area of 100km around regional airports and 300km for international airports as relevant catchment areas.[8] However, the Commission ultimately defines the catchment area on a case-by-case basis. Importantly, in these cases, catchment area analysis is only used as the first step in defining the market. Other factors play an important role in ultimately determining the extent to which airports compete.

2.12 In the context of state aid assessments, the Commission applies a single criterion—a catchment area of 100km distance or 60 minutes travel time—as a filter to identify cases where there are higher risks of competitive distortions and therefore where aid needs to be notified. If there are no other airports within 100km or 60 minutes travel time, the Commission considers that the airport is unlikely to compete with other airports and therefore aid is unlikely to distort competition. If there is another airport within this catchment area, the Commission then assesses the degree of competition with other airports in the context of its assessment of the compatibility of aid.

2.13 Although the Commission adopts a 'one size fits all' approach in applying the criterion to assess whether a notification is required, it does acknowledge that '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.' [9] It notes that the specificities of each airport could therefore lead to a different conclusion on its relevant catchment area, on the degree of competition between airports, and on whether aid is likely to distort competition.

2C Factors that affect competition between airports

2.14 The proximity of airports, as measured by distance or travel time, is not in itself sufficient to determine the degree of competition between them. As explained above, the Commission cites other factors that may affect the size of an airport's catchment area. We agree that factors such as business model can

[8] See, for example, European Commission (2005), 'Case No COMP/M.3823 – MAG/ Ferrovial Aeropuertos/Exeter Airport', para. 18.
[9] European Commission (2014), 'Guidelines on state aid to airports and airlines', Official Journal of the European Union, C 99/3, 4 April, paras 43 and 25 (12).

affect the catchment area of the airport, and that these are important to take into account. However, it is also important to consider additional factors to catchment area analysis in determining whether airports compete.

2.15 Considering the catchment area alone may lead to the notification of aid where there is unlikely to be distortion of competition. We therefore consider that catchment area analysis should be used **as part of** an assessment of competition between airports, but it should not be determinative. The initial assessment of whether to notify the aid should take account of additional factors.

2.16 In Table 2.1 below, we set out six factors that could be included as part of an assessment of whether, and the extent to which, airports compete in order to determine whether the aid needs to be notified. A number of the factors set out below are similar to the criteria that the Commission has established in the context of determining the comparability of airports for the purposes of price benchmarking as part of applying the market economy operator test to airport-airline agreements.[10]

2.17 We note that there may be other factors, such as freight, that could affect competition between airports, but which are not included below. Instead, we focus on the key factors that could affect competition for passenger services between airports.

[10] European Commission (2014), 'Communication from the Commission, Guidelines on State aid to airports and airlines', Official Journal of the European Union', 4 April, para. 60.

Table 2.1 Overview of factors that affect competition between airports

Factor	Effect on competition between airports
Ownership	If two airports are part of the same group, they are unlikely to be (strongly) competing with each other.
Traffic volume and capacity	An airport with low traffic and no spare capacity is unlikely to constrain a much larger airport or an airport with significant spare capacity, as it is likely to be unable to attract a large proportion of the other airport's passengers. However, it is important to take account of any capacity enhancements that are expected in the next few years.
Airport infrastructure	Airports with different infrastructure, such as different runway lengths or differences in facilities for handling large aircraft, may not be able to attract the same types of airlines and passengers. For example, small airports may not have runways that are long enough to handle certain types of aircraft.
Types of passengers	Generally, airports serve a variety of passenger types and are therefore likely to be in competition with other airports for some passengers. However, competition for passengers could be limited if two airports target different groups (e.g. O&D[1] vs transfer passengers, or business vs leisure passengers).
Types of airlines	Airline business models have been converging and airports are therefore often in competition with one another for (new or existing) airline services. However, there are cases where airports may not be competing for the same airlines—for example when an airline only serves a particular island or region, such as LoganAir. Also, the types of airlines that serve an airport are generally closely related to the types of passengers and airport infrastructure, and therefore affect the extent to which airports compete.
Catchment area	Competition in the catchment area is one form of airport competition. The extent of competition can be measured by whether the airports' catchment areas overlap and whether there are sufficient people in the overlapping catchment area that would be willing to substitute between the airports. It can also be important to consider other modes of transport (e.g. rail) in the relevant catchment area.

Note: [1] O&D stands for origin and destination.

Source: Oxera.

2.18 If the Commission would extend the initial assessment to include (some of) the above factors, fewer cases may need to be notified to the Commission. This may reduce the administrative burden as the Commission would only have to perform a detailed assessment in the context of aid notifications for the airports that are likely to be competing.

2.19 These factors need to be considered in the round rather than as a tick-box approach. The only factor that we consider can be determinative on its own of whether airports compete is common ownership; for the other factors, there are no clear thresholds that determine the point at which airports can be considered to be competing. However, importantly, for two airports to be competitors, they do not have to compete for all passengers or airlines. The

relevant question is whether they compete for a large enough proportion of passengers or airlines to constrain each other's behaviour.

2.20 The following sections explain each of the criteria in more detail.

2C.1 Ownership

2.21 When assessing whether airports compete, one factor that is relevant to consider is the ownership of the airports. Airports that share the same owner, or are part of the same group (and/or if there are traffic distribution rules in place), are unlikely to compete with one another, as the owner may have the incentive to operate the airports to maximise joint profits rather than the airports' individual profits as it would if the airports were under separate ownership.

2.22 However, in order for common ownership to affect the degree of competition between airports, the owner must have the ability to affect decisions at the airports. If two airports share an owner which only has a minority stake in one or both of the airports, it is unlikely to be able to enforce its joint profit goals over the airports' separate profit goals and therefore the common ownership is less likely to affect competition. This is also likely to be the case if the airports are commonly owned (e.g. by the government), but have different operators.

2C.2 Traffic volume and capacity

2.23 While traffic volume is an indicator of whether, and the extent to which, airports currently compete, capacity provides more of an indication of potential for future competition. There are a number of different measures of capacity, and in the context of assessing competition, it is relevant to take account of the most capacity-constrained part of the airport (e.g. the terminal or runway).

2.24 An airport with low traffic volumes and no available capacity is unlikely to constrain a much larger airport with available capacity, as the small airport will not be able to compete for a significant portion of the larger airport's passengers. On the other hand, the large airport is likely to constrain the smaller airport, as it will have the ability and capacity to compete for most or all of the smaller airport's passengers.

2.25 For example, consider Airport A, currently serving 2 million passengers per year (mppa) with a capacity of 2.5mppa and Airport B, serving 300,000 passengers per year (ppa) with a capacity of 350,000ppa. Airport A, with spare capacity of 500,000ppa, poses a competitive constraint on Airport B, as all of

Airport B's passengers could potentially switch to Airport A. Airport B is therefore likely to take this into account when setting prices. However, Airport B, with spare capacity of only 50,000ppa, is unlikely to pose a significant competitive constraint on Airport A, as Airport B will at most be able to attract 50,000 (or 2.5%) of Airport A's passengers. Airport A is therefore unlikely to be constrained by Airport B when setting its prices and/or levels of service quality.[11]

2.26 As airports faced with capacity constraints may seek to increase capacity, it can be relevant to take account of any planned capacity enhancements that are expected in the next few years as part of the assessments.[12]

2C.3 Airport infrastructure

2.27 Differences in infrastructure between airports can affect the extent to which they compete. For instance, there are some differences in the infrastructure needed to operate short-haul and long-haul flights. An airport that has facilities for larger aircraft, such as larger aircraft stands and a longer runway, is likely to attract airlines that operate long-haul flights. Conversely, an airport without such facilities may not be able to compete for these airlines. Indeed, in its decision on Nîmes Airport, the Commission noted that while Avignon Airport is located only 68km from Nîmes Airport, its runway constraints only allow it to accommodate private flights.[13] Therefore, the Commission concluded that it is not in competition with Nîmes Airport for passenger services.[14]

2C.4 Types of passengers

2.28 There are multiple ways to segment passenger types at airports, such as by journey purpose (business, leisure or 'visiting friends and relatives' (VFR) travellers), by flight time (short-haul or long-haul), and as origin and destination (O&D) or transfer passengers. As each of these groups is likely to have different characteristics and willingness to travel to alternative origin or destination airports, the passengers served by airports need to be identified in

[11] We note that airports may be able to grow traffic in other ways than increases in capacity, such as through increases in load factors and/or airlines using larger aircraft at the airport. Therefore, these factors should also potentially be considered in an analysis of the extent to which the airports compete.
[12] We note that, in case of a notification to the Commission, a potential aid beneficiary is asked to provide passenger traffic of other airports in the same catchment area over the five years preceding the year of notification and the total demand and total capacity in the catchment area of the airport in at least the next ten years.
[13] We note that the airport currently appears to operate weekly Flybe flights to Birmingham and Southampton in the summer. However, we do not consider that it is therefore likely to impose a significant competitive constraint on other airports.
[14] European Commission (2014), 'Case SA.33961 (2012/C), mise a execution par la France en faveur de la chamber de commerce et d'inustrie de Nîmes – Uzes – Le Vigan, de Veolia transport Aeroport de Nîmes, de Ryanair Limited et d'Airport Marketing Services Limited'.

order to assess the degree of competition between them. While the type of passengers at the airport may also affect the appropriate catchment area, which is discussed in section 2C.6 below, there are other effects on competition that are important to take into account.

2.29 Passengers will consider a number of elements other than travel time and distance in deciding where to fly from, including cost, flight schedules and quality of service of the airport.[15] Therefore, services at airports may be differentiated in a way that limits competition between them, even if they are geographically close. For example, business and VFR passengers are generally seeking to travel to a particular destination. If an airport is mainly used by business or VFR passengers and the airport nearby does not offer the same destinations, the other airport is unlikely to be a viable substitute for most passengers.

2.30 On the other hand, there may be leisure passengers who are willing to substitute destinations (e.g. they might be looking for a sun-and-sea destination in general rather than a specific destination). If two airports are mainly used by leisure passengers and offer similar destinations (e.g. sunny islands or ski destinations), the airports may compete for some passengers, even if they do not offer the same destinations. Therefore, in addition to assessing the types of passengers at an airport, assessing the route overlaps can be important.

2.31 Another factor to take into account is whether the airport mainly serves O&D passengers or has a significant proportion of transfer passengers. While an airport that serves mainly O&D traffic may compete with nearby airports for O&D passengers, it may not compete with the same airport for transfer passengers. For example, if the airport in question is a small airport serving only O&D passengers, while the airport in the catchment area is a large international airport serving a significant proportion of transfer passengers, the small airport is unlikely to pose a strong competitive constraint on the international airport.

2C.5 Types of airlines

2.32 While all airlines require similar basic aeronautical infrastructure, individual airline requirements may differ according to the type of services offered, their business model, and whether they are based or inbound carriers. It is therefore

[15] European Commission (2015), 'An Aviation Strategy for Europe', para. 38.

important to understand the different types of airlines operating at the airports in order to determine whether the airports compete.

2.33 Generally, the type of airlines an airport serves are closely related to the type of passengers. For example, if the majority of airlines operating at an airport are low-cost carriers (LCCs), the airport is likely to attract mainly (short-haul) leisure passengers. If an airport is served mainly by Full Service Carriers (FSCs) and offers flights between major financial hubs, the airport is likely to attract mostly business passengers.

2.34 Airports may compete for airlines to operate from the airport. As an illustration, assume that an airline has one aircraft that it can allocate to a particular airport and airports compete to attract that airline. Therefore, if an airline operates from only one airport in the catchment area, this does not necessarily indicate that there was no competition between the airports for the airline in the first place.

2.35 Airports do not only compete with airports within their immediate catchment area for airlines. They may compete for airlines' services on new and existing routes with airports that are located further afield, including in different countries.

2C.6 Catchment area

2.36 If there are other airports in the catchment area of a given airport, and importantly if the catchment area of two airports overlap, they are more likely to compete with one another for passengers. However, the relevant catchment area for an airport is likely to depend on a number of factors. For instance, whether an airport mainly attracts business, leisure or VFR passengers affects the size of the catchment area, as the different types of passengers generally have a different willingness to travel to an airport. Business passengers are likely to have a low willingness to travel and may therefore seek the closest airport, while leisure passengers are generally more price-sensitive and are willing to travel further.

2.37 Similarly, passengers on long-haul flights may be willing to travel further to an airport than passengers on short-haul flights, as the travel time to an airport is a smaller proportion of their overall journey time. This may also be the case because long-haul flights are generally offered by larger airports, which means that passengers may have fewer choices in terms of which airport to fly from

and may have to travel further compared to a European flight that is likely to be offered by regional airports.

2.38 Therefore, in determining the appropriate catchment area for an airport, the types of passengers served need to be considered. If the airport is mostly used by short-haul business passengers, the catchment area is likely to be narrower than if most passengers at the airport are long-haul leisure passengers. It can also be important to consider the nature of the passengers in the surrounding area of the airports as this could affect the relevant catchment area (e.g. lower GDP per capita in the surrounding area may indicate more price-sensitive passengers and a larger catchment area).

2.39 Once the catchment area is defined, it is important to consider the overlap in catchment areas between the airports. Even if two airports are within, for example, 100km or 60 minutes travel time of each other, they may not compete because there are few potential passengers located in the overlapping catchment area. If the two airports in question are located on opposite sides of a large city, it is likely that they attract the majority of their passengers from the overlapping catchment area (i.e. the city). However, when two airports are located on either side of a rural area, and very few people live in the overlapping catchment area, the airports may not compete for the majority of their passengers.

2.40 Overall, using a catchment area based on distance (e.g. kilometres or miles) is likely to be less appropriate than a catchment area based on drive-time, as, for example, driving 100km in a mountainous area can take much longer than driving 100km in a well-connected area.

2.41 As acknowledged by the Commission, it is also important to consider other modes of transport (i.e. rail) in the catchment area which could impose a competitive constraint on the airport.

2D Case studies

2.42 In this section, we look at four case studies and assess the factors set out above in order to determine whether the airports are likely to compete. For the purposes of this assessment, we focus on cases where two airports are located within 100km or 60 minutes travel time. According to the thresholds set out in the Aviation Guidelines, the airports would therefore be required to notify any aid to the Commission. We note, however, that an assessment based on

the factors set out in section 2C could indicate that airports that are further than 100km or 60 minutes travel time from each other compete.

2.43 These case studies show that when the above factors are considered, there are clear indications that airports located within 100km or 60 minutes from each other may not strongly compete. Using a catchment area threshold alone is therefore not sufficient to determine whether there is a high risk of distortion of competition.

2D.1 Nîmes Arles-Camargue Airport and Montpellier Airport

2.44 Nîmes-Arles-Camargue Airport (Nîmes Airport) is located 12km to the south of the city of Nîmes and serves the Provence region. It had approximately 237,000 passengers in 2018,[16] but it has an annual capacity of 800,000 passengers.[17] Montpellier Airport is located 60km southwest of Nîmes Airport, and served approximately 1.9mppa in 2018.[18] Montpellier Airport is publicly owned and operated by Montpellier Méditerranée Airport PLC, and Nîmes Airport is publicly owned and operated by EDEIS Group.

2.45 Both Nîmes Airport (in 2014) and Montpellier Airport (in 2017) were part of state aid investigations by the Commission into Ryanair's arrangements relating to these airports. In its decision on Nîmes Airport, the Commission assessed competition between Montpellier Airport, Nîmes Airport, and other airports in the region such as Avignon Airport (68km from Nîmes Airport and 100km from Montpellier Airport) and Marseille-Provence Airport (90km from Nîmes Airport and 150km from Montpellier Airport).[19] The Commission found that Avignon Airport was not a viable substitute due to its shorter runway which can only accommodate private flights. It also found that Marseille Airport does not compete with Nîmes because of its distance from the airport.[20]

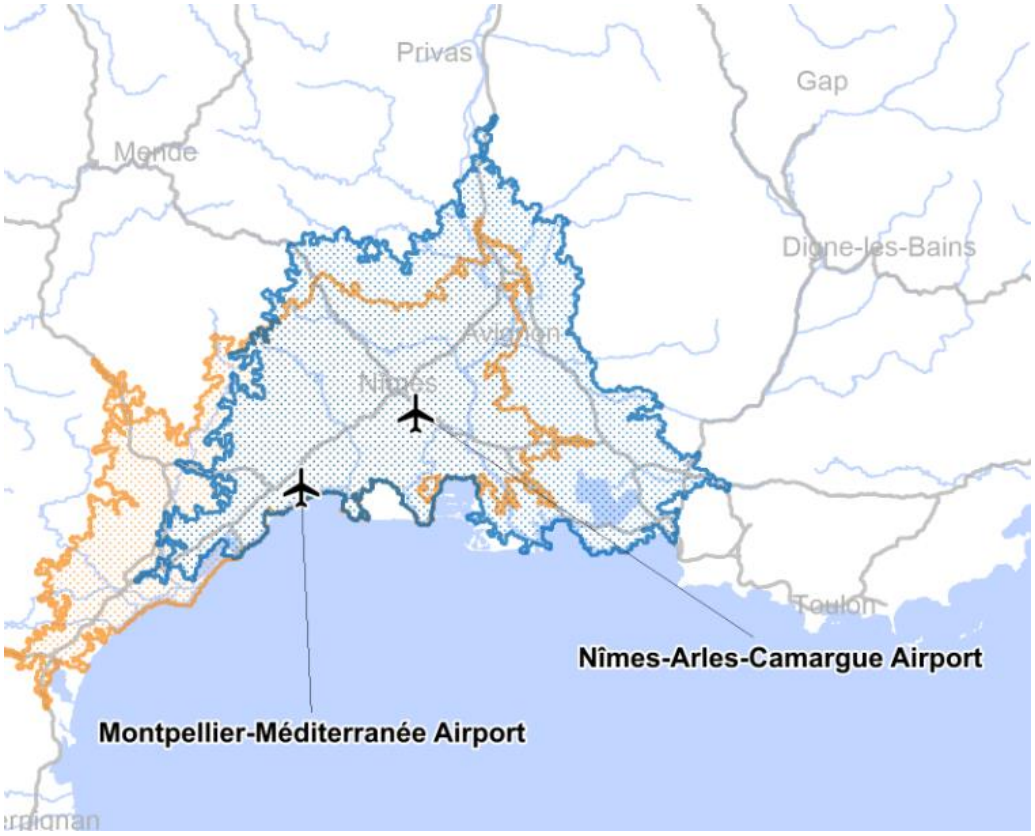
2.46 As Figure 2.1 below shows, the two airports are located within 60 minutes' drive-time (and 100km) of each other, and would therefore be required to notify any aid measure to the Commission.[21] According to a 60-minute drive-time

[16] Based on data provided by Nîmes Airport.
[17] Based on information received from Nîmes Airport.
[18] Unions des Aeroports Francais, Traffic statistics for 2018, available at: https://www.aeroport.fr/uploads/Rapport%20d'activit%C3%A9%20final.pdf, accessed 10 September 2019.
[19] European Commission (2014), 'Case SA.33961 (2012/C), mise a execution par la France en faveur de la chamber de commerce et d'inustrie de Nîmes – Uzes – Le Vigan, de Veolia transport Aeroport de Nîmes, de Ryanair Limited et d'Airport Marketing Services Limited'.
[20] Ibid. para. 677.
[21] According to Google Maps, the shortest drive-time is 37 minutes (based on usual traffic) and the shortest distance is approximately 57km.

analysis, the two airports' catchment areas overlap quite closely, and each airport is in the other airport's catchment area.

2.47 The region between the two airports mainly consists of small towns. The overlapping areas do, however, contain some popular tourist destinations, such as Avignon, parts of the Provence region and the Mediterranean coast. In the Commission's decision regarding Nîmes Airport, France suggested that the catchment areas of the two airports are not likely to overlap, as Montpellier mainly serves tourist demand located towards the west of the airport, while Nîmes Airport covers a different catchment area.[22] The Commission, however, partially rejected these arguments.[23]

Figure 2.1 Nîmes Airport and Montpellier Airport: 60-minute drive-time analysis



Source: Mapinfo.

2.48 The airports currently handle similar types of aircraft.

[22] European Commission (2014), Case SA.33961, 'Decision on Nîmes Airport', para. 236.
[23] However he Commission ultimately concluded that the aid received by Nîmes airport had only a limited impact on neighbouring airports, such as Montpellier airport. Ibid. paras 586, 678-680.

2.49 Nîmes Airport is only served by Ryanair, and offers flights to five destinations: Liverpool, London, Brussels, Fez and Marrakech.[24] All passengers using Nîmes Airport are therefore international, short-haul, passengers.

2.50 Montpellier Airport is a larger airport and offers flights to more destinations. Table 2.2 below shows the proportion of Montpellier Airport's international and domestic passengers, with domestic passengers comprising over 60% of passengers over the last five years.

Table 2.2 Montpellier Airport's passenger types

	2013	2014	2015	2016	2017
International	28%	30%	32%	37%	36%
Domestic	72%	70%	68%	63%	64%

Source: European Commission (2018), 'Case SA.47867 – France Aid presume en faveur de Ryanair a l'aeroport de Montpellier.'

2.51 In addition to offering flights to ten destinations in France, passengers can fly to many destinations in Europe, Morocco and Algeria. Montpellier Airport's top destinations in terms of air traffic movements (ATMs) are Paris Orly, Paris Charles de Gaulle, Nantes, London Gatwick and Bordeaux, as shown in the table below. Interestingly, the flights to one of the Paris airports accounts for approximately half of Montpellier Airport's ATMs and total seats.[25] While Nîmes Airport does not offer flights to Paris, there is a high-speed train between Nîmes and Paris.

Table 2.3 Montpellier Airport top five destinations

Airport	Air traffic movements (ATMs)	Percentage of ATMs	Cumulative ATMs
Paris Orly	5,562	31%	31%
Paris Charles de Gaulle	3,020	17%	48%
Nantes Atlantique	2,258	13%	61%
London Gatwick	1,050	6%	67%
Bordeaux Merignac	892	5%	72%

Note: Figures may not sum due to rounding.

Source: OAG 2017.

2.52 When looking at the airlines at Montpellier Airport, it seems that there are significant differences with Nîmes Airport. As mentioned above, Ryanair is the only airline operating at Nîmes Airport. Montpellier Airport is served by many airlines including Air France, easyJet, Volotea and Air Arabia Maroc. Ryanair

[24] See http://www.aeroport-Nîmes.fr/gp/Destinations/145, accessed 10 September 2019.
[25] According to OAG 2017, the flights to the two Paris airports account for 51% of total seat capacity at Montpellier Airport.

left Montpellier Airport in April 2019. Approximately 35% of passengers are carried by LCCs at Montpellier,[26] whereas all of Nîmes Airport's passengers travel on LCCs.

Table 2.4 Montpellier Airport top five airlines

Airline	ATMs	Percentage of ATMs	Cumulative ATMs
Air France	8,618	48%	48%
HOP!	1,560	9%	57%
easyJet	1,422	8%	65%
Volotea	1,388	8%	73%
Air Arabia Maroc	1,374	8%	81%

Note: Figures may not sum due to rounding.

Source: OAG 2017.

2.53 As both airports only offer short-haul flights, their catchment areas are likely to be relatively small. However, the higher proportion of LCCs operating at Nîmes may indicate that its catchment area is larger than that of Montpellier.

2.54 Based on the types of airlines served by the airports, and the fact that the destinations offered are significantly different, it therefore seems that Montpellier Airport and Nîmes Airport are currently not competing for the majority of passengers.

2.55 In addition, while Nîmes has some spare capacity and can therefore attract more passengers and airlines to start competing with Montpellier on certain routes, even if it was operating at full capacity it would be significantly smaller than Montpellier Airport (approximately a third of the size based on current traffic at Montpellier). It is therefore unlikely to pose a significant competitive constraint on Montpellier Airport. While Montpellier Airport could, in theory, pose a degree of competitive constraint on Nîmes Airport as it has the capacity to attract all of Nîmes Airport's passengers, the differences in the nature of the airports mean that it is unlikely to do so.

2D.2 Aeroporto delle Marche and Federico Fellini International Airport

2.56 Aeroporto delle Marche (Marche Airport) and Federico Fellini International Airport (Federico Fellini Airport) are two Italian airports located near the Adriatic Sea. Federico Fellini Airport is close to Rimini and San Marino, while Marche Airport is located near the city of Ancona. These airports are located 86km and 54 minutes' drive-time from each other.

[26] European Commission (2018), Case SA.47867, 'Decision on Montpellier Airport'.

2.57 Figure 2.2 below sets out the 60-minute drive-time around each of these airports. The airports are at the edge of each other's catchment areas on this basis, and there are significant parts of their catchment areas that do not overlap. Rimini (150,000 inhabitants) and Pesaro (95,000 inhabitants) lie within the overlapping catchment areas. However, Rimini is located close to Federico Fellini Airport and Pesaro is located close to Marche Airport. The region in between the airports mainly consists of small towns, with no large cities.

Figure 2.2 Marche and Federico Fellini airports: 60-minute drive-time analysis

Source: Mapinfo.

2.58 The airports do not have the same operator: Marche Airport is operated by Aerdorica, and is owned by the Marche Region (89% of the shares), the Chamber of Commerce of Ancona, the provinces of Ancona, Pesaro and Ascoli Piceno, and the Municipality of Ancona. Federico Fellini is publicly owned and operated by AirRiminum. AirRiminum previously filed a complaint regarding concerns about restructuring aid being granted to Aerdorica.[27]

2.59 In 2017, Federico Fellini Airport handled 306,000 passengers, of which 44% were charter flight passengers.[28] The majority of Federico Fellini's passengers

[27] European Commission (2019), SA.49901 (2017/N) – Italy – Restructuring aid to Aerdorica S.p.A – Airport Marche/Ancona.
[28] See the 2017 Financial Statements, p. 25, available at: http://riminiairport.com/wp-content/uploads/2019/07/AIRiminum_2014_Financial_Statements_2017_en_def.pdf, accessed 10 September 2019.

come from Russia (72%), followed by Albania (11%) and Luxembourg (2%).[29] Table 2.5 below shows that three of the top five busiest routes are to/from Russia. The other routes in the top five are to Albania (Tirana) and Luxembourg. Traffic at the airport is seasonal and concentrated in the summer, as it serves predominantly leisure passengers.[30]

Table 2.5 Federico Fellini Airport top five destinations

Airport	ATMs	Percentage of ATMs	Cumulative ATMs
Moscow Domodedovo	549	40%	40%
Tirana	412	30%	70%
Krasnodar	111	8%	79%
St Petersburg Pulkovo	74	5%	84%
Luxembourg	58	4%	88%

Note: Figures may not sum due to rounding.

Source: OAG 2017.

2.60 Marche Airport handled 453,000 passengers in 2018, of which 19% was domestic traffic, 78% was international traffic and 2% was transfer passengers.[31] The busiest routes were to Rome Fiumicino, Munich, Tirana and London Stansted, as shown in the table below. Marche Airport's total capacity is 1mppa.[32] Traffic is stable throughout the year, and there is a balanced mix of leisure and business passengers.[33]

Table 2.6 Marche Airport top five destinations

Airport	ATMs	Percentage of ATMs	Cumulative ATMs
Rome Fiumicino	1,629	29%	29%
Munich	1,318	23%	52%
Tirana	895	15%	67%
London Stansted	630	11%	79%
Catania	484	9%	87%

Note: Figures may not sum due to rounding.

Source: OAG 2017.

2.61 While both airports seem to attract passengers that fly to/from Albania, the other destinations that the airports serve differ. Federico Fellini Airport's top

[29] See the 2017 Financial Statements, p. 27.
[30] European Commission (2019), SA.49901 (2017/N) – Italy – Restructuring aid to Aerdorica S.p.A – Airport Marche/Ancona, para. 13
[31] See Marche Airport Business Airport overview for 2017, available at: http://www.marcheairport.com/en/Business/Commercial-aviation-passengers/Airport-overview, accessed 17 September 2019.
[32] European Commission (2019), 'Case SA.49901 – Italy – Restructuring aid to Aerdorica S.p.A – Airport Marche/Ancona'.
[33] European Commission (2019), 'SA.49901 (2017/N) – Italy – Restructuring aid to Aerdorica S.p.A – Airport Marche/Ancona', para. 13.

five airlines are all Russian or Albanian airlines, and there is only one airline that overlaps between the two airports (Mistral Air).

Table 2.7 Federico Fellini Airport top five airlines

Airline	ATMs	Percentage of ATMs	Cumulative ATMs
Ural Airlines	462	34%	34%
Albawings	284	21%	55%
VIM Airlines	164	12%	67%
Mistral Air	100	7%	74%
Aeroflot Russian Airlines	74	5%	79%

Note: Figures may not sum due to rounding.

Source: OAG 2017.

2.62 Marche Airport is served by both LCCs, such as Ryanair, easyJet and Volotea, and FSCs, such as Lufthansa. The largest aircraft handled at Marche Airport is a Boeing 737, with 195 seats, while the largest aircraft at Federico Fellini, an Airbus A321, has 220 economy-class seats. The airports therefore currently handle similar types of aircraft.[34]

Table 2.8 Marche Airport top five airlines

Airline	ATMs	Percentage of ATMs	Cumulative ATMs
Alitalia	1,629	29%	29%
Lufthansa	1,318	23%	52%
Ryanair	1,228	22%	73%
Volotea	538	9%	83%
Mistral Air	430	8%	90%

Note: figures may not sum due to rounding.

Source: OAG 2017.

2.63 While Fellini Airport seems to attract mainly Russian passengers (72%), Marche Airport does not have flights operating to/from Russia. The airports therefore seem to target different types of passengers, and it is unlikely that Marche competes, or can compete, with Federico Fellini Airport for the majority of Federico Fellini's passengers.

2.64 This is in line with the Commission's findings in its 2019 decision regarding restructuring aid to Marche Airport, where it found that the commercial services provided, and the business models of the airports, do not significantly overlap and that there are various consistent indications of relatively low substitutability. Ultimately, the Commission found that the degree of

[34] OAG 2017 data.

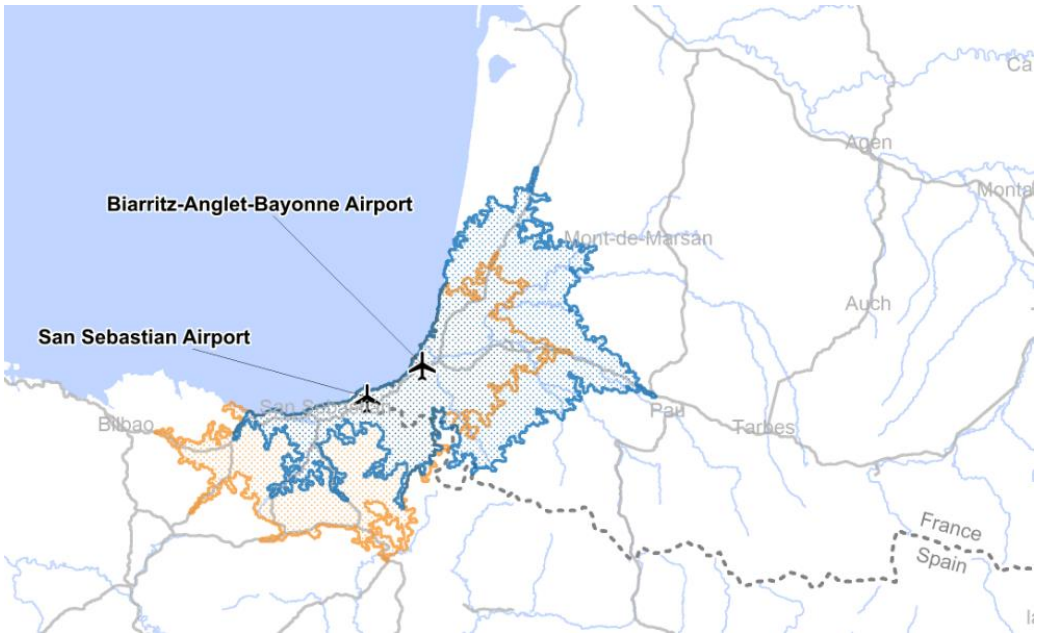
competition between Federico Fellini and Marche airports implied that although there was a risk that the aid would distort competition, the risks were limited.[35]

2D.3 Biarritz-Anglet-Bayonne Airport and San Sebastian Airport

2.65 Biarritz-Anglet-Bayonne Airport (Biarritz Airport) is an airport close to the city of Biarritz in France. It handled approximately 1.2mppa in 2018.[36] San Sebastian Airport is a nearby airport located in Basque Country, an autonomous region in Spain, handling 289,000 passengers in 2018.[37] Due to the close proximity of the airports, which are less than 35 minutes' drive-time from one another, any aid provided to one of the airports would have to be notified according to the Commission's Guidelines.

2.66 Biarritz and San Sebastian have different owners. Biarritz is owned by the local government in France[38] and San Sebastian is owned by Aena, a large publicly-owned airport operator that owns 46 Spanish airports.[39].

Figure 2.3 Biarritz and San Sebastian airports: 60-minute drive-time analysis



Source: Mapinfo.

2.67 Figure 2.3 shows the location of the airports. The overlapping catchment area consists mainly of rural land, with some towns on the seaside. San Sebastian

[35] European Commission (2019), 'Case SA.49901 – Italy – Restructuring aid to Aerdorica S.p.A – Airport Marche/Ancona', para. 100.
[36] Unions des Aeroports Francais, Traffic statistics for 2018, available at: https://www.aeroport.fr/uploads/Rapport%20d'activit%C3%A9%20final.pdf, accessed 10 September 2019.
[37] See http://www.aena.es/csee/Satellite?pagename=Estadisticas/Home, accessed 10 September 2019.
[38] See https://biarritz.aeroport.fr/en/info/, accessed 10 September 2019.
[39] See http://www.aena.es/en/passengers/airports-network.html, accessed 10 September 2019.

is the largest city in the catchment area, with around 186,000 inhabitants. The beaches at San Sebastian and Biarritz are popular holiday destinations.

2.68 However, the airports are located in different countries and seem to be targeting different passengers. Approximately 75% of Biarritz Airport's passengers are arrivals and departures from France,[40] and all other flights are to Northern European destinations, such as Birmingham, London, Copenhagen and Stockholm.[41] The main airlines at Biarritz Airport are Air France – HOP, easyJet and Ryanair, who together account for 88% of ATMs. Iberia is the fifth largest airline at Biarritz, operating 4.5% of flights.

2.69 San Sebastian only offers flights to two destinations in Spain (Madrid Barajas and Barcelona El Prat), which are operated by Iberia and Vueling.[42] Both airports only offer short-haul flights, and there is no overlap in the destinations offered and the passengers they target.

2.70 Given its limited size, it seems unlikely that aid to San Sebastian Airport would disadvantage Biarritz Airport, as it is not able to compete for a large proportion of its passengers even if it were to offer flights to similar destinations. On the other hand, Biarritz could start competing with San Sebastian Airport if it would start operating routes to or from Barcelona and Madrid.

2.71 In addition, the fact that the two airports are located in different countries plays an important role. For example, San Sebastian Airport does not offer its website in French, which makes it less convenient for French people to use the website or airport, even if they would offer the same flights as Biarritz Airport.

2D.4 Dinard Airport and Rennes Airport

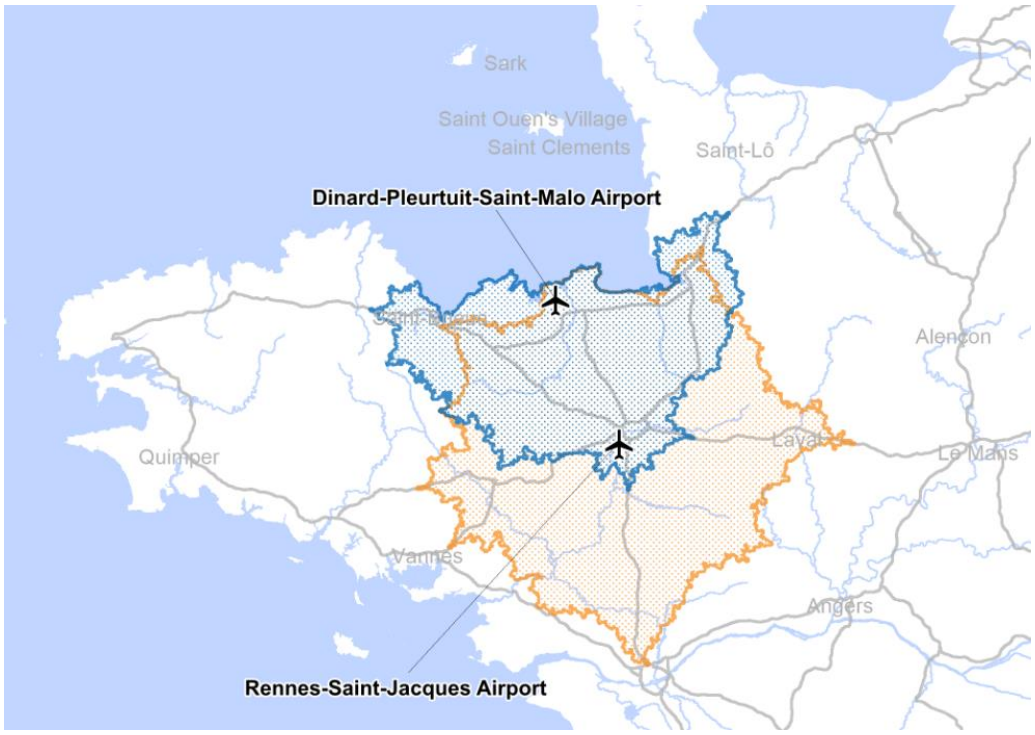
2.72 Dinard-Pleurtuit-Saint-Malo Airport (Dinard Airport) and Rennes-Saint-Jacque Airport (Rennes Airport) are airports in Bretagne, France. The airports are located approximately 80km and one hour's drive-time from each other. According to the thresholds set out in the Aviation Guidelines, the airports would therefore be required to notify any aid to the Commission.

2.73 Figure 2.4 below shows the 60-minute drive-time catchment areas of the two airports. There is some overlap between the catchment areas of the airports, and each airport is at the edge of the other airport's catchment area. Mont-

[40] Union des Aéroports Français.
[41] See https://biarritz.aeroport.fr/en/, accessed 10 September 2019.
[42] There are also some charter flights to e.g. London, but the number of flights is very limited. They have therefore been excluded from this assessment.

Saint-Michel is a popular tourist destination located in both airports' catchment areas. The rest of the overlapping catchment area consists mainly of rural areas.

Figure 2.4 Dinard and Rennes airports: 60-minute drive-time analysis



Source: Mapinfo.

2.74 Table 2.9 below shows that Dinard Airport's passenger numbers have been fairly stable over the last five years, and that the airport handled 108,000 passengers in 2018. Dinard Airport's capacity is 250,000ppa.[43] Rennes Airport is a larger airport serving over 850,000 passengers in 2018, and which has been growing significantly over the last five years. We understand that it is operating at full capacity. [44]

Table 2.9 Dinard and Rennes passenger numbers

Airport	2014	2015	2016	2017	2018
Dinard	114,474	129,935	110,455	121,690	108,000
Rennes	501,140	539,231	640,768	724,566	857,000

Sources: Information received from Dinard Airport and Rennes Airport.

2.75 Dinard Airport only serves three destinations: London Stansted, East Midlands and Guernsey. All of these flights are operated by Ryanair, and the airport

[43] See https://www.aeroport.fr/les-aeroports-de-l-uaf/dinard-pleurtuit-saint-malo, accessed 10 September 2019.
[44] Based on data received from Rennes Airport.

markets itself as the gateway to Brittany for British tourists.[45] Approximately 63% of passengers at Dinard Airport are leisure passengers, whereas 19% and 18% are business and VFR passengers, respectively.[46] Rennes Airport operates flights to many more European destinations, and serves airlines such as Air France – HOP, Vueling and EasyJet.[47] In terms of destinations, the two airports therefore have few overlaps.

2.76 Rennes Airport's passengers are equally split between leisure (34%), business (33%) and VFR (33%). Therefore, the majority of passengers are unlikely to be willing to substitute to Dinard Airport given the limited overlap in destinations and the fact that business and VFR passengers are less likely to be willing to substitute between destinations.

2.77 Dinard Airport is only served by LCCs and has a higher proportion of leisure travellers, while Rennes Airport is also served by FSCs and has a relatively high proportion of business and VFR passengers. Therefore, Dinard Airport's catchment area is likely to be wider than Rennes Airport's catchment area. However, as both airports only operate short-haul flights, their catchment areas are likely to be relatively small.

2.78 There are several airports in the region, but it is unlikely that any of them poses a competitive constraint on the two airports in question. For example, Laval Airport is located approximately 90km from Rennes, but does not operate commercial flights. Similarly, Saint Brieuc Airport is located approximately 90km from Dinard, but does not operate commercial flights.

2.79 Importantly, Dinard Airport and Rennes Airport share the same operator and owners: VINCI Airports has a 49% share in both airports, and the Chambers of Commerce and Industry of Ille-Et-Vilaine have a 51% stake in both.[48] Therefore, we do not consider that the airports can be viewed as competitors due to the common ownership and management.

2D.5 Summary of case studies

2.80 The table below sets out a summary of the case studies.

[45] See https://www.dinard.aeroport.fr/en/corporate, accessed 10 September 2019.
[46] Based on information from Dinard Airport in relation to the year 2018.
[47] Based on data received from Dinard Airport and Rennes Airport.
[48] See https://www.dinard.aeroport.fr/en/corporate and https://www.rennes.aeroport.fr/en/corporate-0, accessed 10 September 2019.

Factor	Nîmes Airport and Montpellier Airport	Marche Airport and Federico Fellini Airport	Biarritz Airport and San Sebastian Airport	Dinard Airport and Rennes Airport
Ownership	Different operators	Different operators	Different owners	Same owner
Traffic volume and capacity	Nîmes Airport is small, handling approximately 237,000 passengers in 2018. While Nîmes Airport has considerable spare capacity, given that its capacity is currently 800,000 passengers, it is unlikely to impose a competitive constraint on Montpellier Airport which is much larger (around 1.9mppa in 2018).	Marche Airport and Federico Fellini Airport handled around 453,000 in 2018 and 306,000 passengers in 2017, respectively. They are therefore similar in size.	Biarritz Airport is a medium sized airport with 1.2mppa in 2018, while San Sebastian Airport is much smaller with 289,000 passengers in 2018. San Sebastian Airport is therefore unlikely to constrain Biarritz airport.	Dinard is a small airport, handling around 108,000 passengers in 2018 and with a capacity of 250,000. Rennes is considerably larger, with 857,000 passengers in 2018, but is currently operating at full capacity.
Airport infrastructure	Both airports only offer short-haul flights and currently handle similar sized aircraft.	Both airports only offer short-haul flights and currently handle similar sized aircraft.	Both airports only offer short-haul flights. Biarritz Airport currently handles larger aircraft than San Sebastian.	Both airports only offer short-haul flights, and handle similar sized aircraft.
Types of passengers	The destinations served from the airports are considerably different, as Nîmes Airport flies to five international destinations, while the majority of flights from Montpellier are domestic. They therefore do not appear to compete for the same passengers.	Both the destinations offered, as well as the nationalities of the passengers, differ considerably between the two airports. The majority of flights from Federico Fellini are to/from Russia, and the majority of passengers using the airport are Russian (72%). The majority of passengers at Marche are flying to/from destinations within Europe. The airports are therefore not competing for the majority of passengers. The only overlap is Tirana in Albania, which makes up approximately 15% of flights at Marche Airport and 30% at Federico Fellini.	The destinations offered at the airports differ, as San Sebastian only offers flights to Barcelona and Madrid and Biarritz Airport only offers flights to France and Northern European destinations such as Copenhagen and London. Therefore, there appears to be limited overlap in the passengers they target.	Dinard Airport markets itself as the gateway to Brittany for British tourists, only offering flights to London Stansted, East Midlands and Guernsey. 63% of Dinard's passengers are leisure passengers, with the rest of the passengers equally split between business and VFR. Rennes Airport operates flights to many more European destinations, and has an equal split between leisure, business and VFR passengers.

Factor	Nîmes Airport and Montpellier Airport	Marche Airport and Federico Fellini Airport	Biarritz Airport and San Sebastian Airport	Dinard Airport and Rennes Airport
Types of airlines	Ryanair is the only airline present at Nîmes Airport, whereas Montpellier Airport is served by many airlines, with Air France accounting for the largest proportion of flights.	Federico Fellini is served mostly by Russian airlines, whereas European airlines such as Alitalia, Lufthansa and Ryanair operate the majority of flights at Marche Airport.	Vueling and Iberia, two Spanish airlines, operate from San Sebastian Airport. Biarritz Airport's main airlines are Air France, Air France HOP, easyJet and Ryanair who together account for 88% of the flights. Iberia is the fifth largest airline at Biarritz, and accounts for 4.5% of flights.	Ryanair is the only airline operating at Dinard Airport. At Rennes Airport flights are operated by several airlines such as Air France, Air France HOP!, Vueling and easyJet.
Catchment area	As both airports only offer short-haul flights their respective catchment areas are likely to be relatively small. The higher proportion of LCCs operating at Nîmes may indicate that its catchment area is larger than that of Montpellier.	As both airports only offer short-haul flights, their respective catchment areas are likely to be relatively small.	The airports are in different countries, which may affect the ability and willingness of passengers in France and Spain to travel to San Sebastian Airport and Biarritz Airport, respectively.	As both airports only offer short-haul flights their respective catchment areas are likely to be relatively small. Given that Dinard Airport is only served by LCCs and has a higher proportion of business passengers, while Rennes Airport is also served by FSCs and has more business and VFR passengers, it is likely that Dinard's catchment area is wider than that of Rennes.

3 Conclusions

3.1 In this report, we considered whether the Commission's current catchment area criterion represents an adequate filter for determining whether airports are likely to compete.

3.2 To an increasing extent, airports are having to compete for airlines and passengers, with trends in the aviation market that drive airport competition continuing. Any consideration of airport competition/market power therefore needs to take account of all the factors that may cumulatively affect the ability of an individual airport to act independently of competitors and customers.

3.3 For the reasons discussed in this report, given that competition between airports depends on many factors, applying a single threshold of a fixed catchment area might be too simplistic for determining whether aid needs to be notified in the first place. In particular, the case studies in this report demonstrate that some airports located within the Commission's current threshold are unlikely to compete due to differences between them on a number of factors, such as ownership, types of passengers and airlines, airport infrastructure, traffic and capacity of the airports.

3.4 We therefore recommend that the Commission includes additional criteria in the initial assessment of airports' catchment area, such as those we have set out above, in the revised Aviation Guidelines (and the GBER). This would enable the Commission to focus on cases that genuinely distort, or have the potential to distort, competition across the EU.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