



ACI EUROPE WORKING PAPER – “OFF THE GROUND”

Ensuring liquidity for airports during the COVID-19 crisis

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Recommendations to governments

1 INTRODUCTION & PROBLEM DEFINITION

1.1 As a result of COVID-19, airport traffic has come to a near standstill and consequently airports have no incoming revenues, while operating cost obligations mount and financing challenges exponentially increase day on day. The pan-European liquidity issues which are facing the entire aviation industry must be addressed with non-discriminatory and balanced solutions for the short, medium and long-term.

2 PROBLEM DEFINITION

2.1 Airports' revenue comes for the large part from providing aeronautical services to airlines and passengers and commercial services. Airports provide pay-per-use services, and more than 95% of their revenues is linked to passenger volume – meaning that airports take on full traffic risk. Airlines payment terms are typically for payment beyond 30 days after the landing of the aircraft. Retail and commercial concessionaires pay the airport based on a share of turnover, amongst other contract types.

2.2 At the same time, on the cost side of the equation, airports have high fixed costs and are unable to quickly wind down operational costs. Critical assets such as the runway and terminal infrastructure must still be maintained, heated, lighted and cleaned to ensure full procedural service for the repatriation of EU citizens and unimpeded recovery operations.

2.3 If an airport does not have the financial resources to pay for operational expenses and pay its ongoing capital commitments, it will no longer be able to provide aeronautical services for airlines and passengers. The risk should not be underestimated that airlines receive significant financial assistance, but that they do not have a choice of airports to fly to because airports do not receive the assistance needed to continue operations.

3 PROPOSED SOLUTION

3.1 Alleviate short-term liquidity shortfalls through government grants, guarantees and concession fee deferrals

3.1.1 There are several financial relief measures that States should implement to ensure that airports have sufficient cash holdings to meet their financial obligations. The immediate provision of government assistance in the form of financial relief package, which depending on need may consist of grants and subsidies; secured financing; loans at preferential rates; deferment of loan repayment, especially if issued in a foreign currency; bank guarantees; and pre-payment by government of government share of security costs where relevant.

3.1.2 Security costs have long been a costly regulatory imposition on airports, and measures to ensure the benefits and proportionality of these costs are addressed in the Off the Ground workstream on security.

3.1.3 Airports which are fully state owned should also be exempt from paying any dividends to the state until the impacts of COVID-19 have dissipated.

3.1.4 Conditions for fiscal support measures can only be determined for each specific case and should not be so onerous as to impede access to liquidity.

3.1.5 Any public support should be balanced and reasonable across the European landscape, so as not to distort competition between airports and regions.

3.1.6 One essential action for airports operated under a concession agreements and within public-private partnership frameworks, is to suspend recurring payments to the government. Concession fees are significant part of operating costs, which vary depending on the exact terms of the concession. While fixed concession fees are understandable with stable traffic, the payment of a concession fee during a period when an airport has no passengers – far below even the worst case risk scenarios in concession contracts – is unreasonable. In some situations, an extension of the concession contract may be a good solution, if traffic volumes have deviated far outside of the anticipated traffic bands.

3.1.7 Governments should seek to support the retention of staff necessary to run optimal airport operations, thereby ensuring that airports as critical national infrastructure are adequately resourced and employment protected.

3.1.8 *For airports that are located in European Union member states, it is required that the airport and government follow EU rules on State Aid to airports (see [State Aid working paper](#)).*

3.2 Lower the tax burden on airports

3.2.1 Air travel has been subject to specific additional tax measures (state, local, industry taxes/contributions), which should be now at least temporarily removed in order to facilitate the restart. Tax relief that will provide much-needed financial oxygen to airport operators. Airport operators like all businesses are required to pay taxes on their income in most jurisdictions worldwide, and additionally pay additional taxes and fees to governments.

3.2.2 Deferring the payment of corporate tax to the end of 2020 is an urgent support measure that governments can immediately implement to relieve pressures from fully stretched airport

finances. Such relief should apply to tax balances due, as well as instalments. Corporate tax deferral provides greater flexibility to airport operators experiencing hardships during the COVID-19 pandemic, notably by increasing access to cash to ensure job preservation, continued operations, and debt payments.

- 3.2.3 Full or partial exemption of the property tax and commercial rates would relieve the burden on airports of impositions on temporarily unproductive assets, that operators were unable to remunerate for the period of time that COVID-19 response led to movement restrictions.
- 3.2.4 Cutting payroll taxes, or deferring payment or waiving temporarily employer-related payroll taxes for airport operators means they are able to immediately benefit from the cash savings through improved cash flow, which can then be reoriented towards operating expenses and staff costs. Such actions will allow airport operators to keep more people employed.
- 3.2.5 A one-off taxation treatment on innovation investment will encourage airports to continue investment so that existing capacity constraints are not aggravated.

3.3 Medium to Long-Term Solutions

- 3.3.1 Once the necessary short-term measures have been implemented and the initial liquidity shocks have been absorbed, broader European policy and National Governments must facilitate the return to sustainable and profitable airport growth.
- 3.3.2 Beyond the current pressing urgency of managing P&L, Balance Sheet and EBITDA positions during the COVID-19 pandemic, airports must be enabled to develop effective strategic liquidity planning to ensure continuity of service and robust operational models post recovery.
- 3.3.3 Consideration must be given to the impacts of credit rating agencies reviews in the face of the ensuing liquidity challenges. Most airports are debt intensive organisations due to the capital-intensive nature of operations and development. Effective mitigative action must be taken to minimise multi-notch downgrades of airports prompted by the current negative shocks.

4 EXPECTED OUTCOME

- 4.1.1 Airports will be able to continue the business in the short-term while allowing management to focus on the larger long-term challenges posed to the air transport sector from the pandemic threat. Adequate provisions must be made to ensure the significant liquidity challenges which are currently being incurred do not impact on airports' strategic ability to serve, develop and evolve into key transport infrastructure both now and in the future.
