

EU RECOVERY FRAMEWORK FOR AVIATION



**AIRPORTS COUNCIL
INTERNATIONAL**

MEETING WITH CABINET VESTAGER

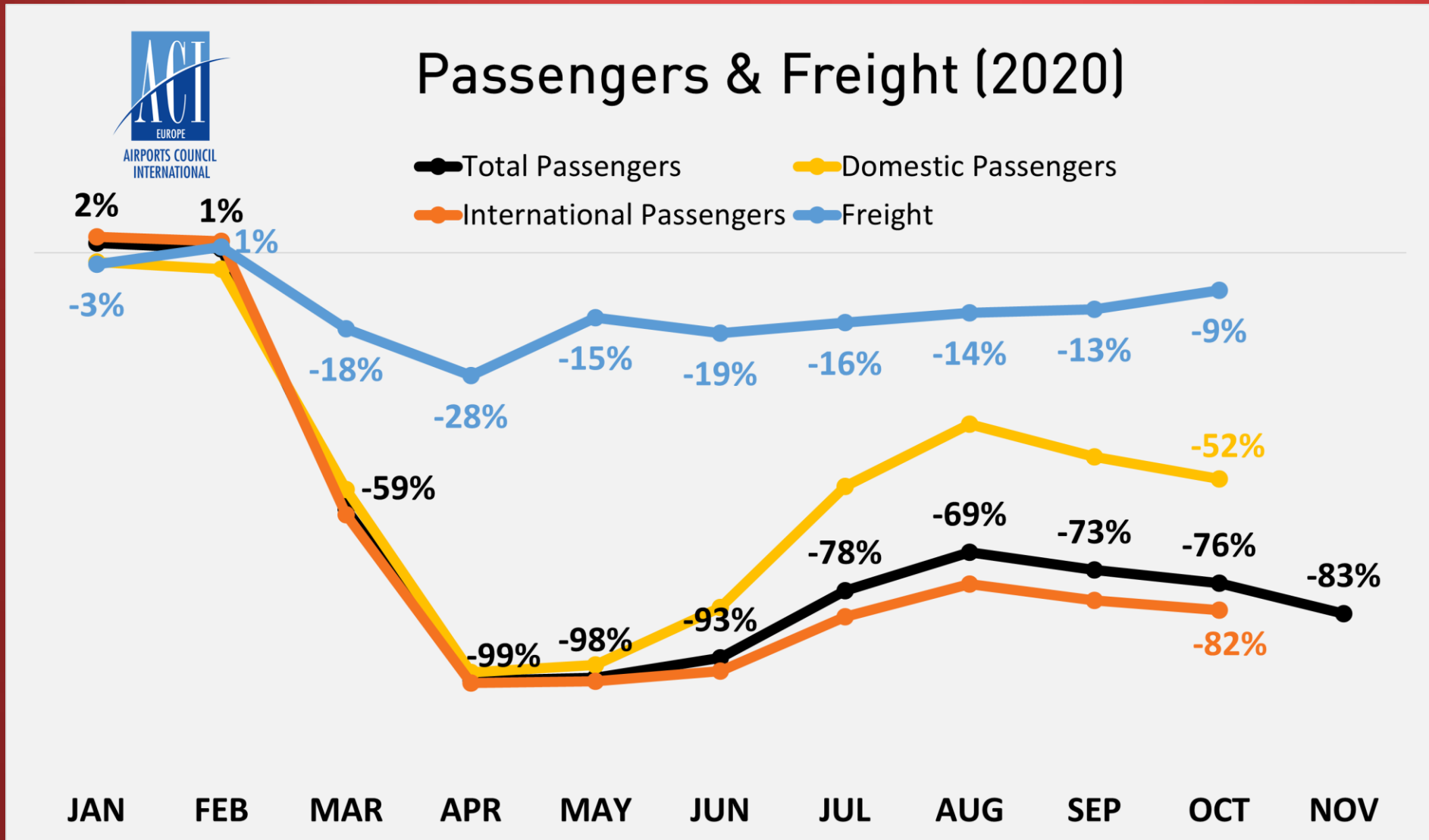
Brussels, 11 December 2020



@ACI_EUROPE

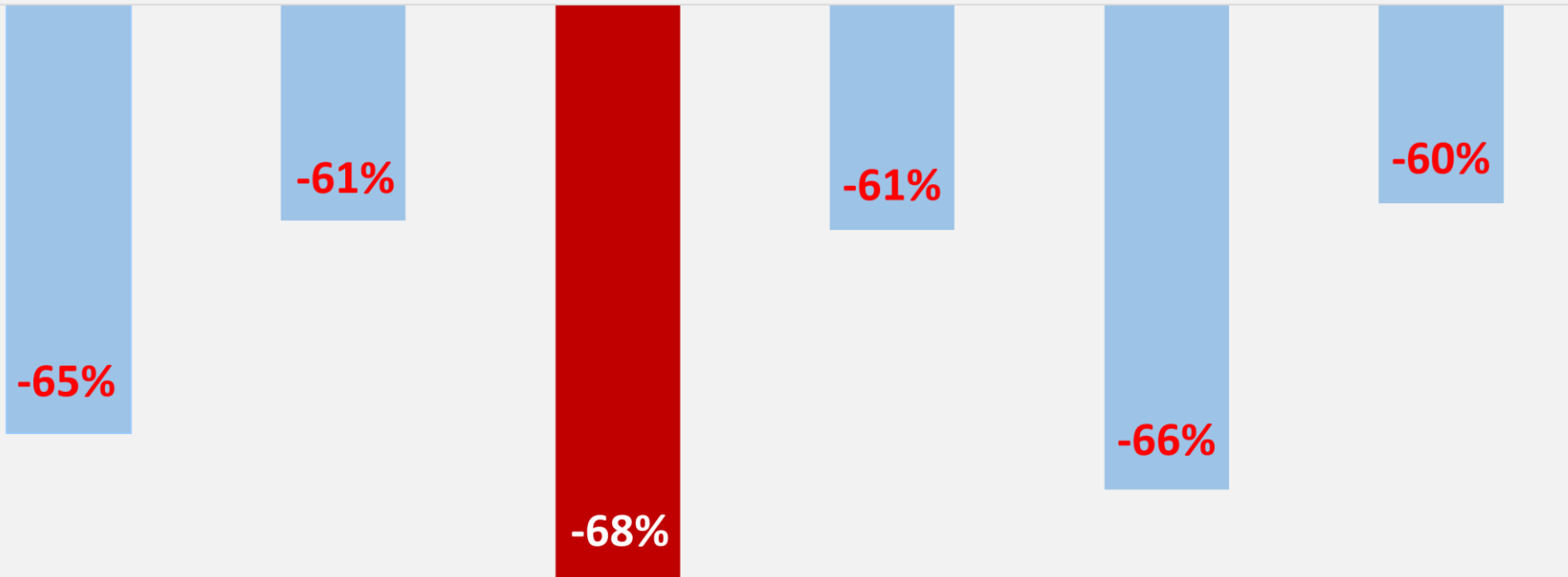
COVID-19 SHOCK

1) TRAFFIC – FREE FALL





World Regions' Passenger Traffic (Jan-Sep 2020)



AFRICA

ASIA-PACIFIC

EUROPE

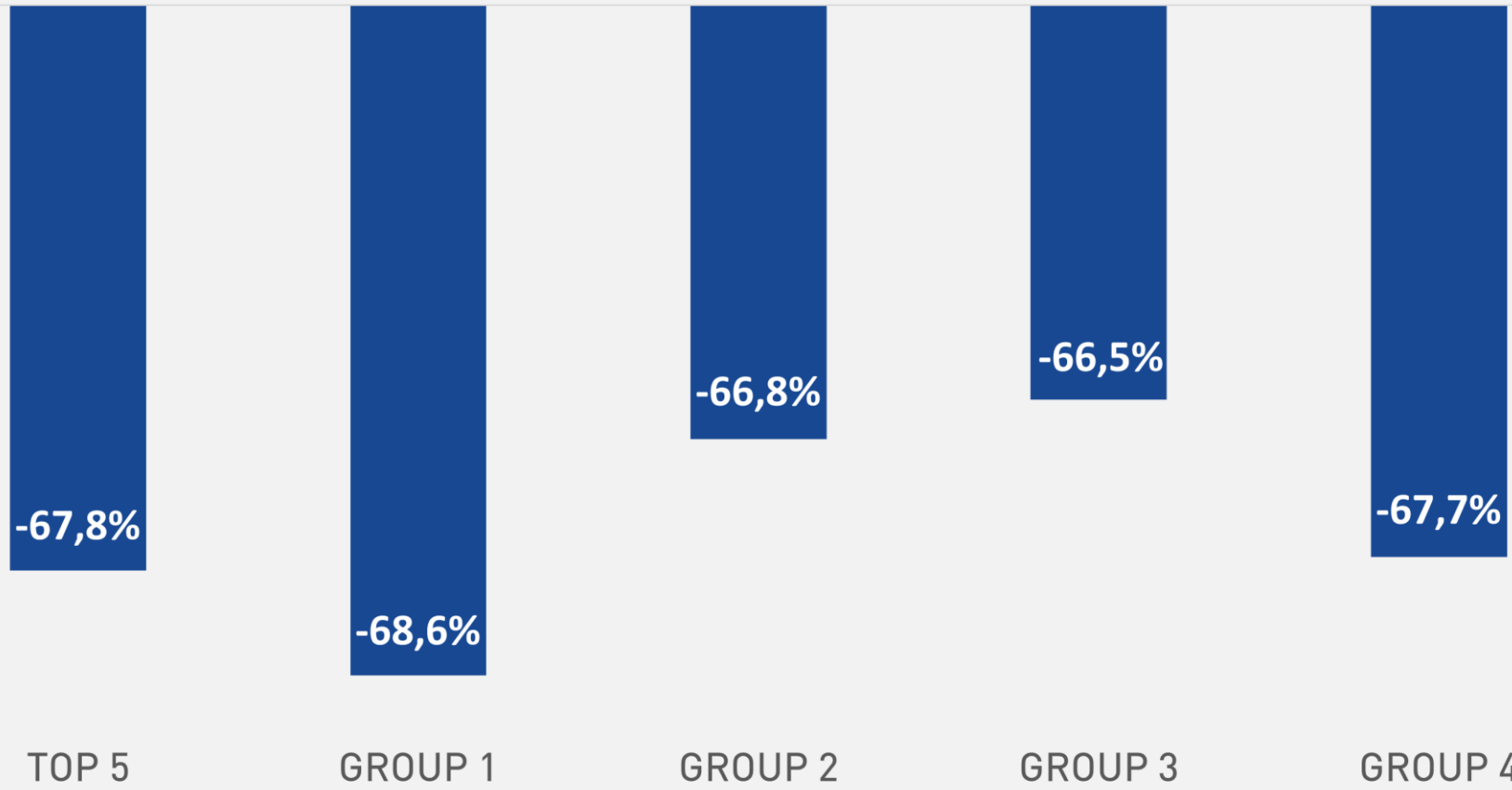
LAC

MIDDLE EAST

NORTH
AMERICA

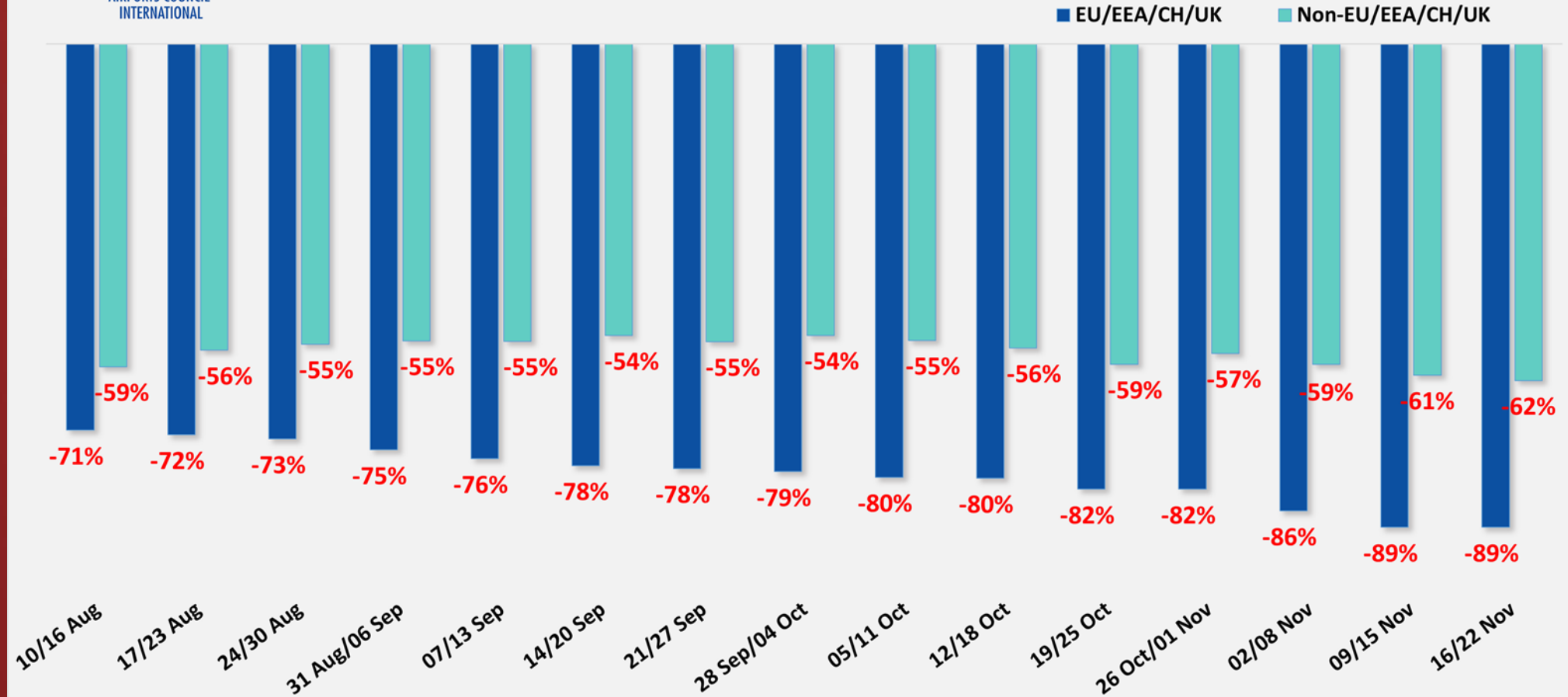


Airport Group Performance (Jan-Oct 2020)





Airport Passenger Traffic - Weekly Developments





-1.6 billion

**passengers lost for European Airports
(YTD)**

As of 6 December 2020

2) AIRPORTS RESPONSE



- **Slashing Costs to the Bone**

- Reducing OPEX

-€3 bil

REDUCTION IN OPERATING EXPENSES (YTD)

@ TOP 20 AIRPORTS

-22%

Dublin and Cork airports may see up to 1,000 jobs lost over coronavirus

Daa chief says air travel will be safe but stressful experience for the near future

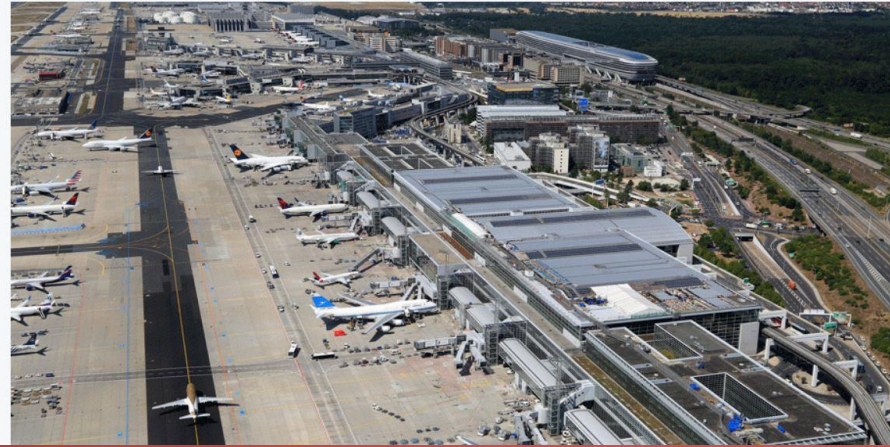
© Tue, Jun 23, 2020, 13:24 | Updated: Tue, Jun 23, 2020, 15:30

Vivienne Clarke



Frankfurt airport plans to cut as many as 4,000 jobs

19 Jun 2020 by Alex McWhirter



Covid-19: Leeds Bradford Airport to cut more than 100 jobs

© 20 October



Finavia cutting up to 480 jobs

Facing a near-standstill of flights, the firm says it needs to prepare for years of recovery within the industry.

Share



Covid: Gatwick Airport job losses affect 40% of employees

© 22 October

Coronavirus pandemic



Airports | Amsterdam Schiphol Airport (AMS) | Eindhoven Airport (EIN) | Lelystad Airport (LEY) | Rotterdam The Hague Airport (RTM)

Royal Schiphol Group to lay off hundreds of people after loss of €246 million in first half of 2020

By André Orban - 28 August 2020

541 0

➔ Airport handicap = fixed costs & diseconomies of scale

- Reducing CAPEX

-€4.3 bil

LOST INVESTMENT (YTD)
@ TOP 20 AIRPORTS

-37%

➔ **BUT...**

Regulatory driven costs (EDS 3)

Essential maintenance

Projects started & nearing completion



Long-term strategic position?

- **Helping Out Airlines & Partners...**

...Where Possible

- Waiving & deferring parking fees
- New COVID-19 rebates & incentives

70%

of Europe's Airports

On top of pre-crisis rebates & incentives

= pricing at a loss to rebuild air connectivity

• Stay Open & Get Ready For Restart

Rapid one-hour Covid tests begin at Heathrow airport



Dublin Airport says pre-flight Covid tests possible 'within days'

Cork, Dublin and Shannon call for Government approval for pre-departure screening

© Wed, Oct 28, 2020, 17:16 Updated: Wed, Oct 28, 2020, 21:14

Barry O'Halloran



All'aeroporto di Palermo nasce la "Covid-19 Test Area"

Oltre 1000 metri quadri dove fare test rapidi, online la compilazione di moduli e pre-acettazione



Major French airports to launch fast new coronavirus test

The goal is for the tests to help bring an end to travel restrictions such as quarantine on arrival



Torino Airport launches the new Covid Test Point

POSTED ON 16TH OCTOBER 2020 BY EDDIE SAUNDERS

f t b e Share



COVID-19 testing facility opens at London Stansted Airport



= Restoring Passenger Confidence

OUTLOOK

The Economist

The economy Joe Biden will inherit

America's allies: a long wishlist

The trouble with value investing

Zambia, becoming the next Zimbabwe

NOVEMBER 14TH–20TH 2020

Suddenly, hope



1) EPIDEMIOLOGICAL SITUATION TRAVEL RESTRICTIONS & QUARANTINES = Shifting Horizons & Navigating Uncertainty



2) BUSINESS CONTINUITY RISKS

- Weekly Cash Burn = **€350 million**

€600 million in Q2



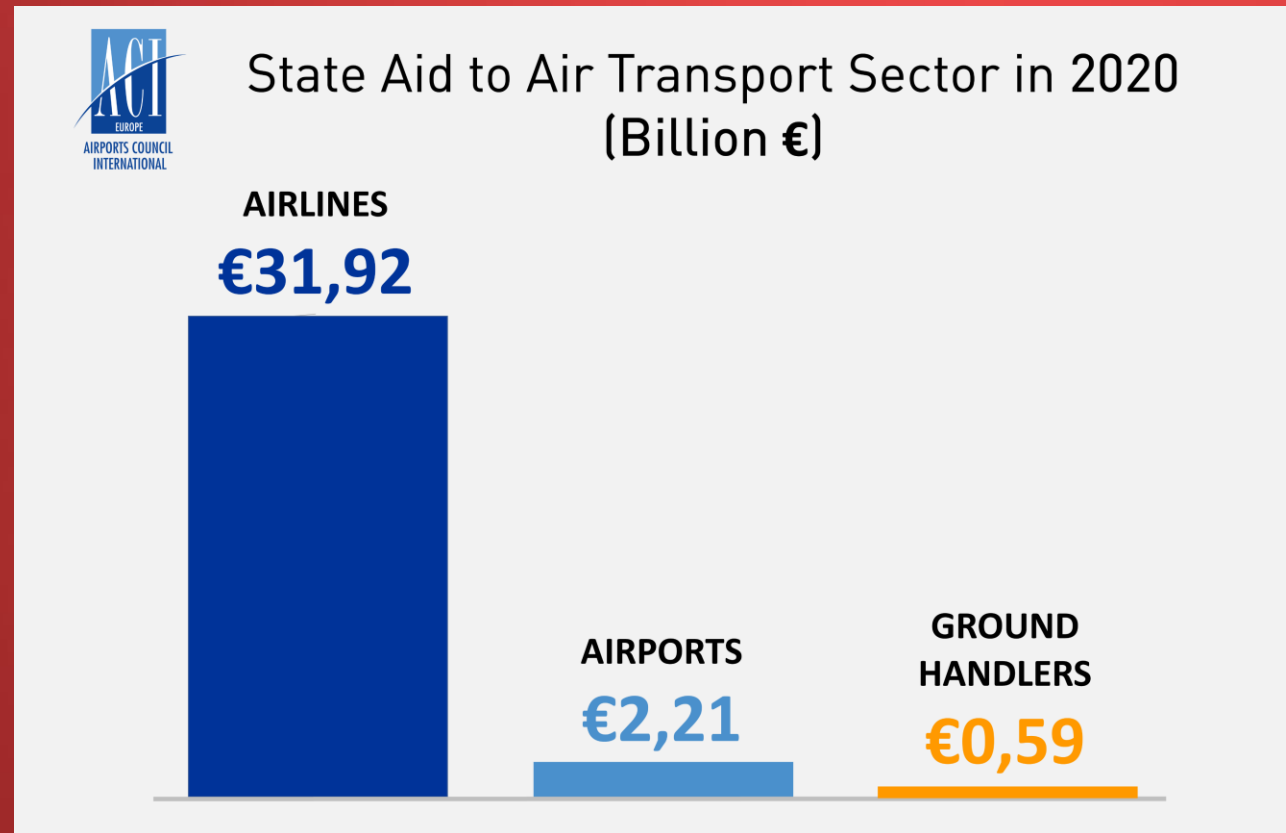
Almost 200 European airports face insolvency, airports body ACI Europe says

By Marine Strauss



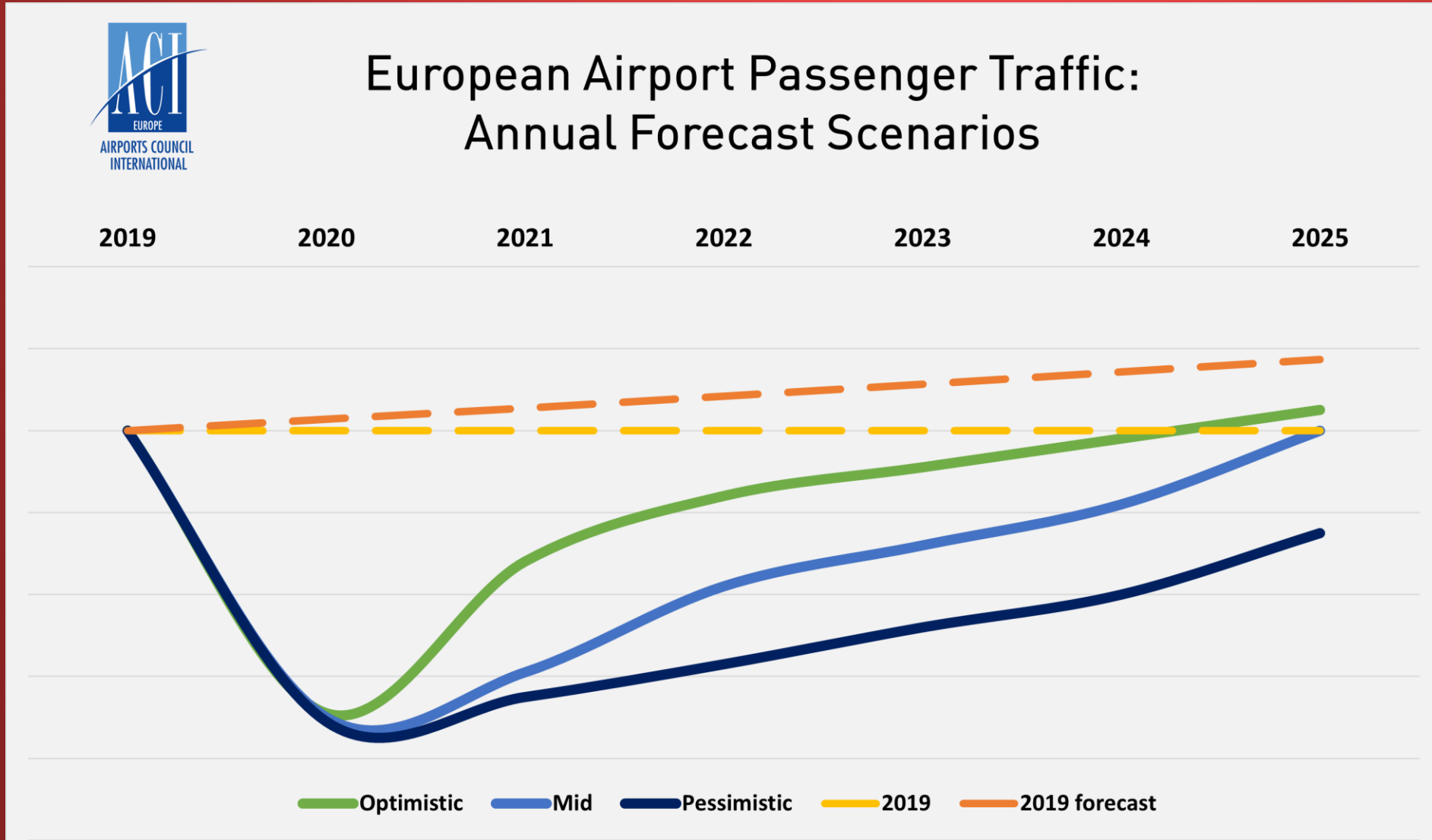
+€16 billion
(Additional) Debt
@ top 20 European
airports

• Inadequate Gov't Responses



- ➔ Single Market Integrity @ risk
- ➔ Societal risks
 - i) Local & regional developments
 - ii) Cohesion & inequality

3) SLOW & UNCERTAIN RECOVERY



• Demand Pressures

Times of Anxiety



Long haul

- Not before Summer 2021?



Reduced Disposable Income



Reduced Business Travel



- **Supply Shock**

- Airline structural capacity reductions



IAG LONG-TERM FLEET CUTS "DRASTIC"
COMPARED TO OTHER CARRIERS -
JEFFERIES



Air France latest to act as coronavirus speeds wave of fleet retirements

By Max Kingsley-Jones | 21 May 2020

News that the Air France Airbus A380 fleet has become an immediate victim of the coronavirus pandemic is a stark reminder that the collateral damage of this crisis will reach far and wide across the airline industry.



- Risk averse & Yields focused

RECOVERY STRATEGY

1) WHAT & HOW ?



- **Compensation for Damages for Duration of Travel Restrictions**
 - Local Lockdowns
 - Bans or Negative Advice to Non-Essential Travel
 - Quarantines
- ... Not just by country of the airport, but by countries of markets served by the airports

ACI EUROPE POSITION

STATE AID FOR AVIATION IN RESPONSE TO TO COVID-19

*From Temporary Framework
to Recovery Framework*

EUROPE

AIRPORTS COUNCIL
INTERNATIONAL

4 November 2020

- **Connectivity Restart Schemes**
- **Amendment to State aid guidelines post-2024**
(operating & investment aid + start-up aid)

2) WHY?

- **Aviation Hardest Hit & Longest to Recover**
 - Airports taking greater hit (vs. Airlines)
 - Airport = immovable assets & fixed costs
 - No silver lining (unlike cargo for airlines)

How cargo revenue has offered a lifeline to carriers

By Cirium | 7 December 2020

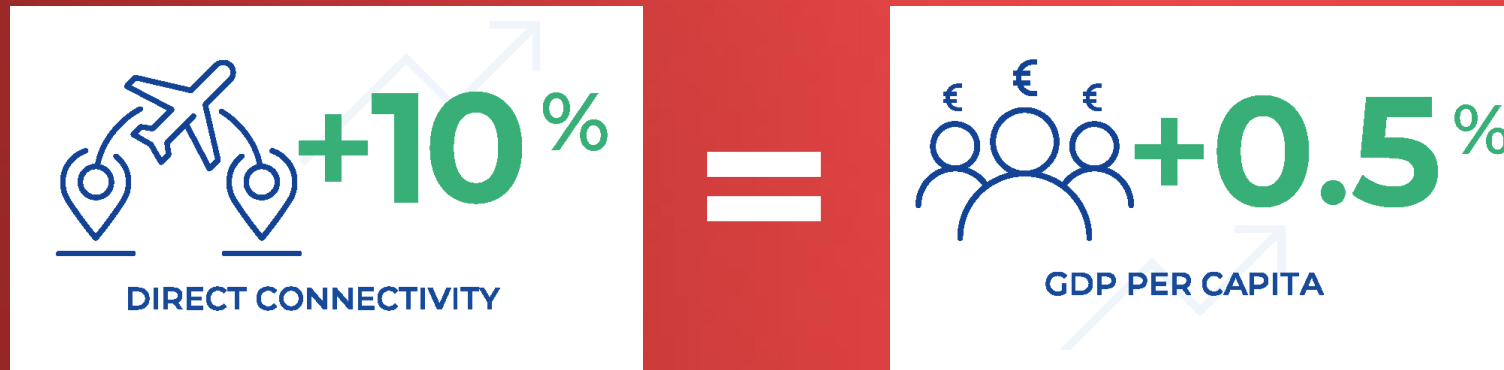
The shortage of air freight capacity amid the coronavirus pandemic has offered opportunity for airlines, lessors, and cargo carriers to eke out some precious revenue.

Europe's LCCs navigate the crisis better than legacy airline rivals

Premium Analysis



- **Airports & Air connectivity = Economic Enabler**



- Tourism & inward investment
- Strong local & regional dimension
- Restoring air connectivity
= EU cohesion & equality



- **Protecting & Safeguarding Essential Infrastructure (Business Continuity)**
 - Insolvency
 - Maintaining operational capabilities
 - Safeguarding future investments (sustainability, digitalisation, capacity)



- **Compensating Discrimination & Ensuring More Systemic (vs. Selective) Support**
 - Selected aid to airlines does NOT flow down on to airports – especially regional airports




Budget airlines put squeeze on airports in coronavirus cost drive

By Laurence Frost, Sarah Young



- Airlines supportive of Connectivity Restart Schemes



- Can operate routes even if unviable on commercial terms
- Support low load factor/yield flights
- More stability in bookings and support for cash flow
- Lower overall cost of travel boosts demand

8 December 2020

- 2** **Route subsidies (e.g. for PSOs)**
Ensure accessibility (e.g., remote areas) by subsidizing domestic routes during scale-up
- 3** **Incentives for flights/seats**
Provide financial incentives e.g., per pax, seat or based on load factor
- 4** **Advance payments/vouchers**
Pre-purchase tickets to address liquidity needs and support financial sustainability
- 5** **Passenger travel subsidies**
Launch programs which subsidize travel including flights and accommodation

- Connect rural communities and businesses; revive tourism
- Travelers multiply investment through money spent in the economy
- Kick start markets and provide direct benefits to passengers
- Help affordability and generate benefits for tourism and economy

- LCCs likely to benefit more due to extreme agility in capacity deployment & pan-European dimension

THANK YOU



www.aci-europe.org

www.airportcarbonaccreditation.org