Airport Financial Stress & Investment Crunch Call for Regulatory Revamp

ACI EUROPE
10 Rue Montoyer (Box 9)
1000 Brussels, Belgium
www.aci-europe.org

Brussels, 17 June 2021: Systemic financial weakness across Europe's airport industry will result in an investment crunch with far reaching consequences for decarbonisation, consumers, businesses and regional communities across the continent, ACI EUROPE warned at today's *Airport Economics Symposium*.

ACI EUROPE has called for an urgent reset of airport charges regulation at national level, as well as a systematic review of EU State aid rules.

CASH INTENSIVE & REVENUE WEAK RECOVERY

On the back of historic financial losses last year[1] and limited direct financial support from governments, ACI EUROPE sees acute financial challenges ahead for airports in the recovery.

Olivier Jankovec, **Director General** of **ACI EUROPE** said: *"Europe's airports have already taken on more than €20 billion in additional debt last year – and for most airports, this debt is what is financing today's operations, effectively allowing them just to keep going."*

As physical distancing requirements will keep limiting capacity throughout airport terminals this Summer, and with traffic concentrated in peak periods, the need for airports to scale up capacity and resources means restart costs will escalate while revenues will remain at best significantly below pre-pandemic levels. The flexibility granted to airlines through slot waivers will also affect airport revenues and costs – as it will result in unused capacity and hinder effective resource planning.

Jankovec commented: *"Seeing passenger traffic beginning to recover is what all airports have been waiting for. However, make no mistake, this will not instantly put them back on a sound financial standing - far from it. If anything, the recovery for airports this Summer will be cash-intensive and revenue-weak."*

INVESTMENT CRUNCH AHEAD

Beyond this Summer, the prospects of seeing airport earnings restored to pre-pandemic levels will remain elusive – due to the combination of slower traffic growth, increased pressure from airlines on airport charges and regulatory uncertainty over the ability of airports to recoup at least part of their losses.

The analysis released today[2] shows that airport revenues are set to remain insufficient to meet capital expenditure and capital costs at least until 2032. This raises the spectre of a severe airport investment crunch – with airports having no choice but to slash planned capital expenditure for the coming years.

[1] Europe's airports lost more than €12 billion in 2020, with revenues down by -60% (ACI EUROPE Economics Report 2020).
[2] Turnaround Time: Airport Financial Recovery And Restart Following COVID-19
[3] "Lessons from Australia to Europe: The review of Australian Airport Economic Regulation"

Jankovec said: *"Governments and regulators across Europe need to wake up to the harsh reality of systemic and lasting financial weakness across the airport industry. The investment crunch we are facing will limit our ambitious decarbonisation and digitalisation agenda – as well as connectivity. This will ultimately drag the entire European aviation system, with consumers and regional communities paying the price and our efforts to cut emissions on the ground compromised."*

REBALANCING POLICY & RESETTING REGULATION

Airlines have received very significant direct and indirect financial support during this crisis, but this support did not trickle down to Europe's airports. The time has come to rebalance the situation to ensure that airports retain their ability to invest for the future.
This should involve a reset of airport charges regulation at national level including:

- Allowing airports subject to price cap regulatory models to recoup past losses <u>over time</u> through airport charges supporting investments benefiting the planet, regional communities and consumers.

- Aligning regulation with climate goals based on the application of the EU "user pays" principle - rather than the current de facto "user should always pay less" mantra.

- Aligning regulation with post COVID-19 aviation market realities and dynamics - in particular increasing airport competition and airline countervailing power.

Airports are not seeking to be given special treatment due to the COVID-19 crisis, but merely to be dealt with equitably so that they can prudently invest to provide the infrastructure needed to help underpin Europe's economies and to deliver upon their existing environmental targets.

To support this agenda and further engage with Governments and regulators, ACI EUROPE also today published an analysis of the light-handed and market driven regulatory regime applied to Australian airports, with key lessons for Europe.[3]

This analysis by **Dr. Harry Bush**, **former UK airport regulator** and **Dr. Warren Mundy**, **former Australian airport regulator**, exposes the disconnect between market forces now at play in Europe and the regulatory approaches still followed by regulators.

Jankovec concluded: *"This is about looking at aviation as a balanced eco-system and putting the planet and consumers at the forefront. We cannot keep on regulating airports looking backward, based on yesterday's market realities and societal objectives superseded by the climate emergency. Crucially, this is also about looking at how regulation can actually foster cooperation and commercial dynamics between airlines and airports, rather than a permanent state of conflict. The decarbonisation challenge we all face will involve a significant reset of business models for all aviation industry stakeholders. I am convinced we have more to gain working together through this crucial evolution than fighting each other."*

ENDS

For more information, contact:

Paul O'Kane
Acting Director, Media & Communications
Tel: +353 018141897
Cell: +353 866090221
Email: paul.okane@daa.ie

ACI EUROPE is the European region of Airports Council International (ACI), the only worldwide professional association of airport operators. ACI EUROPE represents over **500 airports in 55 countries**. Our members facilitate over 90% of commercial air traffic in Europe. Air transport supports **13.5 million jobs**, generating €886 billion in European economic activity (4.4% of GDP). In response to the Climate Emergency, in June 2019 our members committed to achieving Net Zero carbon emissions for operations under their control by 2050, without offsetting.