

# The True State of the Industry: European Airports face dual challenge of recovery and decarbonisation in a complete business model reset

## ACI EUROPE

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**Geneva, 26 October 2021:** ACI EUROPE today opened its 31<sup>st</sup> Annual Congress by setting out both the immediate and longer-term outlook for its 500 strong airport membership spanning 55 countries.

In a wide ranging 'State of the Industry' keynote address, Director General Olivier Jankovec reviewed the impact of the COVID-19 crisis on airports – addressing financial and operational challenges, fast changing market structures, new business fundamentals and the imperative of business adaptation.

## SYSTEMIC FINANCIAL WEAKNESS

With total revenues<sup>1</sup> and EBITDA<sup>2</sup> in H1 even lower than last year and a recovery in air traffic that is both cost-intensive and revenue weak, many of Europe's airports are set to post massive losses again this year. But with financial support from States limited and cost cutting opportunities all but exhausted, they had no other alternative than to resort to debt – a necessity to maintain acceptable liquidity levels and keep operating. European airport debt has ballooned, increasing by 200% compared to pre-pandemic levels.

## INVESTMENT CRUNCH

Looking ahead, the prospect of seeing airports' earnings restored to pre-pandemic levels is a long way off. This is not just about the slow recovery in traffic volumes, but also about increasing pressure from airlines on airport charges and inadequate responses from regulators and governments over the level of these charges.

**Jankovec** said: *"Europe's airports are facing an investment crunch, which will hit their ability to finance decarbonisation and digitalisation - as well as needed capacity. The analysis we published just before the Summer revealed that airport revenues will remain insufficient to meet investment costs until well after passenger traffic has fully recovered - at least until 2032. The fact that 15 of the largest European airport operators have already cut down planned investment by nearly €14 billion between 2020 and 2023<sup>3</sup> is a warning bell."*

## NEW MARKET STRUCTURE & DECARBONISATION IMPERATIVE

At the same time, the COVID-19 pandemic has turbo-charged market developments and societal changes that are redefining aviation.

<sup>1</sup> Total revenues for Europe's airports in H1 2021 decreased by -65% vs. -52% in H1 2020 – compared to pre-pandemic (2019) levels. More information in [European Airports Traffic & Financial Performance H1 2021 Update](#).

<sup>2</sup> Europe's airports EBITDA (aviation business) decreased by -121% compared to pre-pandemic (2019) levels. More information in [European Airports Traffic & Financial Performance H1 2021 Update](#).

<sup>3</sup> Data from Moody's

**Jankovec** said: *"The rise and dominance of Ultra-Low Cost Carriers - led by Ryanair and Wizzair - combined with retrenched yet more agile network carriers, further hybridisation and the inevitability of airline consolidation will only mean one thing: unprecedented competitive pressures upon Europe's airports. This reality is in the making and make no mistake, it will impact all - from our mega hubs down to our smaller regional airports".*

*"These market developments blend with aviation's decarbonisation imperative, which Europe's airports have fully embraced together with their industry partners. There is no escaping the fact that decarbonisation will drive up costs and induce a slower pace of traffic growth than we have been accustomed to. For volume-dependent businesses like airports, this is a major challenge."*

## **BUSINESS MODEL ADAPTATION**

The result: airports need to adapt and future-proof their business model with the focus on transformation, de-risking and resilience. Perhaps the biggest challenge of all in taking the European airport business model to this next level is the delicate balance necessary between these three pillars – which are critically interdependent. The now-familiar mantra of 'build back better', wholeheartedly embraced by European airports in their net zero commitments, goes hand-in-glove with their need to safeguard revenue generation and access to financial markets. And both are reliant upon the airports' ability to transition to hyper-efficient and digitalised operations.

**Jankovec** said: *"The COVID-19 pandemic has put an end to the illusion that airports are risk-free businesses. They are now facing the dual challenge of recovery and decarbonisation – and they need to adapt their business model accordingly. With this will come a renewed societal relevance and acceptance which our airport community is more than ready to meet. But let's be under no illusion here, this will not be an easy journey ahead as we recover from catastrophic losses and glaring inadequacies in the financial and Governmental response framework which could have been deployed with very different results. Of the 780 airports in our footprint, less than 10 were profitable last year. That's a big mountain to climb."*

**## ENDS ##**

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**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.