ACI EUROPE
AIRPORTS COUNCIL INTERNATIONAL

Airports respond to A4E's hollow 'revelations'

For immediate release 17 October 2017

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

Brussels, 17 October 2017: At an event in Brussels today organised by the airline association A4E, the findings of a new study on airport charges were revealed… but not the actual study.

The findings announced were media-friendly, highly selective and simplistic but these 'revelations' are not about benefitting consumers.

Asked directly by the moderator at their own event, whether lower airport charges would genuinely result in lower air fares – none of the airline CEOs on the airport charges panel would confirm.

A4E's campaign on airport charges is all about boosting the bottom line of the major European airlines – which A4E represents. This, at a time when these airlines are actually posting record profits – on the back of improving pricing power and contained oil prices (which they do not pass onto consumers).

Olivier Jankovec, Director General of ACI EUROPE commented "*Calling airports "connectivity disruptors" as A4E did today, is not just insulting - it is a massive lie. Developing diverse air connectivity is at the very core of airports' social and business mandates. We aim to provide air travellers with more choice. This is precisely why airports in Europe are perpetually chasing airlines, offering incentives such as rebates on airport charges and marketing support to entice them to develop new routes*[1] *and add more frequencies from their own location."*

ACI EUROPE has extensively worked on measuring airport connectivity – providing its members with a set of industry indexes[2] allowing them to track their own connectivity performance over time.

Jankovec added *"The figures speak for themselves. Europe's airports already subsidise airlines to the tune of €10.4 billion every year. This is because of the gap between airport revenues from charges paid by airlines/passengers and airports' total costs. In fact, airlines and passengers only finance airports' costs of operating. The totality of the cost of maintaining and expanding airport infrastructure comes from other sources – essentially from the margins on airports' commercial activities. This is a model that benefits all airlines and that some of A4E's members have abused extensively."*

ACI EUROPE also noted that A4E is also basing their allegations on EBIDTA margins. For a capital intensive sector like airports, EBDITA is a rather selective and not necessarily appropriate way of measuring financial performance.

The global airline association IATA has acknowledged this*, stating, "*airports are relatively capital intensive, with the level of capital invested (e.g. land) higher than the level of annual revenues. As such, operating profit margins will need to be relatively higher than other sectors in order to generate an equivalent return on capital."*

A more appropriate indicator for capital intensive industry is ROIC (Return On Invested Capital). ROIC for Europe's airports currently stands at 7.2%, broadly in line with their cost of capital. It should be noted that EU airports are actually underperforming other European airports based on this indicator – not to mention airports in other emerging markets where the ROIC is routinely well above 10%.

Jankovec concluded *"The shallow nature of this latest attack is typical of how some European airlines have decided to lobby for a revision EU airport charges directive. But a closer look only reveals that there is no systemic market nor regulatory failure that justifies such a revision. In the end, it comes down to realizing that there is a clear distinction between the interest of the passenger and the wider economy on the one hand – and the interest of airlines on the other. Just consider the fact that most airlines do not even effectively refund airport charges** and other ticket taxes to passengers who do not take their flight. Airport charges should be about airport investment and connectivity – not about boosting airlines' bottom line".*

##ENDS##

20% of Europe's active air routes are subject to regular route churn with airlines opening & closing routes each year.

84% of airports have a dominant airline customer with more than 40% capacity.

[1] Every year, European airports of all sizes attend route development conferences to pitch to airlines, to try to attract them to set up new air services from their airport. Airport pay to attend these conferences. Airlines do not. This year's WORLD ROUTES in Barcelona has attracted 700 airports from across the world – a large percentage of which are from Europe.

For more info, go to http://www.routesonline.com/events/189/world-routes-2017/

[2] Download the *ACI EUROPE Airport Industry Connectivity Report 2017* https://www.aci-europe.org/component/downloads/downloads/5115.html

* *IATA Economics Briefing No 4*: Value Chain Profitability, June 06, page 13. Available online at http://www.iata.org/publications/economics/market-issues/Pages/profitability.aspx

** Getting such refunds usually involves unnecessarily cumbersome administrative requirements and "processing fees" that all serve to ensure that passengers rarely see those refunds. These passengers fees thus retained by airlines are estimated to reach up to €3.5 billion a year (source: www.airtaxback.com).

*****

For more information, contact:
Robert O'Meara, Director, Media & Communications, ACI EUROPE
mobile: +32 (0)486 54 14 71 or tel: +32 (0)2 552 09 82.
Email: robert.omeara@aci-europe.org

*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 45 European countries. Our members facilitate over 90% of commercial air traffic in Europe: **2 billion passengers**, **20 million tonnes of freight** and **23.7 million aircraft movements** in 2016. These airports contribute to the employment of **12.3 million people**, generating **€675 billion** each year (**4.1%**) **of GDP** in Europe.*

EVERY FLIGHT BEGINS AT THE AIRPORT.