

Empower Europe's Airports to Boost Economic Recovery



Morgan Foulkes, Director of Policy

**European aviation relief programme – Hearing EESC
Brussels, 26 October 2009**

THE VOICE OF EUROPE'S AIRPORTS

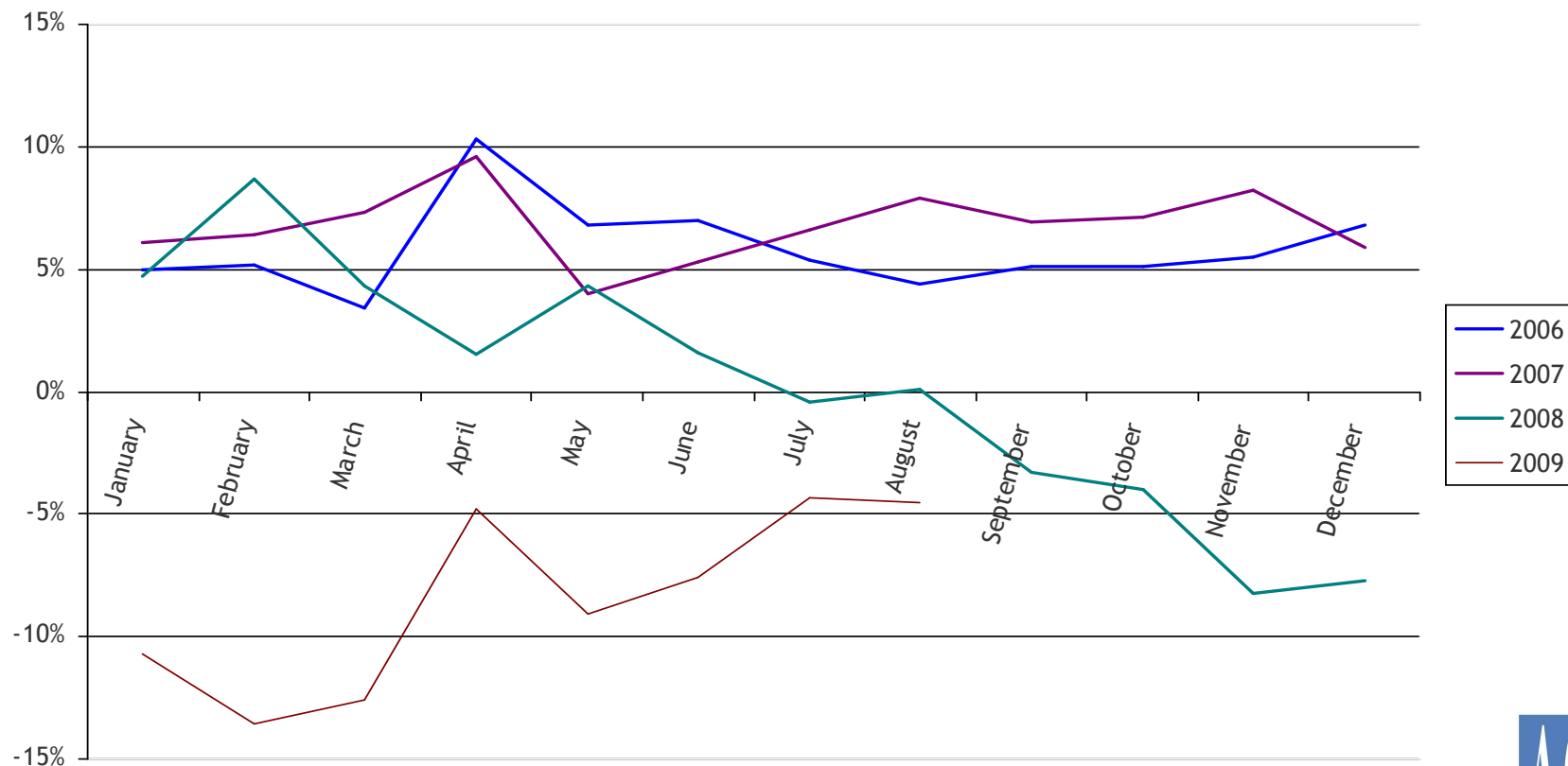
- **444 AIRPORTS / 46 COUNTRIES**
- **172 WORLD BUSINESS PARTNERS**
Investors, Banks, Construction Companies, Security equipment manufacturers, Retailers, Consultants, etc.
- **6 NATIONAL ASSOCIATIONS**
 - ALFA ACI (French Speaking airports Worldwide)
 - UAF (France)
 - Assaeroporti (Italy)
 - AOA (UK)
 - ADV (Germany)
 - Association Suisse des Aérodomes



TRAFFIC 2008/2009



Overall passenger growth in Europe



TRAFFIC 2009

■ JANUARY-AUGUST 2009

- **- 8.1%** *passengers*
- **- 21.1%** *freight*
- TOP 25 airports: **41 million passengers lost so far...**
- *82% of European airports loosing traffic*

■ 2009 FORECAST: - 7% pax / -16% freight

- **- 0,5%** *pax in 2001 and 2002*
- ***O/D traffic more impacted than transfer traffic***
- **98 million passengers lost for European airports**

■ FIRST SIGNS OF RECOVERY (SLOW)

REGIONAL AIRPORTS' EXPOSURE

■ **SPAIN (January-August 2009)**

- **Bilbao -15.8%; Tenerife -17.2%; Valencia -21.6%**
(Madrid -8.4%, Barcelona -13.2%)

■ **FRANCE (January-August 2009)**

- **Strasbourg -18.9%; La Rochelle -19.4%**
(Paris CDG -5.9%, Paris ORY -4.7%)

■ **SWEDEN (January-August 2009)**

- **Karlstad -26%, Are Ostersund -24%, Kiruna -14% Malmo -16%**
(Stockholm-Arlanda -13.4%, Goteborg -17.1%/Stockholm-Bromma +4%)

■ **GERMANY (January-August 2009)**

- **Dortmund -29,9%, Stuttgart -11.1%, Saarbrücken -12,5%,
Hannover -12,3%**
(Frankfurt -6,3%, Munich -7,8%, Düsseldorf -3,9%, Berlin -3,4% /
Lübeck +29,9%; Weeze +67,3%)

THE ECONOMIC IMPACT OF AIRPORTS

■ AIRPORTS AS ENGINES OF GROWTH

- *165,000 airport staff, with 1,200,000 employees on airport sites working in total in Europe (ACI 2007)*
- *€59 billion total contribution of airports and on-site jobs to European GDP (ATAG 2008)*

■ AIRPORTS AS ENGINES OF JOBS IN THE REGIONS

- *Every million passengers support 950 on-site jobs!*
- *Every 1,000 airport jobs support 1,100 indirect jobs regionally!*

■ AIRPORTS AS DRIVER FOR REGIONAL DEVELOPMENT

- *Munich: every day the airport creates up to 4 additional new jobs (direct and indirect)*
- *Amsterdam: Economic activities account for approx. 2% of Dutch GDP (expected to rise to 2.8% in 2015)*
- *Frankfurt Hahn: €52.3 million tax revenue generated (2005)*

REVENUES & COSTS IMPACTS

■ AIRPORTS HIT TWICE

- *Declining aeronautical revenues*
- *Declining commercial revenues*

■ INCREASING CAPITAL COSTS

- *Access to capital markets difficult/costly*
- *Credit rating downgrades: BAA, Amsterdam, Dublin, Brussels*

■ INCREASING SHAREHOLDER PRESSURE FOR DIVIDENDS

- *Publicly-owned airports potentially more exposed*

■ INCREASING AIRLINE PRESSURE

- *Request for charges decreases*
- *New aviation market structure...*

TIGHTENING THE BELT

■ COST CUTTING

- *Massive & Unprecedented Staff reduction!*
 - **Amsterdam: -25%**
 - **Dublin: - 20%**
 - **Manchester: -5% jobs**
 - **SEA Milan: -30%**
 - **Glasgow-Prestwick: -20%**
- *Recruitment & Salary freeze/cuts & Outsourcing*
- *Reduced working hours*

■ BUT... limitations inherent in business model

- *Airports not labour-intensive (ex: BAA 3 times less staff/BA)*
- *Staffing levels dictated by safety/security regulations*
- *Fixed costs: you can not close a runway or a Terminal!*

DEFERRING INVESTMENTS

- **RECONSIDERING CAPITAL EXPENDITURE**

- *Focus on priority projects (infrastructure)*
- *TOP 25 airports: **€1.8 billion capex cancelled***

- **BUT... limitations inherent in business model**

- *Not always **possible**:*
 - previous commitment/refinancing
 - Airline opposition
ex: Frankfurt Terminal expansion / Lufthansa
- *Not always **advisable**:*
 - Traffic X 2 by 2030 : airport capacity crunch
 - Long lead-time delivery
 - Act counter-cyclically (future needs of travelling public, airlines and communities)
 - Infrastructure = economic stimulus (self financed)



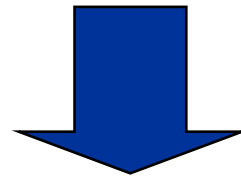
€43.2 billion capex still going ahead (2009/2014)

RESPONDING PROACTIVELY ON CHARGES

- **AIRPORTS NOT IN FULL COST RECOVERY MODE**
 - Airports \neq Air Navigation Service providers!
 - Airlines paid charges: only 21% of total airport revenues!
- **INCREASED RISK SHARING**
 - 57% of aeronautical revenues = passenger-related charges
 - With crisis, up to 75% at some airports
- **COMPETITIVE POSITION IS CRUCIAL**
 - Crisis incentive schemes
 - No charges increases or even decreases, where possible
 - ACI EUROPE 2009 Charges Survey (192 airports):
 - **94% charges stable/lowered charges/lowered increase**
 - 6% kept planned increase

NO ONE-SIDED & SHORT-SIGHTED MEASURES

- **NO AVIATION-SPECIFIC CRISIS** (contrary to 911...)
- **ALL AVIATION SECTORS AFFECTED**
- **STRUCTURAL CHANGES UNDERWAY**
 - *LCC: 23% market share in 2007... +50% by 2020*
 - *Consolidation: SkyTeam, Star Alliance, oneworld, Ryanair, Easyjet*
- **BALANCED MEASURES (all stakeholders)...**
... LONG-TERM COMPETITIVENESS



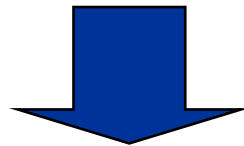
No bail-out, No slot suspension, No airport charges freeze

BUT

**Reconsider policy & regulatory framework
at EU and national level: 5 key measures!**

5 KEY MEASURES

- **RECONSIDER ECONOMIC REGULATION**
- **FLEXIBLE START-UP AIDS**
- **ONE-STOP SECURITY AND PUBLIC FINANCING**
- **ABOLITION OF NATIONAL TAXES**
- **ACCELERATE AVIATION LIBERALIZATION**



NO FURTHER COST-INCREASES
INCENTIVISE TRAFFIC RECOVERY
KEEP FOCUS ON LONG-TERM