AIRPORTS COUNCIL INTERNATIONAL
EUROPE

ACI EUROPE
6 square de Meeûs
1000 Brussels, Belgium
www.aci-europe.org

Press release

European Airports Responsive and Responsible in the Crisis

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Brussels, 23 July 2009: Responding to yesterday's attack by the Association of European Airlines (AEA) on the current evolution of airport charges, European airports trade body ACI EUROPE said that the AEA's statement reflected a worrying misunderstanding of airport economics and the impact of the crisis on the whole aviation industry.

European airports are being heavily affected by the crisis, facing specific challenges related to the nature of their business. They are hit by a double whammy: steeply decreasing aeronautical and commercial revenues as a result of fewer flights with fewer passengers and sharply increasing financial costs as a result of the credit crunch. Airports are extremely capital-intensive businesses, with 30% to 40% of their costs typically relating to capital expenditure.

As a result, profitability is shrinking fast. Whatever their size, airports across Europe are now focusing on cost-cutting and restructuring – including staff reductions of up to 25% of their workforce in some cases.[1]

Against this background, the vast majority of European airports are striving not to increase charges or to limit planned increases to protect their competitive position in the crisis, while some are even decreasing charges.

However, not all airports are in position to do so. Apart from the continuing increase in security costs since 9/11, which clearly limits their margin for manoeuvre[2], much depends on the level of their capital expenditure programmes and related financial commitments. These commitments are linked to infrastructure developments, which have been and even continue, in some cases, to be requested by airlines. They also relate to improvements in existing facilities aimed at reducing operating costs for airlines - which they are also calling for.

Olivier Jankovec, Director General ACI EUROPE commented *"The AEA needs a reality check. Charges paid by airlines account only for 21% of airport revenues.[3] This means that airlines already pay less than the cost of the infrastructure they use – thanks to the increasing diversification of airport activities and the development of commercial revenues."*

He added *"What the AEA is basically asking is a full free lunch for its member airlines – with airports paying the bill. Such subsidisation used to be possible in the past when airports were publicly financed and exclusively focused on the national flag carrier. But times have changed. Airports are now businesses in their own right, abiding to fiscal discipline and responding to their shareholders."*

The stance of the AEA is disconcerting at a time when all sectors of aviation should be working together for balanced and pro-competitive crisis relief measures. Not only does the AEA statement negate the crisis efforts made by European airports, but it also depicts airlines as not willing to pay a fair share of infrastructure costs - just as some of them are sitting on their airport slots and preventing competitors from making use of available capacity.

The AEA's assertions regarding charges at selected European airports only tell one side of the story – resulting in a misrepresentation of the reality. Here follows a case-by-case rebuttal of the examples cited by the AEA.

Frankfurt Airport: the proposed charge increase of 8.4% mentioned in the AEA statement is aimed at financing part of a massive and unprecedented €7 billion capital expenditure programme. This investment will allow the airport to address its current lack of capacity, increasing it to 88 million passengers by 2020 - thus accommodating requests and plans from the hub carrier and other airlines. This programme involves a new runway (2011) and several Terminal expansions, including a new Pier at Terminal 1 for nearly €700 million (2012) exclusively dedicated to the hub carrier. While Frankfurt Airport was willing to defer the new Pier and the related investment to reflect exceptionally challenging trading conditions, the hub carrier insisted on maintaining the planned schedule.

Munich Airport: the proposed charge increase of 4% mentioned in the AEA statement is presently under discussion between the airport and the airlines, and is aimed at recovering only part of existing operating costs. So far, the airport has never recovered its total cost of capital on a cumulative basis. Its capital investment programme presently stands at €2 billion, to finance a substantial increase in capacity (new runway and terminal expansion) which is being called for by the hub carrier and other airlines.

London-Heathrow Airport: the airport, along with Gatwick and Stansted airports, is strictly regulated with its charges capped over a 5-year cycle. The capital investment programme for the airport stands at €5.6 billion and will see a much needed reconstruction and refurbishment of all airport Terminals.

Paris-Charles de Gaulle Airport: charges were initially due to increase by 8.3% in 2009, so as to finance past and forthcoming capacity increases requested by the hub carrier and other airlines (capacity was increased by 20 million passengers in 2007/2008 and will increase by a further 8 million passengers by 2012). However, following consultations with the airlines, Aéroports de Paris agreed to reduce the increase to 5.5%. This increase was duly authorised by the French regulator. Interestingly, it was not objected by IATA and major airlines.

Copenhagen Airport: while the methodology used by the national regulator would have allowed the airport to claim an increase of 15% in charges for 2009, the airport limited the increase to 4.2% and absorbed most of the related cost increase. For 2010, commercial negotiations are presently under way between the airport and the airlines. To date, the airport has not announced any intention to increase charges.

Marseille Airport: AEA states that the charges scheme of the airport, which differentiates between a full service terminal (MP1) and a low-cost facility (MP2), were "blocked by the French regulator". In reality, the airport charges scheme was actually formally approved by the French regulator on 18 May 2009. Interestingly, the regulator's decision had to take into account stringent requirements set out by France's highest Administrative Court (Conseil d'Etat) in a 2008 ruling.

Concluding his remarks, Jankovec said *"While the AEA calls for charges to be independently regulated, it seems to forget that all the airports it refers to are already subject to such regulation at national level. European airports are abiding to the transparency requirements imposed on them by the new EU Directive on Airport charges. We only hope that similar levels of transparency will soon be required from airlines in relation to ticket pricing – in particular when it comes to proper differentiation between airport charges, national taxes and airlines' various surcharges. Clearly, we are not there yet."*

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Note to editors:

[1] For example, redundancies are foreseen at Amsterdam Airport Schiphol (up to 25%), Dublin Airport Authority (up to 12%) and SEA Milan Airports (up to 30%).
[2] Security accounted for up to 8% of European airports' operating costs prior to 9/11. Since then, security costs have escalated and now account for up to 35% of European airports' operating costs, along with 41% of airport staff employed in security-related activities.
[3] Airport charges account for just 3.5% of AEA member airlines' operating costs.

For more information, please contact **Robert O'Meara**,
Communications Manager,
ACI EUROPE (Airports Council International)
E-mail: robert.omeara@aci-europe.org
Mobile: +32 (0)486 54 14 71 or Tel: +32 (0)2 552 09 82.

ACI EUROPE is the European region of Airports Council International (ACI), the only worldwide professional association of airport operators. ACI EUROPE represents over 400 airports in 46 European countries. Member airports handle 90% of commercial air traffic in Europe, welcoming nearly one and a half billion passengers each year.