

"Global shift in aviation calls for EU industrial policy" say European airports

For immediate release

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Milan, 17 June 2010: The European airport community gathered in Milan today for the 20th ACI EUROPE Annual Assembly and Congress, with more than 400 delegates. Taking stock of the 'constant shock syndrome' to which aviation has been exposed over the past 2 years, the European airport trade body ACI EUROPE addressed the 2010 economic outlook, the implications of the continued evolution of the airport business and its 20-year vision for the airports of 2030.

ECONOMIC OUTLOOK

After losing 100 million passengers in 2009, European airports have been heavily affected by the volcanic ash crisis. Passenger traffic had started to steadily recover with +5.2% growth over the first quarter of 2010 and freight traffic even showed an impressive recovery with +22% growth over the same period. But the sudden closures of airspace in April and to a lesser extent in May resulted in European airports losing traffic of 17 million passengers and nearly €300 million.

Olivier Jankovec, Director General ACI EUROPE said "*The volcanic ash crisis essentially broke our recovery, ripping out all the traffic gains accumulated since the beginning of the year in passenger traffic. May and June have been on the up again, and the summer looks promising – but the threat linked to this latest crisis lingers on. Although procedures to deal with volcanic ash have improved, partial closures of airspace cannot be ruled out should the volcano become active again. This is why we need the EU to make further progress quickly on these procedures.*"

Beyond these exceptional circumstances, ACI EUROPE considers that the sovereign debt crises and the weakness of GDP growth in Europe – with low consumer confidence – will affect demand for air travel throughout the year, leading to a two-speed recovery, with passenger traffic lagging well behind freight traffic.

Jankovec commented "*We can see that airlines, especially European network carriers, are exercising restraint on the capacity they are putting back in the market as they are clearly focusing on recovering yields rather than volumes. As a result, **our 2010 forecast for passenger traffic stands at only +3%**. This will leave us below 2007 levels. However, we expect **significant disparities between geographical markets**, with some airports making a full recovery, others partially or even still losing passenger traffic.*"

He added "***In sharp contrast, we expect freight traffic to rebound above 2008 levels thanks to +26% growth** – largely driven by the dynamism of European exports thanks to impressive economic growth in Asia and Latin America and a weaker European currency.*"

BUSINESS TRANSFORMATION & INDUSTRY CHALLENGES

ACI EUROPE stressed that while these difficult circumstances are testing all aviation industry stakeholders, they are also showing that airports in Europe have become businesses in their own right. This business transformation has allowed European airports to cope with an increasingly competitive market place, adapting their facilities, services and charges to respond and support the needs of different airlines following different business models.

Jankovec stated *"European airports have no choice but to offer competitive charges. But this is quite a challenge when revenues have been down and external costs on the rise – driven by security regulations and capital costs."*

In that context, developing commercial revenues has become integral to the financing of airport infrastructure. As a result, charges paid by airlines at European airports only cover **31%** of airport operating costs – and even if charges paid by passengers are added, that still leaves Europe's airports with approximately €5 billion in unrecovered operating costs.

Yet developing commercial revenues has recently encountered fresh challenges. In particular, abusive cabin baggage limitations by a few low cost airlines are preventing passengers from taking their airport purchases on board, unless they can fit them into their cabin bag.

"These limitations have seen retail revenues at some airports falling by up to 40%. By directly threatening the revenue streams on which airports increasingly rely to offer lower charges, these airlines are actively biting the hands that feed them." said Jankovec.

FROM HERE TO 2030

The economic crisis is not only permanently affecting the structure of the European aviation market, but also that of the global aviation market. This reflects the emergence of a **new economic world order** – a multi-polar one in which Asia and Latin America are already driving global growth, and in particular aviation growth. According to ACI EUROPE, this global shift means that European aviation policy is now in urgent need of a renewed direction, focused on competitiveness.

Ad Rutten, President of ACI EUROPE and COO of Schiphol Group remarked *"More than ever, policy makers at every level in Europe need to recognise the unique contribution that airports and aviation in particular bring to society. Today, airports are not just supporting local and regional economies - they are defining them. The fact that Europe's airports still managed to invest €12 billion at the height of the crisis in 2009 amounted to a substantial economic stimulus package - and it was essentially self-financed!"*

He added *"Yet, the recent German proposal to tax departing passengers following the regrettable examples of UK and Ireland, is not only short-sighted - it is also damaging. Previous experience shows that these taxes end-up costing the economy at least three times what they bring in."*

ACI EUROPE outlined the **4 challenges** facing Europe's airports between now and 2030 – **providing timely airport capacity, addressing the environment, improving connectivity and streamlining security.**

Rutten warned that addressing these key challenges will essentially define how European airports and more generally European aviation, will look in the next 20 years: *"Ultimately, it all comes down to the EU developing a genuinely ambitious industrial policy for aviation."*

ENDS

Note to editors:

For more information on the challenges facing European airports, you can download the ACI EUROPE **Policy Outlook** publication at:

www.aci-europe.org/policyoutlook.pdf

To download the **ACI EUROPE Economics Report 2009**, please go to:
www.aci-europe.org/economicsreport.pdf

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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 some 440 airports in 45 European countries. Member airports handle 90% of commercial air traffic in Europe, welcoming over a billion passengers each year.