



“Complete airport business model reset”: ACI EUROPE charts path from extreme financial distress to post-COVID-19 new normal

ACI EUROPE

10 Rue Montoyer (Box 9)

1000 Brussels, Belgium

www.aci-europe.org

Brussels, 17 November 2020: ACI EUROPE today opened its 30th Annual Congress by setting out a vastly altered business model for the post-COVID future.

Speaking at the event, live-streamed from Brussels Airport’s Skyhall, Director General Olivier Jankovec described an uncertain, slow and uneven recovery as he delivered his keynote ‘*State of the Industry*’ address. The result: a permanent new normal for airport trading conditions and operations built around three core pillars of **build back better, deliver it better**, and **expanding the pie**.

EXTREME FINANCIAL DISTRESS AND MASSIVE JOB CUTS

Jankovec’s analysis of the reset for the European airport industry, and aviation as a whole, was laid out against a backdrop of extreme financial distress and massive job cuts. With airport revenues almost entirely dependent on passenger volumes, the economic and financial situation of Europe’s airports is deteriorating by the day. The harsh reality of the downward spiral was confirmed as [data released yesterday](#) showed 1.5 billion passengers lost so far this year.

ACI EUROPE reiterated its warning over acute business discontinuity risks, as Jankovec signaled continued liquidity issues: “*Europe’s airports are currently burning cash to the tune of €350 million each week. While this is down from €600 million in the second quarter due to extensive cost-cutting, this is simply not sustainable and requires urgent Governmental support*”.

Europe’s top 20 airports have so far cut operating expenses by €3 billion (-22%) and capital expenditure, the crucial investments for the future, by €2.6 billion (-37%). But airports’ fixed cost base, diseconomies of scale and the need to keep essential facilities up and running even when traffic is collapsing, all limit their ability to cut operating costs even further. Disinvestment is also impeded by regulatory driven costs and essential maintenance as well as projects already initiated and nearing completion.

AN AIRPORT BUSINESS MODEL RESET

Looking to the future, Jankovec set out a post-COVID-19 ‘new normal’ on the back of a recovery hampered by significant demand and supply pressures.

Airports will be facing renewed competitive pressures on their aeronautical activities, as Ultra Low Cost airlines are set to emerge as structural winners and airline hybridisation to further increase. There are more than 750 commercial airports in Europe vying for traffic, yet only a dozen airlines that are actively shaping the air transport market.

Jankovec commented: “*For too long airlines have seen airports as infrastructure that should be provided for free, or as a piggy bank which they can squeeze for change. Airlines and airports are in this together.*”

Airlines need to support airport investment and development, and airports will join with airlines to launch routes and services”.

For now, while almost all of Europe’s airports offered rebates and incentives to airlines to attract and retain their business under normal trading conditions, 70% of them have added additional COVID-19 rebates and incentives. This means they are pricing below costs - in a desperate attempt to restore air connectivity.

Revenues from commercial activities - in particular retail – are also being challenged as COVID-19 has pushed even more purchases into the digital world. Airports and their concessionaires are bracing for an epochal shift regarding place of purchase, consumption decisions, and travel to and from the airport.

Crucially, the combination of powerful structural determinants including the Climate Emergency, continued push back against globalisation, geopolitical instability and increased regulatory risks will result in lower long-term growth in air traffic.

Jankovec said: *“Our airport economic model has been dependent upon and driven by the assurance of continued dynamic growth in air traffic. But we can no longer assume that will be the case in the post-COVID-19 environment. Our industry needs to look to robust future-proofing with new ways of trading and operating.”*

BUILD BACK BETTER, DELIVER IT BETTER, EXPAND THE PIE

His hard-hitting analysis describes the 3 top level imperatives as:

- **Build back better:** sustainable and green airports for the future
The drive to “build back better” has only served to increase the airport industry’s determination to take the lead in crafting a sustainable future, as evidenced by their existing [commitment to reach Net Zero carbon emissions by 2050](#).
To underline this point, Jankovec announced the publication of a revised and even more ambitious [Sustainability Strategy for Airports](#). First published in 2019 and in very different economic conditions, today’s revision provides guidance for a sector stepping up its efforts to embrace sustainability in the post-COVID era.
- **Deliver it better:** the hyper-efficient and connected airport
Through leveraging technology and data, airports will become hyperconnected infrastructure embracing health safety, operational efficiency and new mobility. Touchless, biometrics, sanitisation and health monitoring are already becoming part of a new airport operations normal. Regulators and policy makers will need to step up to this challenge hand-in-hand with industry.
- **Expand the pie:** a new look at revenue generation
Aeronautical charges and commercial revenues will need to be remodeled, with an emphasis on a user-pays principle as well as flexible and market-driven pricing. Ultimately, airports are looking towards the possibility of a new industry hyper-cooperation paradigm – where again, regulators will need to play a part.

These imperatives will be challenging for all airports, but especially for smaller regionals – as these have been facing issues of structural profitability for years. A more supportive policy approach along with airport consolidation will also need to be considered.

FLEXIBLE, DYNAMIC AND MARKET DRIVEN STRATEGIES FOR A FUTURE-PROOFED INDUSTRY

Summing up his address, Jankovec said: *"New partnerships will be sought and nurtured. ACI EUROPE's continued efforts to engage in constructive solutions with European Institutions, Governments and industry partners will be undiminished. Ultimately, airports will need to be able to move towards more flexible, dynamic and market-driven solutions than ever before"*.

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For more information, contact:

Virginia Lee, Director, Media & Communications, ACI EUROPE

tel: +32 2 552 09 82

Email: virginia.lee@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 46 European countries. Our members facilitate over 90% of commercial air traffic in Europe: **2.5 billion passengers, 20.7 million tonnes of freight** and **25.7 million aircraft movements** in 2019. In response to the Climate Emergency, in June 2019 our members committed to achieve **Net Zero** carbon emissions for operations under their control **by 2050**, without offsetting.*