

**ACI EUROPE
MEMORANDUM**

***WHITE PAPER ON THE
FUTURE OF TRANSPORT
&
REVISION OF TEN-T
GUIDELINES***

EUROPE

**AIRPORTS COUNCIL
INTERNATIONAL**

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WHITE PAPER ON THE FUTURE OF TRANSPORT **&** **REVISION OF TEN-T GUIDELINES**

1. Aviation in the *White Paper on the Future of Transport*

Just like the rest of the air transport community, the European airport sector has very high expectations as to the treatment to be afforded to aviation in the White Paper.

Indeed, the perception throughout the industry is that, both at EU and national levels, too little consideration has been given in recent years to the unique and increasingly important contribution of aviation to society. Notwithstanding the “wake-up call” of the volcanic ash crisis of April 2010 – which showed the extent to which any modern society relies on aviation – this contribution is too often considered to be a given, and very few Member States today have a really forward-looking and inclusive aviation policy. Yet, the role of aviation in an increasingly multi-polar world, where dominant economic powerhouses are emerging in Asia and Latin America, is key to the future competitive position of Europe.

Based on the above, ACI EUROPE would like to suggest the following 3 key policy directions & messages for aviation in the White Paper:

- ***Aviation provides a unique and irreplaceable contribution to society – and in particular to the European economy.***

The White Paper needs to recognise this unequivocally, especially in the wake of the above-mentioned volcanic ash crisis.

Figures and examples illustrating this contribution abound. Beyond these, it seems to us very important to stress that the connectivity offered by aviation to European citizens and businesses is unique and cannot be replaced. A very simple and telling fact: Europe’s airports provide a network of 150.000 city pairs, while Europe’s High Speed Trains provide a network of about 100 city pairs. Only 40 new city pairs are expected to be connected by new or improved High Speed Train links by 2030. Based on these projections, passengers opting for rail will reduce the demand for flights by only about 0,5%.

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Crucially, as Europe is going to be increasingly reliant on efficient trade links with other continents, the role of airports as gateways is set to gain further strategic relevance. Again, some very telling figures: while intra-European traffic at European airports will increase by 68% by 2030, intercontinental traffic will increase at nearly twice that rate. As a result, the volume of intercontinental traffic handled by European airports by 2030 will be in excess of 1 billion passengers – well above the present volume of intra-European traffic (944 million passengers in 2009)!

- ***Aviation needs to grow and this growth is compatible with the EU's ambitious environmental objectives.***

The White Paper needs to herald the fact that the EU is implementing a policy aimed at reconciling the growth of aviation with its ambitious environmental objectives. This is the result of the inclusion of aviation in the EU ETS, the Single European Sky and the Clean Sky project.

The White Paper should therefore recognise that aviation is the only mode of transport that actually internalises most of its external costs. It should also recognise that aviation is at the forefront compared to other modes of transport when it comes to decarbonisation – both through EU policy and related regulatory framework as well as through far reaching collective industry commitment and action – as evidenced by *Airport Carbon Accreditation*. In the longer term, more EU support (R&D) is however needed in relation to technological breakthrough required to achieve decarbonisation.

But the growth of aviation and the success of the Single European Sky require a new and increased policy focus at EU level on airport capacity. This also needs to be clearly reflected and addressed in the White Paper as a key priority of the European transport policy. The latest EUROCONTROL Long-Term Forecast (January 2011) provides yet another warning about the *airport capacity crunch* that Europe is facing¹.

- ***Aviation needs an industrial policy at EU level focused on the reduction of regulatory-induced costs and new business opportunities.***

The shift underway in the global economy is reflected in global aviation. The emergence of aggressive aviation powers in Asia and Latin America is a direct threat to the competitive position of European aviation and the relevance of Europe as an aviation market – in particular as regards its *hub positioning*. This is already happening now².

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¹ EUROCONTROL Long-Term Forecast (2010-2030), p. 13/15 : “Future air traffic growth will be limited by the available airport capacity... The recent drop in traffic has given the system some extra years to react and adapt. But once the limits will be reached, the congestion will quickly increase the number of unaccommodated flights, putting an extra pressure on the aviation network as a whole”.

² Asia will become the first aviation market by 2013 and the Region will handle nearly 80% more traffic than Europe by 2030 (ACI).

EU transport policy needs to support the competitiveness of European aviation by decreasing regulatory induced costs (while this is already one of the objectives of the Single European Sky, it also needs to be done in relation to other fields, including security and safety) and providing new business opportunities through aviation liberalisation with third countries (priorities for a Pan-European/Mediterranean Aviation Area and BRIC countries).

The airport capacity issue also needs to be considered in relation to the competitiveness of the European economy.

The above 3 policy directions & messages would undoubtedly contribute to establish the leadership of the EU and its aviation sector on the global stage. They largely reflect the strategic objectives set under *Europe 2020* and would ensure that aviation policy effectively contribute to these objectives. Finally, their inclusion in the *White Paper* would indeed go a long way in meeting industry expectations.

2. Airports and the revision of the TEN-T Guidelines

ACI EUROPE fully supports the objective sought by DG MOVE through the revision of the TEN-T Guidelines. In particular, we are encouraged by the renewed focus on the nodes and bottlenecks of the transport network, as well as by the attention given to the external dimension of the transport network (connectivity of the EU with third countries).

Airports are extremely relevant in relation to these issues and this should be acknowledged by the new TEN-T guidelines.

In addition, a wider inclusion of airports within the TEN-T would also facilitate access to finance for airport infrastructure projects. This would be a key benefit for the airport industry, as the financial crisis and the sovereign debts crisis have substantially changed the rules of the game for airport financing in Europe.

Access to capital markets remains difficult for European airports. Risk-adversity being the new constant, credit rating agencies and investors have downgraded airports as an asset class. This situation limits access to equity financing, but also - crucially - to debt financing.

Such behaviour does not only derive from the air traffic slump experienced in 2009 and the weak recovery of 2010. It also results from a combination of structural factors including the capital intensity of the airport business³, publicly owned airports being affected by their proximity to the solvent⁴ and the perception that European airports have increasingly become exposed to

³ Capital costs routinely account for 30% of total airport costs.

⁴ This has been the case not only as regards State ownership, but also as regards local authorities' ownership given increasingly challenging economic situation of these authorities.

instable policy/regulatory frameworks bringing uncertainty as regards development perspectives, operational costs and ultimately profitability⁵. As a result, European airports are at a competitive disadvantage compared to their peers in other parts of the world⁶ - with significant consequences on their ability to finance the modernisation and expansion of their facilities.

In such context, **the inclusion of the European airport network within the TEN-T would send a much-needed positive signal to capital markets**. It would also **facilitate access to EIB financing**, especially since the EIB is currently in the process of reconsidering its lending policy for the transport sector - with the aim of ensuring a better alignment with Community policy.

Of course, the difficulty to access capital markets means that there is also **increasing interest from airports in accessing TEN-T funds** – as part of the need to diversify financing sources. ACI EUROPE considers that TEN-T funds should be made available for airports in relation to:

- **SESAR related projects.**
- **Projects aimed at improving environmental performance.** Many of such projects tend to have a long-term pay back in financial terms (wind or solar energy installations for example). Participation to Airport Carbon Accreditation could be expressly recognised as a criterion for project selection under TEN-T.
- **Projects increasing physical capacity, where ground capacity limitations have a proven negative impact on the aviation network.**
- **Projects aimed at improving the accessibility to the airport** (urban transport and co-modality projects).

Based on the above, ACI EUROPE advocates the **inclusion of the bulk of commercial airports within the Comprehensive Network**. We would urge DG MOVE to review the presently considered criteria for such inclusion, which is based on a percentage of EU air traffic. The criteria to be used should allow capturing the dynamic nature of the airport business and air traffic. In particular the increasing potential of regional airports to provide international and even intercontinental connectivity – as a result of air traffic rights liberalisation, new airline business models (low cost carriers) as well as new/improved aircraft types/economics allowing thinner routes to become economically viable.

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⁵ This has been exacerbated by inadequate economic regulation, increasing environmental constraints, new aviation taxes and an escalation in security costs.

⁶ In the US, airports have direct access to a wide range of publicly supported finance mechanisms.



Access to finance and economic viability also tend to be even more challenging for regional airports, hence the need for the *Comprehensive Network* to include at least:

- *All airports with **200.000 passengers or more per year.***
- *All airports with a **minimum of 0,2% of total EU air freight traffic.***
- *All airports located in **peripheral areas** of the EU.*
- *All airports serving a **national or regional capital.***

As regards the *Core Network*, ACI EUROPE considers that the criteria used for airports should similarly reflect the dynamics of the airport business. We would propose a set of criteria including:

- ***Catchments area.***
- ***Air traffic volume.***
- ***Air traffic pattern** (international traffic)*
- ***Role of the airport as a node in the air transport system or congestion reliever.***