

15 April 2020

Mr Rafael Schwartzman  
Regional Vice President, Europe  
IATA  
33, Route de l'Aéroport  
PO Box 416  
1215 Geneva - 15 Airport  
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Dear Mr Schwartzman,

I refer to my previous email, sent to you on 4 April.

With the COVID-19 pandemic, the entire aviation sector is facing both unprecedented declines in activity and revenue as well as uncertainty about when and how air connectivity can be brought back and start recovering. This is layered on top of the global climate action imperative.

ACI EUROPE along with the other ACI Regions and ACI WORLD firmly believes that now is the time for all actors in aviation to work together to recover, build resilience and make changes that will benefit the entire air transport eco-system – rather than specific parties. As a result, ACI EUROPE and its +500-strong airport membership stand ready to engage with IATA and European airlines. This may involve, for instance, joint approaches to the European Commission, governments and regions on measures to improve the viability of both airport and airline businesses.

Airports have a strong motivation to help all parts of the sector and airlines in particular to weather this crisis. Our future viability depends upon it. Airports in Europe are reducing costs as much as possible, furloughing or temporarily laying off staff, closing terminals and runways, and postponing capital expenditure. They are also in discussions with their owners and lenders about credit. Airports that have the financial ability to do so are offering flexible terms and suspension of charges to airlines.

We are in this together and doing everything we can.

### **Prerequisite for working together through & after the crisis**

However, the starting point for an effective cooperation between airports and airlines needs to be a proper appreciation of each party's economic position. It also needs to involve uncompromising commitment to the principle that no supporting measure and/or regulatory intervention should benefit one party at the expense of the other.

Airports are very well aware that airlines are in dire straits and seek to work commercially as business partners with airlines. For those commercial propositions to work, IATA needs to recognise that airports are also equally impacted and that they themselves take significant traffic risk. Airports are indeed bearing the costs of the current traffic downturn along with other sector players.

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Unfortunately, IATA has so far ignored the economic position of airports in this crisis. More than that, IATA keeps treating airports as instruments for airlines' subsidisation – thus negating the reality of European airports being businesses in their own right that are focused on both legitimate societal and business goals.

This is clearly evidenced by IATA's strategy document entitled "*Potential financial and operational measures to mitigate COVID-19 impact related to Airports and ANSPs*", which details a full range of measures including:

- Postponement of (airport) charges payments without surcharges/penalties.
- Temporary bonification to reduce (airport) charges/postponement of increases.
- Focus on (airport) cost reduction initiatives.
- Review/scrutinization of (airport) investments.
- Removal of (airport) automatic inflationary increases
- Waiver of (airport) parking fees.

These measures, in their comprehensive nature, go well beyond the sort of measures that are asked of suppliers in a crisis like the present. By asking European States to support and/or enact such measures or variations of such measures (see for example IATA's letter dated 25 March to the Italian government), IATA's positioning and strategy essentially aims at requiring airports to bail out airlines – alongside Governments and others. In doing so, IATA seems to be seeking to transfer liquidity problems from one part of the sector to another in a win/lose way.

IATA's requests to individual airports to detail the extent of their own cost cutting measures so that it may offer 'advice' on how they should run their own business also reflects the same approach. This not just unnecessarily patronising – but totally unjustified.

ACI EUROPE is therefore calling on IATA to reconsider its stance vis-à-vis the airport industry and to engage in genuine cooperation based on shared goals. These shared goals must be about the restoration and further development of air connectivity under conditions that ensure the financial viability of all parties within the air transport eco-system – with no supporting measure & regulatory intervention benefiting one party at the expense of the other.

### **Finding grounds for collaboration on charges & environmental sustainability**

It will be important to carefully examine the current experience and related implications for the appropriate form of regulation.

IATA's above-mentioned strategy document proposes asking for relief from payment of aeronautical charges and removals of adjustments. This proposal overturns IATA's historically preferred approach to setting of aeronautical charges<sup>1</sup>, in a cost based regulated asset base (RAB) model. This approach is used at a number of airports in Europe.

Derived from utility regulation, this model is known to perform best when all inputs and investment can be projected with a high degree of certainty and business volumes are relatively stable. As is all too clear today, prices set on building blocks centred around the RAB and traffic forecasts are problematic in aviation. In periods of variable and uncertain demand, the RAB model will lead to significant volatility in airport charges, including sharp, countercyclical rises (i.e. weaker demand leads to higher charges).

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<sup>1</sup> IATA, *Transparency requirements for the determination of airport charges in the context of the EU Directive 2009/12/EC*

Furthermore, we have seen that the RAB model also creates a strong incentive for IATA to favour government interventions, lobbying and legal challenges - rather than even trying to engage with airports as commercial partners. IATA's so-called [Air Transport Competitiveness Campaign](#) during the past year demonstrates that its approach has been to lobby governments and not engage with airports on infrastructure. Real engagement is now needed.

Airports have long pointed out that the rigid RAB model is suboptimal. And today, it is important to note that where airports are financially able to do so, they are offering relief. This demonstrates that airports price in response to market conditions, and not based purely on regulatory assumptions.

Suffice to say that such flexibility cannot be a one-way street.

ACI EUROPE hopes that considering this experience and as we recover from this traumatic period, we can therefore have a more reasoned, less entrenched discussion about modes of airport regulation. This should involve:

- IATA recognising that airports – just like airlines - are commercial players and businesses in their own right.
- IATA recognising that our joint interest in a viable air transport eco-system requires regulation focused on consumers, society & sustainability.
- IATA allowing space for commercial discussions in the months that come, supporting airports' growth incentives, route incentives, and traffic risk sharing agreements - as well as the more flexible & commercially driven approach to airport pricing that they embody.
- IATA engaging constructively in discussions that will be needed at many airports about the profile of investment, recognising the need to balance short-term cost considerations against the longer term imperatives that will still need to inform capital spending - if we are to have the capacity for the future and also keep committing to decarbonisation. We must move away from some of the process arguments of the recent past and IATA's insistence that airlines must have an equal say in capacity investment in airports (hiding behind the phrase, "*we are not opposed to efficient investment*").
- IATA actively supporting airport incentives and modulations of charges based on noise and air pollutant emissions, given the Climate Action policy priorities.

### **A joint focus on recovery**

As the trade associations representing airports and airlines, I hope that ACI EUROPE and IATA can work together to focus on rebuilding air connectivity to effectively support economic recovery more generally.

A central feature of the evolution of aviation is the need for environmental sustainability and, in particular, decarbonisation. The shifting political and societal context which is requiring airlines and airports to invest in sustainability will not disappear when the COVID-19 crisis passes. Our industry will face the dual challenge of recovery and mitigation at the same time. Therefore, asking airports to forego essential investments would compromise the ability of our sector to address climate change, which would in turn only bring along new crises and disruptions for aviation.

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In the financial domain, air connectivity & traffic recovery will not depend only on the incentives that airports can offer – incentives which come at the cost of airports ensuring their own financial health and ability to develop for the future. They will also involve a far-reaching array of actions requiring all industry stakeholders in the sector to share common views and seek alignment.

This will be a tough period – but we are likely all to emerge from it stronger if we focus on joint approaches rather than seeking one to gain at the expense of the other.

Very best regards,

A handwritten signature in black ink, appearing to be 'A. L.' or similar, with a stylized, cursive script.