



## **ACI EUROPE COCKTAIL AT THE EUROPEAN PARLIAMENT**

### ***Welcome address by Declan Collier, President ACI EUROPE***

Brussels, 18:30 - Tuesday 22 January 2013

Dear Ines, dear Jim, Members of the European Parliament, Ladies and Gentlemen - good evening. It is both a pleasure and an honour to address you here this evening, in this illustrious house of Europe.

When we met last year for this same event, I was worried that airports would face a challenging year. This has proved to be the case. For better or worse, Europe's airports are a pretty good barometer of economic activity across our continent. So it is not surprising that throughout 2012, the growth in **passenger traffic at EU airports slowed to a standstill**, before entering into **recession** last October. Even **worse was freight traffic** - the last time we saw any substantial growth was in the Summer of 2011.... 18 months ago.

Of course, as always with a New Year starting, we want to look on the bright side. In the grand scheme of things, it is indeed looking better. The demise of the Euro is a less plausible scenario, the US economy is growing and China avoided a hard landing. But in Europe, the **real economy keeps suffering** - and when it comes to European aviation, I find it **difficult to see the glass half full**.

While some **airlines** are doing nicely, too many are fighting for survival, cutting costs and reducing capacity. Not good news for airports. As I speak, about **55% of our members are losing traffic**, and **nearly half of them are also losing money**.

For airports, this will be a difficult year, and I do not see our trading conditions getting significantly better in the months ahead.

I often hear comments pointing to the fact that at least **airports do not go bust**. With a few exceptions, this has indeed - so far - been the case. There are **very good reasons** for that: our societal role and our strategic relevance for the economy.

Once you **let an airport close down**, you instantly **devastate the communities** that depend on it. In today's globalised and hyper mobile world, airports can play a major role in shaping local and regional economic development, fuelling trade, investment and job creation.

This should naturally put **airports and aviation** at the **forefront of the EU's growth and jobs agenda**. But for now, I do not really see us getting a front seat in that agenda. Indeed, our **essential role** as growth enablers tends to be either **taken for granted** or **overlooked**.

A very serious concern in this regard is the forthcoming revision of the **Commission's guidelines on State aid**. Commissioner Almunia wants to **curb public financing** into airport infrastructure - in particular by preventing operating aid for the **smallest regional airports**. This would simply put many of these airports **out of business**, with **very harsh consequences for regional economies**. A strange way to address the objectives of searching for growth and jobs creation.

The rationale for what looks to be a **radical approach by DG Competition** is three-fold:

- First, there are too many airports in Europe,
- Second, airports should be setting their charges on a full cost recovery basis, and
- Third, private financing is the way forward.

These assumptions **fly in the face of reality**.

- Despite the current crisis, Europe is still facing an **airport capacity crunch**. Moving forward, we will need more airport capacity – not less.
- With regard to airport charges, I do not know of any airline that would ever pay **charges reflecting actual airport costs** – if you do, please give me a call!
- And finally, because they are structurally unable to achieve lasting profitability, small regional airports will **rarely if ever be of interest to private investors**.

Neglecting the **public and essential infrastructure role of our business** may prove costly for Europe. It can distort cohesion and affect its overall competitive position. This means that while we need to further incentivise private investment, we should **avoid being dogmatic** and **closing the door to public funding**. Besides, let's not forget that public investment in airport infrastructure continues to be the norm in the US, and it certainly raises no eyebrows in the Gulf and Asia. All key markets for EU goods. Plenty of food for thought...

Apart from State aid, this year will also see more work on the **Airport Package** - especially on **ground handling**. For now, the European Parliament holds the stick, with widely diverging interests to reconcile. I fully appreciate that this is not an easy task. Yet, I strongly believe that reaching a **workable and fair compromise** will require less focus on further liberalisation and more than just lip service to **quality and fair competition**.

This is also an issue where we need a **reality check**. The European market is already largely open, with airports having generally retreated from providing handling services themselves. We have left the largest chunk of that market to independent handlers and airlines. Cost pressures have intensified, with a substantial impact on **social conditions** and **service quality** becoming an issue.

In that context, airports now need to be able to **set and enforce minimum quality standards**. This is the only way to effectively **improve the passenger experience**.

Airports should also be entitled to **compete on equal terms** with other handlers – be they airlines or independent companies. If these other handlers are allowed to **sub-contract**, so should the airports.

Another important issue is **passenger rights**, with the Commission about to adopt its proposal for revising Regulation 261. We sincerely hope that it will seize this opportunity to **get to grips with the one bag rule restrictions**, which a few airlines are using to prevent passengers from taking their airport purchases on board unless they fit in their cabin bag. This is not only unfairly **restricting passenger choice** when it comes to travel retail, it is also **hurting airport revenues** and thus compromising our ability to **modernize and develop our facilities**.

Just last week, there was a lively debate on the issue in this house, where many MEPs made clear that they wanted the Commission to address the problem.

**We cannot agree more**. Along with these issues, we will also be actively involved in other policy fields. These include the **Single European Sky** - where we plan to play our part in the deployment of SESAR and in the area of **External Relations** - where we fully support new negotiating mandates for the Commission.

So, lots of work ahead for all of us. As usual, ACI EUROPE will be **keen to engage** with the European Parliament as well as with all other EU institutions.

As the Voice of Europe's airports, contributing to aviation policy making and working with Europe's legislators are part of **our core mission**.

This goes hand in hand with **raising the profile of our industry** and making sure that all our stakeholders understand the requirements and limits of an **ever changing business**. Airports have come a long way in the past 20 years, from mere infrastructure providers to complex, fully commercial businesses. We are now **facing renewed challenges**: not just slower growth, but also increased airport competition, rising external costs and the risk of a funding cliff while airlines are paying less and less for using our facilities.

These challenges are keeping us on our toes, forcing us to **revisit business models** and **investment plans and restructure our businesses**. In my view, they **also need to keep our policy makers and regulators on their toes** - to make sure that their actions are keeping pace with these changes - and that they are not hampering, but rather supporting the development of what is a **vital industry** for growth and job creation in Europe.

Thank you for your attention and before I leave the floor to Ines and Jim, I would like to warmly thank them for hosting us again this year.