



## **23<sup>RD</sup> ACI EUROPE ANNUAL CONGRESS & EXHIBITION**

Welcome Address by Declan Collier,

CEO of London City Airport & outgoing President of ACI EUROPE

Istanbul, 11:15 am, Tuesday 11 June 2013

Ladies and Gentlemen, good morning – and once again, a warm welcome to Istanbul.

I would like first to thank Sani Bey and all his team at TAV Airports for hosting the Global airport community in this amazing city. I think they deserve another round of applause for treating us to the very best of Turkey's famous hospitality.

For ACI EUROPE, choosing Istanbul as the place to hold our Annual Congress jointly with ACI WORLD was an obvious decision. Turkey has emerged as a country of bold ambition on the World stage – and this ambition has never been more evident than in the way it has developed its aviation sector.

Over the past 10 years, the growth of Turkey's airports and airlines has been relentless - placing them amongst the industry's leaders, not only in Europe but also globally. This growth has been fostered and facilitated for a very good reason: to serve and execute Turkey's economic and political agenda.

Using aviation to underpin growth has become a trademark of public policy in newly emerged countries around the World, especially in the

Gulf and in Asia. Unfortunately, in Europe, Turkey remains an exception rather than the rule.

Despite the recessionary pressures and the weak economic prospects affecting most of Europe, our continent is generally failing to capitalise on the strategic role aviation can play. Indeed, few European countries have a fully formulated aviation policy that has been thoroughly thought through.

Short-termism, micro-politics, regulatory imposition, red tape, bilateralism and the urge to refill the State coffers – are the forces that continue to play havoc with the European aviation sector.

Yet, we have just heard it from Olivier: Eurocontrol's "*Challenges of Growth*" report shows that despite slower traffic growth in the next 20 years, Europe still faces a serious airport capacity crunch!

The figures paint a worrying picture:

- 237 million passengers unable to fly by 2035 due to a lack of airport capacity.
- €40 billion of annual lost revenues for airports and airlines.

Not to mention the additional costs of unprecedented congestion affecting not just airports but the entire European aviation network.

The main reason for this capacity crunch lies in the fact that Europe's airports have been forced to sharply reduce their capacity expansion plans. Revenue pressures, capital costs, a lack of political support, poor planning processes and decreasing confidence are all colluding to constrain airport development.

Eurocontrol shows that while some mitigation is possible – notably through the deployment of SESAR and the use of alternative uncongested airports and larger aircraft - these measures will fall short of providing the additional airport capacity that will be needed.

This means that more than ever, Europe's airports will need to be given a licence to plan, finance and deliver new facilities – all within reasonable time frames.

Eurocontrol's new "*Challenges of Growth*" report sounds a serious alarm bell for European aviation.

As I speak today, the European Commission is adopting a new Regulatory package on the Single European Sky – its landmark policy for ATM reform. Europe's airports fully support this package, as it is dealing with much needed progress on ATM performance and Functional Airspace Blocks (FABs), as well as matching Institutional reform.

However this package - while laudable - is only dealing with ATM capacity and does not address ground capacity. All the measures proposed today by the Commission will be fruitless as long as airport capacity and ATM capacity remain disconnected and unaligned. What is the use of a three-fold capacity increase in the air if there is no matching capacity on the ground?

We need more than sympathy for ground capacity in the Single European Sky – we need a European Action Plan that seriously addresses the airport capacity crunch, including the financing issues.

Beyond the Single European Sky, this is also about aligning EU Aviation policy at large. We are extremely supportive of the European Commission's agenda to normalise aviation relations and open the skies with the EU's main trading partners. As this will be a prime driver of traffic growth in the years ahead, it will also be instrumental in preserving Europe's global positioning... But these benefits will not materialise without more capacity on the ground.

Ultimately, this is not just a threat to the air transport sector. In the end, a failure to develop more airport capacity will jeopardize Europe's global relevance and its economic performance. It will cost €230 billion in lost GDP on a yearly basis. Yes, that is €230 billion per annum – that is a lot of economic activity and a lot of jobs that Europe cannot afford to lose.

Despite these threats, the European Commission continues to look at restricting public financing into airport infrastructure. In the coming weeks, it will propose new rules on State aid for aviation that will curb

investment aid for all airports and ban operating aid for more than 100 small regional airports.

If adopted, these new rules will hinder long-term airport development. They risk putting many regional airports out of business. We are very concerned – and so are regional communities across Europe. It is no coincidence that the Association of European Regions (AER) is fully aligned and looking with us at this issue - and I would like to thank the AER President, Mrs Hande Oszan Bozatlı, who is with us today, for their support.

We believe that on a number of issues, the Commission's approach is not the right one:

- First, it ignores that moving forward Europe will need more airport capacity – not less.
- Second, by requiring that airports increase their charges to reflect full cost recovery, it is apparently unaware that no airline would ever pay for such charges.
- Finally, the Commission is also oblivious to the fact that many smaller airports are structurally unable to achieve lasting profitability - and are of no interest to private investors as means of providing support.

Ultimately, the Commission appears to be more driven by a focus on austerity, rather than by genuine competition or growth concerns. This directly threatens the role of airports as providers of essential public infrastructure – and our extensive contribution to the economy.

This could prove costly. Airports support close to 5 million jobs across Europe, with airports often being the biggest employer in their region. In tough economic times more than ever, airports are acting as safety nets for their local economies. Proximity to an airport is also a key factor under consideration, in foreign direct investment decisions.

So, while incentivising more private investment is a legitimate goal, the Commission should avoid being dogmatic and closing the door to public funding when it is genuinely needed for growth and jobs. Take a look beyond Europe. Public financing of airport infrastructure continues to be the norm in the US, and certainly raises no eyebrows in the Gulf and Asia.

This brings me back to Turkey – especially to Istanbul, where ambitious airport developments are firmly on the agenda, with a new airport with capacity for up to 150 million passengers to be delivered in record time.

A project of this scope and scale inevitably sparks controversy and there are some questions with regard to the impact of the concession costs involved on airlines and passengers – and ultimately on the long-term competitive position of Turkish aviation. However, Turkey’s long-term strategic vision deserves to be praised. It would be good to see the rest of Europe demonstrate a similar focus on their own aviation strategies.

Looking ahead, a closer integration between the EU and the Turkish aviation markets is a must. Passenger traffic has tripled in less than 10 years between the two partners - with more growth opportunities only waiting to be unleashed.

We should develop a “positive aviation agenda” that would lead to a fully liberalised aviation regime - without waiting for 10 more years. This would greatly benefit not only Turkish and other European airports, but all aviation stakeholders on both sides.

In an effort to contribute to this agenda, ACI EUROPE and the Directorate General for Civil Aviation of Turkey will sign today a cooperation agreement covering safety, security and the environment. I would like to thank the Director General, Mr Bilal Eksi, for his trust in our organisation and tell him that we are looking forward to a fruitful cooperation.

Finally, as the Turkish Airport Network - DHMI has recently re-joined ACI EUROPE as a full member, I would also like to thank the Chairman and Director General of DHMI, Mr Orhan Birdal, for this excellent decision.

There is a quote by the founder of the Turkish Republic, Mustapha Kemal Ataturk: “Success is for those who at the beginning say “I will succeed” and ultimately say “I have succeeded”.

This is what Turkey is doing with aviation - and it is doing that very fast.

Other parts of Europe need to wake up and embrace the incredible potency of our sector as a force of good. If they do, like Turkey, they too will succeed.

Thank you.