

25TH ACI EUROPE ANNUAL CONGRESS AND EXHIBITION

Welcome address by Arnaud Feist, President ACI EUROPE

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Check against Delivery

Mrs Commissioner, Ladies and Gentlemen, good morning – and once again, a very warm welcome to Prague.

I would like first to thank Vaclav Rehor, Jiri Kraus and all their team at Prague Airport for hosting our Annual Congress & General Assembly.

This event is always the opportunity to come together to take stock of where we stand as an industry. It is also when we look into the crystal ball and try to see where we are going. This year is a bit different though, because we are not here to talk just about airports and aviation – but to look more widely at tourism and the travel industry.

Tourism has been a key driver in the traffic recovery of the past 7 years – especially in peripheral economies. Tourism will also play an ever more important role in our future growth. People will always want to go on holiday. Travel educates and inspires. It makes the World a better – and a smaller place.

This is the reason why airports have increasingly been working with their tourism boards to boost the appeal of their local market and develop their connectivity.

This is also the reason why ACI EUROPE and the *European Travel Commission* - which represents National Tourism Organisations - are today signing a cooperation agreement. This agreement is about us joining forces to promote air connectivity and international tourism arrivals for Europe.

At the same time, we are also releasing today a joint position on the much debated issue of Open Skies. I must say that I have been quite taken back by the tone and intensity of these debates.

Open Skies should be a no-brainer – and the logic is bullet-proof: consumers love it, and so does the economy. Research commissioned by Boeing shows that liberalisation increases air traffic by up to 75%, with air fares falling by up to 40%. At this point, I really shouldn't need to say more.

But things are not always as easy as they look – and Open Skies is certainly no exception. The debate for now is on the Gulf airlines, with some prominent US and European airlines

claiming that these airlines compete unfairly, because of the way they are being supported by their Governments.

Certainly Open Skies and fair competition need to go hand-in-hand. But the public financing of airport infrastructure, start-up aid for airlines or more favourable fiscal regimes are legitimate national policy choices. They do not necessarily involve unfair competition. If they did, these same issues would need to be addressed not only with the Gulf, but with all other States. This would probably signal the end of Open Skies – with consumers paying most of the costs and connectivity being curtailed.

The European airlines that are attacking their Gulf competitors are our long-time partners. For many of us, their fate is also our fate.

They are right in saying that the expansion of these airlines is a fierce challenge for European aviation – and Olivier has just showed us how the EU has been losing out in terms of both direct and hub connectivity. But the issues these airlines are raising in this context and the remedies they are proposing are the wrong ones.

This is not so much about how the Gulf States are nurturing their aviation sector and nor should it be about closing our market. Rather, this is primarily about how Europe is not supporting its own aviation sector.

And let's face it, this is also about how we as industry - airports, airlines and ATM providers - all need to keep working on improving our competitive position. Looking at the landscape of European airlines, I still see some notable disparities between some of key players.

Beyond these efforts, for European aviation as a whole, the key issue is policy change. The EU needs to take stock of the strategic relevance of aviation for the economy. It needs to embrace air connectivity by promoting and supporting its aviation sector. This must happen quickly and to be effective, the changes in policy also need to be radical.

Commissioner Bulc, who is here with us today - thank you Commissioner for your presence - is working on this. I am sure she will share with us some of her ideas on the new Aviation Strategy for Europe she is working on.

For airports as well as for Tourism organisations, it is essential that Europe develops its connectivity and remains open for business. Protectionism has never been a winning, sustainable business strategy.

This is why we are calling for EU-led aviation negotiations with our main trading partners – in particular with China, India, ASEAN Turkey and the Gulf States. The objective should be Open Skies with a reasonable level of regulatory convergence on key issues - including fair competition. This should also come along with more liberal and tourist-friendly visa policies.

Beyond Open Skies, to remain connected and open for business, Europe will need to expand its airports. There is no way around that. The prospect of seeing the 20 major European airports becoming fully congested by 2035 will do no good to the economy. In fact, if nothing is done, this will cost Europe €97 billion in lost GDP with 2 million jobs foregone.

The announcement by the UK Government of yet further delays in deciding on just one more runway for London in more than 60 years just shows how inadequate planning and decision making processes are. We need airport capacity targets at EU level, and these targets should be aligned with the air space capacity targets of the Single European Sky.

But Europe will also need to incentivise airport investment. This is not just about expanding capacity, but also modernising existing facilities.

Outside Europe – including in the US, airport infrastructure is often publicly financed, which results in airlines being indirectly subsidised by States.

In Europe, public financing is limited – yet airlines pay nowhere near the full cost of the airport infrastructure they use, which means that they are actually subsidised by airports. Let's not forget that the revenues we get from airport charges leave us with more than €3 billion per annum in unrecovered costs.

The underlying reality is also that many airlines do not want their airport to expand, simply because they do not want to pay to see other airlines bringing more competition into their home market...

Just like debates on Open Skies policy, debates on airport charges usually involve their share of protectionism. This really shows the need for the regulation of airport charges to shift from being airline-centric to being consumer-centric. It also needs to better reflect market reality - especially the dynamics of airport competition, the fact that airports are businesses in their own right and our reliance on commercial revenues.

Finally, if the EU is serious about air connectivity, there are two more things that need to be addressed:

- First, we need to do away with aviation taxes. I know this sounds familiar, but honestly, this is another no-brainer. This is worth close to €6 billion in added yearly costs to the sector.
- Second, the EU also needs to carry out a competitiveness test for each of its regulations. This is the only way to ensure consistency in the way we treat air connectivity.

Aviation security should be top on the list in that regard. We need a new approach on security. The present system is not cost effective and we all know it is not the best we can do for security. The US have started doing things differently, using passenger data on a voluntary basis – and I see no valid reason for us not to follow suit.

I realise I'm closing this speech with what might appear to be a kind of shopping list – but these actions are what we believe is necessary to unleash the power of aviation for the economy and European society. And also, I certainly did not want to miss the chance to deliver this list in person to you, Commissioner Bulc.

This is a time for new policy directions – and we do look forward to such change. Our agenda for aviation connectivity is a compelling case for more Europe – but it is also a case for the EU to look at things differently and to work differently. Aviation has always been bold, audacious and ready to listen to the next big idea.

Dear Commissioner, the European airport community is very much looking to work with you.

Thank you very much.
