



ACI EUROPE COCKTAIL AT THE EUROPEAN PARLIAMENT

***Welcome address by Michael Kerkloh,
President ACI EUROPE***

Brussels, 18:30 - Tuesday 23 January 2018

Dear **Gabriele**, dear **Wim**, Ladies and Gentlemen – a very good evening to you all. On behalf of the entire Board of ACI EUROPE, I thank you for joining us for this “airport cocktail”. While tonight is primarily about networking and drinks, it also comes with the opportunity to **keep you up to speed with our industry**. That means the drinks come at the expense of listening to me – but don’t worry, I am going to keep it short and to the point.

Looking at **the political environment and the EU** in particular, I think we are now in a **better place** than we were at the beginning of 2017. The EU has proven to be **more resilient** than many expected.

This is good news because **beyond our Single Aviation Market**, I am convinced that **the fate of our business** is very much dependent on the **success of the European project**. This is why **BREXIT** cannot be considered as a positive development for European aviation.

As airports, we are of course **relieved** that the UK and the EU have reached an **agreement on the first phase** of the negotiations. We are also very supportive of a

transition ensuring the status quo: this is indispensable to ensure **business continuity** and relieve time pressure.

But the **risks of a “no deal scenario”** are real – and for now, we still remain completely in the dark as to what will happen at the end of the transition. One thing is pretty clear though –**the political dynamics** shaping these negotiations are very much at odds with **business interests**.

Over the past 20 months, ACI EUROPE has repeatedly stressed the need to keep the **most liberal aviation regime** between the UK and the EU – to safeguard air connectivity. **Anything more restrictive** than the current Single Aviation Market regime will come at a **cost**. There is just **no winning alternative**.

The cost will vary depending on the different options that are now being considered. European aviation could end up facing a **reduction in passenger traffic of up to 30 million** by **2026** and consumers losing **up to €4.7 billion in welfare**. This would in turn mean the loss of **up to €8 billion in GDP**.

We are going to **keep stressing these risks** with both the EU and the UK – in fact tomorrow, the ACI EUROPE Board will be meeting the EC Task Force 50.

Beyond BREXIT, the good news is that - for now - **air traffic keeps defying geopolitical risks**. 2017 will go down as **a record year** for passenger traffic.

Apart from an expanding economy and contained oil prices, this performance is also thanks to new consumer behaviours, digitalization and the growing prominence of

ultra-mobile millennials. We now expect passenger traffic at Europe's airports to **more than double by 2040**. Growth prospects like that only confirm the strategic relevance of aviation for European economies!

But for such growth to materialize, we will need **2 very important things**:

- **First - more Open Skies**, and
- **Second - more investment in airport capacity**.

On **Open Skies**, we are fully aligned with **Commissioner Bulc's Aviation Strategy**.

The **EU is the way to go** – with more aviation agreements negotiated by the Commission. We are **very positive** on progress so far, with **ASEAN** and **Qatar** in particular – and we would like the Commission to get **more negotiating mandates**.

But we are worried that some are trying to use the **revision of Regulation 868** to advance a **protectionist agenda**. Don't get me wrong: open skies need to go hand in hand with fair competition and we do support the Commission proposal. But **the rules must be crystal clear and specific** – they cannot be open to different interpretations. There is still some work to be done in this regard.

Along with Open Skies, Europe will need **more airport investment in capacity and efficiency**. Many airports across Europe are already **reaching – or close to reaching their capacity**.

Mounting airport congestion is not going to be good for Europe. It inevitably comes with **degraded quality** and delays, **negative environmental impacts**, **less airline competition** and **higher airfares**. Today, consumers are already paying **€2.1 billion** each year in higher airfares as a direct result of the “**scarcity rents**” that airlines are able to extract at congested airports.

It is no surprise that we are now seeing **airlines increasingly opposing airport investment**. This in itself is symptomatic of the **new market dynamics** that have emerged in the past 10 years. These new market dynamics include **widespread airport competition**. By becoming the main source of growth for airports, Low Cost Carriers and Gulf airlines have been the main drivers of airport competition. **Airline consolidation** is now adding yet another dimension to it.

These developments need to be **at the core** of the Commission’s **evaluation of the EU Airport Charges Directive**. Indeed, the Commission’s own **State aid rules** and the **European Court of Justice** have already acknowledged the reality of airport competition. So **I have a very simple question**: How can we be told that airports compete when it comes to looking at State aid, but that airports suddenly no longer compete when it comes to dealing with airport charges?

This simply shows that this airport charges debate is **not about consumers** and wider **economic benefits**. Let’s be honest: this debate is about **interfering with the market** and **reallocating wealth** between airports and airlines. If this is the direction

the Commission wants to go – believe me, it will **not make Europe attractive to investors** and it will put **future airport development in jeopardy**.

Do we really need new EU rules on airport charges? To answer that question, just consider the fact that the Commission has never had to take any decision against airports for abuse of dominant position. Or just look at **market outcomes**: air traffic has grown to record levels, air connectivity has expanded like never before and our major airlines are all making historic profits. Even **EasyJet** in its latest annual report mentions that its airport costs have gone down as a result of a very competitive environment.

In closing, I would like to **stress just how much airports'** business interest revolves around developing connectivity and providing quality – we work in **the interest of our communities!** – whose economy relies on the same connectivity. I think that alignment is also **visible in many of the things that ACI EUROPE does**. I would also like to mention the **report we are releasing today on regional airports**, the ongoing success of the ***Airport Carbon Accreditation*** programme and our **initiative for affordable water at airports after security checks**.

Now, before I pass the floor, I would like to **warmly thank Gabriele and Wim** for partnering with us tonight – and also for their understanding of airports' needs. We look forward to continue working with you and with your colleagues in the coming weeks. I thank you for your attention – Gabriele, the microphone is all yours.