

28TH ACI EUROPE ANNUAL CONGRESS AND EXHIBITION

Welcome address by Michael Kerkloh, President ACI EUROPE

Brussels, 09:45 am, Tuesday 19 June 2018

Thank you Olivier – and thank you for this comprehensive and – as always – inspiring overview of our industry.

Dear Director General Hololei, President of ACI WORLD, Board members of ACI WORLD and ACI EUROPE, Ladies and Gentlemen,
- GOOD MORNING and welcome to Brussels!

I would like first to **thank Arnaud and all his team** at Brussels Airport for hosting us. We are thrilled to be in the capital of Europe for this event. With the **European project more challenged** than ever, it certainly does make sense to bring the **Global airport community together here in this city**.

As airports, we do recognise the **central importance of the EU project** to aviation. Airports might be stuck into the ground, but we never forget that it is **the EU who gave us wings to fly** – allowing airports to market themselves to any European airline, and to develop their route network without any restriction.

In doing so, the EU gave us a **new strategic relevance in societal terms**. Working with the support of local authorities and local businesses – and of course with airlines, airports are **developing connectivity for their communities**. Consider that when airport secures a **10% gain in air connectivity, GDP per capita increase by 0.5%**.

In this way, we essentially put our communities on **the global map** – enabling investment, tourism development, economic regeneration and cultural enrichment and let's not forget, jobs.

You have heard earlier about our growth prospects – fuelled by the value society puts on air connectivity. **That growth is a blessing** of course, but it comes with **many challenges** - in particular **capacity**.

Managing airports sustainably also means improving **the efficiency of ground operations**. When speaking to airlines last January, **Henrik Hololei** - the European Commission's top civil servant for Transport -

made clear that **the lack of airport capacity is the number one challenge** for European aviation. We cannot agree more.

You will hear more about this later on today from **Eamonn Brennan**, the new Director General of EUROCONTROL. Eamonn he will announce the findings of the latest **Challenges of Growth study** – the most comprehensive analysis of the **airport capacity gap Europe is facing**. Without revealing any secrets, I can tell you that the projections do not look good, and that **mounting congestion and disruptions are around the corner**. Getting the most out of our assets has become the new normal – but Eamonn will tell us that this alone will not solve the airport capacity crunch.

We need to be able to **develop new runways and new terminals**. Yet, with a few exceptions, **Europe is losing ground** to other regions in its ability to plan and deliver new airport infrastructure **in time and for the long-term**.

This requires a stable policy framework and regulatory certainty. It is about **our license to grow** of course – and this is why **sustainability** is paramount. But it is also – increasingly – about **our ability to invest** – and to generate the **revenues** to do so.

That brings me to airport charges. For the past 2 years, we have been drawn into an **acrimonious battle with airlines**. The result is that while the long-term challenges aviation is facing have never been so daunting, airports and airlines are **more divided than ever**. Airports applaud the fact that the major airlines have come together under the umbrella of **A4E** - but we very much feel that **we are the ones paying the price** of this newfound unity.

Airport charges have been a relatively **small and stable** component of airlines costs since 2006. These days, fuel and labour costs are the ones to worry about. Let's be honest, **the equation** here is between **lower airports costs and higher airlines profits**. It is **not about consumer benefits**.

We recently had to demonstrate what everybody already knew: that **lower airport charges would not result in lower airfares**. Indeed, even if airports charges were abolished, a ticket between Brussels and Strasbourg during the sessions of the European Parliament would still cost more than **€700...**

But **the risks** associated with a **downward pressure on airport charges** through regulation cannot be ignored. This would **compromise our investments in capacity and quality** – and that would end up limiting airline competition, hurting consumers and the economy.

The European Commission is currently looking at this – with the evaluation of the **EU Airport Charges Directive**. We are reassured that it has recognised that **airport competition** has been increasing, and that there is **no clear evidence of abuse of market power by airports** in Europe. This, along with a wide range of positive market outcomes **plead for less airport regulation – not more.**

It is time to ‘normalise’ the airport-airline relationship, allowing it to be driven by **commercial dynamics** rather than by regulators. And it is also time to look at **the airport slots regime** we have in Europe. Airport charges and slots are the two sides of the same coin.

The rules on airport slots **do not ensure transparency, nor the most efficient use of our capacity.** Worse than that, with slot trades reaching sky high figures at some airports, **airlines end up making windfall profits from airport congestion.** This means they have even less reasons to support airport capacity expansion!

Europe accounts for **60%** of the slot-coordinated airports Worldwide and many more airports will be **reaching their capacity limit** in the coming years. Now is the **time to take a fresh look** at slot allocation rules and to **reform the system.**

IATA always says that aviation is the business of freedom. Yet, in many ways **regulations** – but also the **new times we are living** in threaten to **hold back our sector** – and **deprive consumers of more connectivity.**

Just as Europe looks at liberalising traffic rights with the ASEAN countries and Qatar – for now **BREXIT** means the UK will exit our Single Aviation market. This is **quite a paradox!** A **transition to keep the status quo** as of next March is an **absolute must.** But, beyond that, we still remain **in the dark** for what exactly will happen.

The new times we are living in also mean that **security** remains what keeps all airport CEOs **awake at night.** Arnaud knows this more than anyone else.

Europe’s airports work hard on making security **more efficient** and **more pleasant** – and our efforts are **yielding results.** **ASQ data** shows passenger satisfaction with our security checks has **significantly improved** over the past 5 years.

ACI EUROPE is covering **all security-related issues** – from cyber security and improved screening detection capabilities to deterrence and training. **Our Security Committee** played a key role last year in

avoiding the extension of the **US ban on electronic devices**. The **alternative proposals** we put forward together with ACI WORLD and ACI North America were **supported by IATA** and ultimately **endorsed by the US**.

But looking to the future, **it will take more** than just developing new screening technology and adding more staff. It will take a **fundamental rethink** of our security system based on **3 things**:

1. **Increased and coordinated use of data**
2. **intelligence sharing**, and
3. **Reinforced international cooperation** with the industry and between States.

ACI EUROPE has engaged with the European Commission on this – with a view to get the EU working on a **differentiated passenger pilot project**. **We need European Governments to step up to the challenge**.

I want to return to the social mandate at the heart of the airport business, as addressed by Olivier earlier. I am very pleased that ACI EUROPE will be working in the coming months to engage the European airport community to deepen it. Beyond the macro-level figures about the economic benefits of aviation, **we must be able to reply to our citizens** when they ask this simple question: *“What’s in it for me?”*.

For that, we must **reinforce, prove and better articulate our wider societal value**. Through *Airport Carbon Accreditation*, we have shown the **power of collective action** and we have delivered **tangible results**. This is what the Board of ACI EUROPE now wants our association to do on the **wider sustainability agenda**.

One aspect we will of course look at, is one that has recently received much attention – and for very good reasons: **Gender Equality**.

Aviation is often portrayed as a boy’s club and there is a lot of truth in that. Looking at airports, **our own business transformation** has certainly benefitted from the **more prominent contribution of women**.

At Munich Airport we currently have a share of women in the supervisory board and executive board of **more than 30 percent**. We definitely see the need to systematically increase the share of women in executive roles within the next years – and we do have a series of measures & projects to do that.

More broadly, today **92 airports in Europe have women in the top position** – including at airports such as Madrid, Venice, Barcelona, Tallinn, Stuttgart and Riga, as well as Hermes, the Cyprus airport group and DHMI in Turkey.

We can and must do better. As Angela Gittens – Director General of ACI WORLD said, we need to encourage and support more women to bring their talent to our industry. And that starts by **giving visibility** to our female airport leaders – so here they are (collection of photos of women airport leaders appears on screen).

In conclusion, having chaired our association for more than a year now, I can tell you that our team here in Brussels does **excellent work** as the **trusted and authoritative Voice of Europe's airports**. Working closely with **ACI WORLD** and the other **ACI Regions**, they also contribute to the **global standing** of our industry. They deserve the continued support of all of Europe's airports.

To **our airline partners** on the issue of **industry cooperation**, as Olivier mentioned in his state of the industry, there is untapped potential in joining forces. Surely **we can do better** – and **I believe we must**.

Thank you very much.