EUROPEAN REGIONAL AIRPORTS

ACI EUROPE
AIRPORTS COUNCIL INTERNATIONAL

SUSTAINABLY CONNECTING PEOPLE, PLACES AND PRODUCTS

2023

TABLE OF CONTENTS

INTRODUCTION

Regional airports are the backbone of connectivity in Europe. This report takes stock of the impact of the COVID-19 crisis on regional airports and provides an overview of the key challenges they face and related policy and regulatory requirements.

ACI EUROPE's Regional Airports' Forum brings together 531 airports of all sizes and different geographies - which together form our regional airport community.

No two of these airports are the same – but they all have one thing in common: they do strive to offer their region the best possible connectivity. In doing so, they effectively put their communities not just on the European map, but on the global map – and thus constitute essential engines of economic and social welfare.

All this means regional airports are an essential pillar of territorial cohesion and equality, both nationally and on a pan-European level.

This publication is the contribution of the Regional Airports' Forum to the European institutions and Governments as they chart forward the transition of our economies and societies towards a more sustainable path fully aligned with the objectives of the Paris Agreement.

Trondheim Airport / TRD

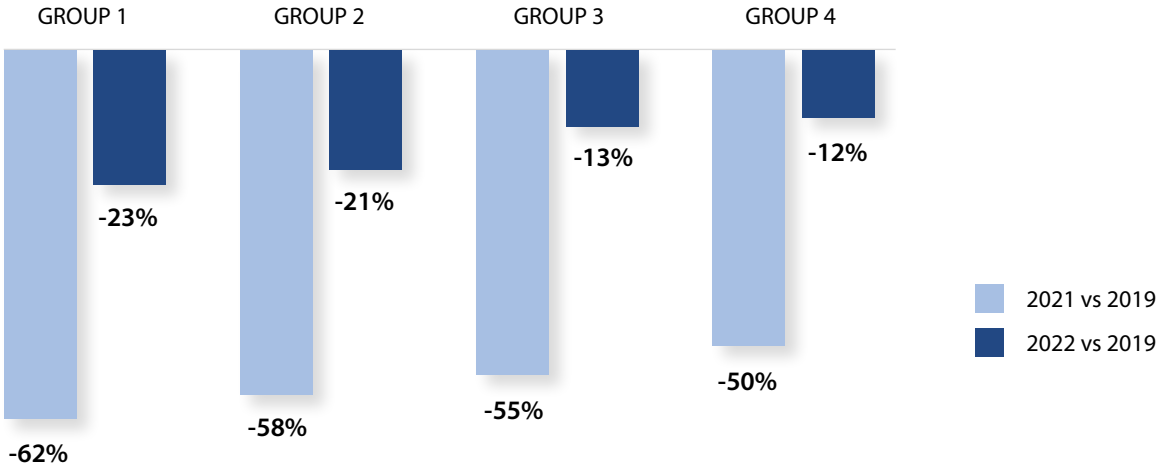
1. REGIONAL AIRPORTS IN EUROPE

Societal value in a nutshell

Regional airports[1] constitute a dense and far-reaching network which stands at the core of the European transport network. They provide transportation options and connect urban, rural, remote and outermost regions to the rest of Europe and beyond. Regional airports facilitate the flow of people, goods and services and are an unrivalled contributor to the development of ideas – promoting social, cultural, and economic exchange.

Europe's regional airports have been a key driver in the recovery of air traffic since the depths of the COVID-19 lockdowns in 2020. In particular, as shown below, smaller regional airports have systematically outperformed hubs and larger airports in 2021 and 2022 in terms of passenger traffic – coming closest to a full recovery.

GRAPH 1: **PASSENGER TRAFFIC PERFORMANCE IN 2021 AND 2022 VS 2019 BY AIRPORT CATEGORY[2]**



[1] An airport will be considered as regional if it:
- Primarily serves short and medium range routes and
- Primarily serves point to point destinations

[2] Group 1: airports welcoming more than 25 million passengers per year, Group 2: airports welcoming between 10 and 25 million passengers, Group 3: airports welcoming between 5 and 10 million passengers and Group 4: airports welcoming less than 5 million passengers

It is also worth noting that while only 27% of Europe's airports had fully recovered their pre-pandemic (2019) passenger traffic volumes in 2022, 90% of these were regional airports. This obviously reflects the fact that the traffic recovery was spurred by domestic and intra-European leisure demand as well as Low Cost Carriers (LCCs) - upon which regional airports tend to rely much more compared to hubs. Indeed, the permanence of travel restrictions on many external/long-haul markets for most of 2021 and 2022 was a clear handicap for hubs. As a result, regional airports clearly played an outsized role in supporting the economic recovery of Europe.

A closer look at traffic and connectivity developments shows two key features of regional airports:

- Firstly, regional airports facilitate nearly half of air travellers within Europe, and account for 51.4% of the continent's air connectivity – showing their importance to European society and economy.
- Secondly, regional airports are very exposed to seasonality with higher peaks and deeper troughs – which brings with it significant operational, financial and challenges.

Stavanger Airport / SVG

2. TAKING THE PULSE OF REGIONAL AIRPORTS

A. COMPETITION

Airports are highly competitive businesses, constantly on the hunt to gain new airline services and passengers and retain existing ones. This is the result of both Europe's aviation liberalisation since 1992, as well as the privatisation or corporatisation of airports.

Airport competition is now a reality on a pan-European scale. This is because airports compete to attract and retain airline services not just with other airports sharing part of their catchment areas, but – crucially - with scores of other airports located across Europe which are also all reaching out to the same airlines. In fact, while the aviation market is now essentially shaped by less than a dozen major airlines/airline groups, these have close to 800 European airports to choose from when looking at route development and business opportunities. Such imbalance clearly reveals where competitive dynamics stand in terms of airport-airline relationships. This pan-European airport competition is especially acute for regional airports, with market trends continuing to drive what are often cut-throat competitive pressures.

This has been just recently analysed and substantiated by the report Airport competition in Europe, recent and future developments[3], produced by Frontier Economics. It is the reason why as part of their commercial engagement and negotiations with airlines, regional airports consistently offer rebates and incentives on their user charges. Airlines also now routinely run "beauty contests", reaching out to dozens of airports at the same time and asking for their best offer to base their aircraft or simply operate air services.

Besides competition to attract and retain airline services, airport competition also plays out directly towards passengers. In this regard, the starting point is always the catchment area. The European Commission acknowledges that the catchment area of airports can differ and that the assessment of an airport's catchment area should take into account the characteristics of each individual airport.

The catchment area is an important factor to determine the eligibility for support measures (operating aid, investment aid) and the eligibility for Public Service Obligations (PSOs). In those cases the catchment area is defined as a distance of 100km or 60 minutes travel time between two airports.

The European Commission acknowledges that the size and shape of a catchment area varies from airport to airport, and depends on the various characteristics of an airport, including its business model, location and the destinations it serves.

---

[3] Airport competition in Europe, recent and future developments
https://www.aci-europe.org/downloads/resources/Airport%20Competition%20Europe%20February%202023%20-%20final.pdf

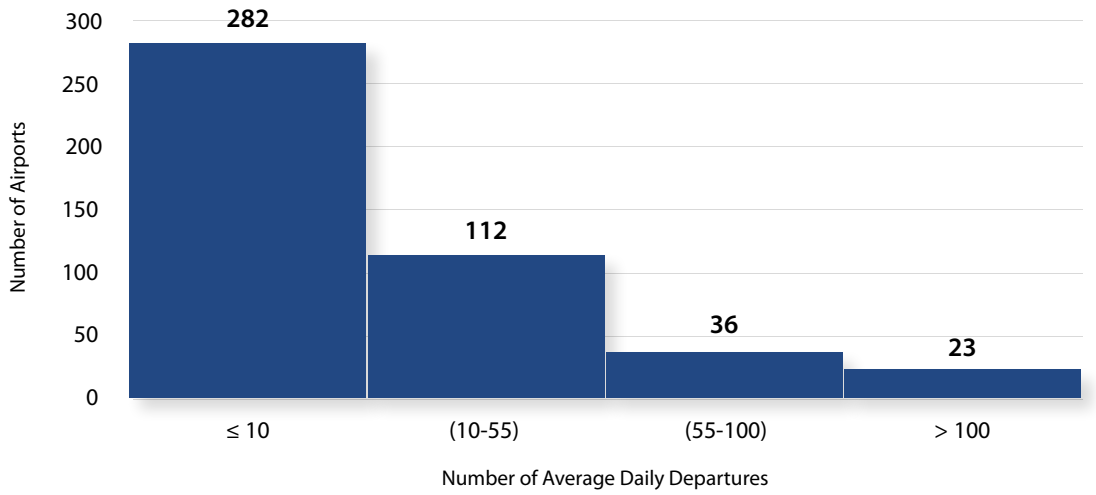
B. AIR CONNECTIVITY

Regional airports are key facilitators of air connectivity. Air connectivity measures the overall level to which an airport is connected to the rest of the world, either by direct flights or indirect connections via other airports.

As shown in Graph 2, 63% of Regional Airports' Forum member airports had fewer than 10 flights per day throughout 2022 (3,650 flights annually).

Yet, without these flights, Europe's regions and smaller cities would lose the air connectivity which allows local businesses to flourish and which is key to secure new investments. The proximity and accessibility to an airport remains amongst the top factors considered by companies when selecting their business location. And of course, any region with ambitions to develop tourism can simply not do so without an airport.

GRAPH 2: **NUMBER OF REGIONAL AIRPORTS BY NUMBER OF AVERAGE DAILY DEPARTURES (2022)**



The importance of air connectivity is summed up in one simple statistic: **a +10% increase in direct air connectivity comes with a +0.5% increase in GDP per capita**. It is therefore essential that European transport policy should seek to preserve and develop air connectivity.

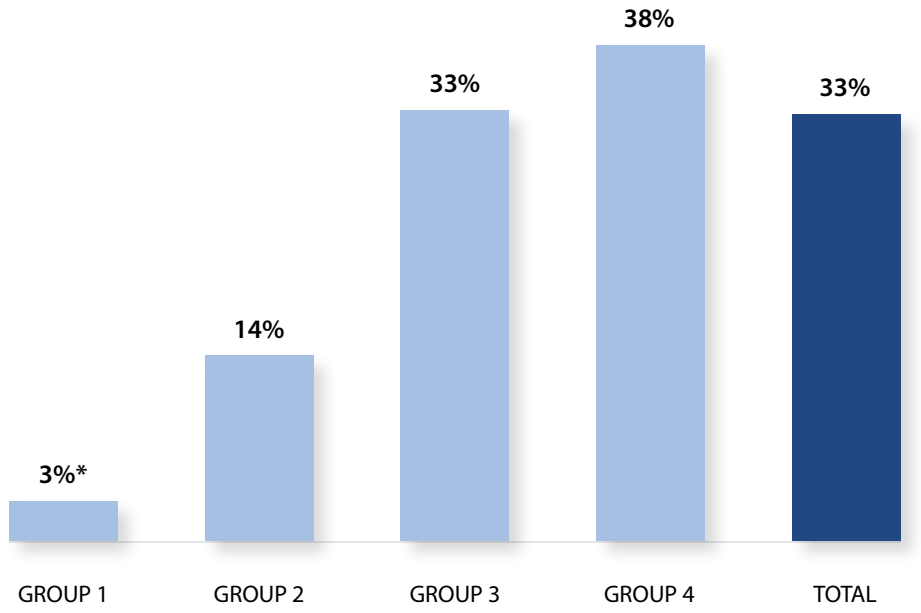
The significance of intermodality is growing steadily and plays a central role in transport policies both at European and national level. Intermodal solutions have the potential to transform the European transport system so as to enable seamless, safe and sustainable mobility of goods and persons. For airports, improving and increasing connections with public transport on the ground, especially with the rail network, increases their connectivity while also contributing to environmental sustainability.

What happened to air connectivity during COVID-19?

The 2022 ACI EUROPE Airport Industry Connectivity Report[4] found that as of June 2022 – two years from the start of the pandemic - air connectivity across the European airport network still remained -29% below 2019 levels. This means that despite a dynamic recovery of air traffic following the lifting of travel restrictions, air connectivity levels in Europe recovered much more slowly - actually standing at 2009 level, when the Great Recession hit.

The graph below reveals that 38% of smaller & regional airports (group 4 – less than 5mppa) had recovered pre-pandemic connectivity levels as of June 2022.

GRAPH 3: **PERCENTAGE OF EUROPEAN AIRPORTS WITH FULLY RECOVERED DIRECT CONNECTIVITY COMPARED TO 2019 (JUNE 2022). GROUP 3 AND 4 ARE MOSTLY REGIONAL AIRPORTS.**



**1 airport*

However, their recovery has been far from uniform. While insular airports and those serving popular tourism destinations, as well as regional airports home to major LCCs have seen their direct connectivity exceeding pre-pandemic levels, many other airports are still struggling to recover and fully rebuild connectivity.

[4] 2022 ACI EUROPE Airport Industry Connectivity Report:
https://www.aci-europe.org/component/attachments/attachments.html?id=2078

Federico García Lorca Granada-Jaén Airport / GRX

Malta International Airport / MLA

3. TWIN CHALLENGE: RECOVERY AND DECARBONISATION IN A CHANGED LANDSCAPE

Despite faring better on average in the recovery from the COVID-19 crisis than hubs, regional airports still came out of the pandemic with **depleted financial resources**. Crucially, they are facing the combination of:

- new & harsher market conditions compounding structural economic viability issues, and
- the challenge of decarbonisation and the need to keep investing for the future.

A. NEW MARKET CONDITIONS & ECONOMIC VIABILITY CHALLENGE

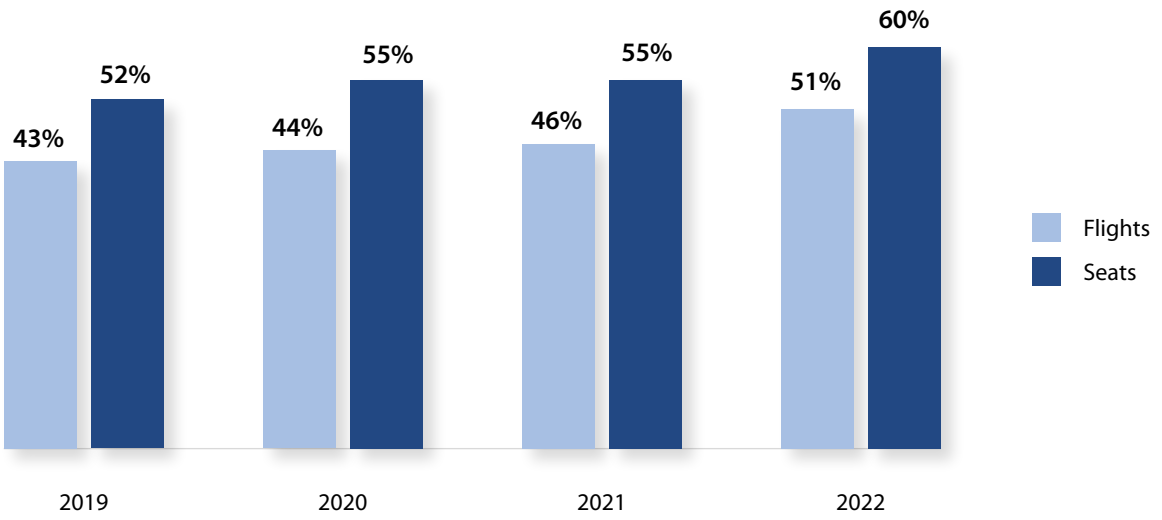
The aviation reality post COVID-19 is very different from what it used to be before the pandemic:

- As airlines have been restarting services and rebuilding their route network, they had the opportunity to reset their relationships with airports, thus exerting increased competitive pressures – with different dynamics between airlines. While network airlines and some LCCs have downsized and remain cautious in redeploying capacity, ultra-LCCs (e.g. Ryanair and Wizzair) have used the pandemic as an opportunity to expand and increase market share. In both cases, airlines have become much more flexible and opportunistic in allocating capacity between airports.

- Looking at Low-Cost Carriers (LCC) in particular, these have rapidly increased their market share at regional airports. LCCs tend to operate point-to-point flights, with no connecting business, using Boeing 737 or Airbus A320 family aircraft. By contrast, network carriers operating at regional airports often fly smaller capacity aircraft, especially when their aircraft operate more frequently into a hub airport, to feed onward flights.

- In 2019, the last pre-COVID year, LCCs accounted for 43% of flights, but 52% of seats departing from regional airports. By 2022, when the COVID pandemic receded, LCCs had increased their market share to 60% of departing seats. While network carriers are expected to recover some of their market share, they are unlikely to go back to 50% of seats in the future.

GRAPH 4: **LCC %-SHARE OF FLIGHTS AND SEATS AT REGIONAL AIRPORTS FROM 2019 TO 2022**



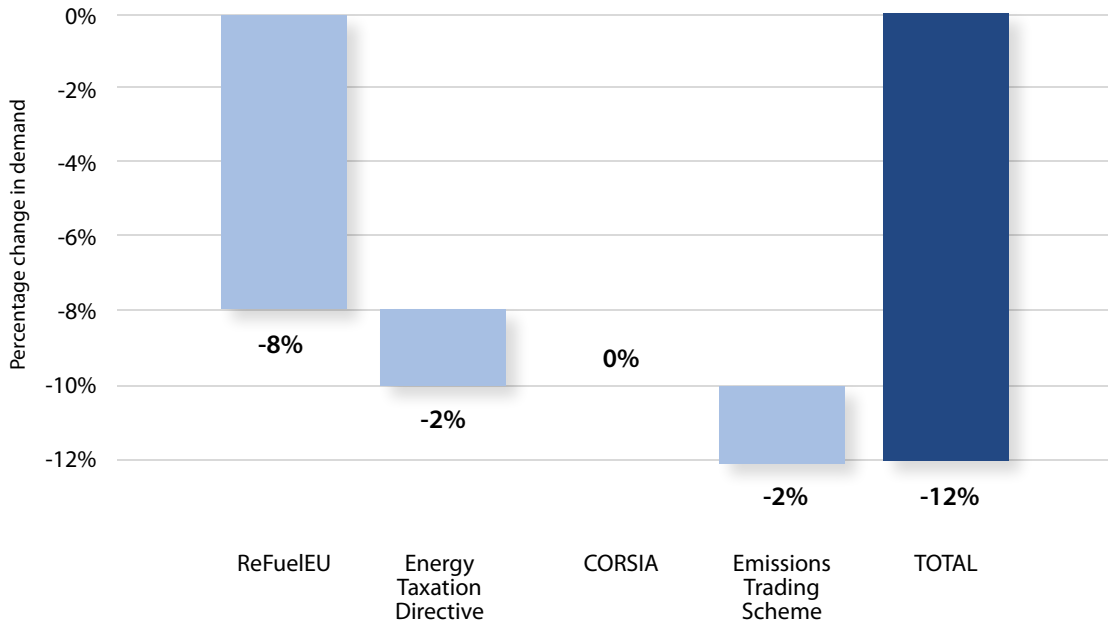
Airlines have raised air fares significantly – in response to both inflationary pressures hitting their costs and their own capacity discipline. Looking ahead, airlines are set to increasingly prioritise routes which can deliver higher fares and yields – which are typically related to routes serving larger markets with more affluent population/consumer bases, rather than routes serving thinner regional markets.

Air fares are also going to be driven by higher regulatory costs, in particular within the EU market as a result of the decarbonisation agenda and the impact of the EU Fit for 55 package. Research conducted by Oxera[5] shows that air fares will increase the most on routes to smaller regional airports with predominantly Low Cost Carrier traffic - resulting in demand for these routes falling the most - by -12% - compared to hubs and other larger airports in 2050, as shown in Graph 5.

Graz Airport / GRZ

[5] Assessment of the impact of the Fit for 55 policies on airports:
https://www.aci-europe.org/downloads/resources/OXERA Impact assessment of Fit for 55 policies on the aviation sector.pdf

GRAPH 5: **IMPACT ON DEMAND ON INTRA EU FLIGHTS, BY POLICY IN 2050**



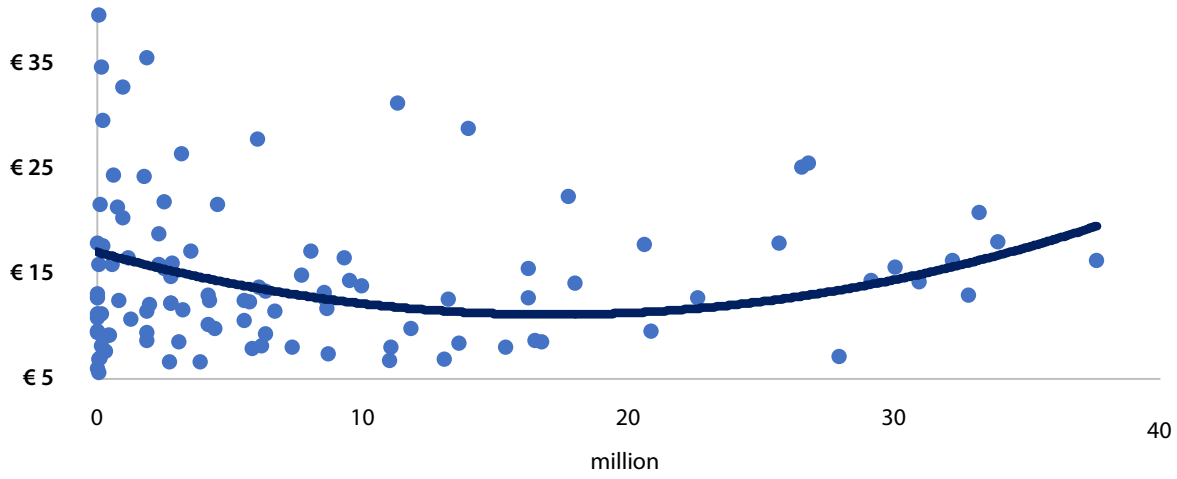
These market developments represent new risk factors for regional airports – especially smaller ones. They will only reinforce the challenge of their economic viability – considering that such viability remains largely dictated by their size in terms of traffic volumes and their ability to grow air traffic.

- In 2019, ACI EUROPE undertook an economic assessment of regional airports' economic viability[6] which revealed that airports can only become viable between 700,000 and 1 million passengers per year. We have no reason to believe the situation is any different today given the harsh impact of the pandemic. Due to limited possibilities for smaller airports to increase revenues, in particular aeronautical revenues, and due to a high share of fixed costs, the majority of these airports are unlikely to break-even in the coming years.

- Smaller regional airports do not benefit from the economies of scale enjoyed by their larger counterparts (above 20 million passengers or passenger equivalents per annum). Quite the contrary, Graph 6 shows that smaller airports do not have the critical mass of passengers to achieve the lowest cost per passenger.

[6] The European Commission's consultation on the 2014 Aviation State Aid Guidelines. An economic analysis of airports' profitability: https://aci-europe.org/downloads/resources/OXERA STUDY on State Aid - An economic analysis on airports profitability.pdf

GRAPH 6: **TOTAL COST OF AIRPORT PER PASSENGER**

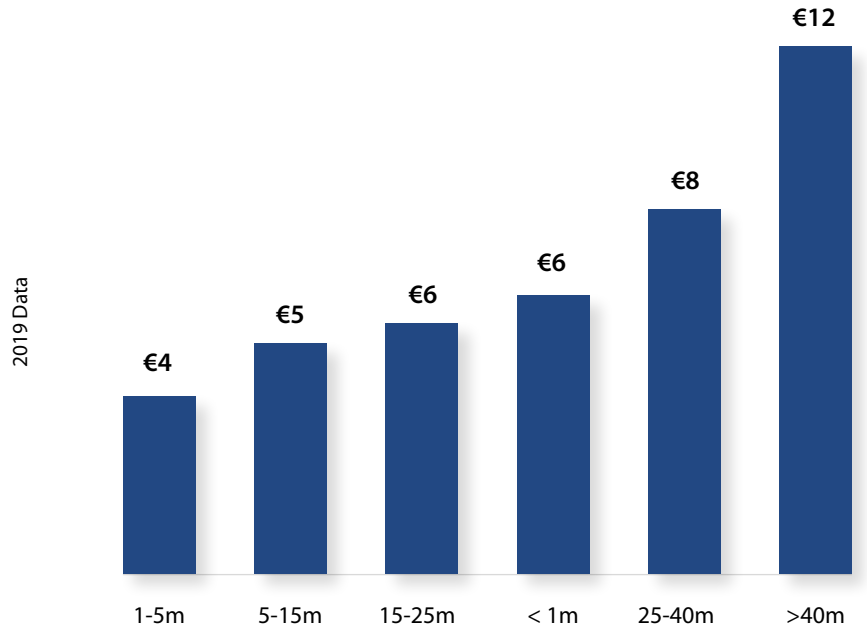


While some regional airports may continue to grow passenger volumes over time and achieve increased economies of scale, others will continue to face the higher costs inherent with low passenger numbers. For many airports, the contribution of aeronautical revenues (charges paid by airlines and passengers for the use of the infrastructure) is not enough to cover total costs. Hence the development and importance of commercial revenues (including retail, food & beverages, advertising, real estate and car rental concessions) to ensure the financial viability of airports.

However, smaller regional airports are unable to rely on the contribution of commercial revenues to ensure their financial viability. Travellers' spending at these airports is a fraction of what it is at larger ones. On average, at airports with less than 15 million passengers per annum, airports earn less than €5 per passenger, as shown in Graph 7. When combined with low aeronautical revenues, earned from charges to airlines and passengers for the use of the airport, the end result is that smaller airports have a thin cash flow, with which to finance operations.

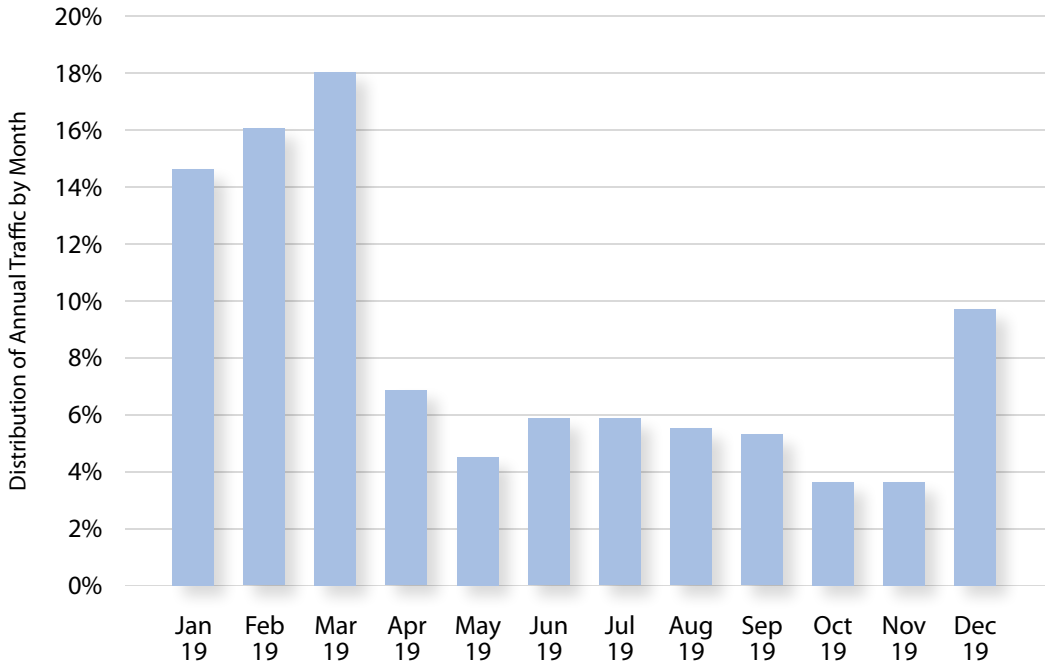
Brussels South Charleroi Airport / CRL

GRAPH 7: **NON-AERONAUTICAL REVENUE PER PASSENGER**



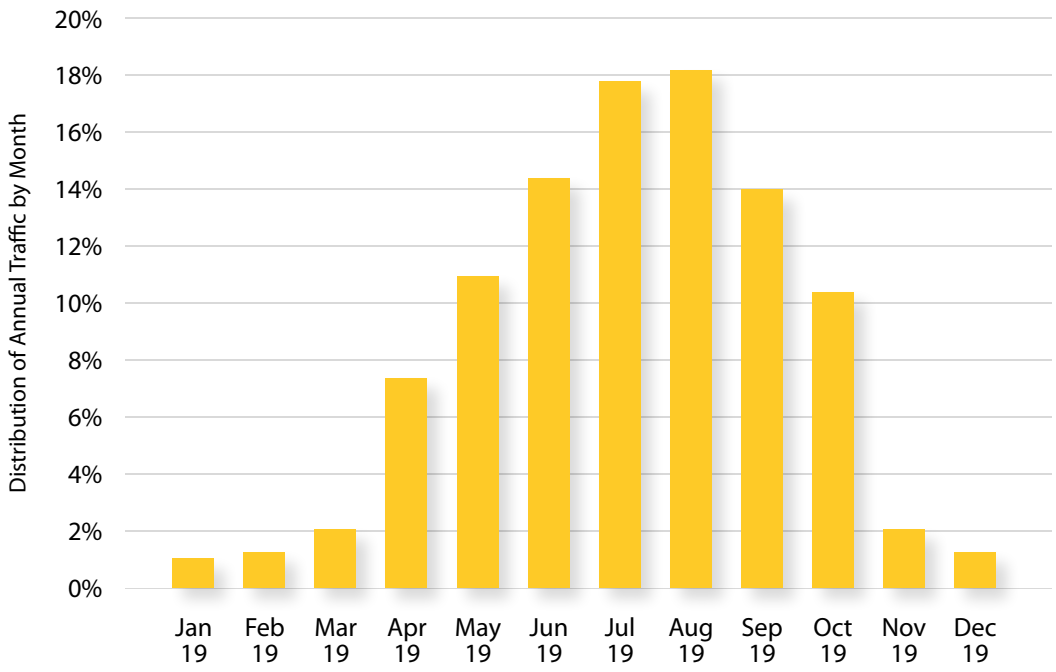
As shown in Graphs, 8, 9 and 10, seasonality is another huge challenge for many regional airports, as they need significant capacity during peaks, while that capacity remains unused the rest of the year. This in turn drives up unit costs (per passenger) on an annual basis and is a major structural factor when it comes to their economic viability. Graphs 8 and 9 show examples of airports depending on seasonal traffic, in comparison to Graph 10, presenting data of an airport with stable traffic throughout the year.

GRAPH 8: **"SNOW & SKI" SEASONAL AIRPORT (EXAMPLE: INNSBRUCK)**



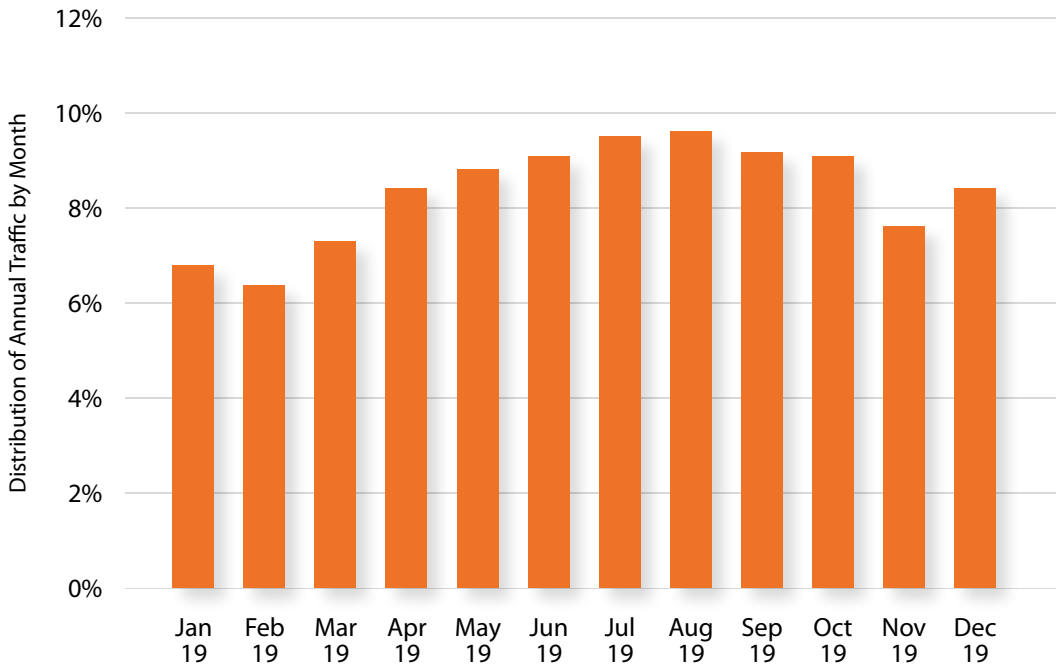
Innsbruck Airport / INN

GRAPH 9: **"SUN AND SAND" SEASONAL AIRPORT (EXAMPLE: DUBROVNIK)**



Dubrovnik Airport / DBV

GRAPH 10: **"STABLE TRAFFIC" AIRPORT (EXAMPLE: DORTMUND)**



Dortmund Airport / DTM

B. DECARBONISATION CHALLENGE & INVESTMENT CRUNCH

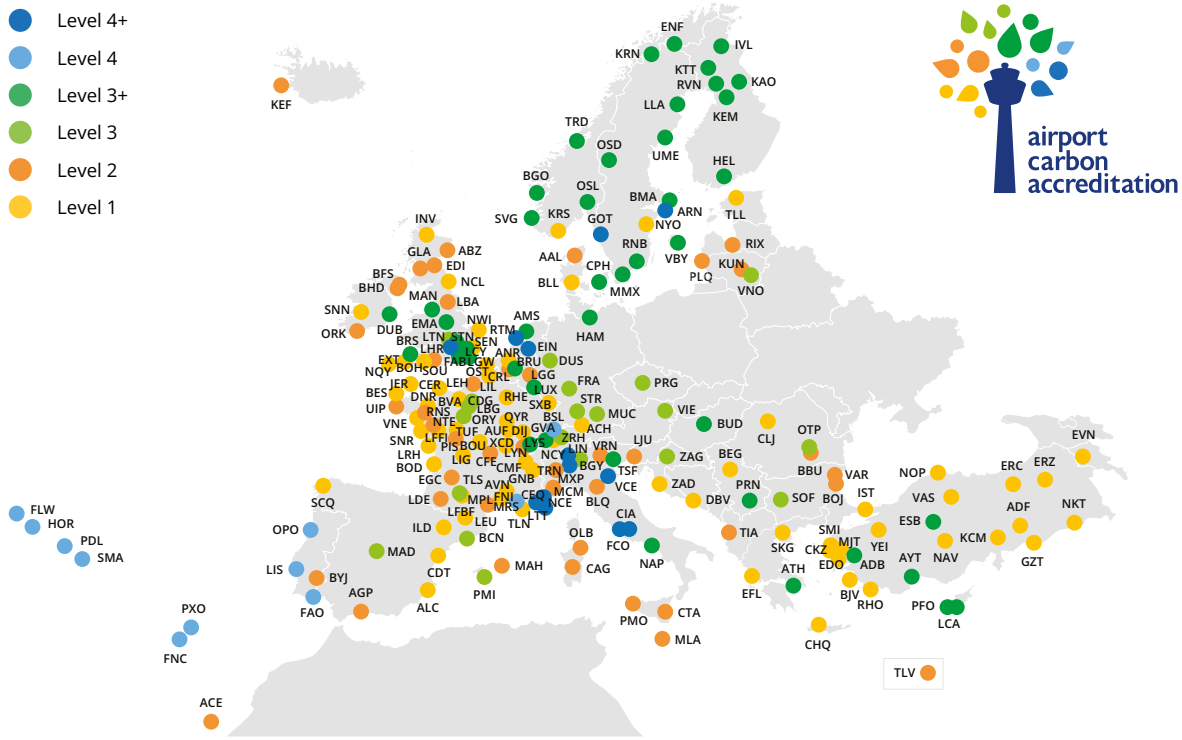
While new post-pandemic market developments are compounding the economic viability challenge for regional airports, the imperative of decarbonisation for the whole aviation sector will also translate into significant investment needs – with many uncertainties.

Since 2021, the entire European aviation sector has been committed to achieve Net Zero CO_2 emissions by 2050[7], thus aligning fully with the Paris Agreement and the EU climate objectives. Looking at airports in particular, besides the airport industry commitment to the same objective already back in July 2019, 248 regional airports have formally undersigned this commitment[8].

These commitments have been complemented by a detailed roadmap – DESTINATION 2050[9], which lays down the four pillars of action and related policies that will allow to deliver on this commitment.

Airports in Europe have been working on reducing their own CO_2 emissions since 2009 – with a focus on scope 1 and scope 2 emissions, which are those under their direct control. Currently, 207 regional airports are certified under the *Airport Carbon Accreditation* programme[10], with 56 of them having reached the carbon neutrality level and 28 following a CO_2 reduction pathway that is fully compatible with the Paris Agreement.

EUROPEAN AIRPORTS CERTIFIED UNDER *AIRPORT CARBON ACCREDITATION*.



[7] Europe's aviation sector launches ambitious plan to reach net zero CO2 emissions by 2050: https://www.aci-europe.org/downloads/mediaroom/21-02-11 Europes aviation sector launches ambitious plan to reach net zero CO2 emissions by 2050 PRESS RELEASE.pdf
[8] European airports committing to net zero carbon emissions by 2050: https://www.aci-europe.org/downloads/resources/ACI EUROPE RESOLUTION 2022.pdf
[9] https://www.destination2050.eu/
[10] Find out more about *Airport Carbon Accreditation*, the only global carbon standard for airports, here: www.airportcarbonaccreditation.org

Looking at the reduction of their scope 3 emissions – those emissions which they facilitate but do not control (in particular from aircraft using their facilities), regional airports do face significant challenges:

1. They will need to facilitate the deployment of Sustainable Aviation Fuels – which are the most promising avenue to reduce the carbon emissions of aviation in the short to medium term.
2. They will need to secure the availability of green electricity and green hydrogen to serve the need of new aircraft technology coming to market in the next decade. This will involve a significant investment from airports which are currently estimated at minimum €18 billion to build the infrastructure required to supply alternative fuel[11].

There is no doubt that the ability of regional airports to keep delivering CO_2 reductions and effectively contribute to the decarbonisation of the aviation sector will require addressing the above mentioned structural financial viability issues – so that they are able to make the necessary long-term investments.

The current structural financial weakness of regional airports makes investments difficult to sustain for regional airports – even more so after the severe impact of the COVID-19 pandemic. The risk of an investment crunch is real.

C. LOOKING AHEAD: A NEW ERA FOR REGIONAL AIR CONNECTIVITY

The dual and intertwined challenges of financial viability and decarbonisation need to be looked at with a focus on the longer-term.

While the transition to net zero CO_2 aviation comes with significant risks for regional airports, the advent of efficient electric and hybrid-electric regional aircraft – towards the end of the current decade - holds the promise of boosting the profitability of regional air services and making them CO_2 emissions free. This will result in new demand for regional air connectivity for services that are currently unviable with existing aircraft technology.

While there is for now no data available in Europe on what this would mean, a recent study funded by the NASA[12] has revealed that operating a fleet of electric and hybrid-electric aircraft could open up 4,200 routes connecting 980 airports in the US with a minimum of 2 flight frequencies a day.

Similarly, the recent successful testing of the first hydrogen-powered regional aircraft by Universal Hydrogen clearly shows that regional air transport is the test-bed for the decarbonisation of aviation and that regional airports should be the first to benefit. This means that regional air connectivity is set for a revolution in the medium-term – with the perspective for aviation to become the cleanest transport and possibly the cheapest transport mode for connecting regional communities across Europe.

---

[11] Destination 2050 Partners Release The Price of Net Zero Report:
https://www.destination2050.eu/destination-2050-partners-release-the-price-of-net-zero-report/
[12] (PDF) REGIONAL AIR MOBILITY MARKET STUDY (researchgate.net):
https://www.researchgate.net/publication/364242459_REGIONAL_AIR_MOBILITY_MARKET_STUDY

4. NEW LOOK & NEW RECIPE: WHAT REGULATORY AND POLICY FRAMEWORK DO REGIONAL AIRPORTS NEED?

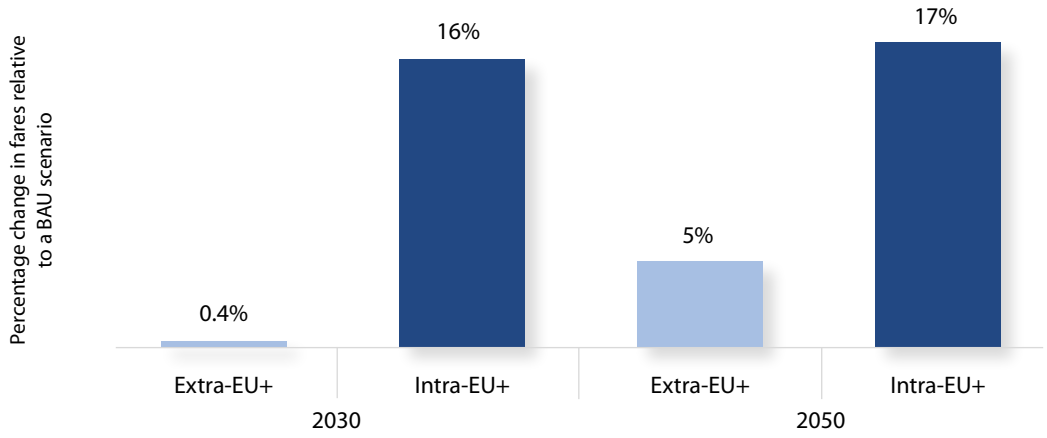
The challenges faced by regional airports require a holistic approach based on a set of aligned strategies at both national and European levels that take stock of the value they provide to society and in particular their essential role for social and territorial cohesion.

A. EU FIT FOR 55 & EMISSION-REDUCTION COMMITMENTS IN OTHER EUROPEAN COUNTRIES

In the EU, the European Commission set the objective to reduce greenhouse gas (GHG) emissions by at least 55% by 2030 compared to 1990 levels, on the way to becoming climate-neutral by 2050. With this in mind, in July 2021, the European Commission released "Fit for 55", a package of legislative proposals intended to reduce emissions – including from the aviation sector.

The study Impact assessment of Fit for 55 policies on the aviation sector[13], carried out by Oxera for ACI EUROPE assessed the cumulative impact of the "Fit for 55" package on European airports. As shown in Graph 11, airline fares will increase substantially on intra EU routes compared to routes to non-EU destinations.

GRAPH 11: **IMPACT OF THE FIT FOR 55 POLICIES ON FARES ON DIRECT FLIGHTS, BY REGION**



[13] Impact assessment of Fit for 55 policies on the aviation sector: https://www.aci-europe.org/downloads/resources/OXERA%20Impact%20assessment%20of%20Fit%20for%2055%20policies%20on%20the%20aviation%20sector.pdf

As a result, and compared to a business-as-usual scenario, on intra-EU flights, air fares are set to increase by +16% and +17% in 2030 and 2050 respectively. This will result in demand reductions of -11% in 2030 and -12% in 2050 – thus impacting travellers who would otherwise be visiting family and friends, discovering Europe's regions or engaging in cross-European business and commerce.

Significantly, and as already outlined above, as demand for direct intra-EU flights will be predominantly impacted compared to direct extra-EU flights, the EU's regional and secondary airports are bound to be most affected – hurting in particular regions highly dependent on tourism.

Outside the EU, the UK Government adopted its Jet Zero Strategy that commits UK domestic aviation and all airports in England to be zero-emission by 2040. The Jet Zero Strategy[14] targets accelerating areas where technological solutions exist to help deliver net zero aviation by 2050. Similarly, Turkey aims to achieve net zero emissions by 2053.

Santa Maria Airport / SMA

[14] UK Government's Jet Zero Strategy:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1095952/jet-zero-strategy.pdf

B. REGULATION ON COMMON RULES FOR THE OPERATION OF AIR SERVICES

Regulation EU 1008/2008 governs the Single European Aviation Market, providing for the EU licensing of air carriers and their freedom to operate. The revision of this regulation will have implications for regional airports – notably regarding possible environmental limitations on short haul flights and the conditions for public service obligations (PSOs).

- Current European policies encourage a modal shift from air to rail by promoting the reduction of short-haul flights as a way to ensure that all collective travels under 500km become carbon neutral by 2030. Some Member States are taking steps to restrict domestic short-haul flights despite the fact that flights under 500km accounted for only 4.3% of European aviation's CO_2 emissions in 2020, according to Eurocontrol.

  The report Short haul flying and sustainable connectivity (Oxera)[15] reveals that potential environmental benefits of shifting short-haul flights to rail are rather limited. While a direct comparison of current emissions confirms that on several routes rail has lower CO_2 emissions per passenger than air travel, the CO_2 benefits of shifting short-haul flights to rail are limited and generate other environmental as well as social and economic costs associated with the construction and maintenance of rail lines.

  Moving forward, future European and national policies should take anticipated technological innovation into account, as aircraft using new forms of energy are expected to enter the regional aviation market by 2035. With this in mind, it's clear that any policy which seeks to restrict or ban short haul air travel is ultimately counterproductive, limiting the sector's ability to invest in sustainability.

- The conditions and requirements for Public Service Obligations (PSO) are defined in Regulation 1008/2008. Member States can impose a PSO to ensure the adequate provision of scheduled air services to a peripheral or developing region, or on a thin route to any regional airport that is considered vital for economic development but is not commercially viable. PSOs are therefore essential for a number of airports in these regions.

  As part of the upcoming revision of Regulation 1008/2008, the scope of the PSO rules should be extended to third countries, to support the connectivity of airports in the periphery of Europe (for example, to the Republic of Ireland and the United Kingdom).

  Likewise, the resilience of regional airports could be strengthened by including the PSO model developed by the European Commission during the pandemic in the Regulation. Experience so far indicates that rules must be simplified to enable an ad-hoc implementation.

  Finally, defining sustainability criteria within the context of a Regulation on market access is a complex matter with potential unintended consequences. Promoting the use of most efficient aircraft in terms of CO_2 impact on PSO routes might not reduce the overall carbon footprint of European aviation, but merely displace less performing aircraft to other routes.

---

[15] Short haul flying and sustainable connectivity (Oxera):
https://www.oxera.com/wp-content/uploads/2022/04/ERA-report_240322.pdf

C. REGULATION ON COMMON RULES FOR THE ALLOCATION OF SLOTS

With over 100 slot-coordinated airports in Europe, representing over half of all slot-coordinated airports worldwide, all European airports are directly or indirectly impacted by the EU Slot Regulation.

Regional airports may themselves be slot-coordinated part of the year depending on seasonal traffic (e.g. INN) or year-round due to their importance despite not being hubs (e.g. GVA). Even if not slot-coordinated themselves, regional airports seek connectivity to hubs and major city airports, where limited slot availability and business decisions of incumbent airlines may jeopardise these connections.

As such, ACI EUROPE calls for the Slot Regulation to privilege connectivity and competition, including through greater consideration of airports' connectivity priorities in the slot allocation process.

D. DIRECTIVE ON ACCESS TO THE GROUND HANDLING MARKET

Well-performing ground handling services are a prerequisite for the safe, efficient, resilient operation of an airport in today's competitive market. At regional airports across Europe, independent suppliers (third party handlers) continue to increase their market share, while airport operators and self-handling airlines retreat. In the EU, the Ground Handling Directive (96/67/EC) has fundamentally changed the ground handling market by liberalising access to airports with more than 2mppa. The number of regional airports exceeding the threshold for market opening is still growing.

European airports recognise the positive impact of market opening, through lower prices and better quality for airlines. At the same time, the dynamic growth of the European aviation market has come with much increased operational complexity (such as shorter turn-around times) and environmental pressures (such as the need to decarbonise airport operations).

Rovaniemi Airport / RVN

ACI EUROPE has called for ground handling policies to be recalibrated both in the EU and the UK – to balance competition with operational quality and resilience, safety and sustainability. Airport operators should be able to increase their role to define conditions under which ground handling is performed, in terms of requirements and common infrastructure (i.e. pooling and centralised infrastructure). Ground handling suppliers should become accountable for their operational and safety performance and aligned with the decarbonisation efforts of airports. The market should become socially sustainable – to improve the attractiveness of the airport as a workplace and strengthen operational resilience.

E. REGULATION ON GUIDELINES FOR THE DEVELOPMENT OF A TRANS-EUROPEAN TRANSPORT NETWORK

While the current Trans-European Transport Network guidelines (TEN-T) have as a priority the increase of airport capacity, their revision prioritises increasing airport energy and operational efficiency. More specifically, the proposed revision requires the direct connection of airports to the TEN-T rail network, including the high-speed rail network, by 2030 for the airports of the core network and by 2050 for the airports of the comprehensive network. Additionally, the scope of air transport infrastructure is also expanded to include the infrastructure and equipment necessary for ground and transport operations within the airport area, vertiports and spaceports. This includes the provision of preconditioned air to aircraft at airports.

Taking into account the limited traffic at some airports and the environmental impact of building new railway infrastructure, efficient and sustainable alternative options to air/rail connections should be examined and incentivised. More realistic compliance deadlines should be foreseen, especially for the airports of the core network.

Considering the high investment costs associated with the deployment of preconditioned air and the lack of obligation for airlines to use it under the proposal, the requirement to provide preconditioned air should apply to airports above 4 million passengers per year and subject to a positive impact assessment.

F. REGULATIONS ON THE SCHENGEN ENTRY/EXIT SYSTEM

The Entry/Exit System (EES) is an automated IT system to register Third Country Nationals each time they cross the external borders of the Schengen area. The start of operations of this new system will have enormous consequences for national authorities, airport operators, aviation stakeholders and the travelling public. As process time at border control will be increased, regional airports with high levels of seasonal traffic and extra-Schengen routes will be impacted. ACI EUROPE has advocated for more automation and digitalisation along with a delay in implementation and a transition period allowing for the necessary adjustments to be made at national level. Staffing levels at border control remain a concern at many airports across Europe, severely undermining the passenger experience through extensive delays.

Ljubljana Jože Pučnik Airport / LJU

G. EU GUIDELINES ON STATE AID RULES TO AIRPORTS

The 2014 Guidelines on State aid to airports (or "Aviation Guidelines") introduced a regulatory framework under which operating aid to regional airports was declared compatible with the Internal Market for a transitional period of 10 years. The aid should thus be phased out by 2024, as regional airports were expected to reach financial viability by then.

Under these rules, airports' financial viability and therefore their eligibility for operating aid depends on their size, according to their number of passengers per year. Airports up to 200,000 passengers are fully exempted via a "block exemption". The Guidelines define airports up to 700,000 passengers (eligible for 80% of operating aid) and up to 3mppa (eligible for 50% of operating aid). Airports above 3mppa should always be financially viable.

The European Commission has evaluated the Aviation Guidelines to decide on these rules beyond 2024. It essentially reached the conclusion that many airports with less than 1 million passengers per year would continue to need operating aid beyond 2024. ACI EUROPE published its own economic analysis with similar findings in 2019.

Whilst there is no doubt the Aviation Guidelines must be extended beyond 2024, the future revision of the Guidelines should have a clear focus on simplification and decarbonisation. The simplification can be achieved by increasing the block exemption for airports up to 700,000 or 1 million passengers. The Climate, Energy and Environmental Aid Guidelines ("CEAAG") must provide references to green airport investments – which may also help to achieve Fit for 55 investments.

The European Commission is providing temporary flexibility in State aid rules in response to the war in Ukraine, the energy crisis and US subsidies – through a Temporary Crisis and Transition Framework. ACI EUROPE has called upon the European Commission to include air transport as a key industry, and specifically support the development of the SAF market.

H. AVIATION SECURITY RULES

EDS Standard 3 for hold baggage screening - Some regional airports are still upgrading their hold baggage screening equipment to meet the EDS Standard 3 requirement. Disruptions in the global supply chain have impacted the deployment of systems at some airports.

Introduction of new technologies - Regional airports may be positively impacted by the gradual introduction of automated prohibited items detection software (APIDS) to screen cabin baggage as these will be available also for cheaper screening equipment (Dual View X-rays) in addition to the more expensive CT technology. This will enable small checkpoints with limited resource to improve the security effectiveness whilst reducing the number of staff required to deliver a given screening target, thus supporting operations at airports facing security staff shortages.

I. CHARGES FOR THE USE OF AIRPORT INFRASTRUCTURE AND ECONOMIC OVERSIGHT

Many European regional airports fall within the scope of economic regulation or oversight of national authorities when it comes to determining the charges to airlines for landing and parking at the airport, for passengers for use of the terminal, and for other related infrastructure.

Across Europe, almost all countries implement the ICAO principles on airport charges, requiring consultation, transparency and non-discrimination, and the European Union's legislation adds to this the right to appeal to an independent body.

The United Kingdom's legislation goes a step further by testing to see if airports possess market power and have the ability to use it, and if the benefits of regulation outweigh the costs. As a result of implementing this model, the UK has progressively stopped regulating airport charges, so that today only the largest airport in the UK still has formal price regulation. In the east of Europe, changes to airport charges often require approval by the national parliament.

For many European regional airports, heavy economic oversight of pricing is unnecessary and possibly even counterproductive, because of the high direct and in-direct costs, and the limitations it may put on the airport to design incentives, rebates and modulations of charges that super-charge route development. The core ICAO and EU principles are effective and work well to support the positive development of European air transport in recent years with booming regional airports.

J. EXTERNAL RELATIONS

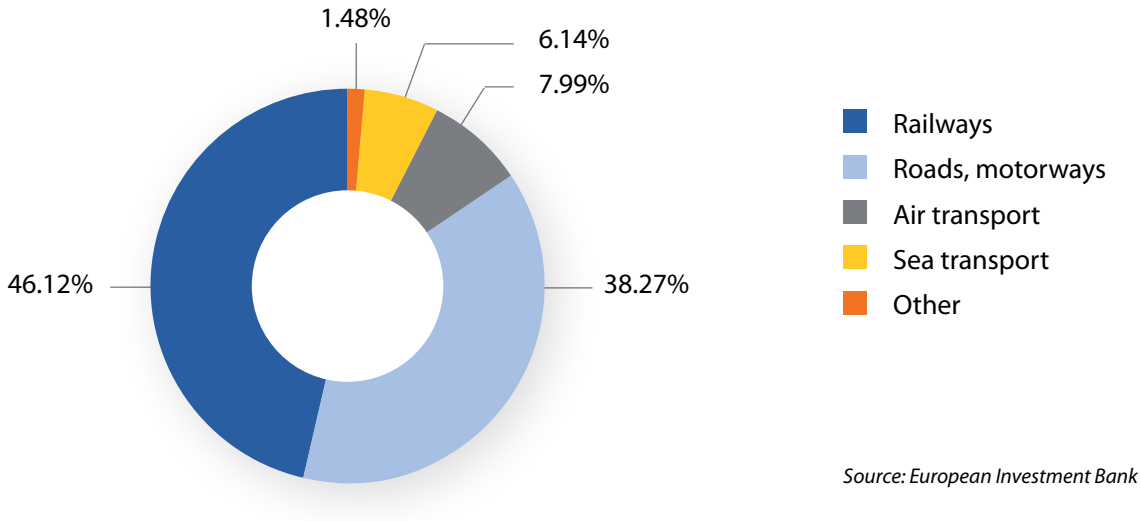
International aviation relations have traditionally been governed by bilateral air services agreements, under which air traffic rights are granted to national airlines. The evolution of air transport in the last decades regarding ownership and control of airlines (with the emergence of new transnational airline models) and airports competing to attract traffic makes it necessary for regional airports to raise their voice in Europe and beyond. For regional airports, increasing the number of destinations served and attracting more passengers and cargo through the development of their route network and the diversification of their airline portfolio is a core business imperative. They are set to benefit most from further market opening beyond Europe – as new aircraft technology (e.g. narrow body long range aircraft) and airline models (e.g. long-haul low cost carriers) increase the potential number of new destinations that would traditionally only be served from hub airports.

K. EUROPEAN FUNDING

EU funding is essential for airport investments in decarbonisation and digitalisation. Obtaining EU funding has become burdensome if not impossible for European airports, and regional airports in particular suffer from an unfair allocation of funds when compared to other modes of transport.

Around 80% of the overall Connecting Europe Facility (CEF)[16] support has been allocated to the rail and inland waterways sectors and to the acceleration of the deployment of alternative fuels infrastructure. This percentage increased significantly in 2021, as shown by Graph 12

GRAPH 12: **TOTAL TRANSPORT LENDING IN 2021 BY SECTOR**



Source: European Investment Bank

The overall financial envelope for the implementation of the CEF for the period 2021-2027 is €25.8 billion in current prices.

The 2022 CEF Transport call for proposals makes €5.12 billion available for projects targeting new upgraded and improved European transport infrastructure. Projects funded under this call will help to increase the sustainability of the transport network, putting the EU on track to meet the European Green Deal objective of cutting transport emissions by 90% by 2050.

At the same time, the European Investment Bank (EIB) makes clear in its Roadmap 2021-2025[17] that "There remains a lack of clarity on the pathway to decarbonisation for the aviation sector. Support will be withdrawn from investment in airport capacity expansion". The same principle is clearly stated in the EIB Transport Lending Policy 2022[18]. In 2021, the EIB provided around €11 billion to transport projects: around 46% of total transport lending went to railway projects, and around 38% to upgrading roads and motorways. Only 7.99% was allocated to the air transport sector .

Out of a total of 89 transport projects representing €11 billion, only 1 was allocated to a regional airport (€90 million).

[16] Connecting Europe Facility (CEF): https://cinea.ec.europa.eu/programmes/connecting-europe-facility/transport-infrastructure_en
[17] Roadmap 2021-2025: https://www.eib.org/en/publications/the-eib-group-climate-bank-roadmap
[18] EIB Transport Lending Policy 2022: https://www.eib.org/en/publications/eib-transport-lending-policy-2022

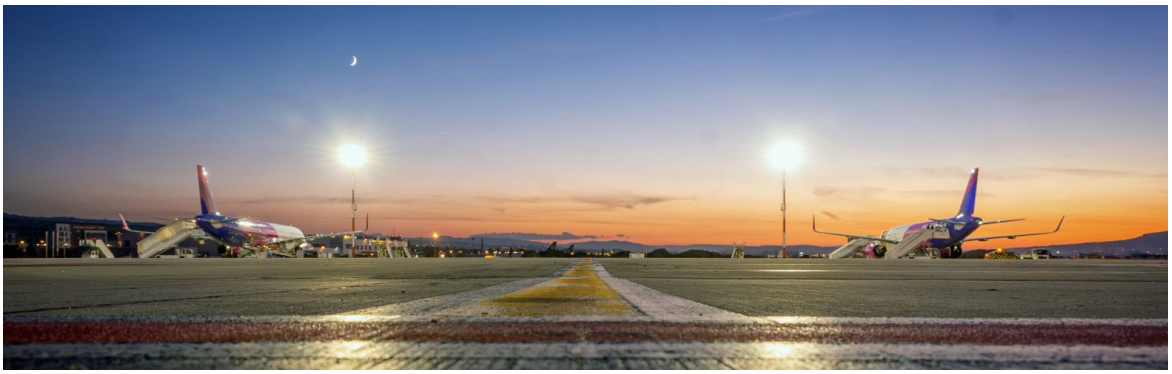
L. AVIATION TAXES

Many European governments have introduced sectoral taxes that apply only to aviation. These taxes increase travel costs for consumers while also harming tourism economies, local businesses and trade.

The table below shows the range of ticket taxes in Europe. Taxes vary based on flight destinations and class of travel. Since 2020, some taxes are based on environmental performance. Lower taxes usually apply to domestic or intra-EU economy class travel, while higher tax rates will apply to long-haul business class travel.

TABLE 1: **OVERVIEW OF AVIATION TAXES IN EUROPE**

Taxes targeting aviation	Per departing passenger
Austria	€7 to €35
Belgium	€2 to €10
France	€10 to more than €60
Germany	€7 to €42
Greece	€12
Hungary	€10 to €25
Italy	€6.50 to €7.50
Latvia	€3.10
Luxembourg	€3.79
Netherlands	€7.95
Norway	€8 to €20
Sweden	€6 to €36
United Kingdom	€15 to €167



Cluj Avram Iancu International Airport / CLJ

TO SUM UP

Regional airports constitute the core of the European transport network, providing connectivity and social cohesion to Europe's regions at an affordable cost for society. They played a key role in the recovery of the European tourism and hospitality sectors post-COVID-19 as most long haul markets remained closed until the end of 2021.

Regional airports compete with airports across Europe to attract footloose and agile airlines. They do not enjoy the economies of scale of their larger counterparts and tend to be highly seasonal, yet they must comply with the exact same set of costly regulations and increasingly dogmatic policies (such as short haul flight bans) that challenge their very existence.

Reason must prevail and incentives put in place to facilitate the transition of the European aviation sector to Net Zero by 2050. Regional airports have a key role to play on the path to Net Zero aviation as this is where electric and hybrid flying will start.

Put simply: European regions do not need dogmas, they need incentives to achieve transformational changes. **One size does not fit all.**

ACI EUROPE
AIRPORTS COUNCIL INTERNATIONAL

ACI EUROPE is the European region of Airports Council International (ACI), the only worldwide professional association of airport operators.

ACI EUROPE represents over 500 airports in 55 countries. Our members facilitate over 90% of commercial air traffic in Europe. Air transport supports 13.5 million jobs, generating €886 billion in European economic activity (4.4% of GDP). In response to the Climate Emergency, in June 2019 our members committed to achieving Net Zero carbon emissions for operations under their control by 2050, without offsetting.

Released at the 14th ACI EUROPE Regional Airports Conference and Exhibition in Chania, Crete, hosted by Fraport Greece.

For more information contact:
Federico Bonaudi
Director: Facilitation, Regional Airports & Parliamentary Affairs
Tel. +32 2 552 09 76 | Fax. +32 2 502 56 37
federico.bonaudi@aci-europe.org

Produced by ACI EUROPE

www.aci-europe.org
@ACI_EUROPE

EVERY FLIGHT BEGINS AT THE AIRPORT.