European airports at crossroads

“Facing the challenges of the 21st Century”

AIRPORTS COUNCIL INTERNATIONAL

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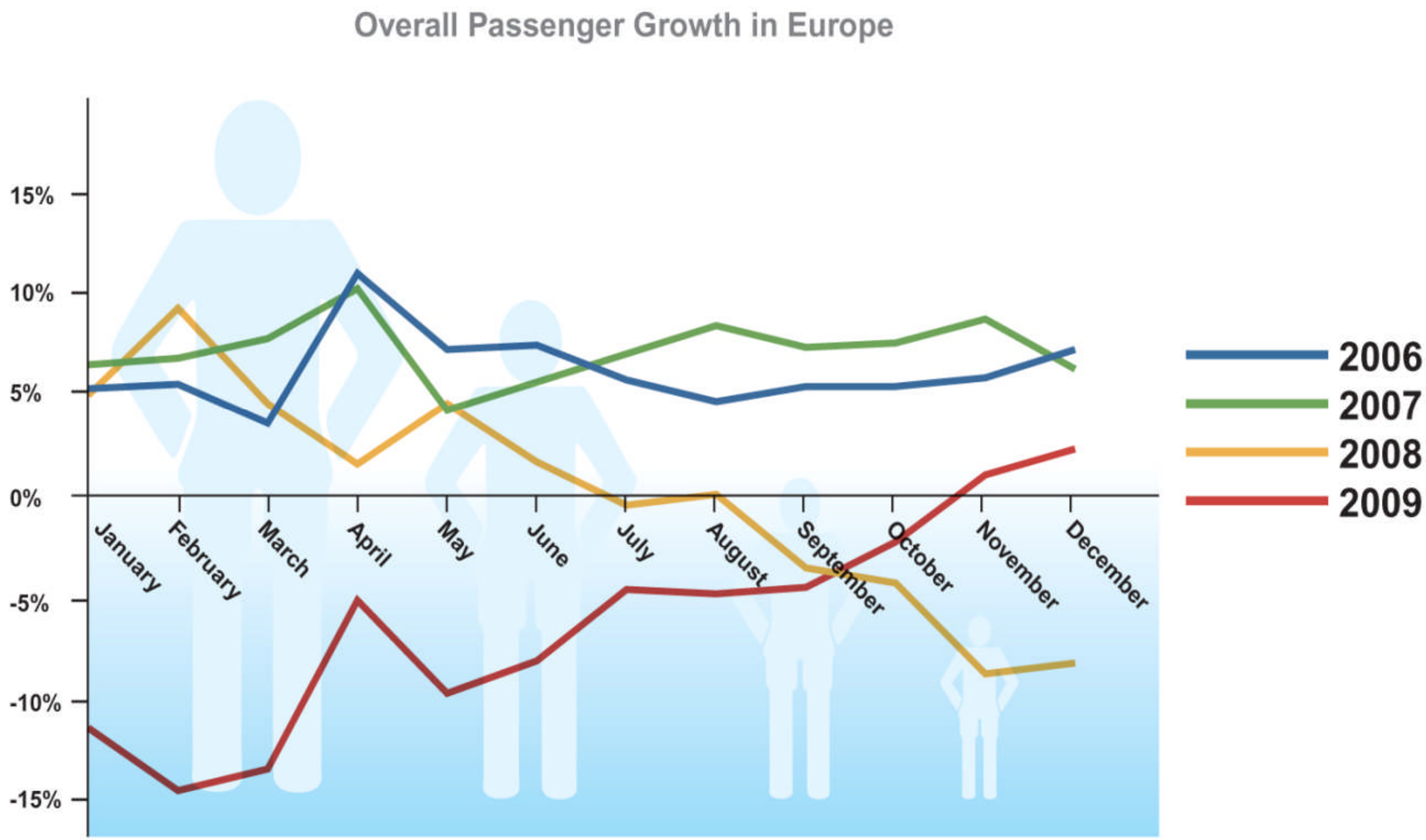
Prague, 16 June, 2010

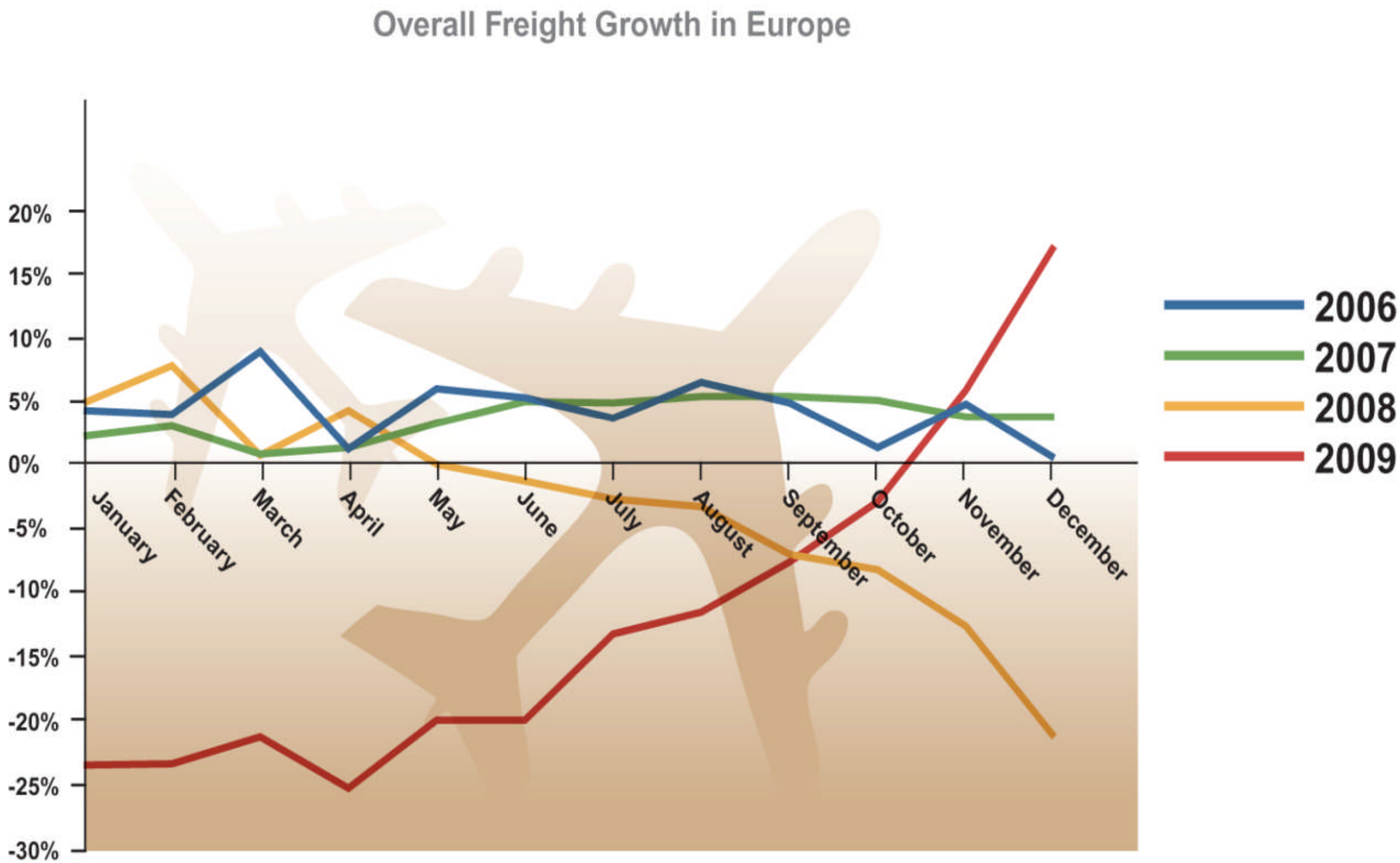
THE VOICE OF EUROPE'S AIRPORTS

- **+440 AIRPORTS / 46 COUNTRIES**
- **172 WORLD BUSINESS PARTNERS**
  Investors, Banks, Construction Companies, Security equipment manufacturers, Retailers, Consultants, etc.
- **6 NATIONAL ASSOCIATIONS**
  - **ALFA ACI (French Speaking airports Worldwide)**
  - **UAF (France)**
  - **Assaeroporti (Italy)**
  - **AOA (UK)**
  - **ADV (Germany)**
  - **Association des Aéroports Suisse**

2009 PASSENGER TRAFFIC: -5.9%



2009 FREIGHT TRAFFIC: -13.1%



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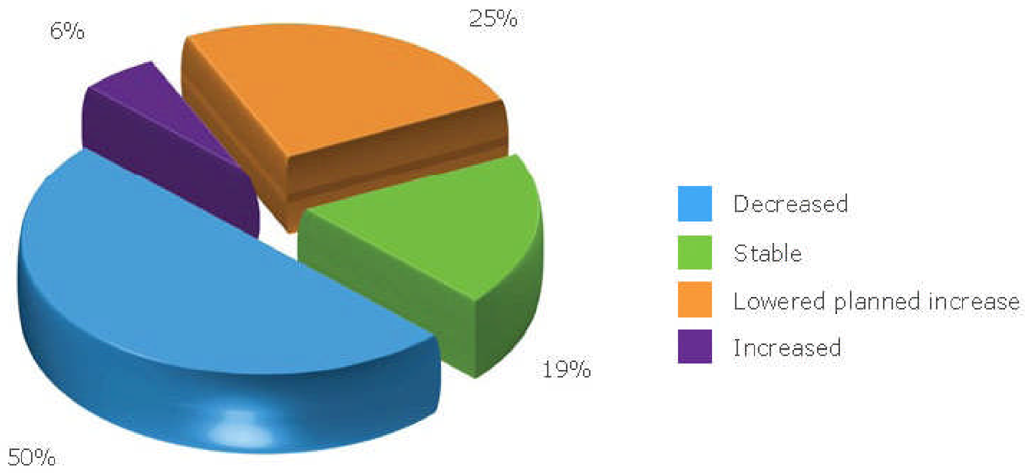
UNPRECEDENTED IMPACT

- **-100 MILLION PAX = DOUBLE WHAMMY ON REVENUES**
  - *Declining aeronautical revenues*
  - *Declining commercial revenues*
- **INCREASING CAPITAL COSTS**
  - *Access to capital markets difficult/costly*
  - *Credit rating downgrades: BAA, Amsterdam, Dublin, Brussels…*
- **DETERIORATION IN FINANCIAL PERFORMANCE**
  - *EBIT (H1 '09): up to -97% (top 25 European airports)*
  - *Closure of Coventry airport*
- **INCREASING AIRLINE PRESSURE (charges)**

TIGHTENING THE BELT

- **COST CUTTING**
  - *Staff reductions: Amsterdam-Schiphol **-25%,** Dublin **-20%**, Manchester **-5%,** SEA Milan **-30%,** Glasgow-Prestwick **– 20%,** …*
  - *Capital investments: **-€2.8 billion***
- **MOST CAPITAL INVESTMENTS CONFIRMED: €50 billion**
  - *Long lead times in airport development*
  - *Be ready for the rebound = air traffic to double by 2030*
  - *Industry funded stimulus package*
- **CHARGES = RESPONSIVE IN THE CRISIS**



DIFFERENTIATED IMPACT

- **MOST SEVERELY AFFECTED MARKETS**
  - *Spain, UK, **Eastern Europe**….*
- **MAJOR HUBS: RESILIENCE -4.7%**
  - *Transfer traffic*
  - *Diversified portfolio of airline customers*
- **SECONDARY HUBS: MORE AFFECTED -6.1%**
  - *Weakness of dominant carrier*

    *(**SAS, Aer Lingus, Austrian Airlines, Alitalia, LOT…**)*
- **REGIONALS: MANY LOSERS, SOME WINNERS -5.4%**
  - *Downturn of up to -60% at some airports*
  - *Dependence on a single carrier*
  - *Growth at some locations to the detriment of others*

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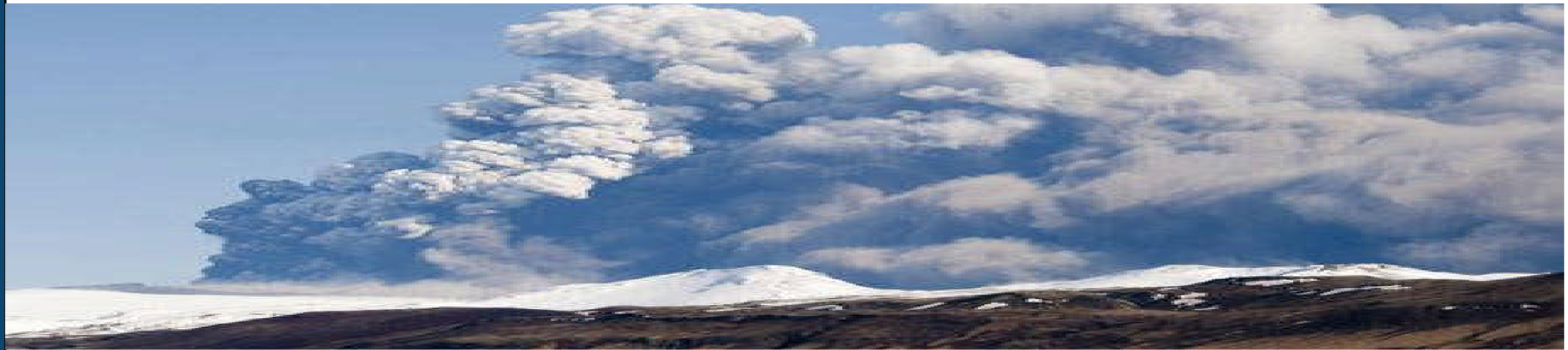
VOLCANIC ASH CRISIS



OVERVIEW

*Up to **80%** of airspace closed*
***+100,000** flights cancelled*
***+10 mil** pax unable to travel*

AIRPORTS

***+17 mil** pax lost*
***+€300m** lost revenue*
***€10m** assistance cost*
Most Fixed/variable cost unchanged

AIRLINES

***+€1.3 bil** lost revenues*
***€200m** assistance costs (AEA)*
Fuel costs savings

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NEW MARKET STRUCTURE

- **INCREASED DOMINANCE OF LOW-COST MODELS**
  - *Growing market share:* ***+50% in 2013!***
  - *Increasing relevance to business travelers*
  - *Challenge to Hub & Spoke model*
  - *More pressure on charges expected*

- **AIRLINE CONSOLIDATION**

oneworld SKYTEAM STAR ALLIANCE easyJet RYANAIR THE LOW FARES AIRLINE

DOMINANT PARTY IN AIRPORT-AIRLINE RELATIONSHIP

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IMPACT ON AIRLINES

- **NETWORK CARRIERS (AEA)**
  - *Passenger traffic 2009: -6.3%*
  - *Premium Passenger Traffic: -18.5% (Jan-Nov)…*
    … starting recovery in Q4
  - *EBIT: Estimated loss of €3.5 billion*
  - *Cost cutting priority: -9% staff*
  - *Strategic repositioning & product redefinition (short-haul)*
- **CONTINUED PERFORMANCE IN THE LOW-COST SEGMENT**
  - *Bankruptcy of smaller players (Sterling, Sky Europe)*
  - *Majors still expanding (Ryanair: +13% pax in 2009)*
  - *Increasing relevance for business travelers*

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BUSINESS TRANSFORMATION

Times Past

- Mere infrastructure provider
- Securing needs of a flag carrier
- Exclusive public ownership
- Dependent upon public financing

Today

- Fully fledged businesses with diversified activities
- Serving a wide range of customers with different needs
- Corporatisation is a must
  Privatisation
- Self-financing

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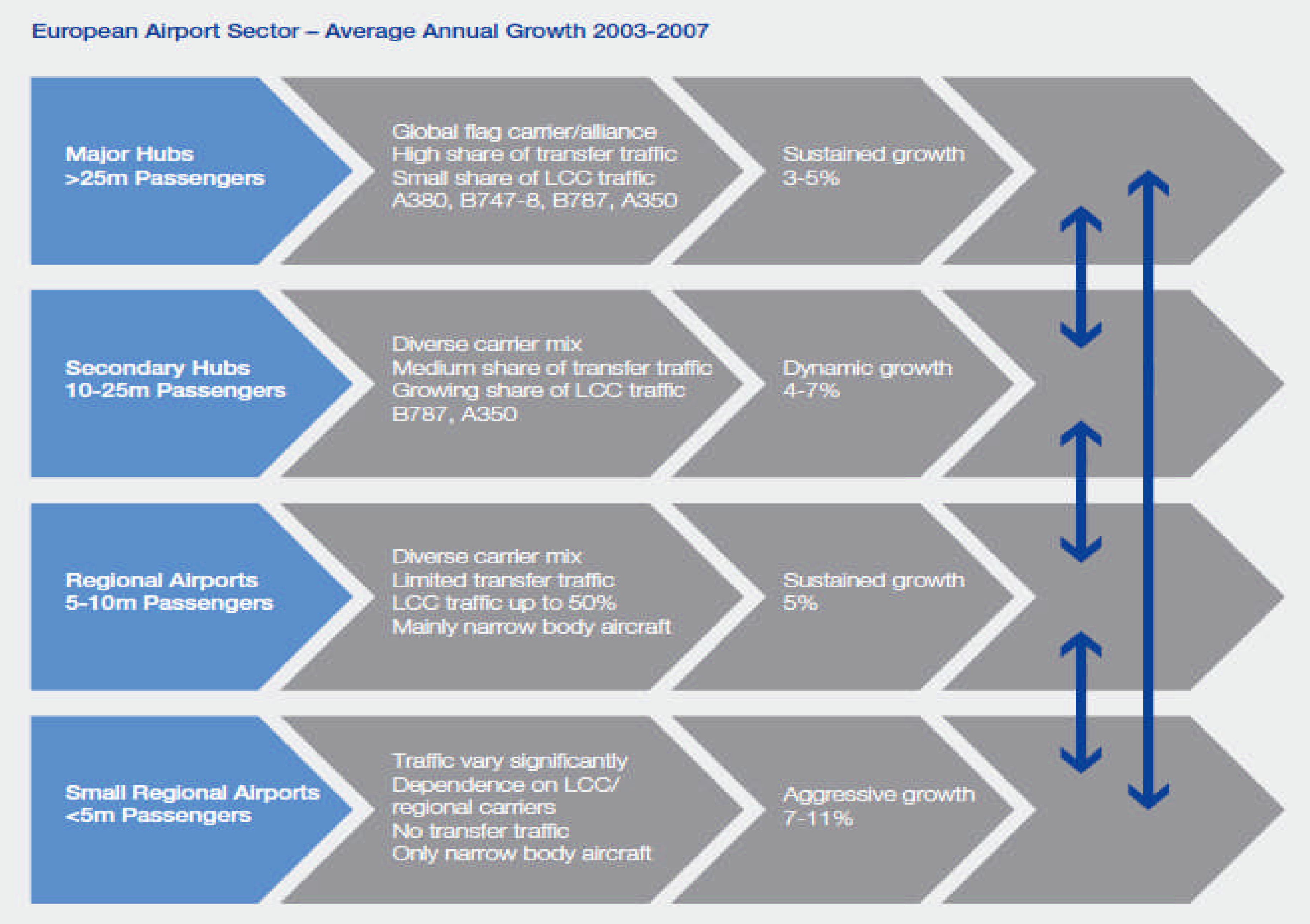
INCREASING AIRPORT COMPETITION



KEY STRATEGIC DIRECTIONS

- **DIFFERENTIATE FACILITIES & SERVICES**
  - *LCCs /Alliances… Just like airlines!*
- **REDUCE DOMINANT AIRLINE DEPENDENCE**
  - *Legacy carrier or LCC*
- **COMPETITIVE AIRPORT CHARGES: A "MUST"**
  - *3.5% of airline costs (ICAO)*
  - *Airline-related charges: 22% of total airport revenues*
- **DEVELOP NEW REVENUE STREAMS**
  - *Commercial Developments*
  - *47% of total airport revenues*
- **GROW INTERNATIONALLY & AIRPORT ALLIANCES**
  - *Fraport, AdP, Zurich, Schiphol*
  - *AdP & Schiphol, SEA Milan & ADR, …*

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AIRPORT CAPACITY CHALLENGE

- **THE CRUNCH – traffic will double by 2030!**
  - *41% capacity increase (5 new airports & 79 new runways)…*

    … BUT 11% of demand still not accommodated!
  - *19 Heathrow-style congested airports!*
  - *Unprecedented congestion levels!*
  - *Far reaching impact:* ***SES2, environmental efficiency, economic development & competitiveness…***
- **FINANCING ISSUE**
  - *Less airline-centric & More passenger focused economic regulation*
  - ***Incentivise airports to finance infrastructure development***
- **POLITICAL ISSUE**
  - *EU priority & national support (alignment with SES…)*
  - *Increasing environmental pressure*
  - ***Aviation's license to operate & grow at risk!***

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AIRPORT CAPACITY CHALLENGE

- **Single European Sky (SES-II) package:**
  - *Is aiming at creating a Single European Sky based on 4 pillars:*
    - *Regulation Performance*
    - *Single Safety Framework (EASA)*
    - *Endorsement of the SESAR Master Plan*
    - ***Managing the Capacity on the Ground***
- **Observatory on Airport Capacity**
  - *Of central importance for European Airports*
  - *Three Working Groups:*
    - *WG1: Capacity*
    - *WG2: Gate-to-Gate*
    - *WG3: Intermodality*

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AIRPORT CAPACITY CHALLENGE

- **NEWTWORK MANAGEMENT (major Element of SES-II):**
  - *Need too coordinate overall activities of the network*
  - *The Network Manager will have to deal with tactical (day-to-day to short - term) and strategic (mid- to long-term) planning*
  - *Capacity in the Air needs to matched with the capacity on the ground (System approach in the context of "Gate-to-Gate")*
  - *Airports are ground coordinators and need to be integrated in the network planning*
  - *Slot Regulation 95/93 will have to be considered for revision*
  - *Airports need to partners for strategic planning*

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Questions?

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