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Latest Developments in the Mobility Industry

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The airport perspective

- Impact of the Crisis
- Long-term challenges
- International perspective

Impact of the crisis in Europe

- By February 2009, 93% had lost traffic, with an average decrease of 13.6%
 - All geographical markets are affected
 - O/D traffic is worse hit vs. transfer traffic
 - Passenger traffic to keep declining
 - Uncertainty of timing of rebound

Pressure on airports

Airports are facing a double decline in revenues

- Declining aeronautical revenues
- Declining commercial revenues

Airports are facing increasing capital costs and...

- Access to capital markets difficult/costly

Pressure on airports

....increasing airline pressure

- Request for charges decreases
- New aviation market structure (market dominated by airline alliances and low cost airlines)

Responding to the crisis

Cost cutting

- *Staff reduction*
- *Recruitment freeze*
- *Outsourcing*
- *Overtime limit and temporary staff limits*

BUT... limitations inherent in business model

- *Airports are not labour-intensive (ex: BAA 3 times less staff/BA)*
- *Staffing levels dictated by safety/security regulations*
- *Scope for reduction not necessarily extensive...*

Responding to the crisis

Differing investments

- Reconsider capital expenditure
 - *Focus on priority projects (infrastructure)*
 - *Other & additional capital expenditure on hold*

BUT... limitations inherent in business model

- *Not always **possible**: previous commitments / refinancing*
- *Not always **advisable**: long term capacity needs, long lead time delivery, need to act counter-cyclically and economic stimulus lost*

Airports responding pro-actively

- User charges: airports not in full recovery mode
 - *Airline paid charges are only 21% of total airport revenues*
- Increased risk sharing
 - *57% of aeronautical revenues = passenger related charges*
- Competitive position is crucial
 - *Airports have adopted crisis incentive schemes*
 - *In many cases, no increase or even decrease in charges*

Keeping a long-term focus

- Looming capacity crunch
 - *Invest in new capacity, notwithstanding the crisis,*
- Competitive aviation sector
 - *Enable airports to continue playing their role as driver of competition between airlines*
- Environmental challenge
 - *Address the environmental impact of aviation in a proactive way*
- Joint approach
 - *Continue working together with all stakeholders*

Constraints and perspectives

- Complex airport business; but regulations from the 70's
- Critical economic and social role airports must fulfil
- Need for light – and better – regulatory touch; free to manage their own destinies
- Must address the four challenges: Capacity, Environment, Connectivity, Security

While maintaining a non-negotiable, high level of safety in daily operations

Airport Capacity: key drivers

- Demand expected to double by 2030.
- Capacity = a top priority of the EU transport policy
- Alignment of ATM and airport capacity objectives
- “Best-practice” guidelines on land-use planning around airports
- A more commercial approach to setting user-charges and slot allocation

Environment commitment

- *Airports: Significant progress in managing and mitigating impacts*
- *EU: Reconcile aviation growth with ambitious environmental goals*
- *Regulators: priorities on different impacts to avoid potential conflict on abatement / technologies*
- *Governments: avoid economic measures that deliver no improvements*
- *All stakeholders: target a global, open ETS objective*

Connectivity - economic, social and cultural benefit

- *Increased and diversified aviation links*
- *Access to the wider world for remote communities*
- *Liberalisation to optimise the network of destinations*
- *Liberalisation of air service agreements*
- *A role for airports in aviation negotiations*

Security improvements

- Harmonisation: at EU level and World level
- One-stop security: increase passenger and cargo throughput:
- Security costs: Governments must bear their fair share of the cost of protecting their citizens
- Funding: additional measure need proper funding, implementation and phasing out when appropriate

International perspectives

- The long term forecast is unchanged, but slowed by current economic situation worldwide
- This crisis has shown that we will live in a different world: we need to be flexible, proactive and adaptable
- Emerging markets: China, India, Gulf States will be both partners and competitors
- Developing nations: rely on aviation to integrate world markets and must not be left behind
- Europe: without a clear strategy, a danger of losing economic and social benefits of an increasingly integrated global market-place

International perspectives

- Airports will be increasingly competitive
- Ownership models and investment models will continue to diversify and evolve to meet the industry needs
- Professional standards ICAO: our global system needs to rely on strong guidelines and State adherence to them
- Training: to raise the bar, we need commitment to train and motivate industry professionals
- Streamlined processes: pursuit of cross-industry collaboration on IT, safety, security, environment
- The end customer: we must hold our focus on high quality service delivery



THANK YOU

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