

Infrastructure & External Costs: Getting the Price Right

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USER PAYS: Business Evolution

▪ THE OLD DAYS - MERE INFRASTRUCTURE PROVIDERS

- > **Public ownership & financing**
- > **Dependence on national airline**
 - *Same owners & Same network*
 - *Limited market pressures & airport competition*
- > **Instrument of national airline support**
 - *No/limited financial return expectations*
 - *No commercial entity*
 - *State aid allowed & unchecked (General Measure of Public Interest)*



USER PAYS not on the cards



→ USER PAYS: Business Evolution

■ 1990s - BUSINESSES IN OUR OWN RIGHT

> EU Aviation liberalisation

- Airline privatisation & New entrants
- Route & business development opportunities – market pressures

> Corporatisation & Shareholders expectations

- Fiscal discipline

> EU Growth & Stability Pact | Traffic growth & Expansion

- Self-financing

> Privatisation | Sovereign debt crises

- 23% (2010) to +50% (2017)
- Troika bailouts & debt reductions: ANA (Portuguese airports), Greek regional airports
- More to come...



> 2014 State Aid Guidelines

- Most stringent transport regime
- Key drivers: airport competition & fiscal discipline

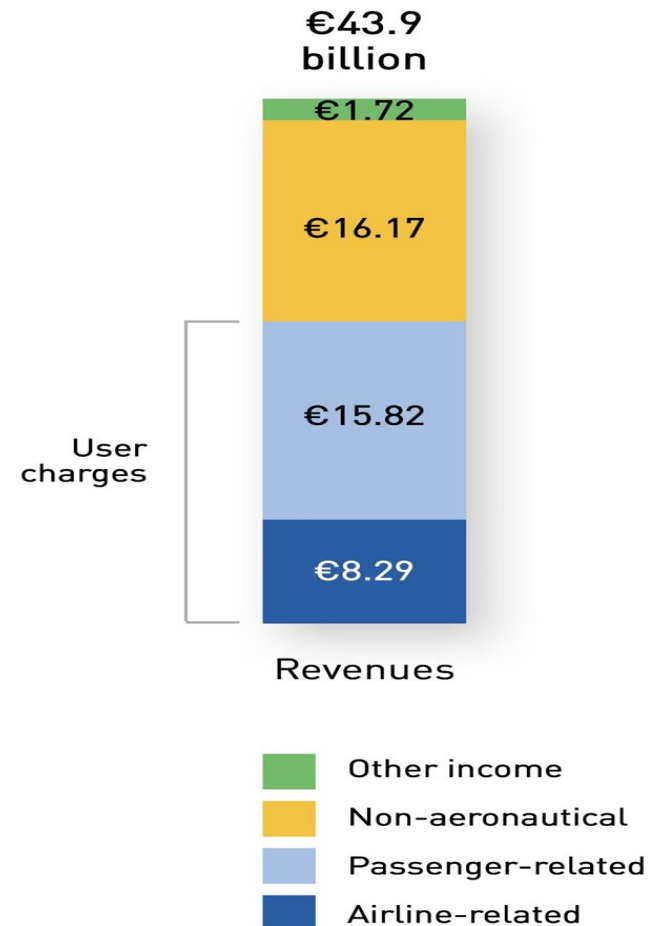


Shift towards USER PAYS

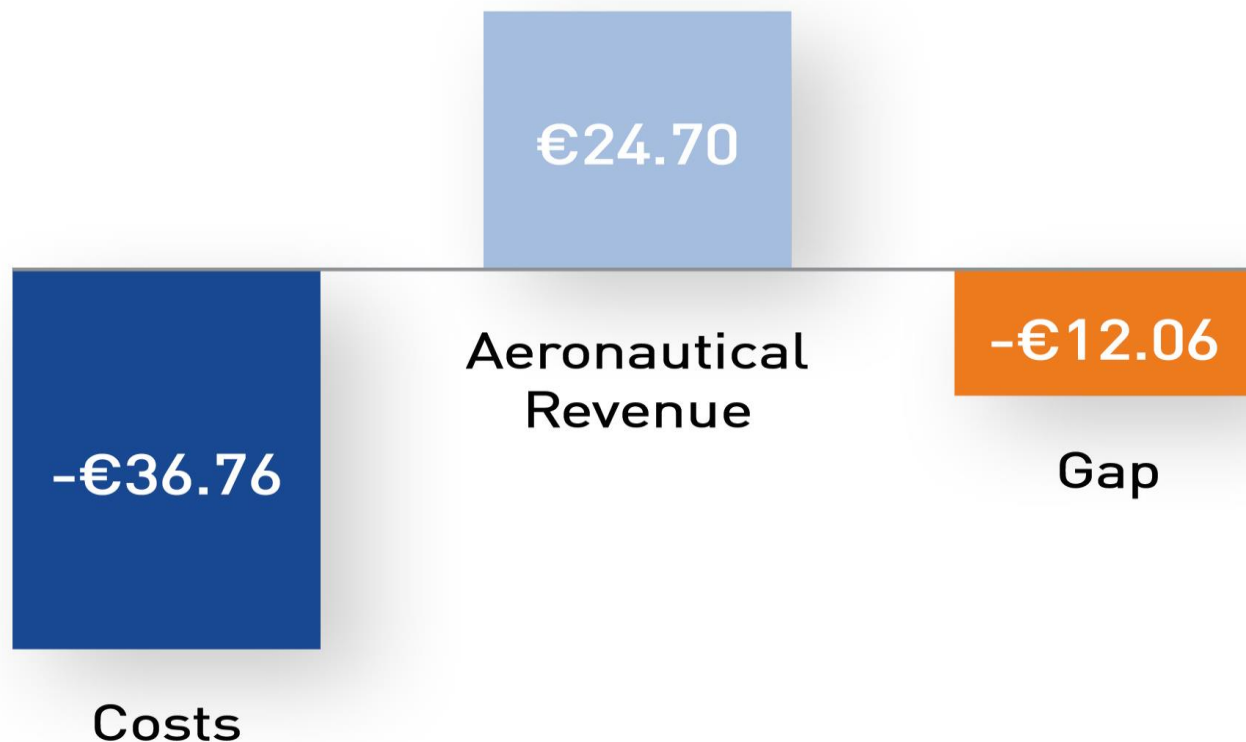


→ OUTCOMES

- 1) CAPACITY, QUALITY
& CONNECTIVITY
- 2) LIMITED PUBLIC SUPPORT
- 3) PUBLIC RESPONSIBILITIES
Security & Access infra
- 4) USER CHARGES
& NON-AERO REVENUES



→ USER CHARGES FINANCING GAP

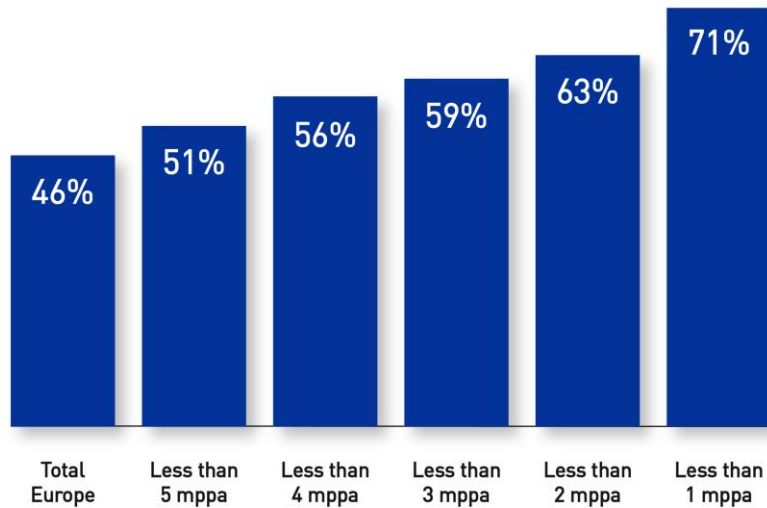


→ PROFITABILITY CHALLENGE

- **46% = LOSS MAKING**

- > **Size matters & structural issue**

% loss making airports (net profit)



- > **Airport Networks & Cross-subsidisation**

- *Greece, Cyprus, Spain, Portugal, Ireland, Sweden, Finland, Norway, Lithuania*



→ EXTERNAL COSTS

▪ ENVIRONMENT

> NOX charges

- *London-Heathrow, Frankfurt, Munich, London-Gatwick, Zurich, Swedenavia (Swedish Airports), Copenhagen*

> Noise charges

- *London-Heathrow, Paris-CDG, Frankfurt, Amsterdam-Schiphol, Munich, Madrid, Barcelona, London-Gatwick, Zurich, Paris-Orly, Rome-Fiumicino, Manchester, Palma de Mallorca*

BUT ...Revenue neutral & limited room for modulation | No recognised methodology
... No evidence of effectiveness re. use of cleaner/quieter aircraft
... Competitive implications

> Noise insulation schemes (residential & public)

- *Aena: Madrid airport €6 mil & 138 buildings (2012/16)
16 programmes on-going & 23,096 buildings across Spain (2000/17)*
- *Munich: €62 mil & 4300 buildings (5 years period)*



→ EXTERNAL COSTS (2)

▪ CLIMATE CHANGE

> AIRPORT CARBON ACCREDITATION = Reducing externalities

- **136 European airports** (251 globally)
& **40 carbon neutral**
63.4% European traffic (43% globally)
- **- 169.065 tons of CO2** (2017/18)
- UNFCCC recognition
- Commitment: 100 carbon neutral airports
by 2030



> EU ETS (power generation @ airports)



→ POLICY / REGULATORY ALIGNMENT

▪ REVIEW OF EU AIRPORT CHARGES DIRECTIVE

- > Must be aligned with USER PAYS & other EU instrument/policies

▪ AIRLINES' CAMPAIGNS vs. USER PAYS

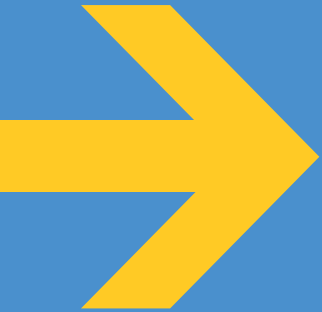
- > Downward pressure on airport (user) charges - via more regulation
 - Lower cost & higher profitability
 - Less airport investment = less capacity = airline competition & pricing power
= less energy efficient & less sustainable infrastructure
- > Anti-airport privatisation campaign
 - “The provision of aviation infrastructure should be considered a **fundamental public service** and an essential economic generator for any country” - IATA (2018)
 - Denouncing “Governments’ typical objective to maximise concession payments” at the expense of lower user charges” – IATA (2018)



Placing USER (private) INTEREST above CITIZENS & TAXPAYERS interest



At odds with EU State aid rules / Growth & Stability Pact



THANK YOU

www.aci-europe.org

www.airportcarbonaccreditation.org

