

The future of airport capacity in Europe



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Agenda

- **The capacity crunch: an unavoidable reality**
- **What are the main obstacles to address the capacity challenge?**
- **Looking for solutions**

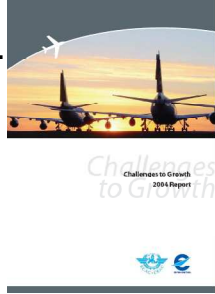
The capacity crunch: an unavoidable reality

The Capacity Crunch
An unavoidable reality

ECAC - EUROCONTROL

"Challenges to Growth"

2004 report



The Capacity Crunch (2)
Background

- **2001 "Constraints to Growth" report**
 - Conducted at request of ECAC transport ministers
 - Basis for political discussions & strategic performance drivers
 - Involvement of industry (airports, airlines and ANSPs)
- **2004 "Challenges to Growth" update (911 and LCC growth)**
 - Forecast up to 2025:
 - Evolution of traffic demand
 - Potential for airport capacity enhancement
 - Network effect of airport capacity constraints
 - Possibilities to mitigate lack of capacity
 - Environmental challenges to growth

The Capacity Crunch (3)

Main assumptions of "Challenges to Growth"

- **Report based on critical scenario 2003-2025**
 - Globalisation & rapid economic growth (factor 2.5)
- **Projected demand growth at airports differs**
 - Major airports: more than double growth factor
 - Small and medium airports: triple growth factor
- **Hypothesis of maximum achievable capacity**
 - No closure of airports / runways
 - No capacity limitations and no noise caps
 - Implementation of all expansion plans
 - Systematic implementation of best practices for optimising runway throughput at all airports assumed!!!

The Capacity Challenge (4)

Main conclusions of "Challenges to Growth"

- **Towards a Capacity imbalance**
 - Shortage in parts of the network, surplus elsewhere

- **Major European airports at risk, by 2025**
 - Over 60 European airports will be congested
 - The top 20 European airports will be saturated at least eight to ten hours a day
 - 3.7 million unaccommodated flights / 260 million pax affected

- **Extra flights only possible at secondary airports at less favourable times**
 - Drastic interference with traffic distribution patterns
 - 1.1 million unaccommodated flights / 78 million pax affected

- **Only possible alternative: creation of new infrastructure**

What are the main obstacles to address the capacity challenge?

What are the main obstacles to address the capacity challenge?

- **Building new airports or expanding current facilities is increasingly difficult**
 - Increasingly costly
 - Increasingly lengthy

- **What are the issues?**
 - Financing growth
 - Secure permission from local and national authorities

Financing growth: industry response

Drastic changes have taken place...



Times past...



- Mere infrastructure providers
- Exclusive public ownership
- Securing the needs of flag carriers
- Supported by and dependent upon public finances

Financing growth: industry response (2)

...allowing to secure adequate financing



Today...



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

Financing growth: industry response (3)

Unprecedented investment

- Capital expenditure 2000-2005
= €7.5 billion per annum
- Capital expenditure 2006-2010
= €8.1 billion per annum
- Capital expenditure 2011-2015
= €8.5 billion per annum

Total over 15 years = €120 billion approx

Financing growth: industry response (4)

Who pays?

- **Background of rising external costs...**
 - Security
 - 5-8% of operating costs in 2000*
 - Up to 35% of operating costs in 2006!*
 - Environmental compliance
 - Raw materials & construction costs
- **2006 European Commission Mid-term review Transport White Paper**

"User charges should contribute more to the financing of airports which are the most commercially viable parts of [Europe's] transport networks..."

Financing growth: industry response (5)

No magic bullet (investment needs to be recouped...)

- **Increasingly diversified sources**

Source of Funds	Percentage of Respondents intending to use Source
Internally generated	88%
Grants	18%
Debt	54%
Equity injection	8%
Private Sector Participation	14%

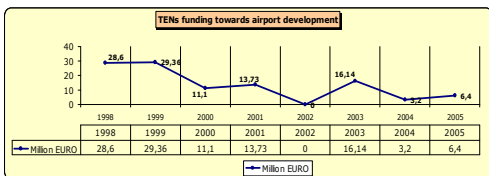
NB: Total sums to more than 100% as most respondents are intending to use multiple sources

- **Internally, two options**
 - Increase commercial revenues (preferred)
 - Increase aeronautical revenues

Financing growth: EU response

EU financing: no level playing field

- **Aviation is discriminated / other modes**
 - Airports: 1% to 5% of the entire TENs budget
 - Decreased TENs funding allocated to airports 1998 - 2005



- Only 1 airport in new list of priority projects and other multi-annual projects

Secure permission to build
Inadequate planning processes

- Planning processes are excessively **LONG**
- Planning processes are excessively **COSTLY**



Project	Duration	Cost
Munich	22 years	800 mil € (20% of total cost)
T5 Heathrow	14 years	550 mil € (12% of total cost)
new runway Frankfurt	9 years	Close to 180 mil €

→ **Planning costs are incurred without any certainty with regard to final outcome and decision date!**

→ **Financing spill-over effect!**

Secure permission to build (2)
Increasing environmental constraints

- **50% of European airports see environmental issues limiting their expansion**
- **Noise and local air quality: traditional topics**
 Local, national and EU requirements are all becoming more complex, time-consuming and expensive
 ➤ T5 at Heathrow
- **Climate Change: new issue**
 CO₂ emissions from aircraft, airport infrastructure and ground transport will further complicate process and increase costs
 ➤ Stansted airport expansion

LOOKING FOR SOLUTIONS

Looking for solutions
The EC communication on airport capacity

- **Focused on optimisation of existing capacity** & co-modality
- Implementation of technical solutions (SESAR)
- Monitoring of airport capacity: "Observatory" at EU level with participation of MS and stakeholders
- Best practice guidelines for the co-ordination of airport plans & land-use planning and improvement of environmental capacity

BUT

- Totally **fails to acknowledge the need to create new airport capacity** to cope with expected demand
- At stake:
 - Success of European Aviation Industry
 - SES
 - "Lisbon Agenda": competitive position of the EU economy

Looking for solutions
Tough competitive conditions worldwide

- **The rise of ASIA & MIDDLE EAST**
 - **2025: 1st world market** - 3,1 bil pax/33% of world traffic
 - Integrated Aviation Policy focused on infrastructure development and traffic growth
- **Gulf: "Emirates Inc", "Etihad Inc"...**
 - Unprecedented Infrastructure & Fleet developments
 - Capturing Americas/Asia, Europe/Asia and Africa/Asia traffic from European hubs...
 - ... but new opportunities for medium sized European airports!
- **The (relative) decline of EUROPE**
 - **2025: 3rd world market** - 2,5 bil pax/28% of world traffic
 - 2007: 4 European airports among top 10 worldwide... 2025: none!
 - Conflicting directions for Aviation policy / Regulatory risk

Looking for solutions
Optimisation of existing capacity is a must

- **Already undertaken at all major European airports, but...**
- **Need for SYSTEM APPROACH**
 - INTEGRATION OF AIRPORTS IN ATM SYSTEM
Strategic/pre-tactical/tactical
 - Commitment/alignment of all stakeholders
Local ANSPs, Airlines, Ground handlers
- **Develop EXISTING TOOLS (Eurocontrol)**
 - ACE (Airside Capacity Enhancement)
 - A-CDM (Collaborative Decision Making)
 - Reconcile ATFM/airport slots

Looking for solutions
A clear EU policy supporting new infrastructure

- **A CLEAR, STRONG and UNEQUIVOCAL MESSAGE**
 - Airport capacity needs to become **a top priority issue** for the European Transport policy
 - Just like SES (Single European Sky)
 - Objective: **incentivise the national-local level** for decision making
 - Prerequisite: **reconcile aviation growth and environment**
 - More infrastructure = less congestion = less emissions
 - SES
 - Clean Sky programme
 - Emissions Trading Scheme (ETS) is the way forward

Looking for solutions
European Aviation Capacity Enhancement Plan

- **Promoting a system approach to aviation capacity**
 - *Integrate Airport and ATM*
- **Key role for the Observatory on airport capacity**
 - Airport capacity report every two years
 - Economic impact assessment of the capacity gap
 - Best practice guidelines on airport planning and land use to be adopted by the Commission
 - Reports to be presented to the Transport Council and the Competitiveness Council, with recommendations to Member States
- **Reconsider EU funding**
- **Full compatibility with Regulatory framework at large**
 - *Airport charges*



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