



Policy Brief

COVID-19: Relief measures to ensure the survival of the airport industry

2020 | 02



Estimated airport passenger traffic losses for YE 2020

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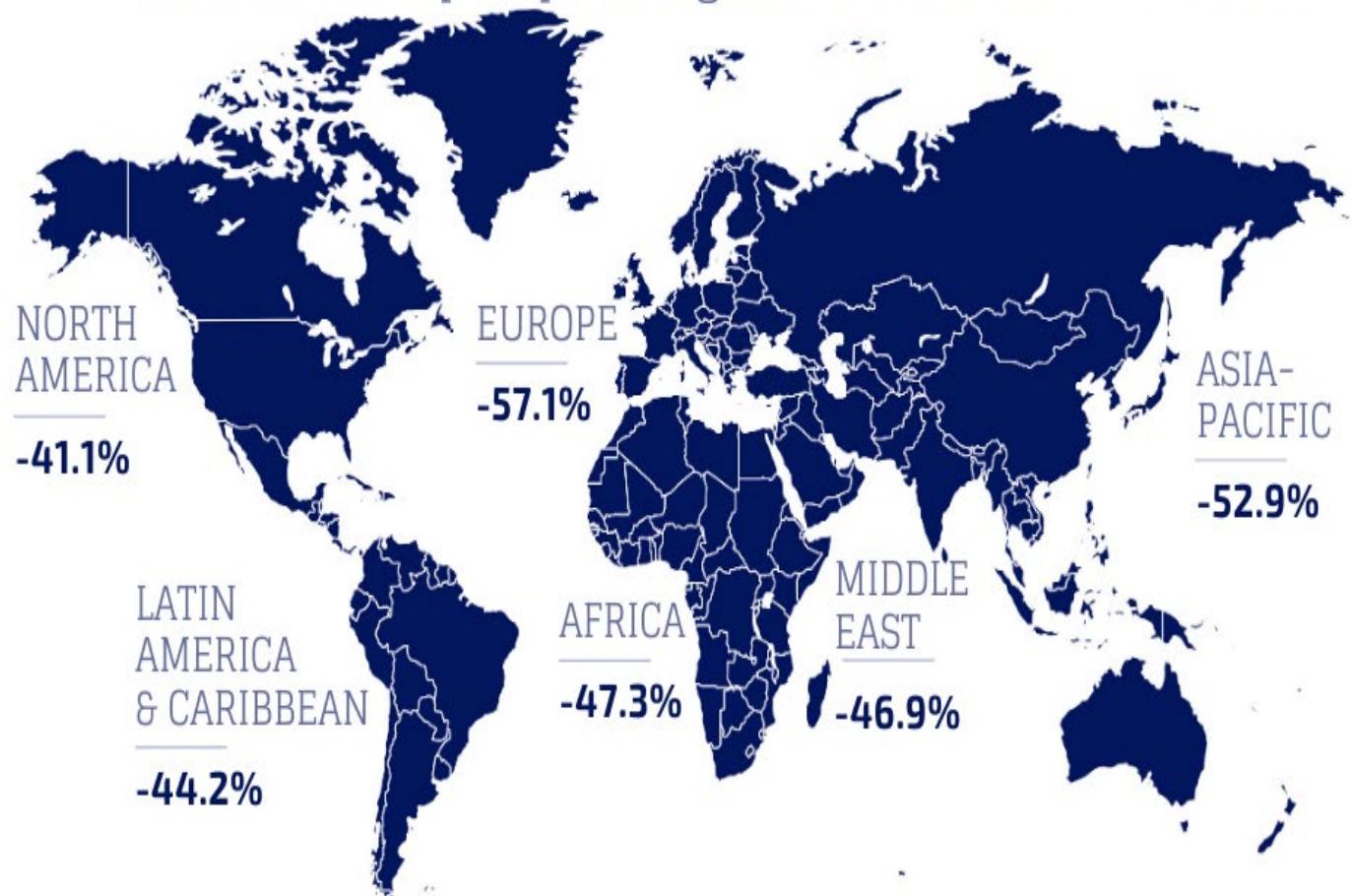
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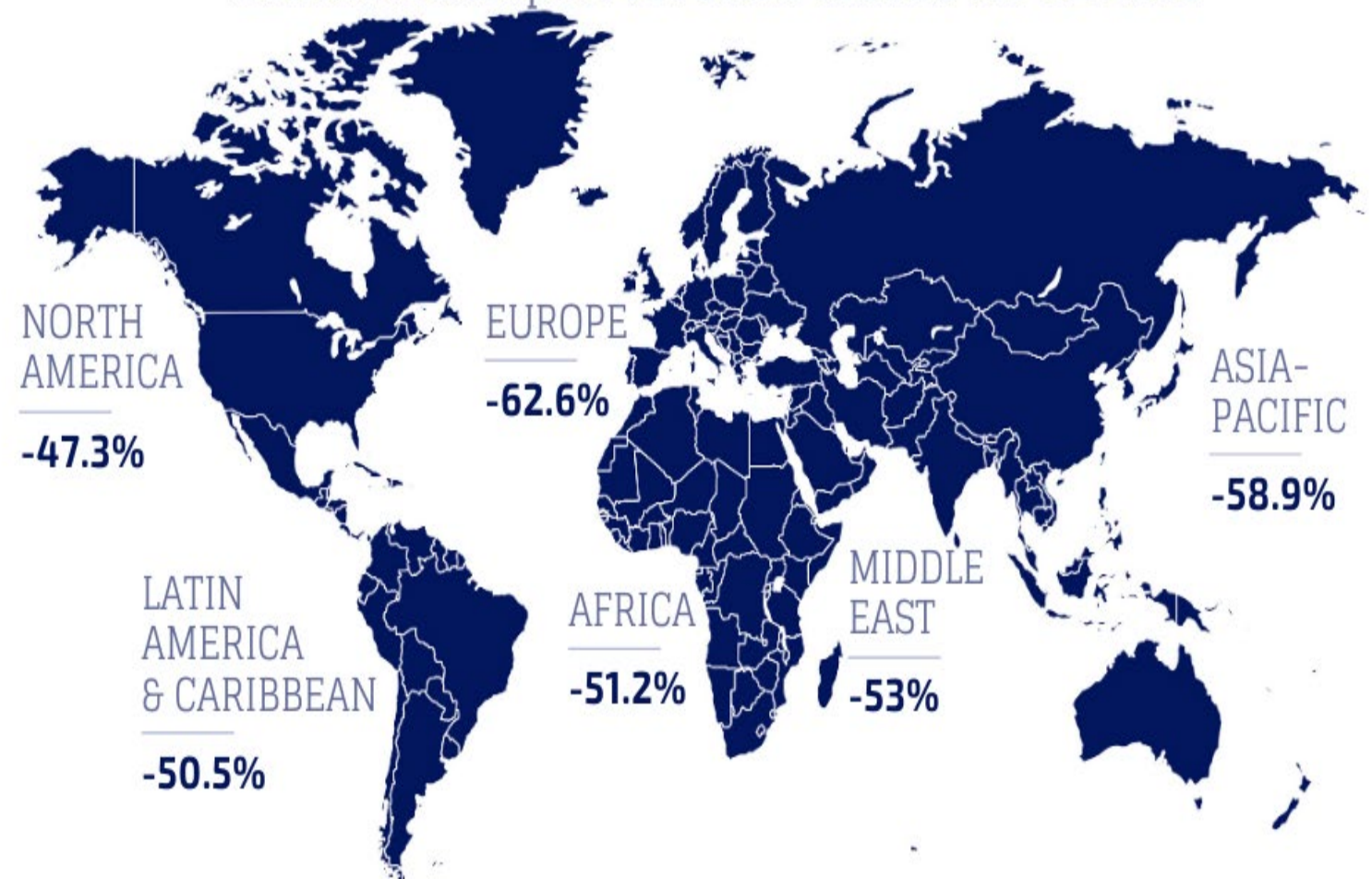
Disclaimer

This policy brief is focusing primarily on the relief and recovery policy responses from an economic and finance perspective. However, a broad range of other considerations are equally important for the airport industry, including but not limited to facilitation, communications, safety and security and operations. Nevertheless, industry stakeholders and readers at large are welcome to familiarize themselves with other ACI guidance material and best practices.

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Estimated airport revenue losses for YE 2020



KEY FINDINGS:

PASSENGER TRAFFIC

- Passenger traffic is expected to decline by more than 50% in 2020 as a result of the COVID-19 outbreak and associated measures such as travel bans and lockdowns. The unique feature of the ongoing crisis is the fact that both the supply and the demand sides of the equation are suppressed. On one hand, most flights are suspended, and travel is severely restricted while, on the other hand, air transport demand, particularly the passenger segment, has collapsed. The latter is a result of an idiosyncratic combination of economic and behavioural factors. The deteriorating macroeconomic situation and loss of income is added to by consumer concern that they may be susceptible to contracting the virus if they fly. Either and both conditions lead to avoidance or postponement of travel plans.

CARGO TRAFFIC

- While air cargo traffic has contracted due to the overall weakness in the global economy, it is expected to be less affected by the COVID-19 crisis in the short- and medium-term, as it remains essential to maintain global supply chains. However, the longer-term prospects are less certain as a prolonged global recession may further weaken demand for air cargo, especially for non-essential goods.

REVENUES AND COSTS

- Total airport revenues losses are expected to contract by 97 billion USD in 2020, more than half of the forecasted baseline in a pre-COVID-19 scenario. The loss in revenues is directly related to the decrease in absolute volumes of traffic and fall in non-aeronautical revenues. Such financial shock represents an existential challenge for airport operators worldwide as in most instances they will not be able to recover costs associated with operations and maintenance of infrastructure. Despite the sharp reduction in passenger traffic, many airports serving major cities stay open for remaining scheduled operations, humanitarian and repatriation flights, cargo operations, and aircraft parking. All these aeronautical activities continue to induce costs for the provision of airport facilities and services staffed to ensure safe and secure aviation operations.

NUMBER OF JOBS

- Personnel employed by airport operators directly and by other entities at the airport represent more than 6.1 million jobs globally. As the entire aviation sector accounts for 10.3 million jobs, approximately 60% of employment is thus generated “on the ground” at airports. The financial difficulties of the airport sector will put millions of jobs at risk, hampering the recovery of the entire aviation ecosystem.

ACI POLICY RECOMMENDATIONS:

PROTECTION OF AIRPORT CHARGES AND REVENUES

- Airports will need to keep charging for services rendered to end-users and users of infrastructure to ensure the continuity of basic services required for airport users and passengers.
- Alleviating the collection of airport charges through an overall suspension or by granting blanket discounts is an ill-advised response to the ongoing crisis.

TAX RELIEF

- Taxes represent a significant share of airports’ cost base; Urgent tax relief will therefore provide much-needed financial oxygen to airports to ensure continuity of operations and safeguard airport jobs.
- Corporate taxes should be deferred to the fourth quarter of 2020; Such relief should apply to tax balances due, as well as installments. Payroll taxes should be temporarily cut to immediately improve cash flow.
- Passenger-based taxes should be suspended to incentivize and stimulate the return of passengers.

CONCESSION FEE WAIVER

- Airport rents and concession fees applicable to airport operators should be waived or postponed in the form of a one-time measure for a defined period of time, without the requirement for airports to pay back the waived amounts later.

TEMPORARY SUSPENSION OF SLOT USAGE REQUIREMENTS

- Airport slot usage requirements should be suspended, at global level, until 30 June 2020.
- For the second half of 2020, a reassessment of the situation should be undertaken by civil aviation authorities based on data-driven evidence such as recommendations from international and national public health authorities, travel restrictions, or traffic demand.
- Airlines must return their slots to coordinators within 24 hours of removing flights from booking systems to ensure that unused slots are reallocated to passenger and/or cargo airlines who will actually use them.

CONTINUITY OF AIR CARGO OPERATIONS

- Airports should continue levying charges on air cargo operations to maintain essential airside and cargo facilities opened and staffed.
- Airports support relief of existing restrictions or granting temporary traffic rights for air cargo operations.

COMPREHENSIVE FINANCIAL RELIEF PACKAGE FOR AIRPORT OPERATORS AND OTHER AVIATION STAKEHOLDERS

- Governments are urged to introduce wage subsidy schemes to maintain an efficient level of employment allowing continued operations and preserving a rapid return to full operations.
- Governments are urged to make immediately available to airport operators – and aviation stakeholders at large – comprehensive financial relief packages comprising grants and subsidies, secured financing, loans at preferential rates, and bank guarantees.
- Financial relief should be non-discriminatory and not benefit one actor at the expense of others in the aviation ecosystem.

1. THE UNPRECEDENTED IMPACT OF THE COVID-19 OUTBREAK ON THE AIRPORT BUSINESS

COVID-19 appeared first in Asia and rapidly spread across the globe. It was declared a pandemic by the World Health Organization (WHO) on 11 March 2020.

As the COVID-19 pandemic unfolds, passenger traffic continues to drop to historic lows and the financial situation of airports has deteriorated to an unprecedented level. All major airports are facing catastrophic declines in traffic volumes, and, in many instances, either near or complete closure of infrastructure to regular commercial operations of passenger airlines. The situation is asphyxiating the airport industry financially, threatening the preservation of essential operations, millions of jobs, and the ability of the airport industry to recover from the crisis.

The COVID-19 outbreak will wipe out half of passenger traffic in 2020

The latest estimates show that the reduction in global passenger traffic volumes as a result of the pandemic progressed from -3.9% in January to -20.3% in February and -58.6% in March, totaling to a -28.4% decline for the first quarter of 2020, equivalent to a reduction of 612

million passengers in absolute terms.

The traffic estimates for the first quarter of 2020 portray a distressing picture. It is estimated that airports in all regions have lost passenger traffic at double-digit rates. Asia-Pacific appears to be the most affected region with an estimated -38.9% loss in passenger traffic for the first three months of the year, followed by the Middle East (-28.1%) and Europe (-22.4%).

The magnitude of losses intuitively follows the chronological order in which these major economic centers of gravity were affected.

The second quarter started to reveal even grimmer situation for air transport and consequently, the resultant impact on airports. Passenger traffic volumes declined by 90% in April on a global scale, ranging from -97% in Europe to -70% in Asia-Pacific. Assuming only slight improvements in aviation activity with slow and expected gradual removal of travel restrictions in few aviation markets as we approach the summer months, the estimated passenger traffic volume decline is expected to dive further.

The loss is expected to be -88.4% in the second quarter of 2020 versus projected levels under a pre-COVID-19 trajectory. Consequently, the figures suggest that aviation will bear the heaviest impact of the Great Lockdown in the second quarter of 2020 assuming gradual alleviation of confinement measures and general reopening of the economies across the globe.

On a global scale, airports are expected to lose more than 2 billion passengers in the second quarter of 2020 alone. In all six regions, the decline exceeds -84% from the projected baseline in the second quarter, and goes beyond -90% in the Middle East, Latin America-Caribbean and Europe.

Predictions for the third and fourth quarter of 2020 are challenged with general uncertainty about air travel. For one, we are not able to foresee when the outbreak will be considered under control and wide-scale restart of air transportation would imply coordinated efforts

of various national governments; we have no indication that this will happen.

It is reasonable to foresee faster recovery in domestic passenger traffic. For international passenger traffic, the recovery will take longer as any international flight implies reciprocal permissions. As states will emerge from the current crisis at different times, the pace of relaxation of the recently imposed restrictions will vary. Most experts in the air transport industry agree that the prospective recovery may take at least two years to reach pre-crisis traffic levels. That is, we may not see pre-COVID-19 traffic volumes again before the end 2022 or later.

Since it became clear that the ongoing health crisis will also have far-reaching economic ramifications, the impact of COVID-19 will extend not only to the second quarter of 2020 but also to the second half of the year. ACI estimated that the impact of the ongoing health

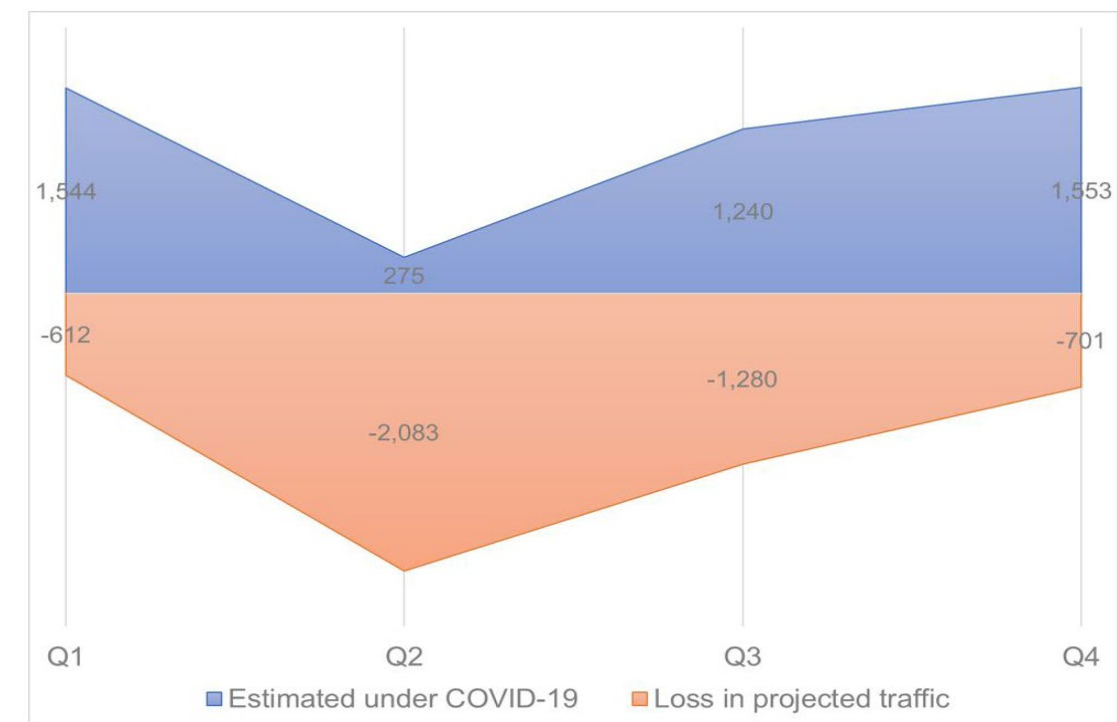
TABLE 1: AIRPORT PASSENGER TRAFFIC VOLUMES FOR Q1 & Q2 2020 BY REGION: FORECASTED (PRE-COVID-19) VERSUS ESTIMATED (COVID-19) (MILLION PASSENGERS)

Q1 2020	BAU Forecast*	Estimated (COVID-19)**	Reduction (million passengers)	% Change (Estimated Q1 2020 / BAU Forecast Q1 2020)
Africa	55	43	-12	-22.2%
Asia-Pacific	854	522	-332	-38.9%
Europe	488	379	-110	-22.4%
Latin America-Caribbean	169	137	-32	-19.0%
Middle East	113	81	-32	-28.1%
North America	476	383	-94	-19.7%
World	2,155	1,544	-612	-28.4%

Q2 2020	BAU Forecast*	Estimated (COVID-19)**	Reduction (million passengers)	% Change (Estimated Q1 2020 / BAU Forecast Q1 2020)
Africa	58	7	-51	-88.4%
Asia-Pacific	834	102	-732	-87.8%
Europe	664	63	-601	-90.5%
Latin America-Caribbean	160	13	-147	-91.8%
Middle East	97	4	-93	-95.8%
North America	545	86	-459	-84.2%
World	2,358	275	-2,083	-88.4%

*The "business as usual" scenario for Q1 2020, estimated using the latest pre-COVID-19 data
 **Estimated passenger traffic volumes based on the Official Airline Guide (OAG) scheduled seat capacity

CHART 1: REDUCTION IN GLOBAL QUARTERLY PASSENGER TRAFFIC 2020 (MILLION PASSENGERS)



Source: ACI World

TABLE 2:

AIRPORT PASSENGER TRAFFIC VOLUMES FOR YE 2020 BY REGION: FORECASTED (PRE-COVID-19) VERSUS ESTIMATED (COVID-19) (MILLION PASSENGERS)

	BAU Forecast*	Estimated (COVID-19)**	Reduction (million passengers)	% Change (Estimated 2020 / BAU Forecast 2020)
Africa	241	127	-114	-47.3%
Asia-Pacific	3,395	1,598	-1,797	-52.9%
Europe	2,482	1,065	-1,416	-57.1%
Latin America-Caribbean	654	365	-289	-44.2%
Middle East	429	228	-201	-46.9%
North America	2,088	1,229	-859	-41.1%
World	9,288	4,611	-4,676	-50.4%

*The "business as usual" scenario for Q1 2020, estimated using the latest pre-COVID-19 data
 **Estimated passenger traffic volumes based on the Official Airline Guide (OAG) scheduled seat capacity

TABLE 3:

TOTAL AIRPORT REVENUES FOR YE 2020 BY REGION: FORECASTED (PRE-COVID-19) VERSUS ESTIMATED (COVID-19) (MILLION USD)

	BAU Forecast*	Estimated (COVID-19)**	Reduction (million USD)	% Change (Estimated 2020 / BAU Forecast 2020)
Africa	4,300	2,100	-2,200	-51.2%
Asia-Pacific	49,900	20,500	-29,400	-58.9%
Europe	59,300	22,200	-37,100	-62.6%
Latin America-Caribbean	10,500	5,200	-5,300	-50.5%
Middle East	13,200	6,200	-7,000	-53.0%
North America	34,700	18,300	-16,400	-47.3%
World	171,900	74,500	-97,400	-56.7%

*The "business as usual" scenario for YE 2020, estimated using the latest pre-COVID-19 data
 **Estimated passenger traffic volumes based on the Official Airline Guide (OAG) scheduled seat capacity

crisis on airports will be truly unprecedented. For the whole of 2020, airports are expected to lose close to 4.7 billion passengers, wiping out half of passenger traffic.

The COVID-19 outbreak will wipe more than half of airport revenues in 2020

Airports are two-sided businesses, engaging in a commercial relationship with both airlines and passengers. They receive their revenues from two primary sources: aeronautical activities and non-aeronautical activities.

Both revenue streams are vital to support the operation and sustainable development of airports. They are used to recover the large capital costs incurred by airports—and these are significant as the airport industry is highly asset-intensive—as well as operating expenses and especially personnel expenses.

Revenue channels are paralyzed by the unprecedented drops in aviation and commercial activity.

As much as 56% of total airport revenue is generated from aeronautical sources. Aircraft-related and

passenger-related charges are the two major income streams vital for continuous airport operations and are dependent on commercial passenger and cargo traffic.

Typical aircraft-related charges include aircraft landing and takeoff fees, aircraft parking fees, boarding bridge fees and other smaller items typically levied based on an aircraft parameter. As for passenger-related charges, these typically comprise of passenger service charges (PSC), passenger security charges and other charges levied based on passenger throughput.

Non-aeronautical revenues, which make up 40% of airports' total income, are also dependent on traffic. As such, there is a clear link between traffic and airport revenues. However, traffic volumes are expected to post declines of slightly more than half as compared to the previously forecasted figures.

2. GLOBAL POLICY RESPONSES TAILORED TO AIRPORTS' URGENT NEEDS: ACI'S SERIES OF PROPOSALS

Airports are important engines of economic growth, wealth creation and employment. COVID-19 represents an exogenous shock to the industry and broader economy which has halted the airport industry at global level. As airlines drastically reduced and/or halted their operations worldwide and passenger numbers dropped to record lows, the pressure to immediately and significantly reduce airport costs to weather the storm has increased tremendously.

Urgent cost containment measures have been implemented to respond to the financial pressure caused by the COVID-19 pandemic and have included reductions in all operating expense categories and postponement of investments in airport infrastructure and capacity worldwide. But these measures cannot be financially commensurate with the financial stalemate that the airport industry finds itself in.

First, airport costs are in general difficult to adjust in time of crisis. This is reflective of the fact that the airport industry is highly asset-intensive. As a result, the airport cost structure is characterized by predominantly high fixed costs necessary for maintaining and operating airport infrastructure, such as runways, taxiways, aprons, parking stands, and terminal buildings. ACI's latest data shows that, at global level, more than one third of total airport costs are capital costs. For the most part, this is due to infrastructure depreciation.

Second, certain airport operating expenses are also semi-fixed in the near term. The largest categories include personnel expenses, contracted services, utilities and energy, and lease, rent and concession fee payments. Airports have adjusted these costs downwards to the extent possible by consolidating operations and temporary closing passenger terminals. But a virtual elimination of all airport operating expenses is not realistic nor desirable:

- Despite the sharp reduction in passenger traffic, many airports and certainly large airports serving major cities are open for remaining scheduled operations, humanitarian and repatriation flights, cargo operations, and aircraft parking. All these

aeronautical activities continue to induce costs for the provision of airport facilities and services staffed to ensure safe and secure aviation operations.

- Airports are important engines of economic growth, wealth creation and employment. The millions of jobs catalyzed by airport operators must be preserved in the most effective way in recognition of their instrumental effect to the wider economy.

In order to alleviate the exceptional financial shortfall of airports, ACI World has issued five focused policy responses for immediate implementation at national level.

These exceptional measures, which were released and substantiated as the outbreak unfolded in February and March, are presented below in a synthesized manner to provide policy-makers with a comprehensive toolkit of solutions to ensure that the airport industry can be sustained through the crisis.

Policy response #1: Protect airport revenues and airport charges

ACI World urges civil aviation oversight authorities to protect revenues such as airport charges. These revenues remain the sole source of funding for airports to continue to ensure the basic services required by airport passengers and users. This primarily includes safe and secure airport infrastructure staffed in the most efficient way to ensure continuity in the provision of services.

Alleviating the collection of airport charges from airlines and passengers through an overall suspension or by granting blanket discounts on specific individual airport charges, postponing airport charges payments without surcharge, or temporarily reducing the level of airport charges is an ill-advised response to the ongoing crisis.

The direct pressure of such an alleviation on airport operating expenditure would simply be unbearable to safeguard the continuity of airport operations.

Airports must also continue to meet their capital expenses obligations as they remain characterized by predom-

inantly high fixed costs necessary for maintaining and operating the infrastructure components of the airport, such as runways, taxiways, aprons, parking stands, and terminal buildings.

Similarly, the payment of airfares to airlines by travelling passengers must necessarily be maintained to ensure the preservation of cashflow streams. Airports are not different from other businesses in this regard. As airports must continue to be able to generate aeronautical revenues from their users and end-users, requests to alleviate the collection of airport charges in the context of the COVID-19 outbreak is ill-advised. Policy decisions need to consider the financial sustainability of airport operators and their essential role in combatting the health outbreak and maintaining economic activity.

Enhancing the dialogue and cooperation between the major industry players and their regulatory authorities through consultations is therefore key to overcoming the current crisis by protecting what is left of airports' revenues and ensuring all stakeholders can survive once the storm is over.

Policy response #2: Grant a comprehensive tax relief

In the very short term, ACI urges governments to quickly grant tax relief that will provide much-needed financial oxygen to airport operators.

Airport operators, as business entities in their own right, are required to pay taxes on their income in most jurisdictions worldwide.

The latest OECD'S Corporate Tax Statistics shows that the average combined (central and sub-central government) statutory tax rate is 21.4%. About 20% of the 94 jurisdictions for which tax rate data is available have statutory tax rates greater than or equal to 30%. According to ACI economic data, this figure amounts to more than \$10 billion at the global level, which represents around 7.6% of total costs, including operating

and capital expenses, incurred by the airport industry annually.

Airport operators additionally pay an array of taxes and fees to governments. Payroll taxes are paid by both airport staff and airport operators on wages, usually to fund social insurance systems and raise general national and local government revenues.

Deferring the payment of corporate tax to the end of 2020 is an urgent support measure that governments can immediately implement to relieve pressures from fully stretched airport finances. Such relief should apply to tax balances due, as well as installments. Corporate tax deferral provides greater flexibility to airport operators experiencing hardships during the COVID-19 pandemic, notably by increasing access to cash to ensure job preservation, continued operations, and debt payments.

Cutting payroll taxes is a second solution to provide short-term relief. Removing employer-related payroll taxes for airport operators means they are able to immediately benefit from the cash savings through improved cash flow, which can then be reoriented towards operating expenses and staff costs. As such, government's decision to take tax revenue away from social insurance systems also means allowing airport operators to keep more people employed.

Other tax policy measures can be implemented in the short term to improve the cash flow situation of airport operators, for instance an exemption of Value Added Tax (VAT) refunds on services, spare parts and equipment procured by airports.

In the medium to long-term, national authorities will have a key role to play to stimulate air transport demand and foster a rapid recovery of the airport

business. This is especially important considering the substantial downward pressure on the global economy, declining incomes and high unemployment, translating into higher price sensitivity for air transport demand. Passenger-based taxes added to airport charges and airline fares, surcharges and ancillary fees can be significant in magnitude. The removal of these passenger-based taxes (e.g., air passenger duty taxes, tourism taxes, entry taxes, etc.) will have a positive impact on traffic development once the recovery starts.

ACI World urges governments to suspend all passenger-based taxes that do not contribute to the aviation ecosystem in order to incentivize the return of passenger confidence to travel and support the recovery of air transport.

Finally, increasing duty free allowances for passengers in the aftermath of COVID-19 will result in increased sales for airport retailers benefitting the airport ecosystem overall.

Policy response #3: Waive airport concession fees

Airport operators are often required to pay a fee to governments for the right to occupy land and/or to operate. This especially applies to airports operated under concession agreements and within public-private partnership frameworks, as they are generally required to make ongoing payments to the government.

For these airports, ACI economic data suggests that concession fee payments to governments aggregated on a global level amounted to 17% of their operating expenses for the financial year 2018.

But airport operators are often required to pay a concession fee to governments irrespective of their ownership status. For instance, not-for-profit airport operators are also often required to pay concession fees in the form of rent payments to government. For not-for-profit airports, concession fees payments to governments aggregated at global level amounted to

21% of their operating expenses for the financial year 2018.

That said, these figures mask a huge variance in airport concession fees paid by airport operators, depending on the region, airport size, and regulatory framework for airport concessions. As such, it is common to see airport operators, and especially those under PPPs, required to pay concession fees which represent a much higher proportion of their operating expenses.

ACI World urges governments to consider, on a case-by-case basis, waiving or postponing airport rents and concession fees applicable to airport operators, irrespective of their ownership status. Such waivers could be a one-time measure for a defined period of time, without the requirement for airports to pay back the waived amounts later. Waiving airport concession fees would allow airport operators to relieve the financial stress they are under while redeploying these funds to continue operations and support recovery strategies.

Policy response #4: Temporarily waive slot allocation rules and establish data-driven mechanisms to reinstate slot usage requirements

Airports around the world are categorized based on their congestion level: Level 1, Level 2 or Level 3. Level 3 airports, or slot-coordinated airports, are the most congested, and just over half of the world's air routes operate at these airports. Their level of demand usually significantly exceeds the capacity of their infrastructure. To respond to this situation, a slot allocation process is implemented to prioritize and manage requests in an orderly manner.

The Worldwide Airport Slot Guidelines require airlines to operate at least 80% of their allocated schedules at coordinated airports to retain their right to use them in the next equivalent season ("80/20 rule"). The other 20% accommodates commercial cancellations within the airline's control (e.g. a flight that did not sell well on a specific date) and cancellations related to events

on a specific date) and cancellations related to events that can reasonably be expected to occur. Possible "ghosts flights", or flights with very low load factors, would normally be cancelled at the airline's discretion as part of the allowed 20%.

The current outbreak hardly qualifies as business as usual. In simple terms, the aviation industry never drafted guidelines for this scenario because a drastic worldwide drop in passenger load factors is so exceptional. As such, airport slot policies in the WASG cannot cope with the current situation and need to be temporarily alleviated.

Consequently, ACI World urges regulatory authorities worldwide to suspend airport slot usage requirements until 30 June 2020. This global temporary suspension is needed to enable carriers, to adjust their schedules in a sustainable way and for airports to protect connecting traffic at hub airports and help safeguard connectivity worldwide.

ACI also favors an ongoing flexible reassessment of the situation based on data-driven evidence for the second half of the year 2020, so as to decide whether and until when airport slot usage waivers are required.

ACI World calls for such assessments to be undertaken by civil aviation authorities in consultation with airport operators and airlines locally and based on their specific circumstances. Civil aviation authorities should consider the following evidence:

- Pandemic status as defined by the World Health Organization;
- Recommendations from international and national public health authorities;
- Travel restrictions imposed by relevant aviation markets;
- Actual traffic and forward bookings for domestic and international services.

Finally, ACI World urge airlines to return slots to airport slot coordinators/slot pools within 24 hours of removing flights from booking systems. This will ensure that unused slots are reallocated to passenger and/or cargo airlines who will actually use them in the timeliest and most efficient manner and that airport planning can be undertaken on sound bases.

Policy response #5: Foster continuity of air cargo operations

Air cargo operations remain an essential lifeline in a time of health crisis. The movement of cargo is necessary not only for transporting medical supplies and equipment in a timely and efficient manner, but also for transporting food, necessities and other commodities essential for people to continue with their lives.

Airports have a role to play in formulating appropriate and rapid policy responses needed to support air cargo operations during this unprecedented distress. Appropriate policy responses to support continuity of cargo operations are indeed essential to fight the ongoing pandemic and also to support the vitality of numerous communities, industries, and economies.

ACI World believes that the air cargo industry currently plays a fundamental role and a balance needs to be achieved between the interests of air cargo operators, infrastructure providers, freight forwarders, and stakeholders at large, so as to deliver air cargo operations in the most effective manner during the outbreak.

Consequently, ACI World urges to:

- Protect airport revenues generated from air cargo operations so as to ensure the continued financial capacity of airports to maintain essential airside and cargo facilities opened and staffed;
- Exclude air cargo operations from any COVID-19-related travel restrictions and exempt air cargo crew members, who do not interact with the public, from 14-day quarantine requirements;

- Ensure that standardized measures are in place so that air cargo can continue to move around the world with minimal disruptions;
- Support temporary traffic rights for cargo operations where restrictions may apply.

Finally, regarding the protection of airport revenues, it must be emphasized that operating cargo flights implies the provision of airport infrastructure and services in a similar fashion for passenger traffic. Maintaining air cargo operations requires that airport operators remain in a position to recover the related costs through charges in line with relevant cost recovery principles and policies. It is indeed crucial that airport operators are able to weather the crisis by generating some revenues to at least safeguard their staff.



3. AN OVERARCHING NEED: A FULL FINANCIAL RELIEF PACKAGE TO PROTECT AIRPORT JOBS AND BUSINESS CONTINUITY

The five focused and targeted policy recommendations made by ACI World are needed to provide short-term relief to the airport industry and to the entire aviation ecosystem.

But they will not be enough if implemented in isolation and without a comprehensive package to overcome the predicament whereby airport operators cannot continue paying salaries to their employees without regular cashflow, while still they are expected to maintain their facilities and accommodate flights. Safeguarding airport jobs is a difficult yet very essential part of the recovery path.

Airports could not function without a variety of skilled and qualified personnel to perform key operations. That said, the airport labor force goes beyond essential operations.

Many employees that work at an airport are actually employed by outside entities – generally, these workers provide the commercial activities, such as food and beverage and retail services, aviation-related services such as ground handling, and governmental services such as border control as well as security.

In fact, based on ACI data, personnel employed by airport operators and outside entities represent more than 6.1 million jobs globally. As the entire aviation sector accounts for 10.3 million jobs, approximately 60% of employment is thus generated “on the ground” at airports.

The typical hub airport has as many as 40 thousand employees either working for the airport operator or on the airport site for other employers. The livelihoods of millions of people need to be considered in light of the recent measures to mitigate COVID-19.

Consequently, ACI World urges governments to consider

the rapid introduction of wage subsidy schemes. This would not only help aviation recover faster but would also contribute to building a sound economic resilience. By ensuring that millions still have the financial means to participate in the economic life of their communities, they will also sustain local commerce and jobs.

Protecting airport jobs must go hand in hand with protecting business continuity. The greatest risks faced by airport operators are financial collapse and bankruptcy as a result of stringent short-term liquidity problems.

There are several financial relief measures that ACI World urges States to consider in alleviating the significant drop in cash flows and to ensure operational and business continuity of airport activities. Most notably, ACI World calls for the immediate provision of government assistance in the form of comprehensive financial relief packages comprising of:

- Grants and subsidies;
- Secured financing;
- Loans at preferential rates;
- Deferment of loan repayment contracted with Government;
- Bank guarantees; and
- Government guarantee to loans contracted by airports with foreign lending agencies.

These comprehensive financial relief packages will support operating expenses, and mainly wages to airport staff. A thorough financial relief package will also ensure that airport operators can continue to service their overall financial and debt obligations and protect their capacity to borrow and to permit a sustainable recovery in the future.

Finally, any and all plans provided by States should be based on the premise that aviation stakeholders

will fulfill commitments with each others to ensure the sustainability of the entire aviation ecosystem. Recognizing that the entire aviation ecosystem has been affected by this crisis, requested financial relief should be non-discriminatory and not benefit one actor at the expense of another actor in the aviation ecosystem.

4. REBUILDING CONFIDENCE IS THE PATH TO RECOVERY

According to the Air Transport Action Group (ATAG), aviation's direct, indirect, induced and tourism catalytic employment effect is in the realm of 66 million jobs. This is comparable to the populations of France or the United Kingdom. Aviation's global economic impact is in the realm of \$2.7 trillion or 3.6% of global Gross Domestic Product (GDP).

For decades, aviation has remained a major catalyst in supporting growth in other industries such as tourism. In fact, as much as 57% of international tourism is supported by air travel as the leading mode of transport. The industry is hugely important to the social and economic welfare of millions of people across the planet. According to the United Nations World Tourism Organization (UNWTO), tourism accounts for 10% of global GDP with one-in-ten jobs linked to tourism.

Unfortunately, the measures introduced to limit the spread of COVID-19 have already resulted in significant loss of employment with many airports announcing lay-offs. The present crisis is leading to a domino effect that is becoming apparent. The International Monetary Fund's (IMF) global growth outlook for 2020 is negative – a recession. The IMF predicts the decline in economic activity could potentially exceed the loss of income experienced during the Global Financial Crisis of 2008.

It is inevitable that the COVID-19 crisis will largely reshape air travel. In the aftermath of the September 11th attacks, the air transport industry together with government agencies fundamentally rethought security measures, most of which are still in place today. Airports have been working closely with public health agencies to facilitate health-related screening of passengers. Additionally, airports implemented mechanisms to disperse passenger flows in potential bottleneck areas during peak periods and make everyone within airport premises aware of social distancing recommendations. The heightened hygiene and sanitation measures

implemented today by airlines and airports will also have a long-standing impact on the air transport industry.

When the ongoing health crisis will be over and commercial passenger aircraft will take off, airports will certainly be better prepared to process passengers according to the new standards. These difficult weeks or months of grounded commercial air services should be used wisely by airport operators to build resilience. To do so, they need to rely on the engagement and active participation of States, regulatory authorities, and all the stakeholders of the aviation ecosystem so that the path to recovery is sound, seamless and sustainable.





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