The impact of COVID-19 on the airport business: preliminary assessment
20 March 2020

ACI World Economics Department
Montreal, Canada
ACI World activities concerning COVID-19

- Advisory Bulletin on communicable diseases;
- Advisory Bulletin on impact on airport business;
- ACI Insights on airport charges;
- Call for global suspension of slot rules;
- ACI response to airline alliances on charges and slots;
- ACI Global economic policy responses;
Economic impact of COVID-19 on airports
Chart A: Number of COVID-19 confirmed cases and countries affected 20 March 2020

Over 70K more cases in just 4 days
These Are the Places Restricting Travel Because of the Outbreak
As of March 20, 2020, 3:10 AM EDT
- Bans all foreign visitors
- Bans travel from various places with confirmed cases
- Other travel restrictions
Facts

• In the last two weeks, there was a sharp spike in the number of confirmed COVID-19 cases and the number of countries affected by the outbreak (see Chart A);

• The industry has witnessed an increasing number of flight cancellations and aircraft groundings;

• This has been followed by official travel bans, visas cancellations and border closures; and,

• Over the weekend of 14-15 March, a number of countries declared strengthened measures, including closures of schools, universities, public areas, etc..
...and Intuition

• In light of the rapidly evolving situation, all previous assessments with regard to airport traffic and revenues are now substantially outdated and are not representative of the reality; and,

• Chart B illustrates revenue loss assessment for YE 2020 at different points in time. Clearly, there is a pattern that relates the number of cases, the number of affected countries, the loss in traffic, and loss in airport revenues.
Chart B: Number of COVID-19 confirmed cases and estimated loss in airport revenues YE 2020 (as of 20 March 2020)

Revenue loss heading towards the 46 billion USD mark and over for YE 2020
Number of cases / countries affected
• Flights cancellations
• Aircraft groundings
• Travel bans
• Border closures

Traffic decline
• Fewer flights
• Lower load factors

Revenue loss
• Proportionate to traffic loss
• Decline in unit revenues, especially in non-aeronautical
Potential losses for 2020*

Airport losses (billions USD)

-1
-12
-15
-2
-2
-14

Total airport industry losses
>46 billion USD

>25% decline in industry revenues

*Figures subject to change - Data-driven impact assessment to be released on 30 March 2020 (traffic + revenues)
Airport industry today

• A large number of airports are closed or practically closed to commercial operations;
• Grounded aircraft are parked, though there are limited parking positions;
• Airport operators alleviate parking charges in specific circumstances;
• Despite drastic drop in traffic and hence revenues, airports incur additional opex related to extra cleaning and sanitizing; and,
• Airports, just like airlines, are facing a full-scale financial crisis.
Major airports’ rough figures

- AdP (French airports group): -25% traffic drop between March and June;
- Private airports in India: -25% in February and -50% in March;
- U.S. airports: -40% between March and June;
- Frankfurt: -30% in March; and,
- Hong Kong: -70% in February.

Passenger traffic can decline by anywhere between -20% to -50% between March and June, depending on how the situation will evolve.
Airlines and airports in the same boat

• IATA estimated loss in airline revenue of as much as US$113 billion (likely to be revised much higher);

• ACI expects the loss in airport revenues to exceed US$45 billion;

• Potential airline bankruptcies represent a major risk for airports.
Weathering the storm

• Most assets in the airport industry are fixed;
• Safeguarding continuity of airport operations when the current health crisis will be resolved is important;
• Airports must continue to meet their capital expenses and other contractual obligations;
• Consequently, airports must continue to be able to levy both aeronautical and non-aeronautical revenues from their users and end-users; and,
• Enhancing the dialogue and cooperation between the major industry players and their regulatory authority is the key to overcoming the current crisis and ensuring that everyone survives once the storm is over.
ACI's Economic policy responses to COVID-19
Advisory Bulletin on communicable diseases

ACI Response

24 Jan 2020

- Guidance material for airport operators with focus on
  - Operators responsibility
  - Communication
  - Screening

Transmission of Communicable Diseases

Montreal, 24 January 2020 – The recent novel coronavirus (2019-nCoV) outbreak is of considerable concern to the aviation industry.

For airport operators, the main aims are to protect the health and welfare of travellers, staff and the public, and to reduce the opportunities for dissemination of communicable diseases.

In the coming days and weeks, ACI expects to see national regulators and health authorities react to the spread of the virus by introducing measures directly affecting aviation and more broadly.

This advisory bulletin is addressed to ACI members and reiterates a number of options and best practices that airports and national authorities can use to protect against communicable diseases that might pose a serious risk to public health.

The recommendations are designed to reduce exposure to an infectious agent at airports and to improve the response to health-related emergencies by establishing mechanisms for rapid decision-making and action. They are intended as guidance, not to be adopted as written, but to be modified to the local situation as necessary. They are not specific to the coronavirus outbreak.

Not all of the measures identified would be the responsibility of the airport, but can be used in discussion with local authorities and national regulators when determining appropriate actions. The top priority should be to agree responsibility and accountability for measures between the airport and the relevant authority.

From an operational perspective, ACI is committed to assisting airports. Airport members are advised to refer to the following guidelines as necessary, that can be found in the Airport preparedness guidelines for outbreaks of communicable disease.
ACI Advisory Bulletin on impact on airport business

03 Mar 2020

- State of the airport business with focus on:
  - Impact on traffic
  - Shortfall in revenues
  - Slot usage requirements
  - Financial sustainability (airport charges)

ACI calls for strengthened cooperation between airports, airlines, and regulators.

Montreal, 10 March 2020 – The coronavirus disease (COVID-19) outbreak is of considerable concern to the aviation industry and poses specific challenges for the airport business, in terms of traffic, revenues, connectivity and slot usage requirements.

This advisory bulletin is addressed to ACI members and presents a status update on the estimated impact of the COVID-19. This follows the Advisory Bulletin: Transmission of Communicable Diseases issued by ACI World in January which was intended as guidance for airports and national authorities to use to protect against communicable diseases that might pose a serious risk to public health.

Airport operators remain first and foremost concerned with protecting the health and welfare of travellers, their staff and the public, and reducing opportunities for transmission of communicable diseases.

The loss of passenger and cargo traffic, the loss of revenues—which impact airports’ ability to recover their capital and operating costs—and the loss of connectivity due to flight cancellations are all creating a unique set of threats to airport operations and continuous airport development.

This current status update is based on data in ACI databases and on scheduled capacity, extracted in early March 2020, soon after major clusters of coronavirus incidence were found in countries outside Eastern Asia, such as Italy and Iran. The estimations for the impacts of the current crisis rely on a best-case scenario, which is that the brunt of its effects will be concentrated in the first quarter of 2020.

Impact on passenger traffic

Passenger traffic continued to post positive annual growth rates in 2019. Based on
ACI Insights on airport charges

ACI Response

12 Mar 2020

- Amplification of ACI’s message on the importance of protecting airport revenues

- Focus on
  - Traffic
  - Airport revenues
  - Airport costs
  - Importance of continuous collecting of airport charges

COVID-19: The importance of airport charges and revenue in a time of crisis

by Iliia Liutov | Mar 12, 2020

The latest findings in Airport Economics Report and Key Performance Indicators for the financial year 2018 suggest that as much as 56%...

READ MORE
Call for global suspension of slot rules

ACI World urges a global temporary suspension of airport slot requirements

Move would help airports and airlines recover faster once the crisis is over

Montreal, 17 March 2020 – As the COVID-19 outbreak continues to unfold, Airports Council International (ACI) World has today called for the alleviation of airport slot usage requirements.

Recognizing the ripple effects of pursuing disparate approaches across different countries and airports, ACI World urges a harmonized approach through a global temporary suspension of airport slot usage requirements until 30 June 2020.

ACI favours an ongoing flexible reassessment of the situation based on data-driven evidence.

ACI Response

17 Mar 2020

- Call for global temporary suspension of slot usage requirements

- Key messages
  - Harmonized and consistent approach
  - Global alleviation of the 80-20 rule until 30 Jun 2020
  - Flexible reassessment of the situation based on data-driven evidence
  - Carriers to relinquish slots within 24 hours
ACI Global economic policy responses

18 Mar 2020

- Global policy proposals from the Director General of ACI World

- Key messages
  - Protection of airport revenues
  - Temporary global suspension of the 80/20 rule
  - Ensuring access to finance
  - Waiver on airport concession fee payments
  - Tax relief for the aviation sector
  - Government assistance
ACI World news hub on COVID-19

LATEST COVID-19 INFORMATION

ACI Response

- one-stop shop on ACI World’s guidance and information for airports, its policy positions, Advisory Bulletins, press releases, industry news, and other useful links and information
Moving forward: 6 Policy measures

- Protecting airport revenues – continue levying charges;
- Temporary suspension of airport slots usage requirements;
- Ensuring access to finance, e.g. government loan guarantees or funding of debt;
- Waiving airport concession fees;
- Tax relief for the aviation sector; and,
- Providing government assistance, e.g. subsidies and grants.

Underlying philosophy: ensuring the continuity and sustainability of airport operations worldwide
Protecting jobs – airports are engines of growth and generate employment

Immediate financial assistance required

- Employment from airport operators and on airport site employment - retail, car rental, govt customs, etc.” accounts for over 6.1 million jobs globally.

- The entire aviation sector makes up 10.2 billion jobs. Therefore, “on the ground at airports”, we are talking about 60% of employment in the aviation sector is somehow related to airports.

- Aviation’s direct, indirect, induced and tourism catalytic employment is in the realm of 66 million comparable to the populations of France or the United Kingdom.

**DIRECT JOBS**

- 525,000
  - Airport operators
  - (operations, planning, engineering)

- 5.6 million
  - Other on-airport
  - (retail, car rental, government agencies such as customs and immigration, freight forwarders, some catering)

- 2.7 million
  - Airlines
  - (flight and cabin crews, executives, ground service, check-in, training and maintenance staff)

- 1.2 million
  - Civil aerospace
  - (engineers and designers of civil aircrafts, engines and components)

- 233,000
  - Air navigation service providers
  - (air traffic controllers, executives)
Moving forward: forthcoming outputs

• Constant flow of advocacy communications through media releases and ACI Insight

• Updated Advisory Bulletin on impact on airport business – week of 30 March

• Industry webinars for members on specific topics – Coming weeks
Thanks
https://aci.aero/about-aci/priorities/health/covid-19/