THE CHALLENGES FACING AIRPORTS



Olivier Jankovec Director General

Where to next for European Aviation?

EUROCONTROL
Brussels, 4 October 2022





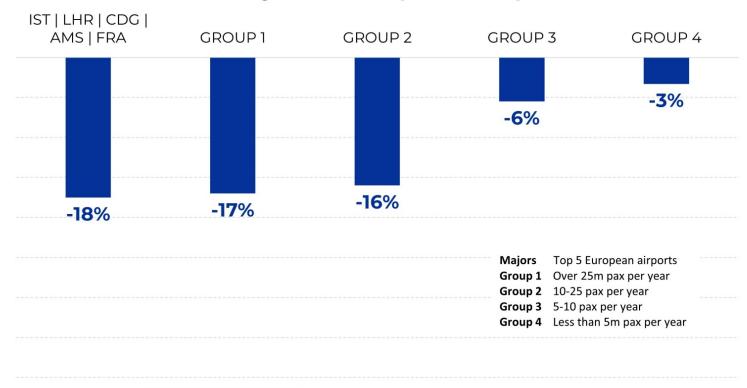
- Passenger traffic recovering - at last

Passenger Traffic (2022 vs. 2019)

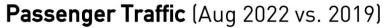


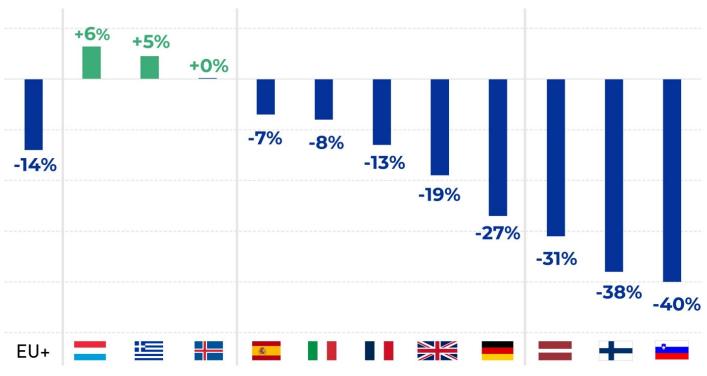
- Regionals outperforming vs. Hubs/larger airports

Passenger traffic (Aug 2022 vs Aug 2019)

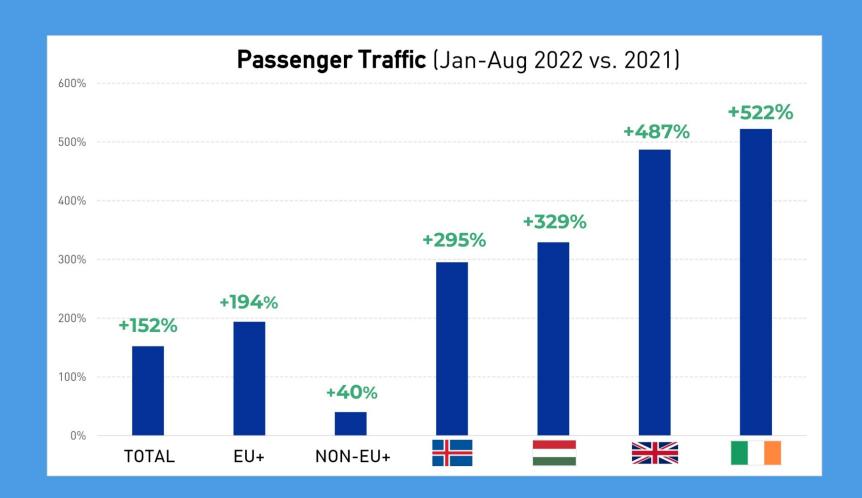


- EU+ market & performance gaps









ACUTE STAFF SHORTAGES & STRIKES





ft.com

Delays, shortages and strikes: can the aviation industry get airborne by... As passenger numbers pick up, staffing problems at airports have caused chaos across the US and Europe







Statement from Europe's airports and ground handlers on current operational disruptions & staffing challenges

Brussels, 6 May 2022: Airports and ground handlers have today spoken out about the complex operational challenges they face as we enter the summer travel season.

• WAR IN EUROPE







- (renewed) supply pressures

- *i)* Downsized airlines & reduced fleets
- ii) Airport slot waivers
- iii) Jet fuel costs
- iv) Increasing air fares





- & new <u>demand</u> pressures

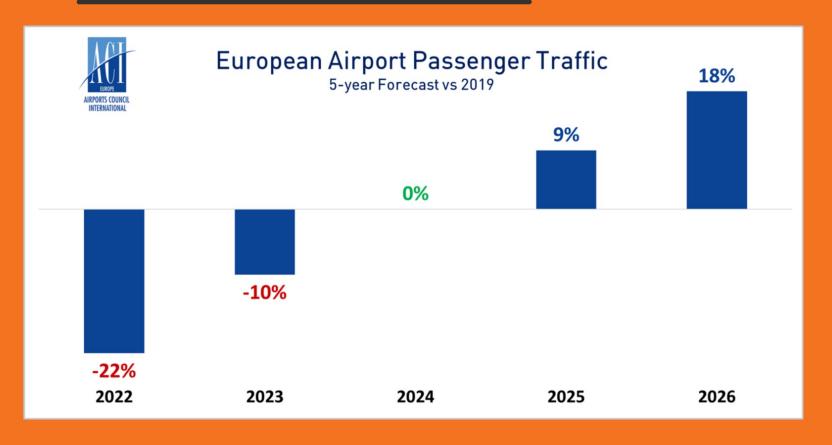
- i) Supply chain & global trade disruptions
- ii) Inflation
- iii) Consumer & business confidence



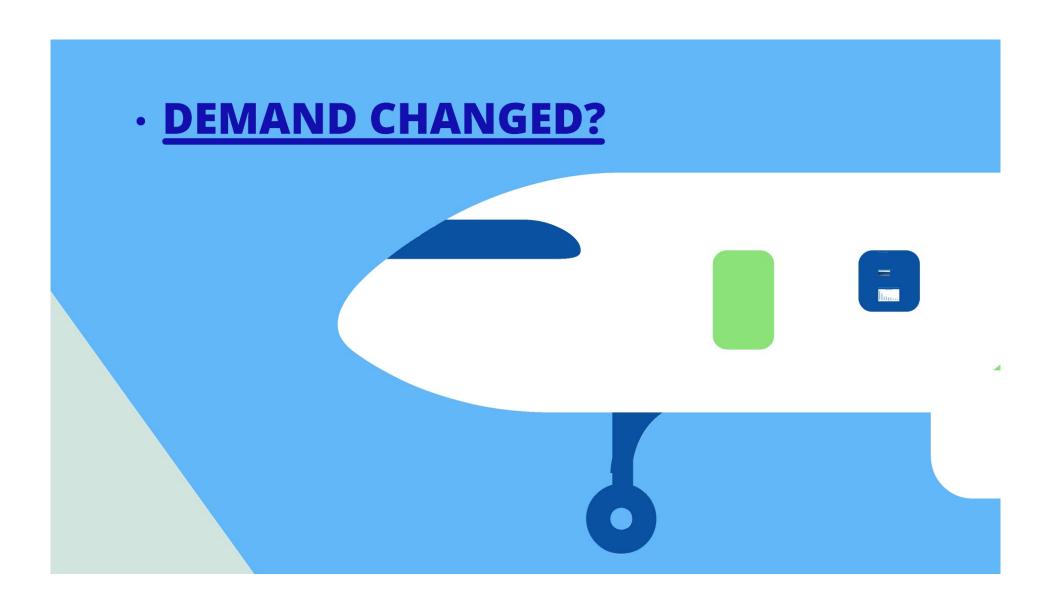


= Downward traffic risks

FULL RECOVERY BY 2024







- Leisure | VFR is KING...

... LCC boost, but also premium

Holidaymakers are driving a surge in demand for business and first-class seats as post-pandemic air travel resumes



& Greener





From alternative fuels to rationing trips: A guide to more sustainable flying



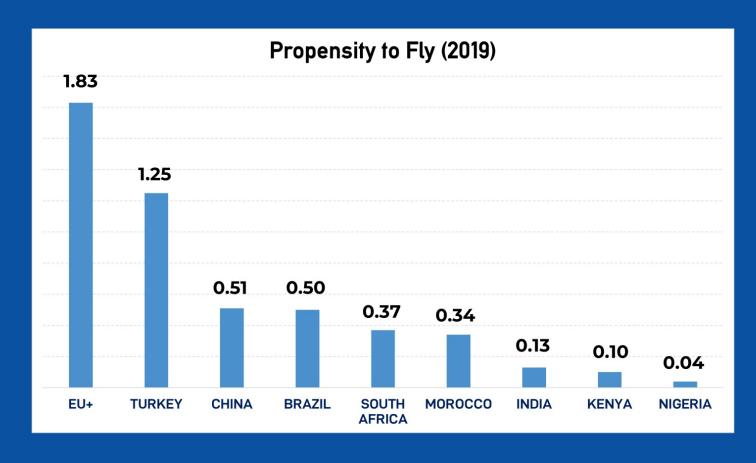
- Sustainable (less) business travel







- Less domestic/European & more International

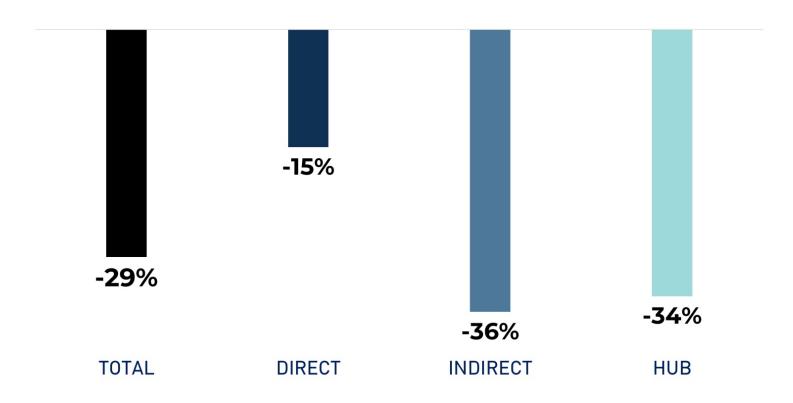


EVOLVING CONNECTIVITY



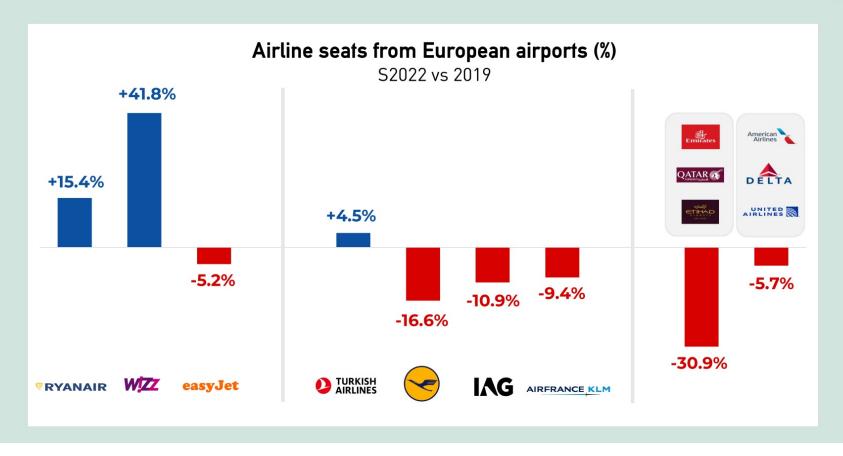
- Direct vs. indirect/hub connectivity

June 2022 vs. June 2019

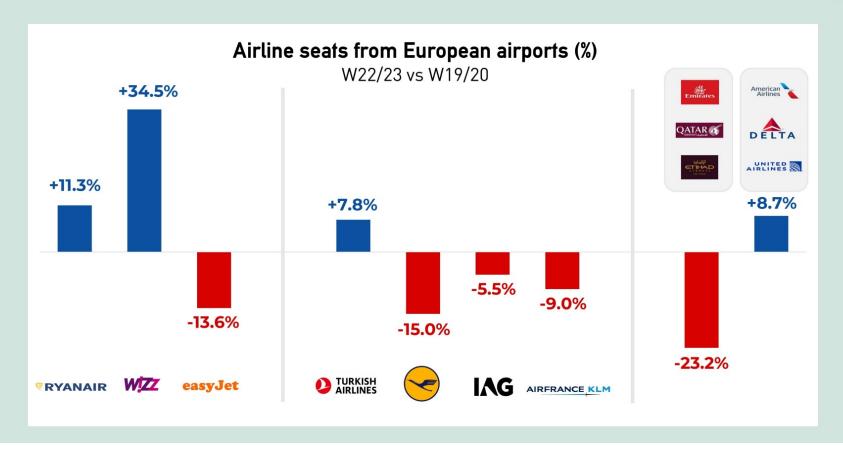




- Ultra-LCCs = WINNERS



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& BEYOND the pandemic



- ✓ Inflation = consumers trading down
- ✓ Younger fleet age = natural hedge against higher fuel prices
- ✓ Up-gauging & lowering unit costs
- ✓ Broadening network | shorter routes | primary (airport) market
- ✓ +470 aircraft on order...

- Network Carriers

= RETRENCHED | SUPPORTED | RESTRUCTURED

& chasing higher yields (not volumes)





New uniforms, smarter cabins, gourmet food: Revealed – British Airways' blueprint to go upmarket again

- AIRLINE CONSOLIDATION = still on the cards...



Two options on the table for Italy's ITA Airways



... By attrition







= Increasing airport competition



"EasyJet invited airports to make **Apprentice-style pitches** during 20-minute

Skype sessions."

Article from Reuters

"Lufthansa Group is increasingly able to move fleets and traffic wherever the conditions are best for quality, growth and cost effectiveness."

Lufthansa Group Press Release



LIVING WITH COVID-19





GEOPOLITICS & SECURITY







CHANGING GLOBALISATION





THE WAR ECONOMY



· CLIMATE CHANGED

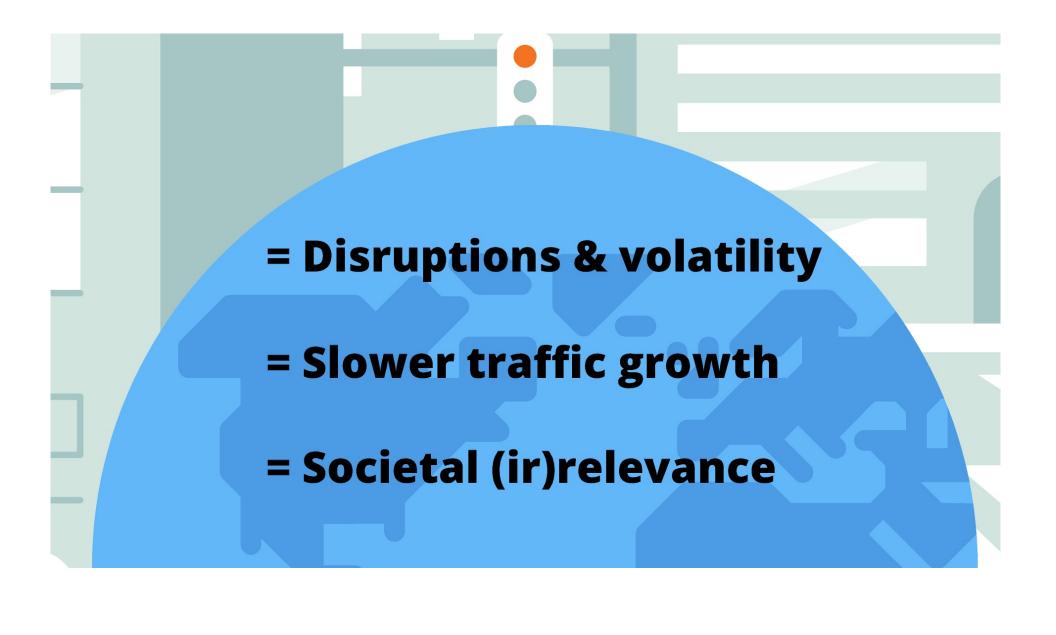




World on brink of five 'disastrous' climate tipping points, study finds

Giant ice sheets, ocean currents and permafrost regions may already have passed point of irreversible change

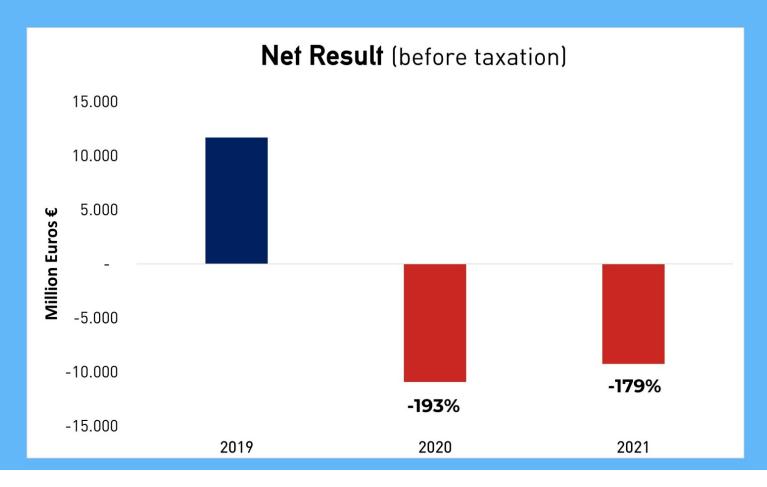


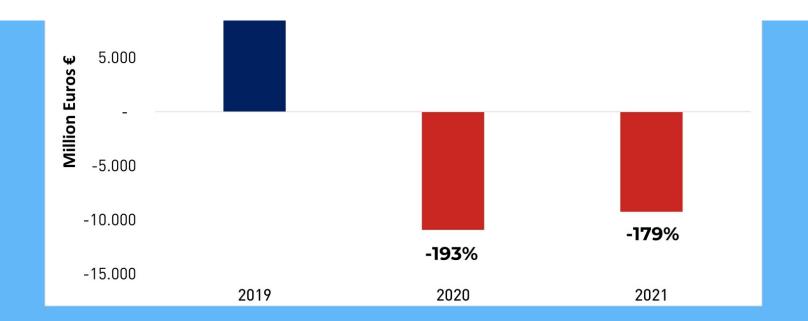






- Systemic financial weakness





+€60 billion debt & liabilities (vs. 2019)

- Cost intensive & revenue weak recovery

- STRUCTURAL REVENUE PRESSURES

Slower volume growth | airline dominance | digital competition

- STRUCTURAL COSTS INCREASES

Inflation hitting opex & capex | States offloading responsibilities & costs

= Economic Model Challenged

= Investment Crunch Ahead

€-7 billion

reduced investment vs. planned (2020 & 2021)

2. DECARBONISATION & SOCIETAL ACCEPTABILITY



2. <u>DECARBONISATION & SOCIETAL ACCEPTABILITY</u>



Government To Cut Available Amsterdam Schiphol Slots By 12%

PUBLISHED JUN 27, 2023

Yearly movements at Schiphol Airport are set to be reduced by up to 60,000 starting November 2023.

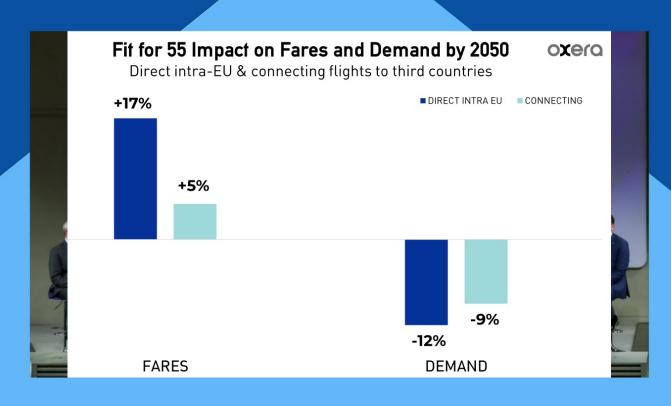




- EU Policy & Regulatory reset



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Strategic analysis from authoritative sources highlights both disruption and opportunity from COVID-19, enhanced employee expectations, and the rise and rise of ESG



& human capital







- Facing unrest & system change



TRANSITIONING & TRANSFORMING

SHAPING OUR FUTURE







From ESG...



...To NEW VALUE CREATION & AIRPORT MODEL

SUSTAINABILITY INNOVATION DIVERSIFICATION - Competitiveness ✓ Seamless flow & Biometrics - passengers | bags

SUSTAINABILITY

- License to exist

"Every company will be transformed by the transition to a net zero world.

The question is will you lead or will you be led?"

Larry Fink

- Accelerating decarbonisation



272 airports (+61 vs. pre-pandemic)



127 airports (**+55** vs. June 2021)



- From Scope 1 & 2 to Scope 3





Partnership with AIRBUS



- Holistic approach
 - ✓ Co-benefits: noise, air quality, biodiversity
 - ✓ Territorial integration & multimodality
 - = Extended scope & responsibilities
- From AIRPORTS to ENERPORTS







- Sustainability & deepening community relationships















INNOVATION

- Operational Performance & Resilience

"I believe innovation is the most powerful force for change in the world."

Bill Gates

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- Competitiveness
 - ✓ Passenger centric & reducing airlines' OPEX
- Harnessing digital, AI & automation

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- ✓ Seamless flow & Biometrics passengers | bags
- ✓ Predictive operations & maintenance
- ✓ Stakeholder collaboration, integration shared culture
- ✓ New business opportunities:
 Advanced Air Mobility & vertiports
- ✓ Enhanced (cyber)security, health & safety

- Airports = Co-creators & investors...



= Scalability & standardisation challenges



DIVERSIFICATION

- Economic Performance & Quality

"Strength lies in differences, not similarities."

Stephen Coveney

- Aeronautical

✓ Diversified airline portfolio & connectivity



1200+ route developers



✓ Investing differently

Capacity vs. Sustainability | Maintenance & upgrades | Ops performance

Regulatory alignment

Airport charges:
user pays
airline interest vs. passenger / community
pricing freedom (flexible, dynamic & market-driven)

Slots:

Airline flexibility & wasted capacity = airports' costs & foregone revenues

- Non-aeronautical







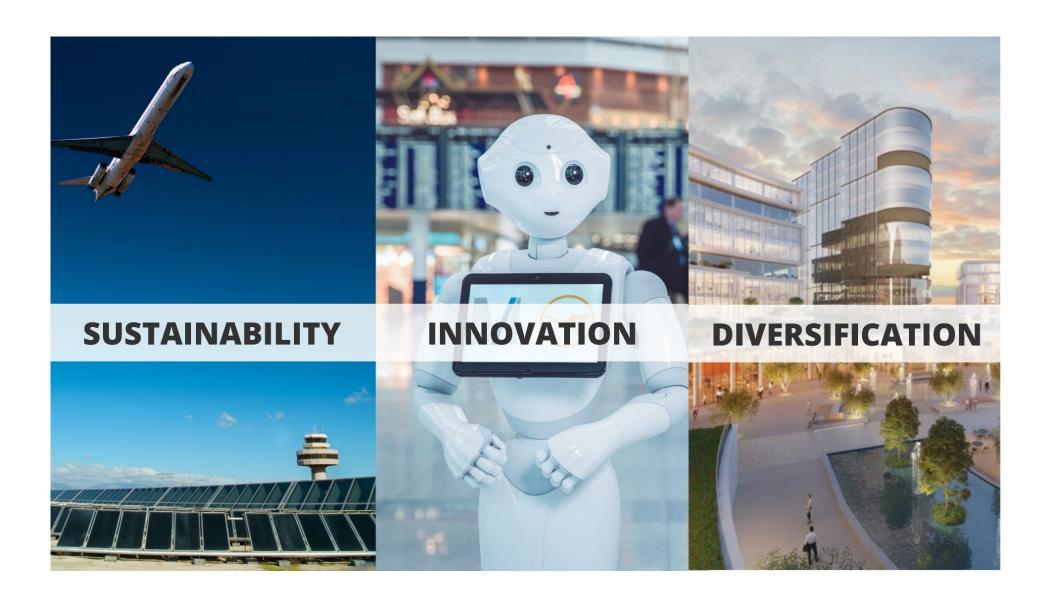


- Evolving offerings & services...Sustainability, Customisation, Experience
- ✓ Cross-selling Concessionaires, Brands & Airlines?
- ✓ Beyond the passenger...

- Going international

- Exporting know-how & revenue diversification
- ✓ Championing climate action beyond Europe





= GLOCAL BUSINESSES (in their own right) & VALUE FOR ALL STAKEHOLDERS







= NO AIRPORT & COMMUNITY LEFT BEHIND













With and for airports - always.