Response to the consultation on the
Review of the EIB lending policy
(25 March 2011)

Introduction

ACI EUROPE (Airports Council International) welcomes the opportunity to respond to the consultation on the review of the European Investment Bank’s (EIB) lending policy and commends the Bank for its transparent procedure to update this important instrument for the funding of transport infrastructure in the EU.

Transport is a cornerstone of the European economy. It ensures the mobility of businesses and people and contributes largely to economic growth. The sector as a whole represents 10% of the EU GDP and provides over 10 million direct jobs. The EIB rightfully acknowledges the pivotal role of transport for the overall economy of the EU and devoted 23% of its total funding to the transport sector in 2009. However, only 3.6% (€642 million) of the funds earmarked for the transport sector were allocated to projects in the airport sector.¹

European airports play a central role as one of the key pillars of the European transport infrastructure. The creation of a single EU aviation market in the 1990s has allowed for a tremendous development of the industry, fostering the connectivity of European regions and boosting the European economy as a whole. In light of recent traffic forecasts by EUROCONTROL², which expects the air traffic in Europe to almost double by 2030, further investments in airport infrastructure will be essential to avoid a massive congestion of the European airport network and beyond, of the European aviation system.

At the same time, access to funding has become more challenging for airports across Europe in the wake of the global financial crisis. Indeed, public funding has become more limited due to increased budgetary constraints at national and EU levels, while access to capital markets has become more difficult – a major (and costly) problem for large-scale infrastructure projects such as the construction of a new runway or a new terminal. 2010 alone saw a downgrade of the credit worthiness of three major European airports³.

Against this background, ACI EUROPE considers that the revised EIB lending policy should recognise the funding of airport projects as a priority.

Since the 1970s, the European Investment Bank has granted loans to more than 220 airport projects. In recent years, the Bank has financed important projects at both hub and regional airports such as Amsterdam, Berlin, Dublin or Malaga. It has contributed to major efficiency improvements and fostered the economic impact of these airports in their regions. ACI EUROPE therefore urges the EIB to acknowledge the key role of European airports in its new lending policy and to make the necessary funds available to expand and modernize this central pillar of the European transport infrastructure.

Overall, EIB funds should have a catalyst effect for achieving EU policy objectives. Therefore, ACI EUROPE invites the EIB to consider all positive externalities, in the area of sustainability but also competitiveness, innovation, social and spatial cohesion when defining the scope of its lending policy for transport.

¹ According to the EIB project data base on www.eib.org.
³ As rated by Standard & Poor’s.
The economic and political rationale to increase the support for airport infrastructure projects

The economic relevance of airports

European airports are one of the most important economic actors in the region they serve. Their economic impact is far-reaching – airports employ a multitude of staff directly, support many on-site jobs (e.g. in retail, airline or maintenance businesses), and facilitate the development of tourism and other economic activities in the region. Thus, airports are economic powerhouses in their region and boost the national economy as a whole. In this context, it is worth noting that airports have the ability to play a key role for the economic regeneration/transformation of a region (e.g. after the decline of heavy industry or the redeployment of military troops).

Overall, airports therefore play an important role in fostering the territorial cohesion in the EU and ensure the connectivity of remoter regions. In many cases, air transport is the only means to connect a region and its citizens to the globalised world economy (especially for islands or regions with a difficult access - e.g. parts of Scandinavia). For these reasons, some EU Member States have opted to organise their airports in so-called airport networks, where all airports in a country belong to the same commercial entity. This organisational model allows the operation of airports and investments in infrastructure that would otherwise not be possible due to the low return on investment in these sparsely populated regions. The important role of networks has been recognised by the recently adopted EU Airport Charges Directive 2009/12 and the EU Guidelines on State Aid for the airport sector (2005).

Against this background, it is of high relevance to ensure that all types of airports (i.e. large hub airports, regional airports as well as networks) can benefit from a sound access to capital for necessary investments in their infrastructure. The EIB can play a key role in this regard by including airports as a priority in its revised lending policy, in support of the overall EU policy goals in the transport sector.

The challenge of aviation growth in a changing world

Aviation provides a unique and irreplaceable contribution to society. The connectivity offered by aviation to European citizens and businesses is unique and cannot be replaced. A very simple and telling fact: Europe’s airports provide a network of 150,000 city pairs, while Europe’s High Speed Trains provide a network of about 100 city pairs. Only 40 new city pairs are expected to be connected by new or improved High Speed Train links by 2030. Based on these projections, passengers opting for rail will reduce the demand for flights by only about 0.5%.

Crucially, as the economic development and competitiveness of Europe is going to be increasingly reliant on efficient trade links with other continents, the role of airports as gateways is set to gain further strategic relevance. Again, some very telling figures:

4 On average, it is estimated that every on-site job at European airports supports around 2.1 indirect jobs at national level. More data and information can be found in the ACI EUROPE Study ‘The economic and social impact of airports in Europe’ (2004) and the ACI EUROPE Policy Outlook (2010), both available at www.aci-europe.org.
5 For example, the development of Charleroi airport has breathed new economic life into the Belgian province of Hainault. As a region previously dependent on coal and steel, it has suffered high unemployment and social problems. The opening of the airport to international flights has been a catalyst for the location of international/multinational companies nearby. Increased air access was also key in the establishment of a business-oriented science and research park.
6 Airport networks can be found for instance in Spain, Portugal, Sweden, Norway, Finland.
7 EUROCONTROL Long-Term Forecast, Flight Movements 2010-2030.
while intra-European traffic at European airports will increase by 68% by 2030, intercontinental traffic will increase at nearly twice that rate. As a result, the volume of intercontinental traffic handled by European airports by 2030 will be in excess of 1 billion passengers – well above the present volume of intra-European traffic (944 million passengers in 2009)!

In light of the latest traffic forecasts and the persisting difficulties for airports to raise funds on capital markets, the availability of sufficient funds for airport infrastructure projects becomes more urgent than ever. The EUROCONTROL study “Challenges of growth” (2008) and a recent Long-Term Forecast (2010) stress the alarming capacity shortage at European airports in light of the projected traffic growth by 2030 (16.9 million flights, 1.8 times the number of flights in 2009).

According to these authoritative reports, despite a planned increase of capacity of 41% in the European airport network by 2030, an alarming 10% of all flights will not be accommodated due to insufficient airport capacity. Under this scenario, about 20 airports are expected to experience congestion levels similar to those of London-Heathrow airport today, affecting every second flight in Europe. At the same time, widely congested airports and a shortage of capacity on the ground will endanger the achievement of the objectives of the EU Single European Sky project (i.e. significant improvements in economic and environmental efficiency as well as a higher safety level in air traffic management).

Against this background, the further modernisation and development of new airport infrastructure is essential to fully reap the benefits of a single European aviation market and to further support economic growth in the EU. The strengthening of the European aviation sector’s competitiveness must be a key priority for European policymakers in the years to come, particularly in light of the mounting competitive pressure from new airport mega-hubs in the Middle East.

The capital-intensive nature of the industry

The airport sector is a highly capital-intensive industry. Major infrastructure projects at airports usually require a high volume of capital over a long period of time. However, given the growing budgetary constraints, further aggravated by the economic and financial crisis, public authorities both at local and national level are no longer able nor willing to provide public funds to undertake airport infrastructure projects. Therefore, European airports have increasingly been largely self-financing their infrastructure and have sought to raise the necessary funds on capital markets.

As a consequence, capital costs represent a large volume of total airport costs - in 2009, capital costs represented 28% of total airport costs. This proportion is likely to rise further in the light of the above-mentioned difficulties and changing funding environment.

With the crisis, investors and capital markets have become more risk-adverse and less attracted to long-term strategic investment. As a result, they have reconsidered airports as an asset class, due to a combination of factors:

- Given that airport investments are often large-scale infrastructure projects, high capital intensity is required over a long period of time. Furthermore, a first return on capital for investors may take as long as 10-20 years in some cases.
- The traditional correlation between GDP and air traffic variations suggests a decrease in passenger numbers during an economic crisis, with a negative economic impact on the financial results of an airport.
- Publicly owned companies are affected by the proximity to the solvent, i.e. public budgetary difficulties entail a negative impact for the credit rating/worthiness of publicly owned airports.
- Uncertainty as to the policy and regulatory framework for aviation (e.g. aviation taxes in some EU Member States; difficult and challenging planning processes for new infrastructure; increasing regulatory driven cost in the fields of safety and security).
- Negative perception of aviation in relation to sustainability issues.

At the same time, European airports operate in an increasingly highly competitive environment, with a strong pressure from airlines to lower charges levied for the use of airport infrastructure. As a result, airlines do not pay the full cost of the infrastructure they use: In 2009, revenues from airline-related charges (landing, parking, lighting charges) only represented 19% of total airport revenues. An increase in the level of user charges for the construction of new infrastructure is therefore often a cumbersome process and may not be feasible if there is a strong competitive pressure to lower the user charges at an airport.

Why the sole focus on sustainability and TEN-T projects does not address the needs of European transport infrastructure!

ACI EUROPE believes that the revision of the EIB lending policy should be considered as an opportunity to develop a more coherent infrastructure system, where the role of nodal access points such as airports should be strengthened. Indeed, the very concept of a network relies on the presence of connecting points. An efficient, competitive and sustainable infrastructure network is not achievable without efficient, competitive and sustainable nodes.

ACI EUROPE considers that EIB funding should be made available for airports in relation to:

- **SESAR related projects, i.e. projects that:**
  - Comply with the general orientations in SES II legislation regarding the future performance of the Network;
  - Ensure a performance contribution to the overall network as managed by the EC's designated "Network Manager";
  - Ensure that the expected performance contribution is part of the Updated European ATM Master Plan, managed by the SESAR Joint Undertaking;
  - In the case of individual airports, ensure a performance contribution to the local Terminal Control Areas or environment;
  - In the case of individual airports, ensure that the airport is linked into the ATM network and enhances the gate to gate approach.

- **Projects aimed at improving environmental performance.**

Many of such projects tend to have a long-term pay back in financial terms (e.g. wind or solar energy installations).

In order to promote meaningful engagement with other companies on the airport site, European airports are looking beyond the traditional concept of environmental management (noise, air quality, water and waste management, biodiversity). In June 2009, ACI EUROPE launched Airport Carbon Accreditation, providing airports with an institutionally endorsed programme, dedicated to assessing and recognising airports’ efforts to manage and reduce their CO₂ emissions. While Airport Carbon Accreditation is clearly aimed at airport operators, it does not focus exclusively on reducing CO₂ emissions that are only within the control of airport operators. It also requires collaborative efforts with airlines, air traffic controllers, ground handlers and others on the airport site, to
improve the overall efficiency of airport operations. Participation to Airport Carbon Accreditation\(^8\) could be expressly listed as a criterion for project selection.

- **Projects increasing physical capacity, where ground capacity limitations have a proven negative impact on the aviation network.**

Available capacity at an airport is highly dependent on the functioning of the air transport network. Thus, increased capacity at an airport must be seen in relation to its impact on the network, in particular the economic and environmental benefits of congestion reliever projects.

- **Projects aimed at improving the accessibility to the airport** (urban transport and co-modality projects).

An essential component of the mission of airports is to deliver effective mobility, one of the primary visions of the EU. This right for mobility resides in the accessibility of airports. In this respect, airports should be considered as connecting points embedded in a multi-modal transport network: road, rail, and air. It means that access to airports heavily relies on the surface access service offer: high-speed lines, public transport facilities and incentivising schemes. EIB lending policy should support projects that can enhance airports’ accessibility while delivering a positive impact on the environment, the customers’ experience and innovation.

**Conclusion: The airport sector as a priority in the EIB lending policy**

The European Commission is expected to publish its White Paper on Transport in the weeks to come, outlining the priorities for the transport sector in the coming years. The EIB plays a key role in supporting the aviation sector to make the necessary investments in modern and efficient infrastructure in order to achieve the overall policy goals of the European Union.

ACI EUROPE has been following the review of the EIB lending policy with great interest and will be pleased to provide further information, also during a future meeting with stakeholders. Given the important challenges for the airport sector in the years to come, this review is of key relevance and should enable European airports to further invest in a sustainable and competitive European transport infrastructure. Therefore, we strongly invite the EIB to include the airport sector as a priority in its lending policy and to consider all positive externalities of airport infrastructure projects when devising its new policy.

\[^8\] [http://www.airportcarbonaccreditation.org/](http://www.airportcarbonaccreditation.org/)