

PRESS RELEASE

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European Airline CEOs concerned about “supernormal” returns at the majority of Europe’s largest airports

- A4E CEO Forum brings airline bosses back to Brussels.
- Average EBITDA margin of selected airports at 46%.
- Urgent call for revision of EU Airport Charges Directive.
- Dual Till demonstrates market power abuse.

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Today, the CEOs of A4E member airlines met in Brussels to discuss “connectivity disruptors” for the continent’s aviation sector. During the second annual “A4E CEO Forum”, Europe’s largest airline association presented the final results of a York Aviation study on “The Cost and Profitability of European Airports”, which shows that European passengers are paying excessive airport charges, particularly at monopoly airports and airports which operate under a Dual-Till regime.

“The European Commission's (EC) current regulatory evaluation process is an important step in addressing the abuse of market power by some European Airports. We look forward to concrete outcomes from this process, proceeding to the formulation of the new legislation necessary to tackle the supernormal returns by airports, which are bad for consumers, bad for tourism, bad for national economies. We call on the EC to accelerate its evaluation. We must proceed now from analysis to action,” said Thomas Reynaert, A4E’s Managing Director.

The average EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) margin of York Aviation’s sample of airports was 46%, which is significantly higher than the 23% margin of the top 100 airports referred to by the EC in its 2015 Aviation Strategy, indicating the extraordinary levels of profitability of Europe’s largest airports.

The study has also looked at returns to an airport business relative to its cost of capital. If returns are substantially in excess of the cost of capital, this is evidence of a situation in which airports enjoy significant market power and are using this to price excessively. The analysis identifies such returns in excess of cost of capital as “economic profit” or “supernormal”



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profit. More than 85% of the entire sample of airports generate what could be called "supernormal" returns.

"The existence and proliferation of Dual-Till airports demonstrates that airports don't operate in a competitive market and that they abuse their market power. We are strongly convinced that Single Till is the model which benefits European passengers most and should be introduced across the continent," added Reynaert.

The study also reveals that neither airlines nor the relevant regulators in each EU member state are provided with sufficient transparency on the level of airport charges. There is little regulatory scrutiny, despite the fact that this is one of the key requirements of the ACD. A4E believes that it is essential that national regulators and competition authorities are equipped with adequate resources and competencies to create a level playing field.

Note to editors: Under a Dual Till regime, the profits from airports' commercial activities such as shopping or parking are not re-invested in lowering airport charges for consumers, despite the fact that this revenue would not be generated without them in the first place. The Single Till principle requires revenues from an airport's non-aeronautical activities (such as shopping, car parking, restaurants, etc) to be deducted from the airport's revenue for aeronautical services before determining the level of airport charges.

About A4E:

Airlines for Europe (A4E) is Europe's largest airline association, based in Brussels. Launched in January 2016, the association represents more than 25 airline brands and consists of Aegean, airBaltic, Air France KLM, Cargolux, easyJet, Finnair, Icelandair, International Airlines Group (IAG), Jet2.com, Lufthansa Group, Norwegian, Ryanair, TAP Portugal, Travel Service and Volotea, and plans to grow further. With more than 570 million passengers on board each year, A4E members account for more than 70 per cent of the continent's journeys, operating more than 2,800 airplanes and generating more than EUR 100 billion in annual turnover.

