
Guest Column: Angela Gittens

By **Angela Gittens, Director General, ACI World** on April, 14 2020 | Airline & Terminal News



While aviation has faced notable shocks over its lifetime, the fast spread of COVID-19, compounded by travel restrictions, is a shock that has led to a severe drop in airport traffic and economic activity. It represents an unprecedented threat to the airport industry's financial viability.

Airports are two-sided businesses, engaging in a commercial relationship with both airlines and passengers. They receive their revenues from both 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.

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

The shortfall in the number of passengers and the cancellation of flights has resulted in reduced revenues from airport charges (landing and aircraft parking charges paid by airlines and passenger service charges and security charges paid by passengers).

In a similar way, commercial activities are not generating revenues and are forced to shut down.

Since airport revenues are contracting rapidly, airport operators are taking all possible measures to preserve financial viability. While airports have high fixed and unavoidable costs, they are reducing, to a minimum, variable costs by closing portions of infrastructure, furloughing staff, and postponing capital expenditure. These are difficult decisions with serious impacts for the community. They are not taken lightly but are necessary in response to the crisis facing the industry.

Non-aeronautical sources of revenue usually provide diversification of airport income streams and serve as an additional cushion during economic downturns. Considering the ongoing large-scale lockdowns, however, commercial activities are equally damaged.

[ACI](#) forecasted that, before the COVID-19 outbreak, global airport revenues for the first quarter of 2020 would reach close to US\$39 billion.

Based on traffic trends under COVID-19 and the inevitable reduction in overall commercial activity, ACI now estimates a 33 percent loss of revenues equivalent to an approximate revenue shortfall of US\$13 billion.

While the industry was expected to generate about US\$172 billion at current market exchange rates and assuming flat evolution of unit revenues, it may lose about 45 percent or over US\$76 billion by the end of this year, in light of the ongoing crisis.

These figures are based on the [ACI Advisory Bulletin](#) published on April 1. Due to the fast and radical shifts in the world and the air transport industry, ACI will continue to periodically update the impact of

COVID-19 on airport business.

The importance of a skilled and qualified employees

Still, the safety, security, and health of airport staff and passengers remain paramount for airport operators during this crisis. 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 and security.

In fact personnel employed by airport operators and personnel employed by outside entities add to more than 6.1 million jobs globally. The entire aviation sector accounts for 10.3 million jobs so 60 percent of employment in the aviation sector is generated “on the ground” at airports.

Most on-airport businesses that cater to passengers – such as retail outlets, duty free shops, restaurants, and car parking facilities – now have significantly reduced economic activity with many of them already shutting down.

In addition to providing essential services to the traveling public, these represent key revenue channels for airports.

The typical hub airport has as many as 40,000 employees either working for the airport operator or on the airport site for other employers. The livelihood of millions of people needs to be considered in the face of the recent measures to mitigate COVID-19.

Jobs beyond airports and aviation

According to 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 the realm of US\$2.7 trillion or 3.6 percent 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 percent 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 percent 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 and the possibility of more to come.

Financial relief to protect the livelihoods of airport staff

There are financial relief measures that states should consider in alleviating the significant drop in cash flows and to ensure operational and business continuity of airport activities, including:

- The immediate provision of government assistance through grants and subsidies to support

operating expenses, and mainly wages to airport staff to safeguard the labor force and hence continuity of airport operations once the crisis is over is fundamental.

- Ensuring secured financing and loans at preferential rates and bank guarantees will also be an important measure to alleviate debt obligations.
- The suspension of all national and local aviation specific taxes for 2020 – including passenger departing taxes are required as a further stimulus for air transport demand.
- The waiving or postponement of airport rents and concession fees applicable to airport operators, irrespective of their ownership status, given the financial stress they are experiencing. Such waivers could be a one-time waiver for a certain period of time, without the requirement for airports to pay back the waived amounts later.

States must also consider maintaining a minimum level of employment to allow continued operations and to preserve a rapid return to full operations. This would mean supported wage guarantees with regards to those still employed and bridge-in programs for those temporarily laid-off.

Other measures include fast track procedures such as security clearance with regard to the re-appointment of personnel temporarily laid off during the whole duration of the crisis. This would help minimize the impact on operations when traffic bans are removed.

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.