ASIA-PACIFIC
AIRPORTS COUNCIL INTERNATIONAL

ICAO Middle East Webinar on Economic Impact of COVID-19 on Aviation – COVID-19 Impact on Airports

5 April 2021

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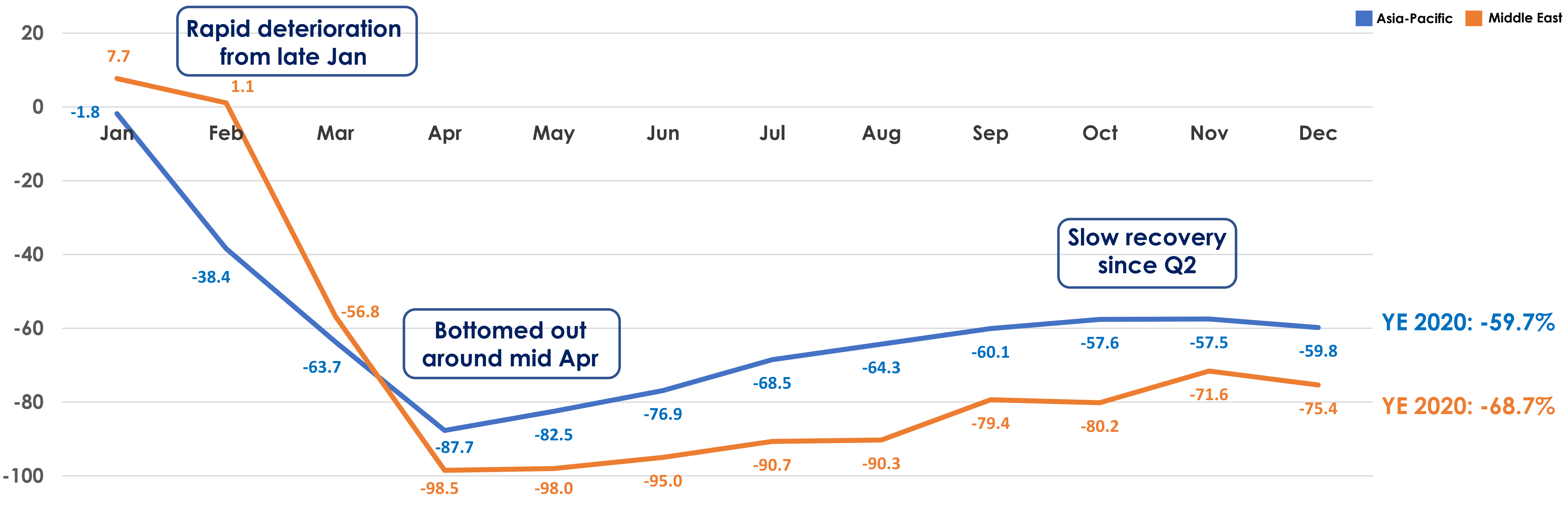
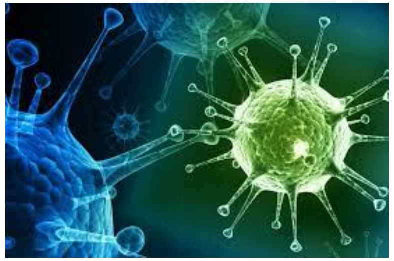
2020 traffic figures

2020 passenger traffic trending (Asia-Pacific and Middle East) (Year-On-Year % change)



Uncertainties…

Vaccine effectiveness

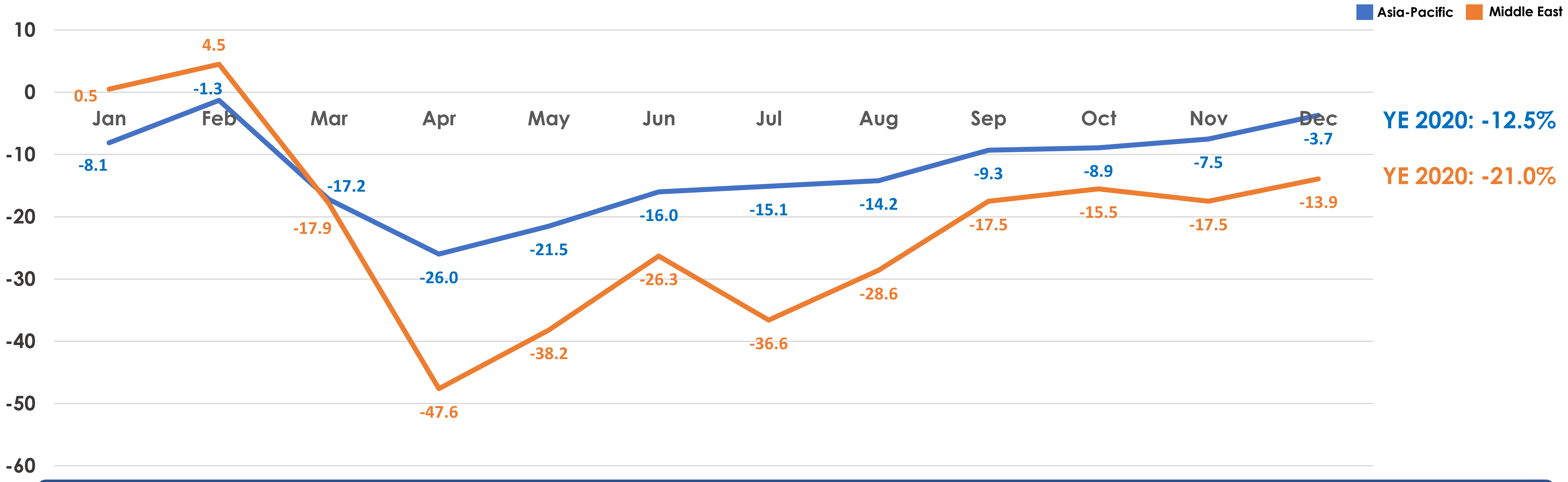


COVID-19 new variants

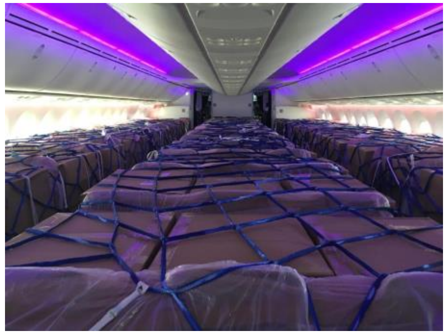
Tightened travel restrictions

Source: ACI Flash Report

2020 cargo traffic trending (Asia-Pacific and Middle East) (Year-On-Year % change)

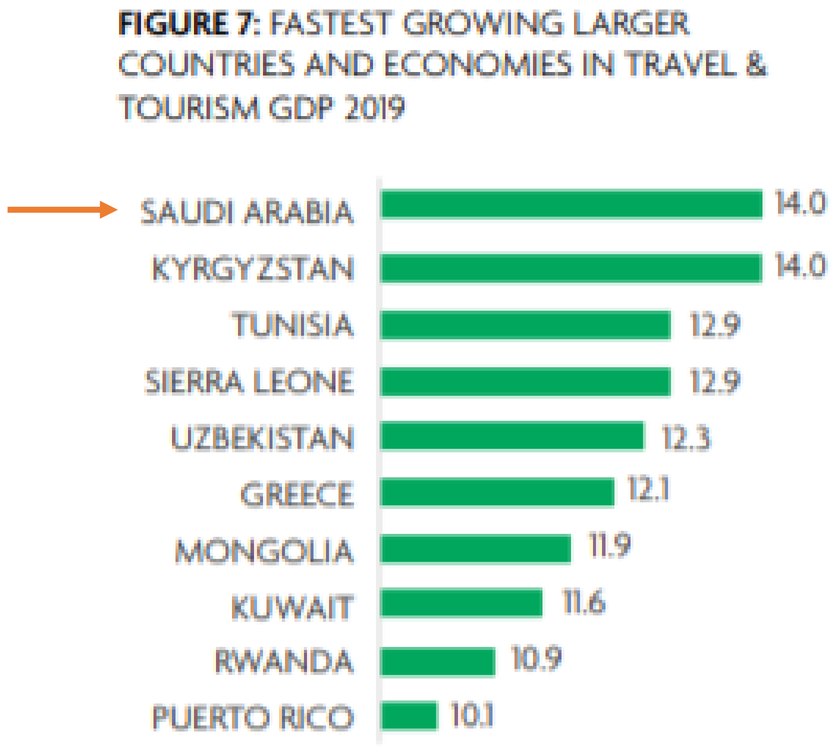


Cargo sector was less affected as it played crucial role in transporting medical equipment and supplies around the world.



Source: ACI Flash Report

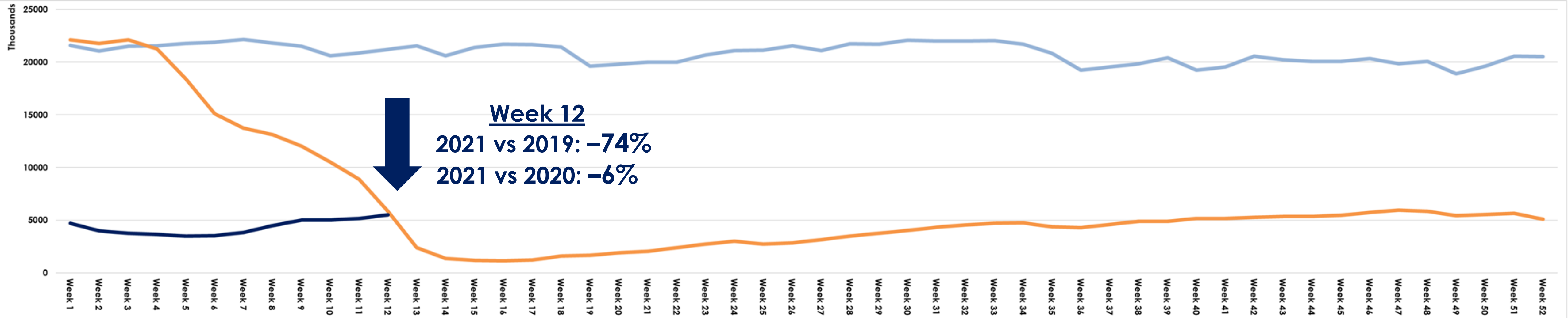
Middle East was the 2nd fastest growing region in 2019 after Asia-Pacific



Weekly passenger traffic monitoring (2020 week 1 – 2021 week 12)

Weekly airport passenger traffic monitoring: selected airports in Asia-Pacific and Middle East (2020 week 1 – 2021 week 12)

2020 Week 1 – 2021 Week 12
30 Dec 19 – 21 Mar 21



	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Week 14	Week 15	Week 16	Week 17	Week 18	Week 19	Week 20	Week 21	Week 22	Week 23	Week 24	Week 25	Week 26
2020 vs 2019	2%	3%	3%	-1%	-16%	-31%	-38%	-40%	-44%	-49%	-58%	-72%	-89%	-93%	-94%	-95%	-94%	-93%	-91%	-90%	-90%	-88%	-87%	-86%	-87%	-87%
2021 vs 2019	-78%	-81%	-82%	-83%	-84%	-84%	-83%	-80%	-77%	-76%	-75%	-74%														
2021 vs 2020	-79%	-82%	-83%	-83%	-81%	-76%	-72%	-66%	-58%	-52%	-42%	-6%														

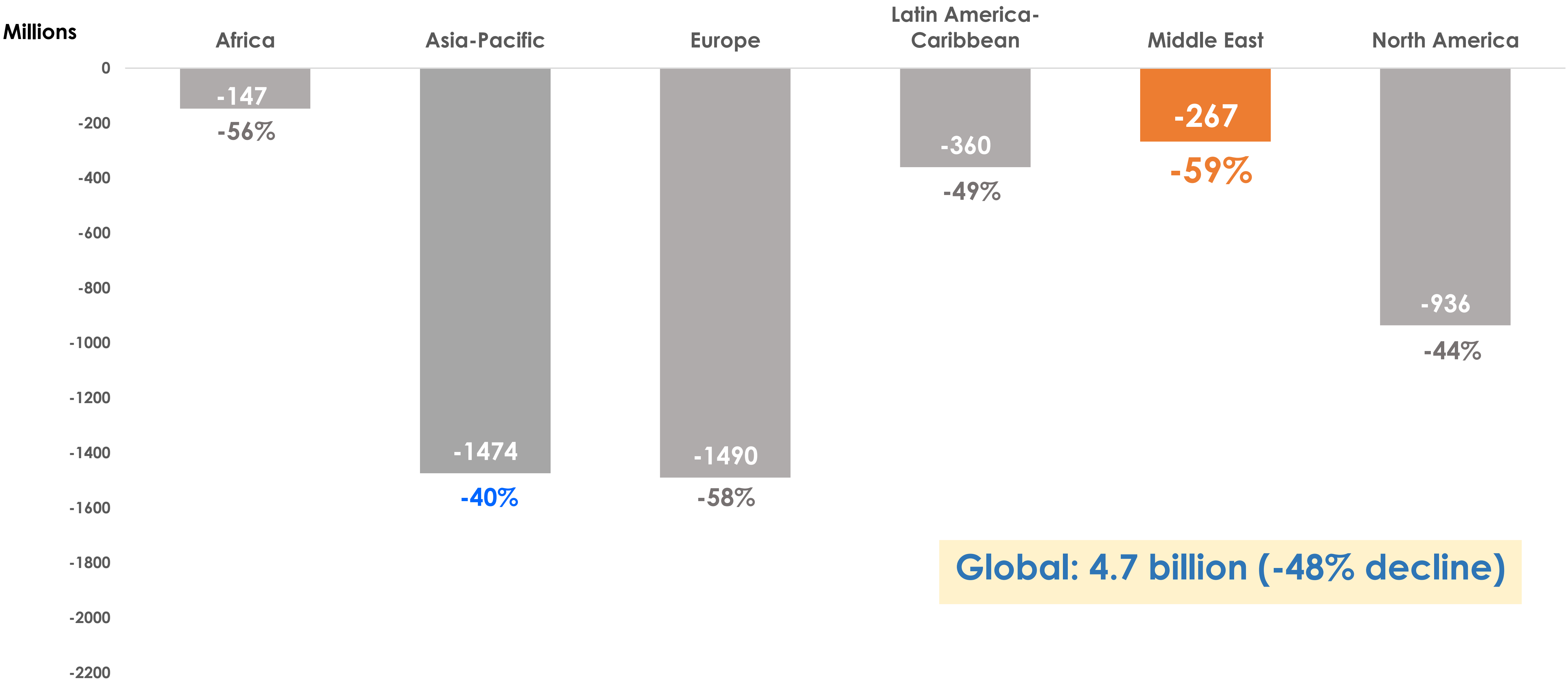
	Week 27	Week 28	Week 29	Week 30	Week 31	Week 32	Week 33	Week 34	Week 35	Week 36	Week 37	Week 38	Week 39	Week 40	Week 41	Week 42	Week 43	Week 44	Week 45	Week 46	Week 47	Week 48	Week 49	Week 50	Week 51	Week 52
2020 vs 2019	-85%	-84%	-83%	-82%	-80%	-79%	-79%	-78%	-79%	-78%	-77%	-75%	-76%	-73%	-74%	-74%	-73%	-73%	-73%	-72%	-70%	-71%	-71%	-72%	-73%	-75%

**Source: ACI Asia-Pacific survey of preliminary total passenger traffic data from 32 airports in Asia-Pacific and Middle East (these airports collectively serve around 29% of passenger traffic in the region) (Note: Feb & Mar 2021 traffic only include data from 30 airports)*

Latest COVID-19 economic impact analysis (March 2021)

Estimated passenger traffic loss by region for 2021

(as compared to the "business as normal" scenario)

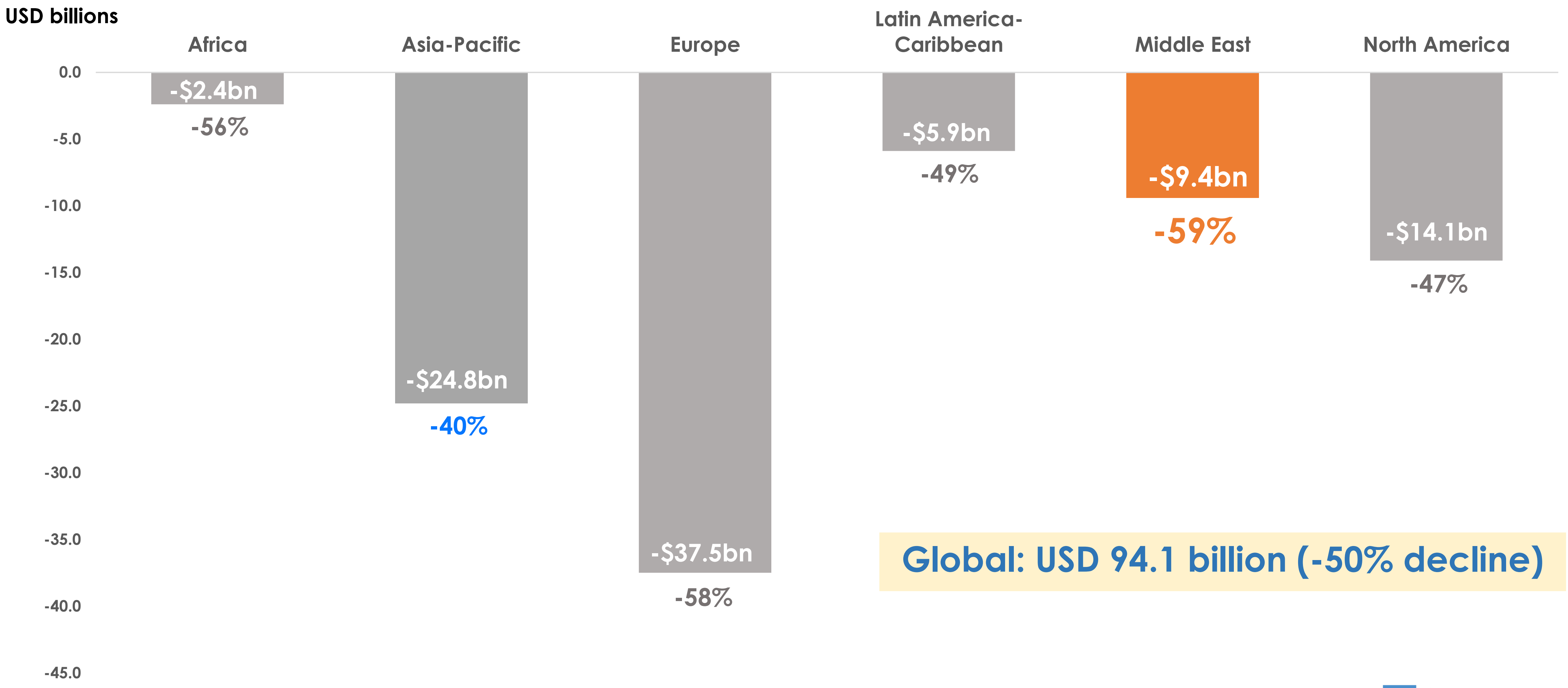


Global: 4.7 billion (-48% decline)

Source: ACI World Advisory Bulletin, Mar 2021

Estimated airport revenue loss by region for 2021 (USD billion)

(as compared to the "business as normal" scenario)

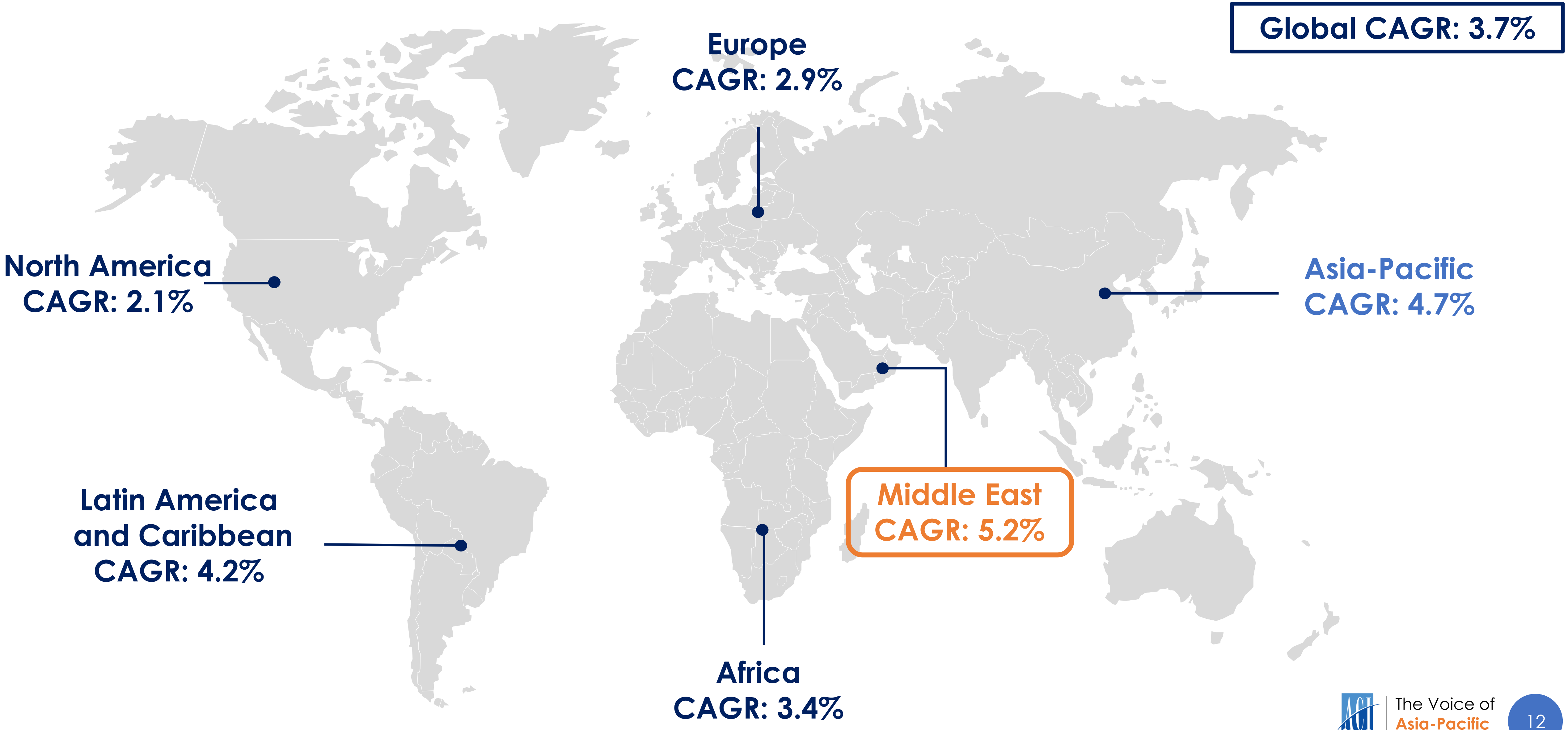


Source: ACI World Advisory Bulletin, Mar 2021

Long-term forecast (2019-2040)

The fundamentals are there to stay

Regional CAGR for Total Passenger Traffic (2019-2040)



Source: ACI World, World Airport Traffic Forecasts 2020–2040

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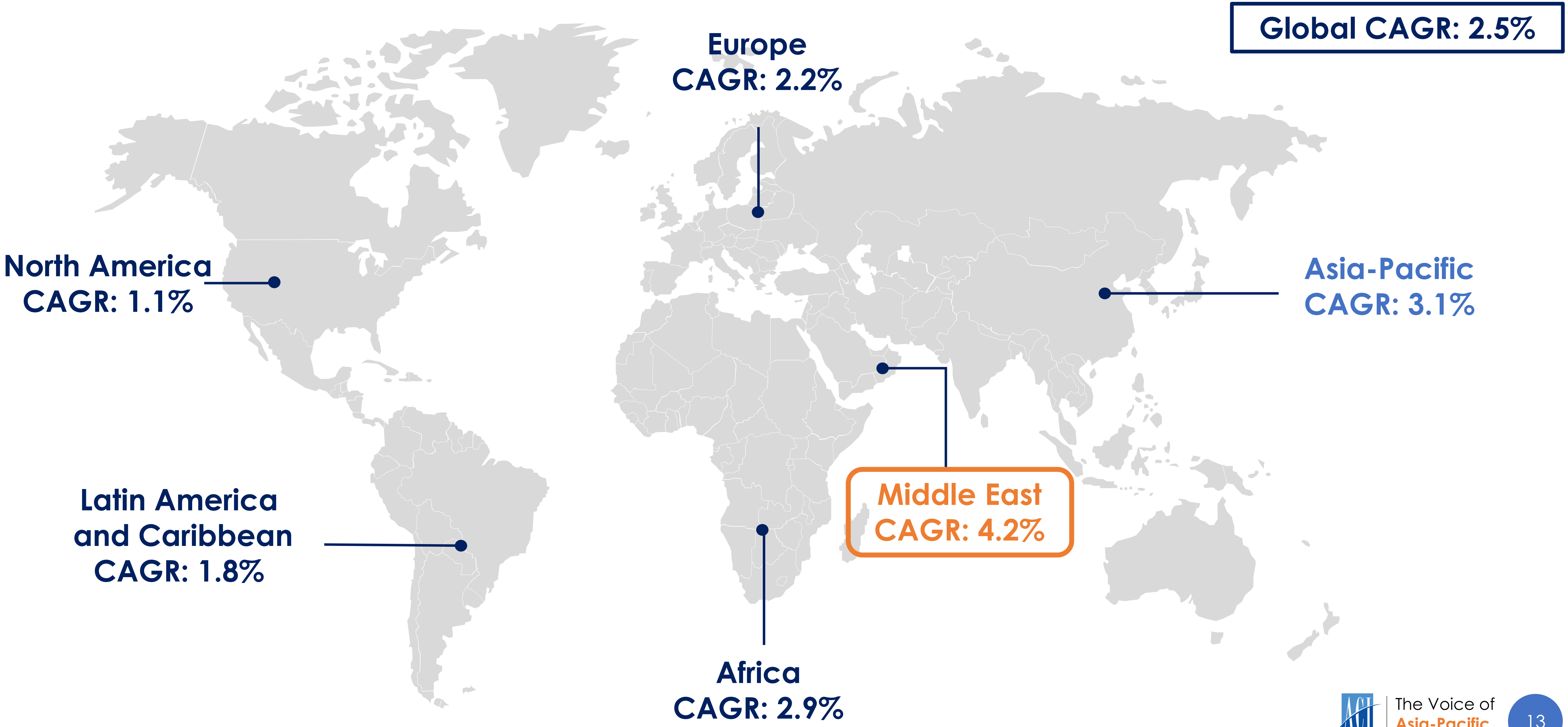
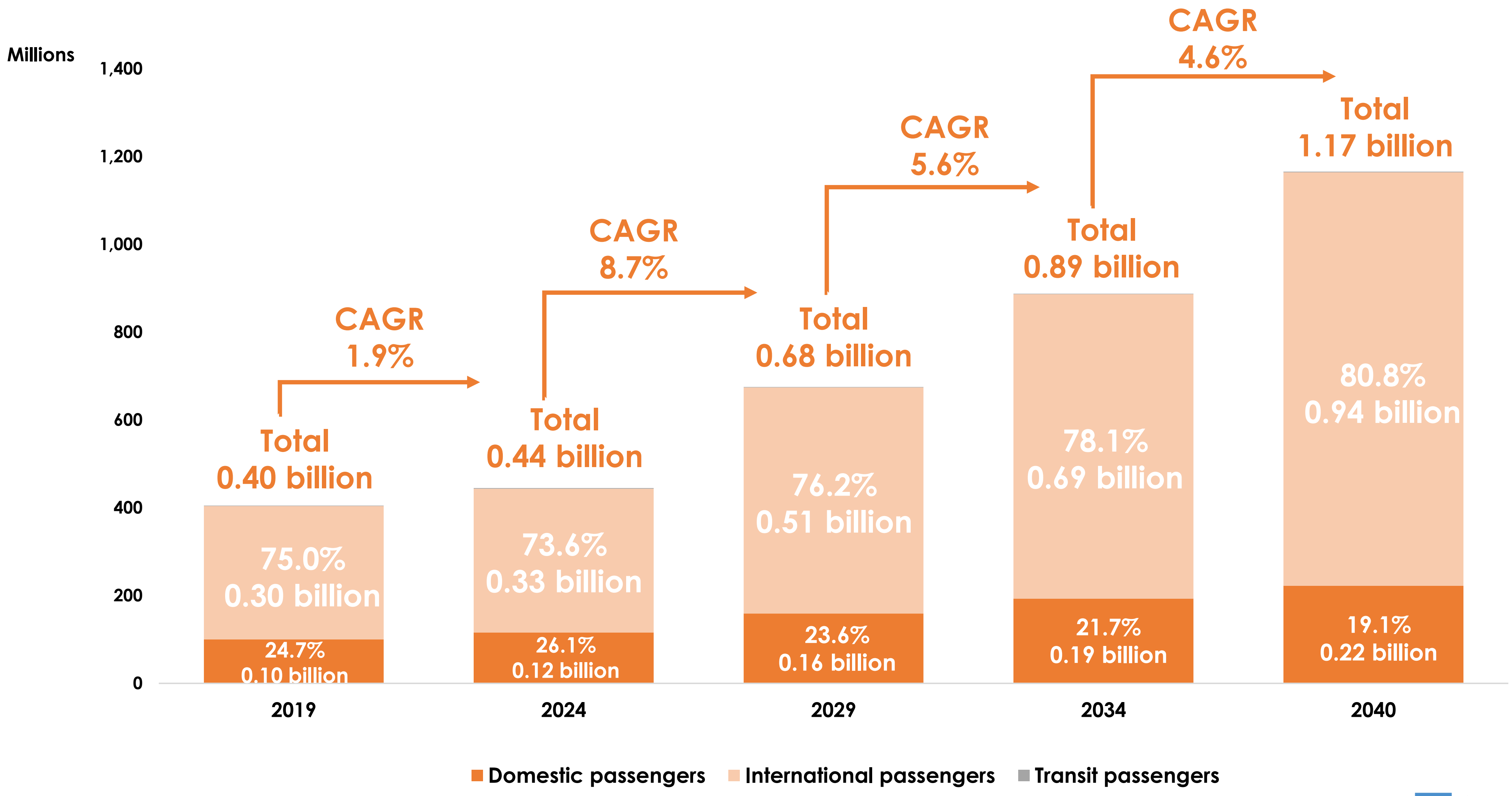
Regional CAGR for Total Air Cargo (2019-2040)



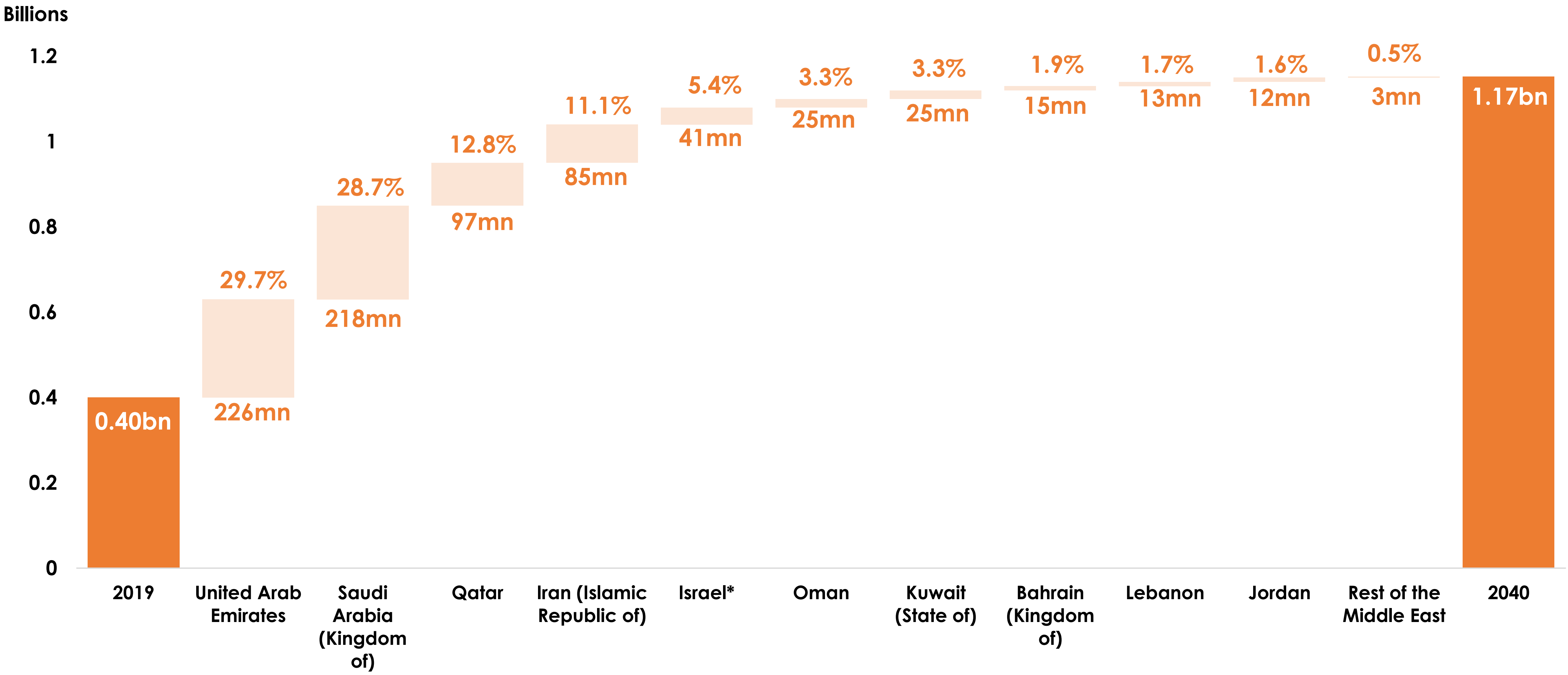
Source: ACI World, World Airport Traffic Forecasts 2020–2040

Middle East Domestic and International Passenger Traffic (2019-2040)



**Total passenger includes scheduled and non-scheduled international, domestic and transit passengers*
Source: ACI World, World Airport Traffic Forecasts 2020–2040

Top 10 countries in the Middle East by passenger traffic growth contribution (2019-2040)



Source: ACI World, World Airport Traffic Forecasts 2020–2040

Top 10 fastest-growing countries globally for passenger traffic

Total passenger traffic growth (2019-2040 CAGR)

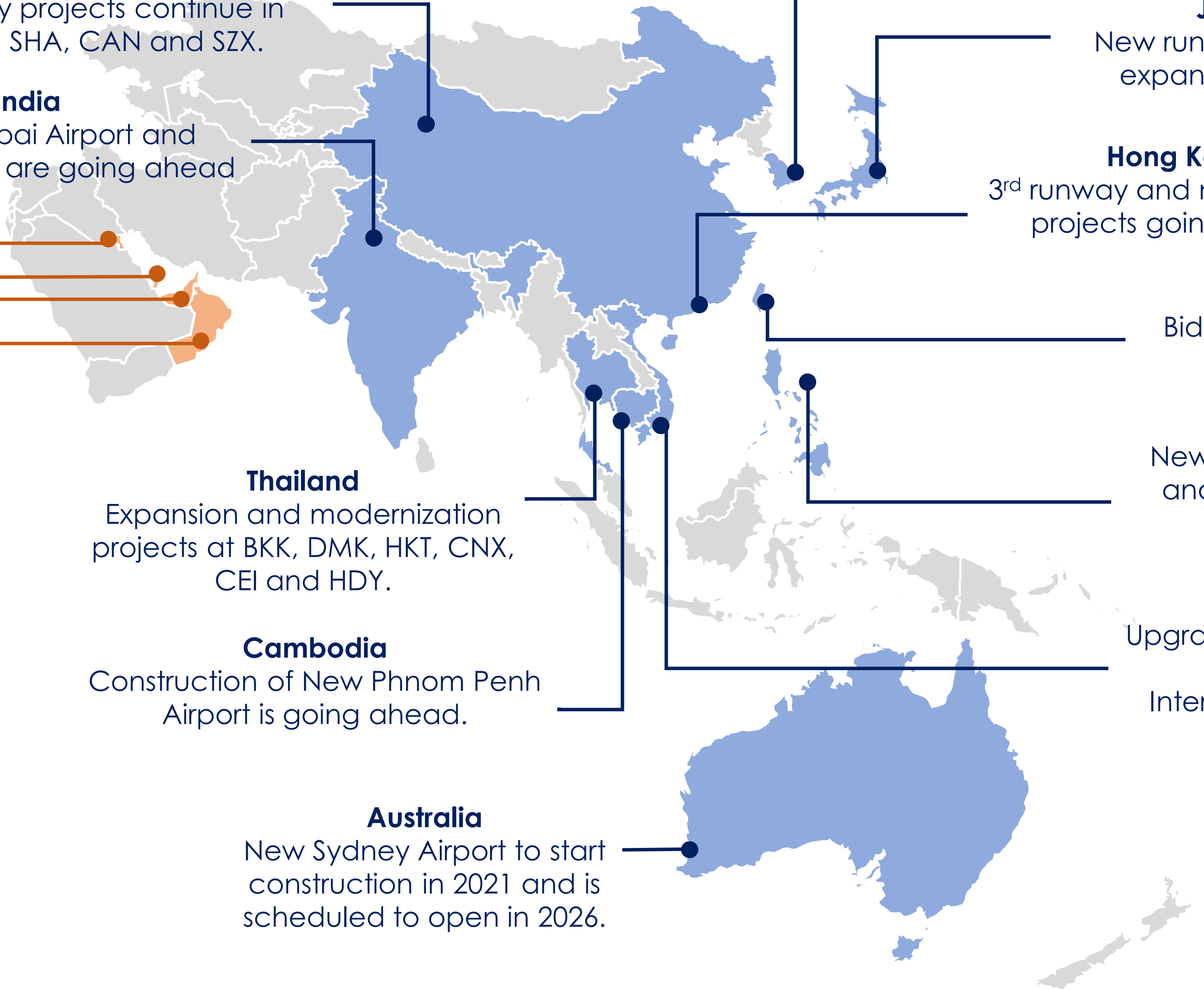
Over 100 million passenger traffic in 2019

Asia-Pacific   Middle East   Other regions

Rank	Country	2019 - 2040 CAGR (%)
1	Indonesia	6.6%
2	India	6.5%
3	Vietnam	6.0%
4	Saudi Arabia (Kingdom of)	5.6%
5	United Arab Emirates	5.1%
6	China (People's Republic of)	4.8%
7	Mexico	4.7%
8	Turkey	4.6%
9	Malaysia	4.4%
10	Thailand	4.3%

Source: ACI World, World Airport Traffic Forecasts 2020–2040

Examples of Airport CAPEX Projects – Going Ahead



Kuwait
New terminal and 3rd runway at KWI

Qatar
Terminal and cargo facility expansion at DOH

UAE
Terminal expansion at DWC

Oman
National Aviation Strategy 2030 - New logistics and cargo facilities at MCT

China
New terminal, terminal expansion and runway projects continue in PEK, PVG, SHA, CAN and SZX.

India
Navi Mumbai Airport and Jewar Airport are going ahead

Thailand
Expansion and modernization projects at BKK, DMK, HKT, CNX, CEI and HDY.

Cambodia
Construction of New Phnom Penh Airport is going ahead.

Australia
New Sydney Airport to start construction in 2021 and is scheduled to open in 2026.

South Korea
Runway development and terminal expansion at ICN.

Japan
New runway/terminal expansion at NRT.

Hong Kong
3rd runway and new terminal projects going ahead.

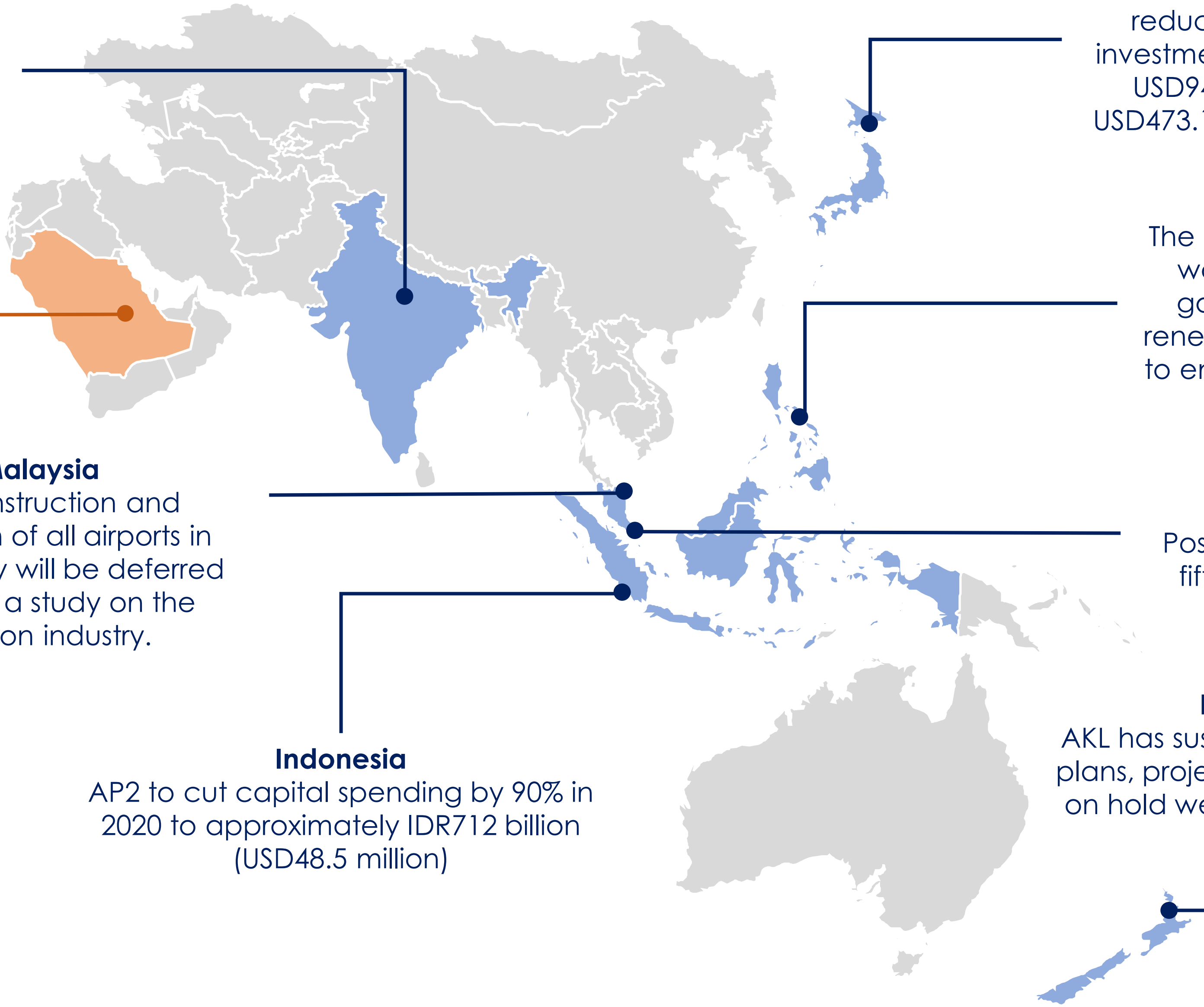
Taiwan
Bids for Terminal 3 at TPE in progress.

Philippines
New Manila Airport project and new terminal at CRK are going ahead.

Vietnam
Upgrades in SGN, HAN and DAD. The new Long Thanh International Airport project is going ahead.

Source: CAPA, general news

Examples of Airport CAPEX Projects – Delayed, Deferred, Cancelled



India
CCU has put airport expansion projects on hold due to COVID-19

BOM has deferred its CAPEX plans

Saudi Arabia
Financing plans for RUH's expansion has been put on hold.

Malaysia
The construction and expansion of all airports in the country will be deferred pending a study on the aviation industry.

Indonesia
AP2 to cut capital spending by 90% in 2020 to approximately IDR712 billion (USD48.5 million)

Japan
Hokkaido Airports Co Ltd plans to reduce its 2020-2025 capital investment at seven airports from USD946.1 million to less than USD473.1 million due to COVID-19

Philippines
The upgrade project of MNL was cancelled after the government rejected to renegotiate some of its terms to ensure its financial viability in light of COVID-19.

Singapore
Postpone construction of a fifth terminal at SIN for at least two years.

New Zealand
AKL has suspended big expansion plans, projects that have been put on hold were worth more than $2 billion.

Source: CAPA, general news

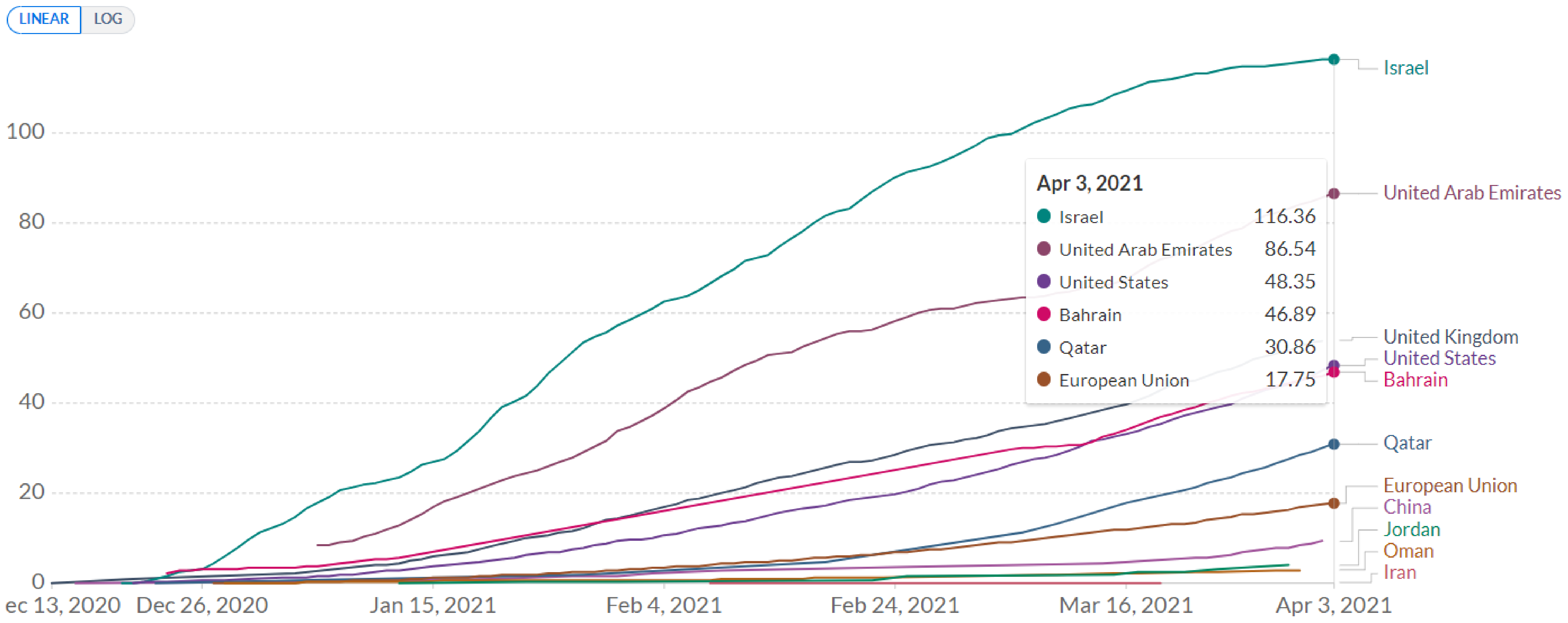
The path towards recovery

Competitiveness of the Aviation eco-system:

1. Public Health and travel restrictions

COVID-19 vaccine doses administered per 100 people

Total number of vaccination doses administered per 100 people in the total population. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).



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Airports

ACI Asia-Pacific Survey on vaccine, quarantine and testing
7 respondents from ME

GACA
الهيئة العامة للطيران المدني
General Authority of Civil Aviation

مطار الشارقة
Sharjah Airport

مطارات دبي
DUBAIRPORTS
Connecting the World

مطار حمد الدولي
Hamad International Airport
QATAR قطر

مطارات عُمان
Oman Airports

مجموعة المطار الدولي
AIRPORT INTERNATIONAL GROUP
A Groupe ADP company

مطار البحرين الدولي
bahrain international airport

Category	Sub-category	Middle East (7)
Obstacles to restart	**Impacts on COVID variants on testing and quarantine**	• More stringent (43%) • **No change (57%)**
	International travel restrictions	• BANNED for all/ most non-residents (14%) • BANNED for selected non-residents (29%) • ALLOWED but with conditions (14%) • **ALLOWED (43%)**
	Multiple tests requirements for travel	• **Double tests (pre-dep + arr) (57%)** • Pre-departure only (14%) • Arrival test only (29%)
	Quarantine requirement	• Quarantine for all (43%) • No quarantine for low-risk countries (0%) • **No quarantine for all (57%)**
	Cost of arrival test	• **For free (50%)** • **With cost by passengers (50%)**
	Cost of quarantine	• **By passenger (83%)** • By government (17%)
Vaccination	**Vaccination starting before April 2021**	• **Yes (100%)** • No (0%)
	Priority of vaccination for airport workers	• **Yes (72%)** • No (14%) • Unknown yet (14%)
	Availability of vaccination timetable for general population	• **Yes (57%)** • No (43%)

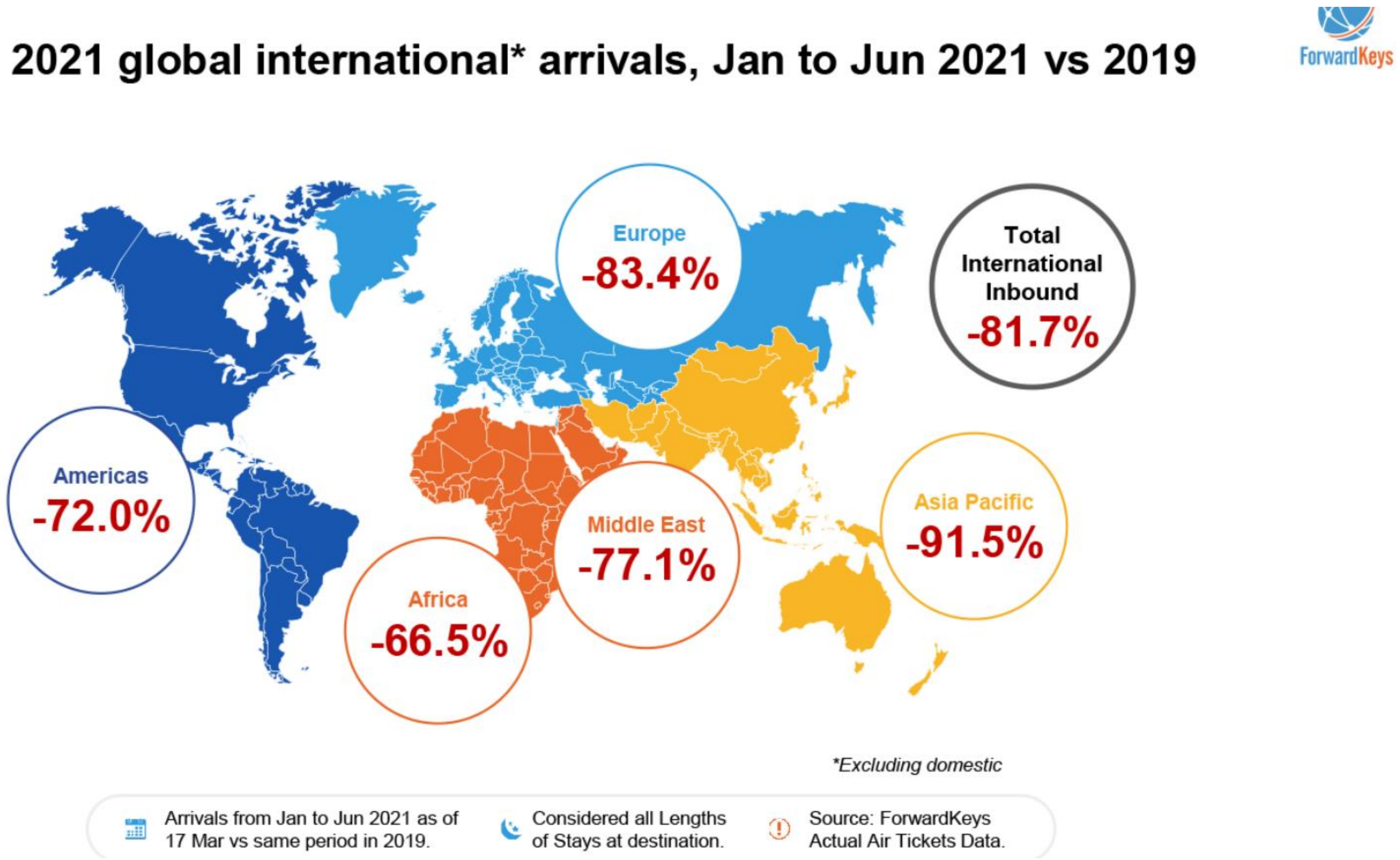
Category	Sub-category	Middle East (7)
Pre-departure test	Pre-departure test requirement	• **All passengers (57%)** • Some passengers (29%) • Not required (14%)
	No. of hours prior to departure	• 48hrs (33%) • **72hrs (67%)** • 96hrs (0%)
	Pre-departure testing service offered by airports	• **Yes (42%)** • No (29%) • Under consideration (29%)
Arrival Test	Arrival test requirement	• **All passengers (57%)** • Some passengers (29%) • No, if pre-dep test done (14%)
	Location of arrival test	• **At airport (86%)** • Outside airport (14%)
	Type of test used	• **PCR (100%)** • Antigen (0%) • PCR + Antibody (0%)
	Capability of testing facility	• **Sample collection + lab testing (50%)** • **Sample collection (50%)**
	Average result waiting time	• 2-4 hrs (0%) • 4-6 hrs (0%) • 6-8 hrs (33%) • 8-10 hrs (17%) • **> 10 hrs (50%)**
	Waiting at the airport for result	• Yes (0%) • **No (100%)**
	Maximum testing capacity per day	• <1000 (0%) • 1000-3000 (0%) • **3000-6000 (40%)** • **6000-9000 (40%)**

The path towards recovery

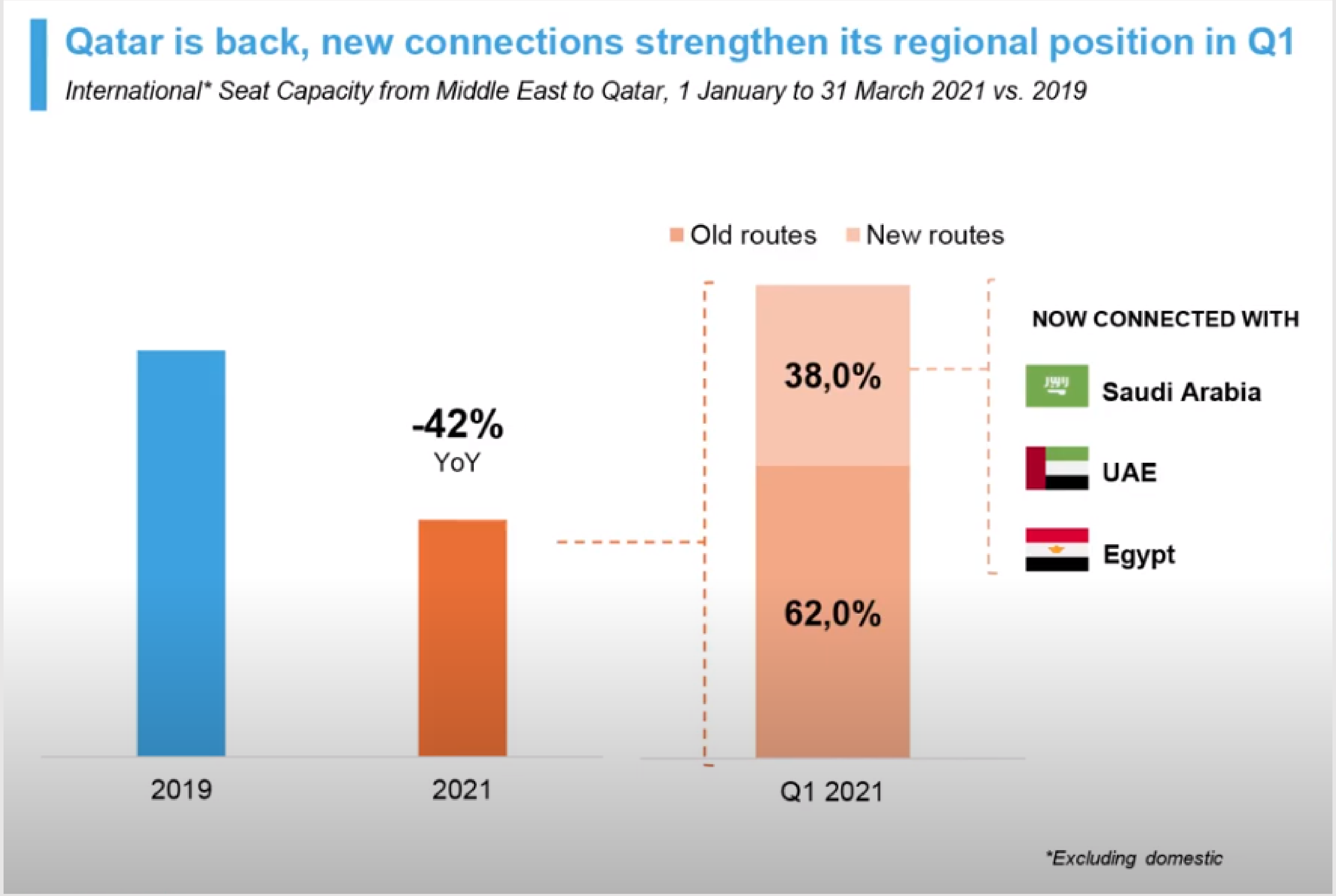
Competitiveness of the Aviation eco-system:

2. Actual and pent-up Demand

H1 2021 global international* arrivals, Jan to Jun 2021 vs 2019



THE MIDDLE EAST IS PERFORMING BETTER THAN THE WORLD AVERAGE (INTL. TRAFFIC)

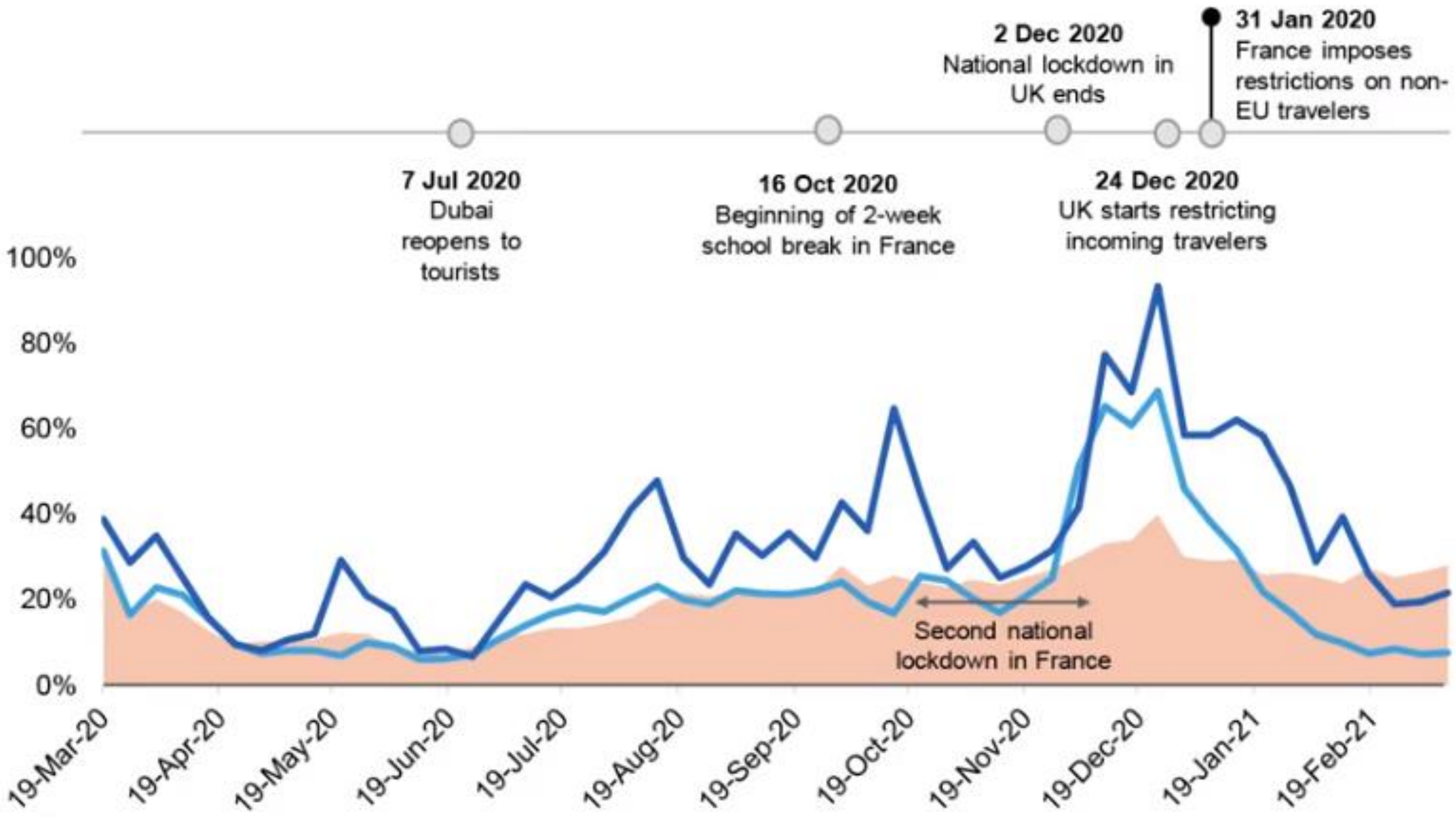


NEW OPPORTUNITIES AHEAD THROUGH OPEN SKYES

SOURCE: FORWARDKEYS

PENT-UP DEMAND IS THERE

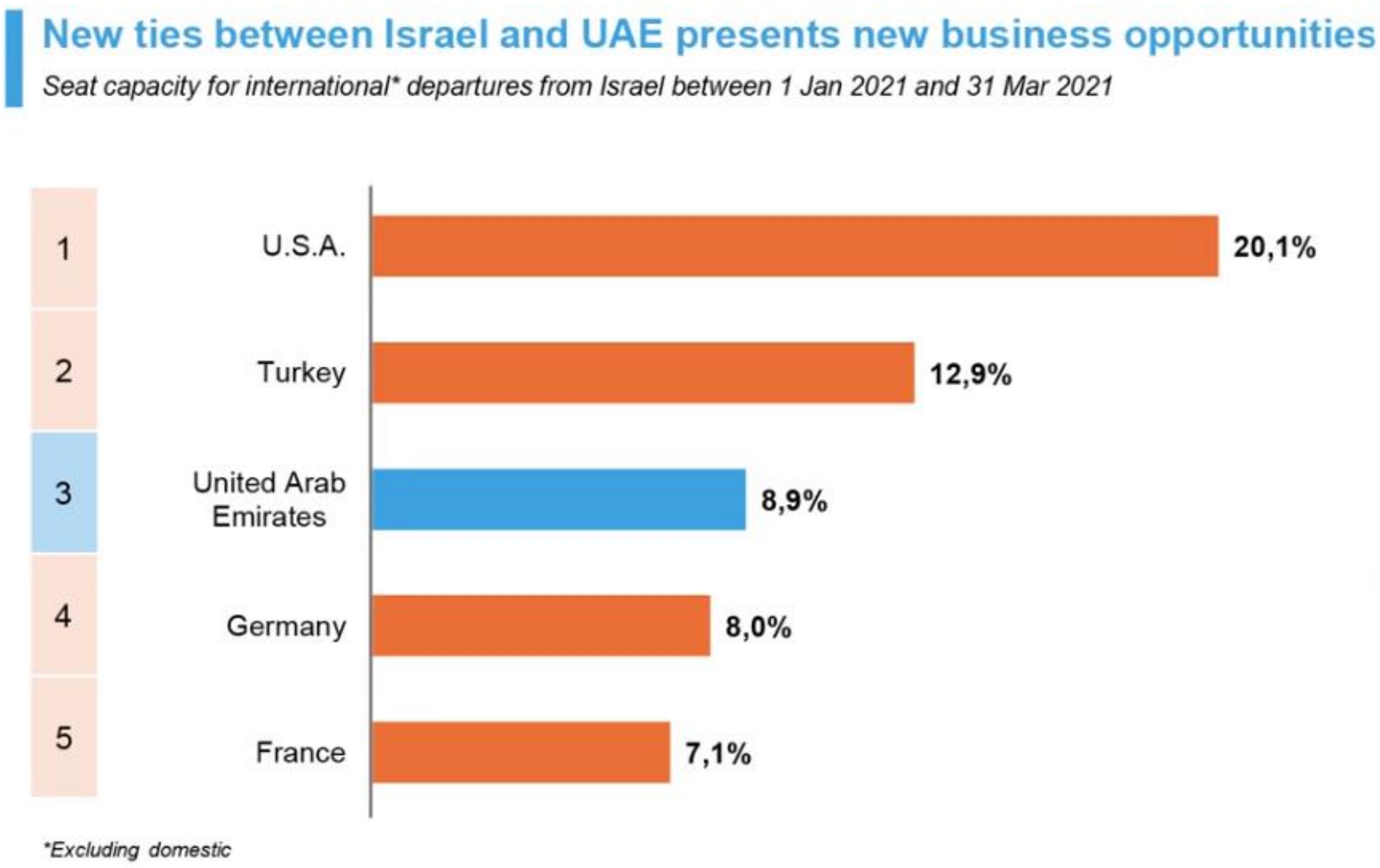
Year-to-date international* and arrivals from UK and France to Dubai, % of Mar 2018 to Mar 2019 volumes



*Excluding domestic

SOURCE: FORWARDKEYS

TRAFFIC FACILITATED BY VACCINE ROLL-OUT



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The path towards recovery

Competitiveness of the Aviation eco-system:

3. Airport Management;

Airport networks in the Middle East

- The Middle East is home to eight States with airport networks.

- 96% of airports in the Middle East belong to airport networks, providing respective 83% regional shares of traffic.

→ ***Support to regional airports is facilitated over period of crisis***

Source: Policy Brief: Airport networks and the sustainability of small airports (2017)

The path towards recovery

Competitiveness of the Aviation eco-system:

4. Adjust to the transition but enable airports as business in their own right to generate and diversify revenue streams to be economically sustainable

Airports are assisting the aviation industry (airlines)

Aeronautical relief measures

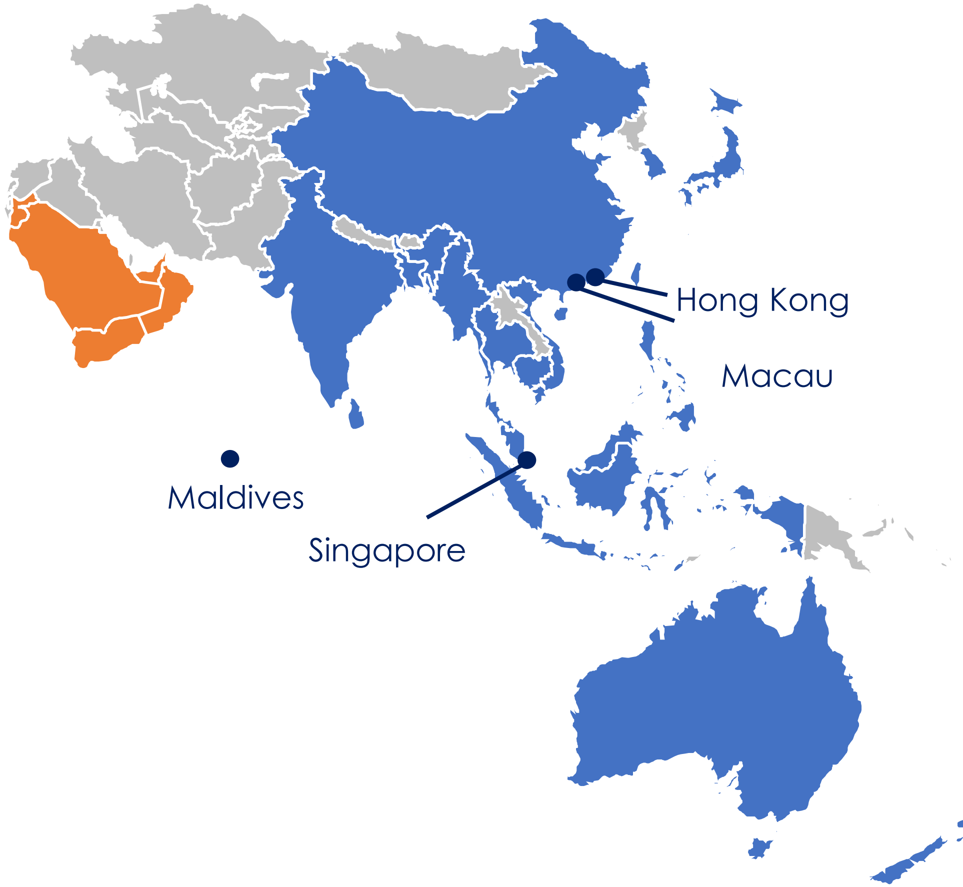
- Several countries in the Middle East applied waivers and reduction of aeronautical charges (extended more times)

→ pricing at a loss to rebuild connectivity

Types of aeronautical relief by number of countries

**Some countries have multiple measures*

Examples: Countries where airports offer aeronautical charges relief to airlines



Source: *CAPA, IATA, media news*

- *As the crisis began, waivers and deferments of fees were short-to-medium steps that were provided by many governments and airport operators to alleviate airlines' cashflow problems*

- *Though the waiver or deferment of fees are useful transitionary steps, they may impact operators' (airport operators and air navigation service providers) and governments' cashflow if maintained over a longer period*

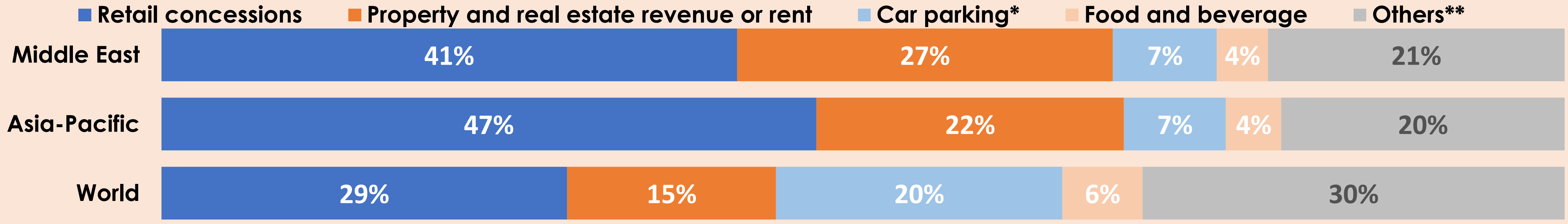
- *Any economic benefit may also be minimal as airport fees form a small portion of airlines' operating costs compared to fuel and staff salaries*

Airports are assisting the aviation industry (concessionaires)

Non- Aeronautical relief measures

- Several countries in the Middle East applied waivers and reduction of non-aeronautical charges

Non-aeronautical revenue composition



Source: *Key Performance Indicator, ACI (2020 edition based on data from 2018)*

Increasingly relevant factors challenging the classic model

- Less disposable income
- Internet shopping
- Lower traffic volume growth
- Consolidation of concessionaires
- MAG system challenged
- Risk sharing with concessionaires
- Collaboration with airlines (in addition to concessionaires and brands)

Source: *CAPA, IATA, media news*

The path towards recovery

Competitiveness of the Aviation eco-system:

5. Reduce taxation on aviation

Taxation of International air transport and airports – key recommendations

ICAO policies on taxation of international aviation should be followed by States

Taxation should not impede the development of the industry and suppress the economic benefits of aviation - Aviation taxes that generate negative economic outcomes should be alleviated or removed

Taxes should be clearly defined, simple, easy to understand and straightforward to implement

Taxes should be clearly distinguished from airport charges

Taxes should not be levied on other taxes or on airport charges

Taxes levied for aviation purposes should never exceed their intended use

Source: *Policy Brief: Taxation of International air transport and airports—Economic benefits and costs (2020)*

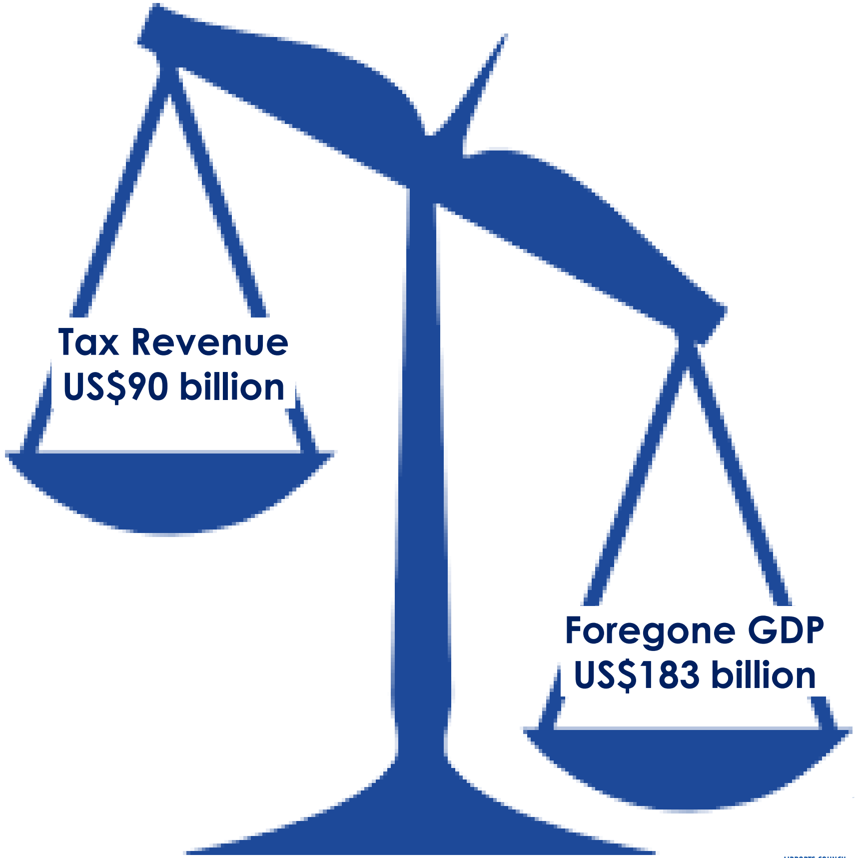
Taxation on aviation

- International aviation is heavily taxed.
  - Globally, estimated revenue from taxes levied on airline tickets is around US$ 90 billion.
  - Assuming 2019 traffic volumes, removing tax burden on aviation would generate 5.2 million jobs and US$ 180 billion in global GDP (foregone loss)

To facilitate recovery…

- Governments shall conduct cost-benefit analysis on whether to continue levying passenger-based taxes.
- or to generate higher national income from the additional economic activity arising from aviation.
- Ensuring multiplier effect is felt across economies.

Imbalance between tax revenue vs foregone global GDP



Source: *Policy Brief: Path to airport industry recovery – Restoring a sustainable economic equilibrium (2020)*

Case study – Jordan

- Passenger levies in Jordan is one of the highest in the region, approx. **USD 78.37** per passenger.
  - ✓ $ 56 is a special tax
  - ✓ On average, the government collects **74%** of the total passenger levies
  - ✓ ***The discount capacity of AIG is insufficient to attract new airlines and especially LCC (discountable charge represents only 26% of total tariff)***

→ ***Remove the tax or at least make it discountable for a competitive offer accessible to all airlines***

- High taxes /artificially increased airport charges
- Potential market distortions
- Affect competitive -ness of local airports
- Suppress tourism demand
- Affect economic output, GDP, and employment

Potential negative impacts of high taxes:

Source: *Policy Brief: Taxation of International air transport and airports—Economic benefits and costs (2020)*

Recommendations towards airport industry recovery – Restoring a sustainable economic equilibrium

1) Governments to prepare for defining and implementing roadmaps of progressive re-opening of the market based on defined indicators (vaccine, interoperable health identification system) – 2) Relax travel restrictions based on recommendations by health authorities: *Vaccination and testing as facilitators to relax quarantine*

Ensuring public health and national security – Governments to bear the the costs of mandatory health measures

Supporting jobs and incomes - Governments are urged to provide targeted fiscal stimulus to support the drop in income

Concession fee waivers and extensions to concession contracts

Ensuring liquidity in the aviation ecosystem – support by Governments and institutional stakeholders

Remove taxes on air transport

Source: *Policy Brief: Path to airport industry recovery – Restoring a sustainable economic equilibrium (2020)*

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