



Economic Impact of Coronavirus on U.S. Commercial Airports

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Based on preliminary assessments by the Airports Council International – North America, the Coronavirus (COVID-19) outbreak will now significantly set back U.S. airports from previously forecasted stable growth prospects. **A total loss of \$13.9 billion is expected in CY2020.** >>

Passenger traffic volume at U.S. commercial airports is estimated to decrease by approximately 73% in March to June period, which translates to about a 53% decrease in the first half of 2020 and 37% for the full year compared to forecasted 2020 levels without COVID-19. In absolute terms, in the first half of 2020, **total passenger enplanement is anticipated to decrease by 244 million and 349 million for the full year.**

As more states report increased numbers of confirmed cases of COVID-19, U.S. businesses, schools, and families are cancelling non-essential travel in the coming weeks and months. We therefore expect there will be significant downward adjustment of traffic volume in the magnitude of around 73% between March and June. The impact will be felt by airports of all sizes as airlines cut their schedules.

As airports experience sharp declines in traffic and passenger throughput, airports' aeronautical and non-aeronautical revenues are expected to decline exponentially. **Total airport operating revenue is expected to decrease by about \$12.3 billion in 2020** representing a nearly 49% reduction driven by decreases in the number of passengers and cancellations/reductions of domestic and international flights as well as reduced non-aeronautical revenue on a per passenger basis.

While aeronautical revenues are under pressure, the cost base for airport operations remain unchanged as airports can neither close nor relocate their terminals during the outbreak. Additionally, **90% of non-aeronautical revenue is passenger-dependent** based on ACI-NA research. As passenger activity level decreases, non-aeronautical revenue such as parking and commercial revenues will also decrease proportionally.

The collection of Passenger Facility Charge, an important funding source for U.S. commercial airports is expected to **decrease proportionally by close to \$1.6 billion in 2020** driven by decreases in passenger traffic volume. This could lead to delay in critical infrastructure improvement projects.

U.S. airports' debt burden has been increasing year over year in the past two decades. **Total debt outstanding for U.S. commercial airports at the end of fiscal year 2018 stood at close to \$100 billion. Total debt service payments to be made in CY2020 add up to \$7.4 billion which are cash payments to be made regardless the level of traffic and revenue.** With the reduction in passenger levels, total debt-per-enplanement will increase by nearly 59% as the same amount of debt will need to be spread over a smaller passenger base. Airports are faced with immediate cash flow pressures with limited ability to reduce fixed costs and few resources to fund capacity improvement efforts for longer-term future growth.

U.S. airports face increasing operating expenses due to increases in custodial costs associated with increased cleaning frequencies of public areas and restrooms, more and upgraded supplies, extra shifts and staffing, additional hand sanitizers in airport public area for passengers and employees, and additional education and training needed for airport employees and contractors.