Economic Impact of Coronavirus on U.S. Commercial Airports

Based on preliminary assessments by 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 $3.7 billion is expected in CY2020.**

Passenger traffic volume at U.S. commercial airports is estimated to decrease by approximately 30% in March to June period, which translates to about a 22% decrease in the first half of 2020 and 14% 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 100 million and 126 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 30% between March and October. U.S. airports with the greatest impact are the nonstop gateways that service the affected regions falling under the CDC travel advisory, but 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 $2.5 billion in the first half of 2020** representing a nearly 22% reduction driven by decreases in the number of passengers and cancellations/reductions of domestic and international flights. Following the latest announcement of flight reductions for the summer season by U.S. carriers, **a loss of more than $3.2 billion of airport operating revenue is estimated for 2020.**

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 $500 million 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.** With the reduction in passenger levels, total debt-per-enplanement will increase by nearly 16% 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.

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