

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 \$23.3 billion is expected as a result of the COVID-19 Pandemic. >>**

Passenger traffic volume at U.S. commercial airports is estimated to decrease by approximately 87% in April to June period, which translates to about a 57% decrease in the first half of 2020 and 45% for the full year compared to forecasted 2020 levels without COVID-19. In absolute terms, in the first half of 2020, **total passenger enplanements as a result of the pandemic are forecasted to be 590 million lower than had been forecasted before the onset of COVID-19.**

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 (minus PFC revenue) is expected to decrease by at least \$20.7 billion, representing a 41% 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 largely 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 by \$2.6 billion**, driven by decreases in passenger traffic volume. This will very likely 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 the next two years is approximately \$16.6 billion; cash payments which must be made regardless the level of traffic and revenue.** With the reduction in passenger levels, total debt-per-enplanement will increase by nearly

79% 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.

While many flights have been cancelled, airports remain open and operational as essential and critical infrastructure. 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.