



Political Newsletter

2018 No. 2

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The online version of the Political Newsletter
can be accessed here:
www.zurich-airport.com/political-newsletter

Publication details

Texts written by: Flughafen Zürich AG

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Editorial

Dear Readers,

Under the chairmanship of the Minister of Transport, German aviation leaders met in October for the Aviation Summit in Hamburg to discuss measures and their implementation against the unacceptable air traffic delay situation in Europe that had become alarmingly evident during the summer. Scarce capacity is a problem not only in the European skies, but also on the ground. Demand in Zurich is already exceeding the supply of available airport slots at peak times. The limited infrastructure is one of the greatest challenges for the future of Swiss aviation.

Together with our airport partners Skyguide and Swiss, we defined a roadmap for capacity and safety development some years ago. We continue with its further development and numerous measures have been defined to optimise the airport system in Zurich under the prevailing conditions, in order to make airport operations less susceptible to delays. Some measures have already been implemented, and the necessary adjustments to the operating concepts, which are part of the "Operating Regulations 2014" and "Operating Regulations 2017" procedures, have been submitted to the Federal Office of Civil Aviation for approval. Due to the long approval and legal procedures, however, the proposed improvements will come into effect only in a few years. As the person in charge for orderly and safe operations, the continuous optimisation and improvement of our operations is of great importance to me.

In addition, we have been investing around one million Swiss francs a day in the maintenance and further development of the aviation infrastructure since our company's privatisation in 2000. In recent months, we were able to put ten new stands into operation and we are currently building new taxiways, as well as a new baggage sorting system for almost CHF 500 million. It is worth mentioning, that – as a private company – all of our investments are financed without any subsidies.

Civil aviation is of outstanding importance for Switzerland as a business location. It ensures Switzerland's connection to Europe and the world. This requires an efficient infrastructure and appropriate operating conditions. It is this relationship between aviation and business that is the focal point of the study "The Swiss Aviation Ecosystem – Flying blind after 2030" by the Swiss-American Chamber of Commerce and the Boston Consulting Group. A long-term, national aviation strategy is needed to prevent a future blind flight and to ensure Switzerland's future competitiveness. Jürg Müller, President of the Board of Airline Representatives Switzerland (B.A.R), also comments on the challenges facing the aviation industry in his guest article.

I wish you an informative and stimulating reading.

Stefan Tschudin
Chief Operation Officer

Unresolved capacity problem calls for political action

Many European airports, as well as the European airspace, are reaching their limits in the face of increasing demand for air transport with today's capacities and structures. This makes structural and operational adjustments indispensable in the medium term. Zurich Airport and its partners are implementing optimisation measures wherever possible with high investments and ongoing process enhancements, while the scope for action is becoming ever smaller. In addition, implementation is delayed by lengthy administrative procedures. Therefore, political decisions at the national and international level are required to solve the capacity problem so that demand can be kept up in the long term.

The demand for international mobility is increasing globally. Passenger numbers at Zurich Airport have risen by one third in the last ten years, reaching roughly 30 million today. According to official federal forecasts, the number of passengers will increase by a further 10 million over the next ten years. The last summer was marked by significant delays and made clear, that timely measures are needed to eliminate existing capacity bottlenecks.

Rapidly increasing demand requires shortening of infrastructure adaptation procedures

For airports, rising demand also means higher infrastructural requirements. To meet these requirements, Zurich Airport is doing its utmost – despite its extremely limited space for development – and invests 1 million Swiss francs per working day. By 2025, for example, the baggage sorting system will be expanded and renovated for almost 500 million Swiss francs. As a stationary infrastructure facility that is entirely self-funded, the airport operator is dependent on moderate regulation. Long and occasionally contradictory procedures further hamper development in line with demand. Only regulation that promotes investment and the simplification of procedures can ensure that appropriate infrastructural expansion continues to be possible in the future and that Zurich Airport can accommodate a supply that meets demand.

Consolidation of European air traffic control would increase air traffic efficiency

Due to the increasing demand for mobility, the European airspace is also increasingly reaching its limits, leading to delays throughout Europe. Due to the shortage of personnel in the German air navigation services, the situation will hardly improve in the coming years. Another reason is the division of EU air navigation services into nine airspace blocks, which are often monitored by state air traffic control authorities and generate considerable additional expenditure. For this reason, the European Parliament adopted the legal basis for the integration, harmonisation and modernisation of European air navigation services fourteen years ago. Due to national resistance, however, the "Single European Sky (SES)" project has been in a deadlock for years and is far from achieving its goals. The problems in the European airspace should motivate political decision-makers, including the Swiss government, to work even harder towards the airspace consolidation in accordance with SES, a project that makes sense in every respect.

Location-based optimisation opportunities are exhausted with Operation Regulations 2017

In addition to congestion in the European airspace, the unstable and highly weather-dependent operating concepts at Zurich Airport also negatively affect the flight schedule, due to rotation delays which extend well into the late evening hours. The Federal Council's strategic guideline on aviation policy (LUPO) therefore rightly calls for the elimination of existing capacity bottlenecks during peak times. However, in the last revision of the detailed plan for Zurich Airport in August 2017 of the Sectoral Aviation Infrastructure Plan (SAIP), the federal government's spatial planning instrument for civil aviation, which was to lay down the guidelines for the coming decades, focused only on measures to increase flight operational safety. The current SAIP does not provide for a capacity increase at peak times, which would solve the delay situation in the long term. Therefore, further political decisions are needed in the future, that will allow growth-oriented development in the medium and long term.

Political action at national and international level is inevitable to tackle the capacity problem

For the reasons explained above, decisions are needed at the political level that will enable Switzerland's only intercontinental air transport hub to grow in line with demand and remain competitive in the long term. At the international level, Switzerland should do its utmost to modernise and increase the efficiency of air transport, for example within the framework of the SES.





Will the market fix it again?

Imagine that: In 17 years, there will be 17% fewer vehicles on Swiss roads than today. Yet, they will carry 30% more passengers! Utopia or reality? It may be that this is wishful thinking with regard to road traffic, but in terms of air traffic at Zurich Airport, these figures correspond exactly to the development between 2000 and 2017: 17% fewer aircraft movements are offset by 30% more passengers! Not to mention the steady decline in the number of transfer passengers.

I am also impressed by this trend, and our industry can proudly use the term “efficiency increase” here. The drivers for this development are certainly versatile, nevertheless, they can be reduced to a common denominator: The market! A steadily growing demand for mobility can only be satisfied in the long run with larger aircrafts and better capacity utilisation if the operational freedoms of airports remain restricted for well-known reasons.

On an honorary basis, the Board of Airline Representatives in Switzerland (B.A.R.) represents the interests of most airlines operating in Switzerland towards authorities, airports and other institutions relevant to our industry. It is in the nature of things that we often argue with the national airports when issues of significance to us and our passengers, such as infrastructure adjustments or airport fees, are being debated. The bottom line, however, is that we share a common interest in a high-quality airport infrastructure that allows moderate growth – with emphasis on “moderate”. We already know that Zurich and Switzerland will not be able to benefit from the global average growth in aviation over the next few years. This, in turn, is neither tragic nor worrying as long as selective capacity increases can roughly reflect economic growth. Anyone who refuses to understand this relatively simple logic is, in my opinion, ignoring the historical significance of Zurich Airport as one of the most important economic drivers of the country.



But even this humble wish is in danger! After a summer riddled with delays and strikes, politics and the industry in Europe are desperately looking for solutions. And yet, solutions already exist in form of the guidelines for the Single European Sky adopted by the EU in 2004. The project’s implementation, however, has been an unspeakable and costly failure so far with no substantial results. Political decision making – not prestige-seeking politicians – is what is needed more than ever. Without courageous and forward-looking national and international solutions, the market alone will for once not be able to accommodate demand in the next 17 years.

Jürg Müller
President Board of Airline Representatives
Switzerland

Flying blind – Lack of strategy in Swiss Aviation

An independent study confirms the often underestimated importance of national airports for the economy and warns against political inactivity. Perspectives must be created beyond the year 2030 to ensure that Swiss airports remain competitive and that the global network – which is indispensable for the national economy - continues to be guaranteed. The authors of the study demand proactive action from the federal government.

The joint study “The Swiss Aviation Ecosystem – Flying Blind After 2030” by the Swiss-American Chamber of Commerce and the Boston Consulting Group was published in October 2018 and is part of an analysis of the mutually beneficial relationship between multinational companies and Switzerland, which forms the basis for the country’s growth, strong employment and innovative strength. The study focuses on one of the main pillars of this relationship: national airports. According to the study, Swiss airports create almost 120,000 jobs and generated around CHF 6.3 billion in 2016, almost CHF 2 billion more than the Swiss agricultural sector. The fact that CHF 4 billion of this direct added value was generated in Zurich underlines the economic importance of Zurich Airport as the largest national airport and hub for national and international connections. In addition to this purely monetary value, the authors also examine the less tangible contributions made by airports to Switzerland’s attractiveness as a business location.

Swiss economy and society benefit from international accessibility

Monetary aspects are not sufficient to fully illustrate the significance of national aviation for Switzerland. The study analyses the “catalytic benefits”, i.e. the increase in the location attractiveness owing to airports. The excellent international connections are crucial for the presence of around 10,000 multinational companies in Switzerland. The economic importance of multinational companies for Switzerland is far-reaching: in 2012 they accounted for 35% of Swiss GDP. Furthermore, the headquarters of 49 international organisations are located here, not least due to the high degree of international connectivity. In

addition, the Swiss export industry and tourism depend on quick access to effective airfreight and, respectively, the convenience of arrivals and departures. Business and science are able to attract highly qualified personnel from all over the world to Switzerland thanks to its accessibility. At the same time, the airports have contributed to Switzerland’s status as a major cultural destination, while providing the Swiss population with a wide range of direct connections to nearby and distant destinations.

Switzerland oversleeps adjustments to meet demand

Zurich Airport’s hub function is crucial to its competitiveness. Many of the intercontinental connections are lucrative only because of transfer passengers, who use Zurich as a hub to get on their long-haul flight. Without transfer passengers, most of Zurich’s international flights would no longer be available in the medium term. A loss of these connections would weaken international accessibility, an important factor for location attractiveness. The study points out that the pressure on the “Swiss aviation ecosystem” is increasing. Competition among European hubs is intensifying and foreign competitors are preparing for the future, while in Switzerland the capacity problem remains unsolved. In view of the increasing demand, other hubs of the Lufthansa Group have already planned the expansion of their current maximum hourly flight movements, above all Munich (+33%), Vienna (+32%) and Frankfurt (+29%) airports. Zurich, however, is already unable to keep pace with the current demand. In other countries, the importance of aviation for their future economic growth was recognised which has led to the adoption of long-term strategies. Switzerland on the other hand, has no strategy beyond 2030. According to the study, the lack of action in view of the capacity problem illustrates the absence of foresight and planning with which Swiss aviation is steering into the future. There is no national aviation strategy for the sustainable elimination of capacity problems as well as the preservation of the competitiveness of Swiss airports and thus, of the Swiss economy.

Loss of hub status as worst-case scenario

The study states that without political measures, Swiss airports will not be able to keep pace with the increasing demand. In this context, the authors of the study elaborate on two scenarios – both of which cannot be in Switzerland’s interest.

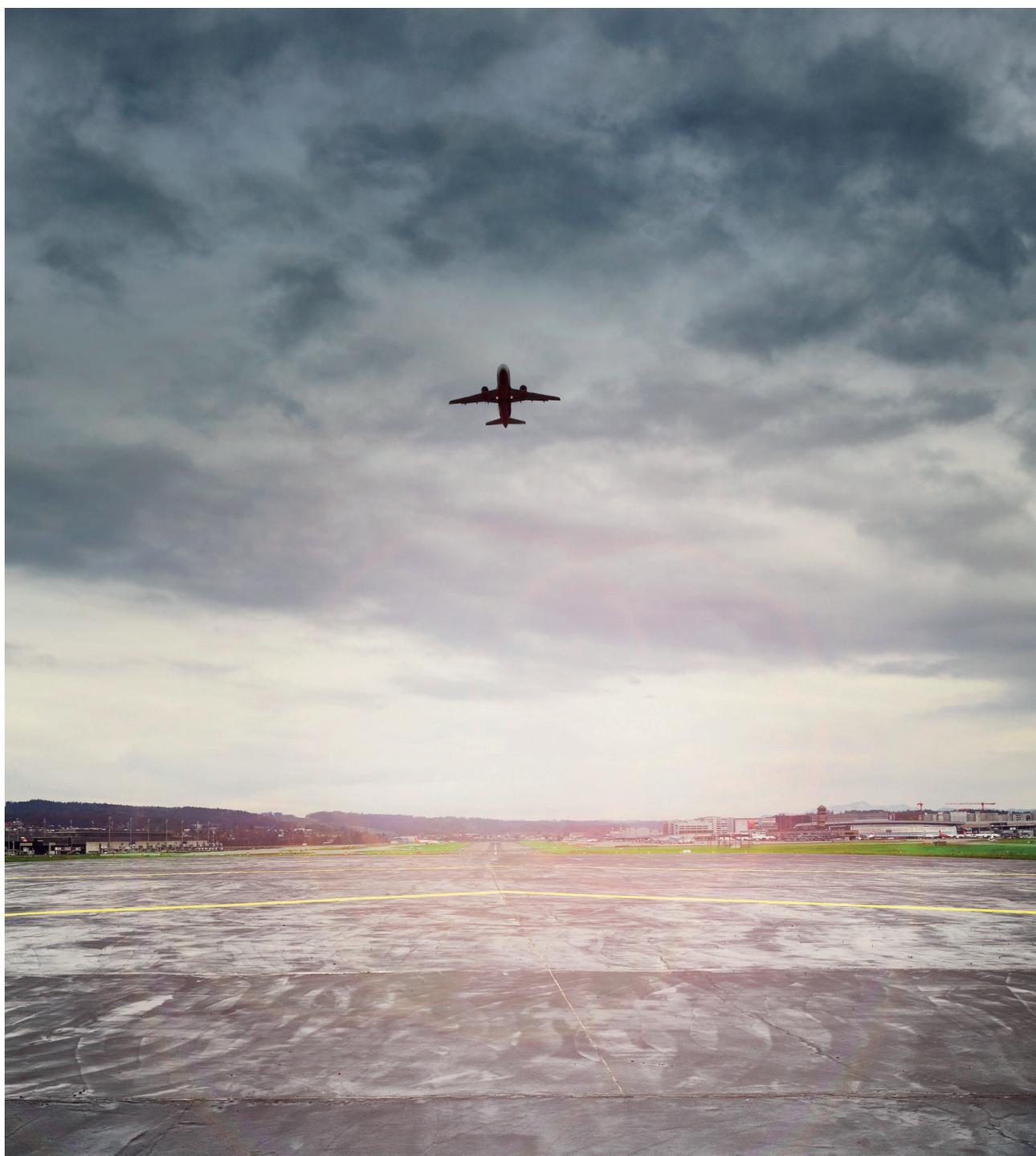
Continuity of the status quo: If capacities remain unchanged, approximately 24% of the demand for passenger traffic (25 million passengers) and 19% of the demand for air freight (149,000 tonnes) cannot be met by 2030. Furthermore, Switzerland will not have direct connections to emerging business destinations, which will become increasingly important for Switzerland.

Loss of hub status: The combination of blocked growth prospects, an unacceptable number of delays and increasing competition between hub airports may lead to a loss of the hub at Zurich Airport. In this scenario, which the study deems not unlikely, Zurich loses most of its intercontinental flights, which would in turn result in a massive decrease in the frequencies of European connections. Far more serious than the direct economic effects is the potential damage to the attractiveness of the country as a business location.

Swiss national airports must be strategically viewed as what they truly are: Infrastructure facilities of national importance

In order to remain competitive in the long-term and to ensure the efficient functioning of the air transport infrastructure, urgent measures must be developed to solve the capacity problem. Political inertia has a negative impact on overcoming the challenges facing Swiss aviation and contrasts with the demand of the study for a rapid solution of the capacity problem. The implications of

existing challenges extend far beyond the scope of the local political level. The development of comprehensive aviation strategies in other countries emphasises the national importance of what is at stake. Therefore, Switzerland should – just like the government does for other modes of transport – develop a long-term national aviation strategy that includes decisive solutions for the challenges ahead.



Gateway to the professional world – Vocational training at Zurich Airport

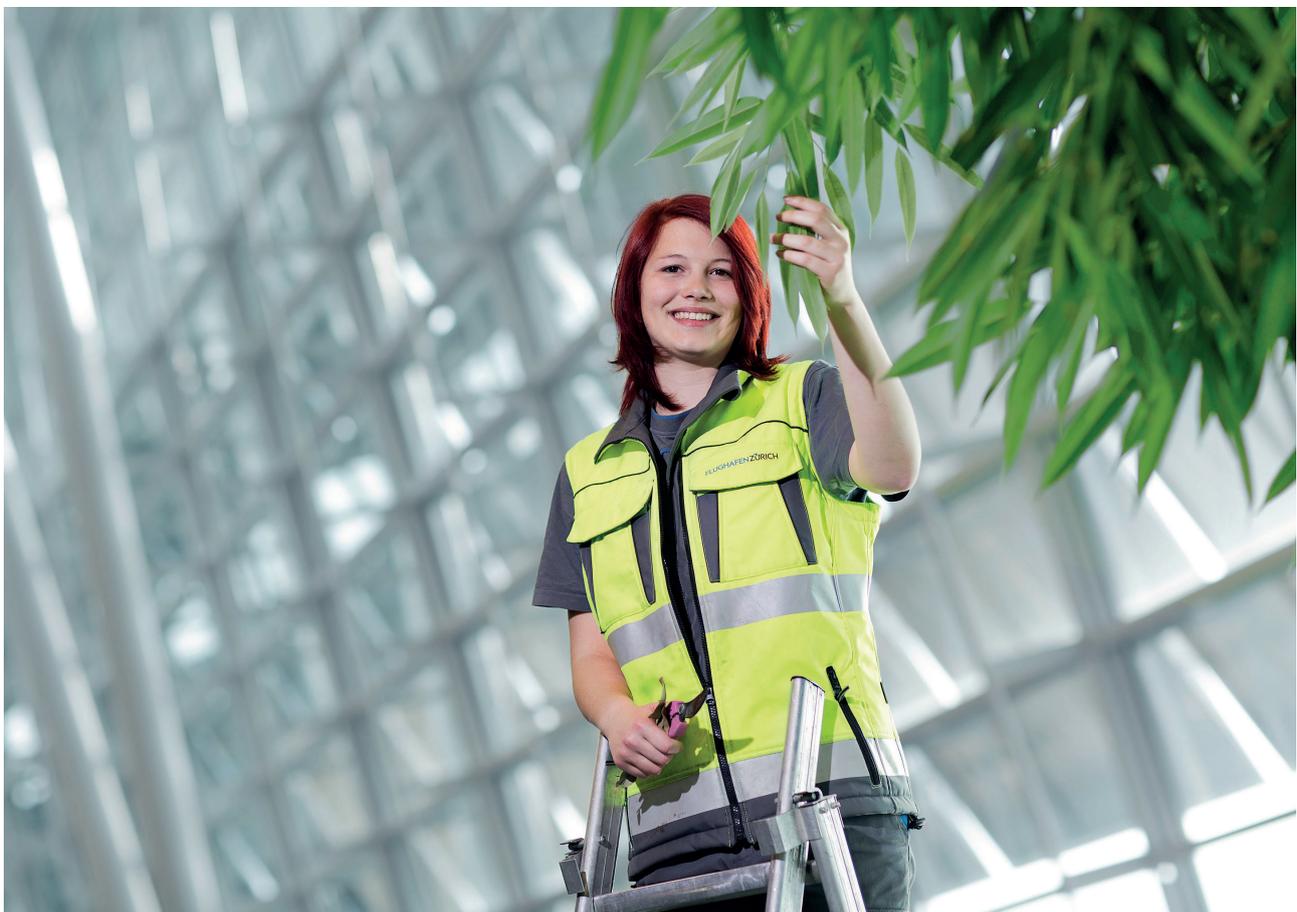
Zurich Airport is not only the place of arrival or departure for air travellers, but also the place where many young people gather their first professional experiences and get prepared for their further professional careers. The more than 27,000 jobs at Zurich Airport include around 460 apprenticeships. Therefore, Zurich Airport is considered to play a significant role not only as a creator of jobs, but also as an important location for vocational training in the region. In addition to the national significance of the location, this also has to do with the wide range of training opportunities and the unique working environment that trainees benefit from.

As an international airport with a hub function, Zurich Airport symbolises Switzerland's gate to the world. This makes it an attractive place to work. At the same time, the diversity of professions needed at Zurich Airport contributes

to its attractiveness for future apprentices. A wide variety of skills and abilities are required to ensure smooth operations, make commercial space attractive and provide a wide range of services in the aviation and non-aviation sectors. In addition, the operation of a high-quality airport relies on close cooperation between the operating company and the specialists of the partner companies, thereby creating an exciting and interdisciplinary work environment. Furthermore, the workplace, which also functions as one of Switzerland's most important transport hubs and is located only a few kilometres from the city of Zurich, is easily accessible.

Wide range of vocational training opportunities

Zurich Airport is home to 280 companies, which cumulatively offer over 27,000 jobs and thus make an important contribution to the regional economy. This number also includes around 460





apprenticeships offered at Zurich Airport, which corresponds to 4.5% of all apprenticeships in the Canton of Zurich. The complexity of airport operations is reflected in the wide variety of professional profiles: polymechanic, retail specialist, IT specialist, drainage technologist, automotive mechatronics technician and gardener are just a few of the professions that can be listed as examples of the wide range of training opportunities available at the airport. Flughafen Zürich AG alone trains, supports and fosters more than 50 apprentices in eleven different basic courses. With a high-quality training programme, the company creates the conditions for an interesting training period within the company itself and at the airport in general. Regular and subject-specific transfers between departments, annual introductory weeks as well as trainee camps enable the apprentices to adapt their competences in all major aspects of professional life. Since August, the airport operator has also been offering integration apprenticeships for recognised refugees and temporarily admitted persons in Switzerland. After an integration

training that lasts twelve months, the programme gives young adults access to a basic education followed by a federal vocational certificate (2 year basic training) or a federal certificate of proficiency (3 and 4 year basic training). During the integration training, the apprentices attend school for an average of one and a half days per week in order to enhance their knowledge in general subjects and, in particular, to improve their German skills and specialised knowledge of the chosen basic education.

Development opportunities for airport needed to maintain high number of jobs and apprenticeships

Good political framework conditions are needed to allow growth in line with demand, so that the only intercontinental Swiss air transport hub can maintain its position as an important provider of secure jobs in the long term and continue to offer young people a broad selection of future-oriented training courses at a unique workplace.

Traffic Development

All figures January to November 2018

The monthly traffic statistics are published under:

www.zurich-airport.com/the-company/investor-relations-en



28.3 %
Share of transfers

Change vs. 2017
+0.1 percentage points



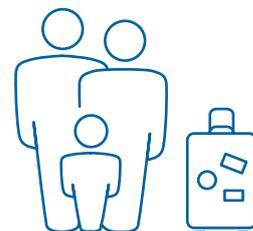
8'145'772
Transfer passengers

Change vs. 2017
+6.3 %



28'759'959
Total passengers

Change vs. 2017
+5.8 %



257'198
Flight movements

Change vs. 2017
+2.7 %



475'480 t
Freight and Mail

Change vs. 2017
+0.1 percentage points

