

Friday, June 25th, Fiumicino

Meeting with users of Fiumicino and Ciampino airports in the framework of annual consultations as foreseen by Directive 2009/12/EC: [link to event and presentation](#)

Snapshot

Today Aeroporti di Roma presented the progresses on its Airport Development Plan to the users of the Fiumicino and Ciampino airports. Until the end of the concession in 2046, the plan – ADR's management has represented – provides for an additional 8.2 billion euros of investments, which are added to the approximately 1.8 billion euros already invested from 2012 to date, for a total of about 10 billion euros.

The key word of the new plan is Sustainability, with a broad spectrum of interpretation from environmental issues, noise emissions cut, to market and social perspectives.

Despite the serious consequences produced by the pandemic, ADR confirms the strong long-term traffic potential that can be expressed by the Rome airport system and confirms the commitment to developing an infrastructure plan for a capacity of up to 100 million passengers at the airports under management at the end of the concession in 2046.

The plan's progresses today under discussion with users is for a development plan that is still under careful examination by ENAC with which – underlines ADR – a fruitful dialogue is underway aimed at ensuring the best technical functionality and maximum compliance to the standards of excellence achieved by the airport in recent years.

The plan envisages the expansion eastbound of the current airport terminal capacity and no longer to the north as it had previously been planned. "This new project – Marco Troncone, ADR's CEO, has commented – minimizes land consumption in favor of the territory and optimizes the existing infrastructures that will be built in compliance with the stringent LEED environmental certifications. The design solutions identified by ADR for this plan are inspired by the highest quality standards that are already been tested at Fiumicino. For example, in the coming weeks a new system for the acceptance and boarding of travelers will be activated through biometric identification of the face on the routes to Atlanta and New York.

Introduction

As a start to the consultation on aviation charges proposal for the forthcoming regulatory period 2022-26, compliant to article 8 of Directive 2009/12/EC, in May ADR has invited users to participate in a "web event" to be held on June 25, 2021, from 10:00 am to 1:00 pm CET, to discuss the prospects for future capex plan of Fiumicino and Ciampino airports.

To facilitate interaction with users, ADR has anticipated to registered users the presentation material that will be discussed during the event (titled: Assessing Capacity Expansion of Rome Airports) which elaborates on recent industry trends, underlying prospects of traffic recovery (in next few years and longer-term) with implications for capacity usage and capacity expansion including an assessment of alternatives.

Users are welcome to participate with written contributions and a Q&A session is scheduled to take place in the immediate aftermath of the management's presentation.

Friday 25, management presentation and Q&A

Fabio Soleri – ADR's responsible for the consultation procedure – welcomes users and informs on expected timing of the management's presentation and Q&A session. Users interested in asking questions are provided options available on the "Microsoft Teams" platform. Q&A is set to start at around 12:00.

Session starts at 10:05

ADR's top management, including Mr. Marco Troncone, CEO, starts to represent to audience the material included in the presentation that has already been made available (see above).

Mr. Troncone highlights the importance of the challenges of the new investment plan for Rome airports. He says that "it achieves same results on capacity and quality as envisaged by the plan in the Concession contract of 2012, but with more up-to-date thinking. The new plan is much better shaped for current times, much better suited for the requirements of the users, but we also want to hear from you if we are on the right track."

Mr. Troncone emphasises that plan is under discussion with concession grantor ENAC that is carefully evaluating hypotheses and solutions. ADR is fully confident in ENAC's judgement on various technical solutions of the project and on the fact that dialogue with ENAC will eventually lead to the best possible lay-out of the expansion plan.

Looking in perspective, Mr. Troncone focuses on the changes in key industry trends that have affected the aviation sector since the start of ENAC-ADR's Economic Regulation Agreement that included a different capacity expansion plan for the future of Fiumicino. Airport services' demand has changed over the last 10-12 years thanks to higher connection efficiency and a rise both in the number of seats per aircraft and in average load factors.

At the same time, the technological and operational progress in airport processes has made it possible to use existing facilities more efficiently, as confirmed by IATA's extensive review of planning and design reference standards.

All these factors have led to a reassessment of capacity requirements for the Fiumicino and Ciampino airports.

Against this backdrop, ADR's re-assessment of capacity expansion has positioned sustainability at the center of the decision-making processes as highlighted by:

- Drastic reduction in land consumption
- Acoustic footprint reduction
- "Under one roof" layout in continuity with current terminals enabling simpler transits and making it possible to achieve a modular design of the construction
- Effective and sustainable accessibility
- Tariff sustainability

ADR's CEO subsequently covers the company's achievements in the last few years (in particular since the inception of the Economic Regulation Agreement) that encompass delivering on investment commitments

(only partially modified by the outbreak of Covid), efforts for environmental protection and quality of service improvements as confirmed by international awards.

Following CEO's speech, Mr. Giovanni Cavallaro, ADR's head of financial planning and regulatory, takes the floor to represent the approach to forecasting that ADR has adopted for short term and long term assessment of traffic volumes. In ADR's planning exercise significant uncertainty still surrounds the recovery of the aviation industry. Thus more scenarios are used to look at the potential trajectory of the traffic recovery and longer term targets.

In the long run, ADR foresees a decrease in domestic market share on total volumes, in particular where there is competition of High Speed Rail. The trend in the domestic sector shows historical negative growth (at an average annual rate of -1,0%, CAGR 2006-2019), offset by growth of the international sector that since 2006 has recorded significant growth at +4,8% average annual. In perspective ADR foresees similar trend to continue, with international component to rise further in share of total passenger volumes at the Rome airports.

Having CEO and head of financial planning laid down the key background information, Mr. Giorgio Gregori and Mr. Paolo Cambula – ADR's two key managers responsible for capacity planning and execution – take the floor to introduce ADR's ideas on the future capacity expansion.

According to ADR's updated forecasts on investments and traffic, in 2030 Fiumicino South terminal system will reach a total passenger capacity of 64 million passengers per year, with check-in and boarding subsystems reaching saturation. Consequently:

- In 2031 the first phase of development will enter into operation (first module of East Terminal, Pier K, boarding area D switch to NS), reaching a total system capacity of 81 million passengers
- By 2035 check-in and extra Schengen subsystems will reach saturation, according to current traffic forecasts
- By 2036 the second part of the terminal and pier L will be completed. The global capacity of Fiumicino will thus reach a capacity of almost 97 million passengers
- Finally, a third phase of development is planned which, with the construction of the third pier M, will make it possible to exceed the capacity of 100 million total passengers

The system will thus respond gradually to the evolution of traffic demand until 2046 when a capacity of 97 million passengers is targeted, for a total expected number of passengers equal to 88 million.

Mr. Gregori and Mr. Cambula provide detailed technical analyses on the key areas of the development plan. They concluded speech with an update on the approval process with concession grantor ENAC. ENAC is in talks with ADR with a view to evaluating various planning alternatives. This exercise shall contribute to a thorough technical assessment.

Finally, Fabio Soleri provides an overview of the regulatory mechanisms that govern aviation charges for Rome airports and emphasizes the efforts of the company towards price stability for some years ahead, despite the expected company's funding of the progress of the capex plan. He re-iterates that ADR is aiming to provide much more information to users on aviation charges in the next steps of the consultation process.

Management presentation ends at 12:00

After a coffee break, Q&A session starts at 12.10

Fabio Soleri reads the questions that have been already submitted via text.

1. The forecast that you presented as IATA's forecast (Slide 43) was presumably global forecast, and not national-level forecast for Italy, is that correct?
2. From page 42, the forecasts are based on what Airlines mix? From page 45, is it based on virus-development scenarios (e.g. end of pandemic in 2022)?
3. From slide pack page 48: could you elaborate on what tick domestic routes will be substituted by high-speed trains and when?
4. Some other European airports are trialing removing the physical separation between Schengen and non-Schengen passengers in order to optimize capacity. This is already done in other airports (Heathrow, Oman) using biometrics. Have you evaluated this possibility which could change the phasing of your planned expansion, save costs and improve flexibility of your infrastructure?
5. Could you elaborate on the proposed tariff flexibility? The red dotted line in one of the last slides is the proposed average charge for the period?
6. Can you elaborate on the solutions in the plan on expanding capacity of FCO South?

ADR provides answers to the above:

1. Cavallaro: yes, forecasts are at global level based on recent IATA publication
2. Cavallaro: our forecasts are demand driven; our forecast is based on easing of the pandemic which implies EU traffic to recover faster and non EU slower
3. Cavallaro: ADR believes in short term shorter routes will be replaced by train with increasing use of train-plane combination; moreover, high speed train will see its market share rising also in the south of Italy
4. Cambula: biometrics will increasingly accomodate needs of passengers; our terminal systems are biometrics-ready, we shall see in which directions we could move ahead with a view to achieving better service while maintaining cost efficiency
5. Troncone: tariff proposal will be addressed later in the summer, the objective today was simply to elaborate on financial/commercial sustainability of our prospects; besides the technical merits of this capex plan, we wanted to reassure you on the cost of such an increase in regulated capital: there are ways to resort to very small increases (or no increases) within the scope of sector's regulations (assuming traffic recovery in line with our expectations)
6. Gregori: The completion project of FCO South approved by ENAC envisaged the construction of the T4 which would make it possible to reach medium-term capacity for about 60Mpax / year. However, the position identified for T4 is affected by three critical issues related to its position:
 - a- it is at the end of the terminal system, to the west, away from the center of gravity of runways 2, 3, 4 (long taxitimes would be required to reach the respective loading bridges)
 - b- it is at the end of the terminal area dedicated to non-Schengen passengers thus inhibiting the Schengen traffic on this terminal (but in fact it is precisely this segment of traffic that calls for the need for capacity expansion)

c- it is at the end of the curbside which is not expandable and therefore its use would raise the risk of congestion potentially affecting also operations in T1 and T3

For these reasons, ADR has developed and submitted to ENAC solutions to increase capacity through interventions on the current terminals. They make it possible to reach a medium-term capacity of 64 Mpax / year. In fact, as part of the restructuring of T3 and extension of T1 ADR has planned to increase check-in subsystems, gates, baggage reclaim. Thanks to the increasing use of technological innovations for check-in (self services, bag drop, biometric) and new hybrid desks, the current terminals will be able to better accommodate expected traffic.

Subsequently, Luciano Neri of IBAR is given the floor to express the following points:

- a. Looking at the alternative sas you presented our reaction is rather obviously one in favour of alternative #1
- b. Has ENAC made comparative analyses?
- c. On the cost element, how this will translate into charges? Although this has been already addressed by Marco, please bear in mind that given the sector's crisis it is difficult for carriers to committ to any long term price trajectory

ADR's Gregori and Soleri on the above:

ENAC is worried on congestion issues in case of all terminals are grouped together. They would prefer to have a different road access to a different terminal location. ADR believes that this underestimates the issues around executing new road construction in the area. A constructive dialogue is underway.

On costing/pricing point, we appreciate your concern on pre-set tariff trajectory. We stress that tariffs shall remain predicated on sector's regulations (thus visibility for 5 years) and that ADR is not making a pledge to users for setting tariffs for many years to come. What ADR has shared was simply for illustrative purposes from ADR's planning exercise with the aim to demonstrate that real flat average avio charges are a suitable outcome against the backdrop of the outlined capex plan (assuming traffic in line with ADR's expectations).

Regan Tilson of Ryanair is next to take the floor for a question: Unfortunately, there's a regrettable lack of discussion on Ciampino's future and the opportunity to incentivize more efficient aircrafts there. This would have been of greater merit. Meanwhile, on FCO you provided a lot of info but no cost detail. We urge ADR to provide cost details on single projects with full transparency for users to better evaluate.

ADR's Gregori: 65 MOV/day is Ciampino's max capacity according to latest legal limitations. At this point this inhibits ADR from dedicating efforts to CIA long term planning.

ADR's Soleri: as for accessibility to project figures, ADR takes comment on board and will follow up with something along these lines.

Marco Calvarese of Emirates is next: Thanks for sharing today's material with us. This re-inforces ADR's track record on liaising with users. On the overall plan as presented today – given the complexity – we shall evaluate more carefully and we shall remain open to discuss. But we can preliminarily say that option #1 looks more functional.

Marco Gatti of Easyjet: Of the two options alternative #1 seems to be more cost efficient. However, we look forward to receiving more data. We are also eager to understand better how you'll address the needs of the different users you'll have in the future.

Gianluigi Lo Giudice of Alitalia: Regarding the illustration of the alternatives presented for long-term development, how the new terminal and the boarding areas will be connected in the "alternative #2" you have portrayed and what will be the possible synergies between the areas and systems such as the BHS / HBS. We see this as a risk of inefficiency of the said alternative.

ADR's Gregori: the connection would be guaranteed by a tunnel equipped with an Automated People Mover system for passenger transport and by a parallel system for the transport of baggage. These works will result in an additional capex with respect to "alternative #1". Also the corresponding annual operating costs will be higher due to the need to ensure constant operations of the tunnel systems.

In alternative #1, the BHS of the neighboring terminal 1 can also be used for the management of baggage in transit and at the service of the check-in desks of the new East Processor potentially generating a higher degree of synergy and efficiency for operators and handlers.

Session ends @ 13:05