# Political Newsletter

## 2017

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Editorial

Dear Readers,

With our digital Political Newsletter we are pleased to be bringing you, our English-speaking readers, news of some important political issues relating to Zurich Airport. This English edition of the Political Newsletter will be published twice a year from now on.

To kick off we look at the impressive results of an economic study about Zurich Airport: CHF 5 billion of value added, 27,000 employees, extensive – although stagnating – continental and global accessibility, 12,000 overnight tourists arriving via Zurich Airport every day, plus 1,200 tonnes of air freight daily, which transports 40% of Switzerland’s exports by value – are some of the report’s key findings. Other important insights, such as the impact on accessibility if operation as a hub were to cease, together with facts and figures about the main topic for this issue are set out from page 4.

As the airport’s operator, we are constantly endeavouring to meet the noise protection needs of local residents around the airport. Flight operations at night are always a particularly sensitive matter. At Zurich Airport, delayed flights are permitted to take off and land up to 11.30 p.m. without special authorisation, while flights after 11.30 p.m. require a night flight permission. Flughafen Zürich AG grants such permissions in exceptional circumstances only, and the canton’s Department for Economic Affairs checks their legitimacy. Together with our partner companies at the airport, we are implementing projects aimed at minimising the number of delayed flights. However, sustained improvements are only possible in the long term by making flight operations more flexible during the day, and this requires political backing. See pages 7 and 8 for an in-depth discussion of the night-time curfew.

Aircraft engine testing on the ground following maintenance work at an aircraft causes also noise. Since the noise protection hangar came into operation, this has been significantly reduced for local residents. Turn to page 9 for more about the unique noise-reducing techniques used to construct the noise protection hangar.

It only remains for me to wish you a stimulating read and an enjoyable end of the year.

Joana Filippi
Head Public Affairs
Zurich Airport strengthens tourism and the economy

Infras and BAK Economics conducted a study into the economic importance of Zurich Airport on behalf of Flughafen Zürich AG. This study confirms that Zurich Airport has a wide-ranging direct and indirect positive impact on the economy and the attractiveness of the Zurich region as a place to do business. This also extends to neighbouring regions in southern Germany and Austria and constitutes a significant factor for the future successful economic growth of these regions.

As the number of passengers increases, so too does the importance of Zurich Airport for jobs and as a business base. In 2016, around 280 companies located directly at the airport employed 27,100 people. Zurich Airport therefore supports approximately the same number of jobs as towns the size of Schaffhausen or Thun. It also represents about three percent of the total number of jobs in the canton of Zurich. Products and services bought in by firms based at the airport also indirectly support a further 5,700 full-time jobs in Switzerland.

5 billion Swiss francs value added
Around CHF 5 billion is generated directly and indirectly by the purchase of goods and services through the business activities of companies based at the airport. The majority of this value added stems from services directly related to aviation. Also increasingly significant, however, are activities in the retail and restaurant sector that cater to the needs of passengers, visitors and staff. As well as the value generated directly at the airport, infrastructure investments plus products and services purchased in the region by suppliers contribute to indirect value added and the number of jobs indirectly supported by the airport. Overall, therefore, the airport generates approximately the same amount of value as the cantons of Glarus and Nidwalden put together.

12,000 overnight tourists a day: direct flights boost tourism
Attractive intercontinental flights are also a key factor for a successful tourist industry. The study highlights that 4.3 million overnight tourists a year – 12,000 a day – arrive via Zurich Airport; this represents 22 percent of all overnight tourists in Switzerland. The importance of these direct intercontinental flights for tourism becomes even clearer when visitor structure trends are examined. While the proportion of tourists from distant markets such as Asia and North and South America has increased significantly in recent years, the number of European tourists has been falling. At the same time, the trend for short (business) city breaks is increasing within Europe, so an airport and good links within the continent are important here too.

40% of all Swiss exports by value are transported by air freight
As well as flying and connecting people, the aviation industry is also responsible for the fast and reliable transportation of high-value goods. Measured by value, 40% of all Swiss exports are transported by air. Air freight is often the only option for expensive and fragile high-quality products such as pharmaceuticals, watches and jewellery or precision tools. As the majority of freight is carried on scheduled flights, Zurich Airport’s wide range of direct connections is helping to enhance the strength of Switzerland as a production base. Operating as a hub is also important for air freight: since there are virtually no freight-only flights in Zurich because of the strict ban on night flights, hub operation means that intercontinental freight can be exported directly to destination regions as cargo in passenger aircraft, without having to be first transported by road to another intercontinental freight hub in Europe such as Luxembourg, Cologne or Leipzig. Swiss citizens, too, enjoy exotic fruits and flowers and fresh fish from all over the world; such imports are only possible with air freight.
Attractiveness as business location at risk: stagnating accessibility

One of the issues the study into the economic importance of Zurich Airport focuses on is the airport’s impact on access to the economic area of Zurich. Although Zurich continues to be easy to reach globally and from within Europe, in recent years its accessibility has stagnated, and it has lost out relative to rival cities.

Besides the directly evident job and value creation effects, an airport also contributes to the critical infrastructure a region needs to compete internationally to attract business. Accessibility is the most important factor here. A place only becomes visible and therefore attractive to multinational companies if it has an intercontinental airport with many direct flights to cities all over the world. Thanks to 68 airlines, and in particular to the hub operation of Swiss, Zurich Airport has direct connections to 178 cities all over the globe, enabling people and freight to reach their respective destinations quickly, reliably and easily. In an increasingly globalised world, this is a crucial competitive advantage.

Accessibility stagnating at a high level
The study underscores the important role Zurich Airport plays in the current high level of accessibility. Measured using BAK Economics’ accessibility model, Zurich continues to be very easy to reach both from overseas and from continental Europe, and is consequently an attractive location for globally active companies. However, this cannot be taken for granted, and in absolute terms accessibility has stagnated in recent years, and indeed has fallen considerably relative to competing locations in Europe. In 2000, Zurich still ranked as highly for accessibility as Frankfurt, London, Amsterdam or Paris – cities with the biggest hub airports in Europe. Today, it has fallen 15-20 percentage points behind for both continental and intercontinental accessibility.

Hub operation with long-haul flights is key driver of accessibility
In conjunction with regular daily long-haul connections to as many important destinations for the Swiss economy as possible, this trend clearly indicates that hub operation constitutes one of the key drivers of accessibility. The corollary of operating as a hub in this way are also regular connecting flights to and from a large number of European cities which, along with high global accessibility, also have a positive impact on continental accessibility. One scenario worked through in the study also showed that if this hub operation at Zurich Airport were to cease, it would result in a significant loss of global accessibility in particular. A total of 32 major competing European business centres such as Munich or Stuttgart would overtake Zurich, so it would lose ground in the race to win companies and jobs for Zurich and Switzerland. If airport operations at Zurich were to cease completely, this would naturally have an even greater impact on Switzerland’s accessibility – if there were no direct flights to existing and up and coming business destinations such as Boston, Shanghai or Mumbai, Zurich would drop well down the middle of the pack of its European rivals as far as accessibility is concerned.
A successful airport strengthens Switzerland as a whole

Zurich Airport should not be regarded purely in terms of negative aspects such as noise, it also brings many direct and indirect positive benefits for the metropolitan area of Zurich and surrounding region, both as a business location and for the quality of life of the people living there. In particular, the hub operation of Swiss and direct flights to the foremost global destinations are crucial factors in Zurich’s above-average attractiveness as a location. The fact that, owing to the lack of capacity at peak times, the hub has for many years been unable to expand significantly and add more long-haul flights has a direct impact on the quality of its accessibility. The study clearly shows that Zurich and Switzerland are becoming less accessible and are consequently losing their attractiveness compared with other major European business centres. As yet this trend is not dramatic, and Zurich Airport is still able to fulfil its role as a European hub for global aviation as required by the Confederation’s aviation policy. If it is to continue to do so in future, however, action will be needed over the medium to long term. Zurich Airport will only be able to fulfil this function for future generations if hub operation remains possible and it can expand in line with demand, and if policymakers allow the airport the necessary leeway to grow. This will also preserve and further enhance the accessibility necessary to support Zurich both as an attractive tourist destination and as a business and export location.
Night-time curfew at Zurich Airport

Since 2010 there has been a strict night-time curfew at Zurich Airport, Switzerland’s most important intercontinental hub airport. Flights between 11.30 p.m. and 6 a.m. are permitted only in exceptional and unforeseen circumstances and are subject to an authorisation regime strictly controlled by the Canton of Zurich. If the Zurich hub is to remain internationally competitive in future, it is absolutely essential that existing operating hours are being maintained.

In its aviation policy report published in February 2016, the Confederation stated that, as a keystone of Switzerland’s transport infrastructure, aviation should be strengthened and that the demand for air transport would continue to grow. It also highlighted the great economic benefits of Zurich Airport. At the same time, the Federal Council indicated the need to pay serious attention to the concerns of local residents regarding noise.

Night-time curfew continually tightened since 2000

Under Art. 39a of the Ordinance on Aviation Infrastructure (VIL), a ban on night flights between the hours of 0.30 a.m. and 5 a.m., and take-offs before 6 a.m., applies to the major Swiss airports. The last half hour from midnight to 0.30 a.m. is also reserved solely for delayed flights with scheduled departures up to midnight at the latest. Owing to a ruling by the Swiss Federal Supreme Court in 2000, the night-time curfew at Zurich Airport was extended from 5.00 a.m. to 5.30 a.m. As part of an amendment to operating regulations in 2003, the curfew was extended by a further half hour, to 6 a.m. In 2010, the curfew was then further tightened in the evenings, by bringing it forward by one hour. Since then Zurich Airport’s operating hours have been 6 a.m. to 11.30 p.m. The Federal Council rejected any further restriction of operating hours in the aviation policy report, or at least would consider tightening them further only if longer night-time curfews were introduced in the European environment.

Delayed flights between 11 p.m. and 11.30 p.m. do not require permission

Zurich Airport’s operating regulations state that delayed take-offs and landings are permitted without special authorisation up until 11.30 p.m. Flughafen Zürich AG is aware that noise during the night is an issue so it is endeavouring to reduce the number of flight movements after 11 p.m. in particular. For instance, the last slots for departures in the timetable, which in principle may be scheduled until 11 p.m., have been brought forward to 10.45 p.m. Following a complaint to the regulator, the current slot timetabling in the late evenings has also been the subject of a judicial review. In its ruling of 25 October 2016, the Swiss Federal Administrative Court rejected the complaint and fully upheld the current practice.

Few special authorisations for flights after 11.30 p.m.

Since the introduction of the tighter night-time curfew in 2010, the number of flight movements after 11.30 p.m. has remained relatively constant and is very low compared with other hub airports. These are rescue flights and government flights that are not subject to the ban on night flights, and also flights for which the airport owner is permitted under Article 12.3. Annex 1 of its operating regulations to grant a special authorisation due to unforeseen exceptional circumstances, especially extreme meteorological conditions. These are caused chiefly by adverse weather conditions – in particular snow in winter and thunderstorms in summer – or technical problems shortly before the scheduled departure time, and also by on-board medical emergencies.
The legitimacy of night flight permissions is monitored
The Department for Economic Affairs of the Canton of Zurich monitors compliance with the night flight regulations. The Office for Transport of the Canton of Zurich reports any possible breaches to the Federal Office of Civil Aviation. This guarantees that the granting of special authorisations for flights after 11.30 p.m. is always in accordance with the airport’s operating regulations and with the superior law. In addition, the special authorisations for night flights granted are published in the monthly noise bulletin of Flughafen Zürich AG.

Measures to improve observation of the night-time curfew
Flughafen Zürich AG takes local residents’ need for quiet during the night seriously and enforces the night-time flight curfew on airlines by means of a careful and legally compliant authorisation regime. In collaboration with SWISS and Skyguide it also helps by systematically implementing a wide range of measures to further optimise flight operations during daytime in order to minimise the number of delays after 11 p.m. and night flights.

Further tightening of night-time curfew jeopardises intercontinental hub
At the same time, as the holder of the operating licence for the airport, Flughafen Zürich AG is obliged to implement the aviation policy of the Federal Council and therefore provide the requisite infrastructure and operational framework for hub operation so that airlines can offer efficient direct flights to major cities all over the world at attractive times so they can remain competitive with their rivals at other airports. However, this is only possible with an optimally coordinated network of short and long-haul flights in a system with six waves. This requires operating hours running from 6 a.m. through to 11 p.m. and the ability to handle delayed flights up until 11.30 p.m. Flughafen Zürich AG welcomes the fact that the Confederation endorses hub operation in the SAIP detailed plan for Zurich Airport and has committed to maintaining the existing operating hours. Any further tightening of the night-time curfew would jeopardise its operation as an intercontinental hub.

Less noise thanks to innovative noise protection hangar

August 2014 saw the inauguration of the noise protection hangar at Zurich Airport. Since then, aircraft engine testing has been carried out in this state-of-the-art facility. As a result, noise emissions in the local communities have fallen considerably. Compliance with official noise limits is constantly monitored.

After maintenance work, aircraft engines have to undergo run-up testing to check they are working properly. Every year some 1,000 of these engine run-up tests are carried out at Zurich Airport, for operational reasons often during the more noise-sensitive shoulder periods and at night.

Unique noise-reducing construction
After Hamburg (2001) and Leipzig (2008), Zurich was the third airport in Europe to build a noise protection hangar of this type. At most airports, engine testing is performed outdoors on stands or in open pens. Zurich Airport’s noise protection hangar is built so that it allows air to flow through it, but it absorbs noise along the way. A large volume of air is drawn in and then expelled during engine testing, and sometimes the engine needs to be run all the way up to take-off power. Most of the air flows in through the noise-absorbing fin doors to the engine and is then directed upwards and out through the rear hangar opening. A noise protection hangar should also be as closed as possible to prevent noise escaping to the outside. To this end, acoustic cladding panels were fitted to the roof, side walls and rear wall over a total of 22,000 square metres, approximately equivalent to the area covered by three football pitches.

The noise protection hangar equipped with state-of-the-art-technology.
Air transport agreement with the EU - indispensable for Switzerland

The air transport agreement concluded between Switzerland and the EU as part of the Bilateral I agreements guarantees Swiss airlines access to the liberalised European airspace and puts them on a level playing field with airlines in EU states. Revoking the air transport agreement would result in the loss of many direct flights from Switzerland, and would severely impact the accessibility of Swiss cities.

The EU is Switzerland’s most important trading partner, while Switzerland represents the EU’s third most important trading partner. Along with the 1972 free trade agreement, the Bilateral I and II agreements are of enormous importance for governing the relationship between Switzerland and the bloc.

Air transport agreement regulates access to the European market
As far as aviation is concerned, since 2002 relations between Switzerland and the EU have been governed by the bilateral air transport agreement. This agreement, which was concluded together with the six further agreements that make up the Bilateral I agreements, grants Swiss airlines access to the liberalised European aviation market. Among other things, it covers rights to operate air services, equal treatment of Swiss air carriers and their competitors based in EU countries, the inclusion of Switzerland in the Single European Sky project, and agreement on freedom of establishment and investment.

Switzerland benefits from the air transport agreement
The air transport agreement makes it considerably easier for Swiss airlines to operate. For instance, they do not have to negotiate traffic rights with each individual country. Moreover, Swiss airlines are granted extensive rights with respect to the operation of flights between Switzerland and the EU and between destinations within the EU.

Revoking the air transport agreement would have significant negative repercussions
Any withdrawal from EU’s freedom of movement in connection with implementation of the mass immigration initiative would jeopardise all seven agreements in Bilateral I, including the air transport agreement, as they are linked by a “guillotine clause”.

According to the study conducted by BAK Basel, revocation of the air transport agreement would have significant negative repercussions for the Swiss economy. Negotiating new agreements would be very time-consuming as Switzerland would then revert to the status of a third country and consequently would have to negotiate bilateral agreements with every country individually. The continuance of a large number of flight connections would no longer be guaranteed, which would make Swiss cities less accessible and result in a decline in the number of passengers and volume of air freight. This in turn would detract from the attractiveness of Switzerland as a place to do business and jeopardise many direct and indirect jobs in tourism, in foreign trade, and at airports and airlines. Every effort must therefore be made to retain the Bilateral I agreements.

Traffic Development

All figures January to September 2017
The monthly traffic statistics are published under:
www.zurich-airport.com/the-company/investor-relations-en

15,991,241
Local passengers
Change vs. 2016
+5.8%

28.4%
Share of transfers
Change vs. 2016
+0.9 percentage points

6,336,142
Transfer passengers
Change vs. 2016
+10.9%

22,376,886
Total passengers
Change vs. 2016
+7.2%

205,813
Flight movements
Change vs. 2016
+0.5%

379,697 t
Freight and Mail
Change vs. 2016
+12.6%