Editorial

On 1 April 2016 I joined the Management Board of Flughafen Zürich AG and assumed responsibility for the Real Estate division. Building and maintaining efficient high-quality buildings for our customers and partners is essential if we are to ensure the airport operates effectively. Following the recent completion of the renovation of Terminal 2 and the curbside lanes on the arrival and departure levels, Zurich Airport – already a multiple award-winner for its outstanding quality – again has a modern and friendly face.

The next complex infrastructure project is already in the pipeline: complete renewal of the baggage sorting system. After 20 years in service, the system has come to the end of its useful life and will be successively expanded and renewed during ongoing operations over the next few years. This will allow Zurich Airport to guarantee reliable baggage transport well into the future.

Gradually rising out of the biggest construction site at the airport at present is “The Circle”, a wholly new, architecturally striking complex of buildings designed for a wide variety of uses. A location for business and lifestyle with the ambiance of an international business district is set to emerge from 2019 onwards. I am determined to ensure that the environmental impact of this major project is minimized from the outset, and that environmental compliance is continually monitored.

As the holder of the operating licence awarded by the Confederation, however, the primary focus for Flughafen Zürich AG is the operation of the airport itself, Switzerland’s most important aviation hub. It will only be able to meet future demand for air travel and air freight services if spatial planning policy provides some leeway for the further development of its infrastructure. The 2016 Swiss aviation policy report, which was approved by the Federal Council and noted by the Parliament, rightly states that Geneva and Zurich airports are already operating at the limits of their capacity at peak times, and that appropriate action must be taken to eliminate the existing bottlenecks.

These recommendations must now be promptly implemented in full. One important policy instrument here is the Sectoral Aviation Infrastructure Plan (SAIP) for Zurich Airport which is currently being revised. The stipulations laid down in the SAIP detailed plan will play a key role in shaping the long-term future of the airport. In this issue, among other things, we will provide some information about this important spatial planning instrument of the federal government.

I wish you a stimulating read.

Daniel Scheifele
Chief Real Estate Officer
Ongoing investment in high-quality infrastructure

Zurich Airport is Switzerland’s only intercontinental hub and constitutes a key part of its infrastructure. To ensure smooth and efficient operations while at the same time offering passengers a high-quality transport platform, it is essential that its infrastructure is continually adapted and further developed. Since being listed on the stock exchange, the privatised company Flughafen Zürich AG has therefore invested a total of over four billion Swiss francs in maintaining and extending the infrastructure. In order to continue positioning Zurich Airport as one of Europe’s leading airports and meet ever-increasing demand, significant sums of money will also need to be invested over the coming years.

Over the last ten years, passenger numbers at Zurich Airport have increased by around 50 percent from 17.9 to 26.3 million, and in fact have almost doubled over the last 20 years. An increase of this magnitude necessitates continual upgrading and renewal of the relevant infrastructure.

Investing over a million francs every working day

Since privatisation in 2000, Flughafen Zürich AG has invested over one million Swiss francs per working day on average in maintaining and expanding the airport’s efficient high-quality infrastructure in line with demand. In total, over four billion francs have flowed into buildings and plant over the last 15 years. Even during difficult periods following the grounding of Swissair and after the terrorist attacks on 11 September 2001, Flughafen Zürich AG did not rely on subsidies or other state aid, but managed to finance all its investments itself.

New passenger infrastructure

More than half the present infrastructure has been rebuilt or completely refurnished since privatisation. This includes the new Dock E, the Airport Center and the Airside Center. The previous Dock B was completely remodelled, and the security checkpoints that had hitherto been decentralised were moved into a new central Security Check Building that meets all the latest security and efficiency requirements. Following completion of the renovation of Terminal 2 and the curbside lanes on the arrival and departure levels, Zurich airport – already a multiple award-winner for its outstanding quality – again has a modern and friendly face. However, the investments cited are by no means the last in the continual cycle of renewal and expansion.

Focus on hub operation

One key aspect of Zurich Airport’s infrastructure is that it is set up to support the wave system of the hub carrier SWISS. Reliable baggage transport and a sophisticated passenger routing system in the terminals allow even large numbers of passengers at the same time to transfer quickly from an incoming flight to a connecting flight. Nearly 30% of passengers...
at Zurich Airport are transfer passengers. In order for SWISS to be able to guarantee attractive connecting flights for its passengers, Zurich Airport must be able to provide enough aircraft stands and infrastructure with a sufficient hourly capacity at peak times.

**Refinancing of infrastructure**
While airlines can adjust their flights to actual demand at very short notice, airports have to plan the infrastructure on the ground over the long term, irrespective of short-term economic cycles. The core aviation infrastructure is therefore financed by means of regulated charges, which are controlled by the Federal Office of Civil Aviation (FOCA). Charges that cover costs allow long-term investment without recourse to state subsidies. The return on invested capital that can be achieved by Flughafen Zürich AG in the aviation segment is limited, and a portion of the commercial revenue directly associated with passenger transport also flows into the calculation of the charges. Any greater cross-subsidisation of the charges by non-aviation revenue is not appropriate here, as the entrepreneurial risk associated with the commercial business areas would then be transferred to the passengers.

**High added value for the region**
Numerous companies in the region around the airport benefit from the building and renovation of the airport’s infrastructure. This helps to retain jobs, and even create new ones. As an economic driver, the direct, indirect and induced effects of the construction projects plus the associated tax receipts benefit the whole canton of Zurich and beyond.

**Enabling the development of infrastructure into the future**
As in the past, the passenger infrastructure will continue to be upgraded to cope with rising demand and meet the higher quality expectations of society. By contrast, no changes have been made to the entire runway system – a crucial capacity-determining part of the aviation infrastructure – for over 40 years. In order to be able to meet the demand for aviation services in future and provide the necessary basis for airlines to offer direct flights to the world’s major cities, Zurich Airport is dependent on a favourable regulatory environment. In contrast to the scope for developing the passenger infrastructure, politicians exert a very direct influence on the airside transport infrastructure. Given the extraordinarily lengthy legal procedures involved and in order to start tackling the challenges rightly identified in the 2016 aviation policy report without delay, it is now high time to put the conditions in place in the Sectoral Aviation Infrastructure Plan (SAIP) and in the respective laws and ordinances to support sustainable, demand-driven further development of the aviation infrastructure in our country.
Safeguarding the long-term further development of the airport

The federal government is expected to issue the revised SAIP detailed plan for Zurich Airport which will set out the framework for the airport’s further development in the autumn of 2016. This should be framed in such a way that modest capacity growth is possible if necessary to meet greater demand, while providing planning certainty for all parties over the long term.

The demand for air travel is set to rise even further in future. Among other factors, this is due to the greater interconnectedness of business and society, to population growth as a result of migration and ageing, and to higher per capita earnings in Switzerland and abroad, which leads to more cross-border tourism. The SAIP detailed plan for Zurich Airport, which provide the framework for the expansion and future operation of the airport, must take this rising demand for air travel into account.

Current SAIP detailed plan for Zurich Airport to be revised

After a twelve-year long process and exploration of numerous options, in June 2013 the Federal Council approved the 2013 SAIP detailed plan for Zurich Airport and revised it again in September 2015. In its spatial planning provisions, the present concept does not cover the current level of demand for air travel, nor does it make any allowance for adjusting capacity at peak times in line with demand. These capacities have remained unchanged since 1976, or in some cases have even been reduced as a result of new safety requirements. In the second stage (SAIP2), the federal government now intends to stipulate measures arising from the 2012 safety review and the most effective measures formulated in the 2016 aviation policy report (LUPO 2016).

Concerns of Flughafen Zürich AG

1. Long-term focus of SAIP detailed plan
2. Specific performance targets in line with forecast demand
3. Guarantee for current operating hours from 6 a.m. to 11 p.m. plus provision for handling delayed flights between 11 p.m. and 11.30 p.m.
4. Implementation of safety measures recommended in 2012 safety review
5. Speedy completion of the SAIP process in order to avoid further delays.

Stipulating specific performance targets and guaranteeing existing operating hours

The measures for eliminating capacity bottlenecks at Zurich Airport, which were accurately formulated in the 2016 aviation policy report, should be stipulated in the SAIP detailed plan in the context of specific performance targets in line with forecast demand so that it is possible to adapt the airport’s infrastructure to meet demand. Moreover, in order not to further hinder the competitiveness of Zurich Airport, the federal government should make binding stipulations regarding the operating hours of Zurich Airport from 6 a.m. to 11 p.m. – which are already greatly restrictive when compared to other countries – with provision for handling the backlog of delayed flights between 11 p.m. and 11.30 p.m. The federal government should now strengthen Zurich Airport as a key pillar of Swiss transport policy, commence the SAIP detailed plan proceedings in the autumn of 2016 without further delays, and take the opportunity to include specific stipulations in the plan.
Strengthening the right of public consultation

This autumn, Zurich’s Cantonal Parliament will debate the popular initiative “Give people the vote on runway modifications”. The Government Council has recommended that the Cantonal Parliament should accept the popular initiative. This would mean that in future the electorate would always have the last word when the Cantonal Parliament is required to approve any applications from Flughafen Zürich AG regarding changes to the runway system.

As the biggest airport in Switzerland, Zurich Airport helps to provide our country with excellent links to the world’s major cities and markets. Over the past year, the airport handled over 26 million passengers, including many citizens of Zurich. At the same time, Zurich residents bear the main burden of the noise caused by the operation of Zurich Airport. According to the Zurich Aircraft Noise Index, around 94 percent of people affected by aviation noise live in the canton of Zurich.

For that reason alone, the right of Zurich residents to have a say in the cantonal process is very important. However, the current Cantonal Airport Act does not make provision for the people to have a say when the Cantonal Parliament rejects applications from Flughafen Zürich AG about changes to the existing runway system. Under the current rules, the people only have a say by means of an optional referendum if the Cantonal Parliament approves an application from Flughafen Zürich AG in such a way that the electorate can always have an optional referendum, irrespective of which way the Cantonal Parliament votes.

According to the Federal Constitution, aviation is always a federal matter. However, given the high degree to which it is affected, it is vital that the local canton should also have a say. It is only possible to ensure acceptance of the airport by local people over the long term if the Canton of Zurich is consulted during the federal government’s planning. During consultations on the federal government’s aviation policy report last autumn, this was the argument the Government Council of the Canton of Zurich successfully used against any curtailment of the canton’s right to have a say in airport issues in the form of federal decrees that can be put to a referendum.

The Canton of Zurich was and is well aware of its national responsibilities in connection with Zurich Airport. For instance, after weighing up the pros and cons of the proposed changes, the Zurich electorate has voted many times in favour of Zurich Airport in the past. It is therefore entirely logical that the sovereign people should be able to exercise direct democracy not only to block runway modifications, but also to help them go ahead.

The Government Council therefore considers the proposed change to the Zurich Cantonal Airport Act to be reasonable and proportionate, and has recommended that the Cantonal Parliament should approve the popular initiative. Given the airports significance as a key element of Switzerland’s national infrastructure for the population of Zurich, it is legitimate, in the government’s opinion, that local people are able to exercise their right to have a say in all cases, not just when the Cantonal Parliament has already approved an airport project anyway.

Carmen Walker Späh
Government councillor and Head of the Department for Economic Affairs of the Canton of Zurich.
Accessibility of Switzerland as a tourist destination

During the summer holidays an above-average number of tourists fly to Switzerland from abroad via Zurich Airport and fly from Switzerland to various international destinations. However, owing to the strong Swiss franc and a decline in the number of tourists from traditional source markets, the Swiss tourist industry is facing major challenges. Moreover, this disproportionately boosts the importance of tourists from Asia and from northern and eastern Europe, who usually arrive by air. It is therefore vital to ensure that a dense network of direct flights from and to Zurich Airport continues to exist in future.

Each year, around 72,000 passengers a day travel via Zurich Airport. However, in the summer holidays, and especially at weekends, it has to handle volumes that far exceed this average. On peak days during 2016, numbers even surpassed the 100,000 mark. Due to its high-quality infrastructure and the excellent coordination among its partner companies, the airport succeeded in coping with this high passenger demand in a professional way. However, it was not possible to avoid delays. Given ever tighter capacity bottlenecks, it must be assumed that such delays are likely to increase in future.

Tourists from abroad vital for Switzerland

Passengers who live in Switzerland fly to holiday destinations abroad, while numerous foreign tourists fly into Switzerland. 3.6 million overnighting tourists arrive at Zurich Airport each year. They visit the many tourist attractions, travel around within Switzerland, and stay in hotels and other types of accommodation. If foreign tourists stay in Switzerland and make use of services here, this has a positive impact on the Swiss balance of payments, and consequently has the same effect as exporting goods abroad.

Zurich Airport ensures accessibility of Switzerland as a tourist destination

According to the tourism figures published by the Confederation, in 2015 income from foreign visitors totalled 15.7 billion Swiss francs compared with 15.4 billion francs spent by Swiss citizens abroad. These figures therefore show a surplus of 300 million. Owing to the strength of the Swiss franc and the drop in the number of visitors from traditionally high-volume tourism source markets such as Germany, France and the UK, however, the Swiss tourist industry is facing some difficult challenges. Against this backdrop, and in order to ensure that Switzerland remains a destination that can easily be reached by tourists from abroad in future, the dense network of direct flights from and to Zurich Airport is vitally important.

Actively shaping the route network

Flughafen Zürich AG supports the network of direct flights and helps hub carrier SWISS and 60 other airlines tap into further potential, in particular in existing tourism source markets and emerging markets such as China, South Korea, India, Brazil or the Gulf states. If Zurich Airport is to help ensure that Switzerland remains a destination for tourists from abroad in the future, then it must be able to develop its infrastructure in line with demand.

Switzerland – popular with tourists the world over.
Photo: Switzerland Tourism
At Zurich Airport the building work for the new service centre “The Circle” is well underway. To reduce its environmental impact during both the implementation phase and subsequent use, Flughafen Zürich AG has put wide-ranging environmental supervision of the construction project in place and regularly monitors compliance with 60 environmental requirements.

Flughafen Zürich AG is actively seeking to operate the airport in an ecologically friendly manner and reduce its impact on the environment. This also applies to construction projects. As part of environmental project management, the environmental impact of construction projects during the building phase and subsequent use is assessed. Depending on the scope of the project, an environmental supervisor may also be appointed. In its “Environmental protection stipulations for building projects”, Flughafen Zürich AG has fleshed out the legal requirements and added its own internal ones. These conditions form an integral part of the tender terms and construction contracts, and are generally regarded as the environmental standard for the implementation phase.

Continuous monitoring of compliance with around 60 environmental requirements

Environmental protection also plays a major role in the construction of the new service centre “The Circle”, where the excavation work is currently underway. A comprehensive environmental impact assessment was carried out to determine what impacts the project would have. Some 60 requirements were specified in the planning consent, and compliance with these is regularly monitored on site by an external environmental supervisor. Half of the requirements must be implemented prior to the relevant construction phase, while a quarter must be met during construction, and all the others once the building work has been completed. The measures relate to various environmental aspects such as air quality, noise, nature conservation, soil, water protection and energy. We will take a look at two of these areas by way of example.

Protecting soil and waterways

In order to protect waterways, the highly alkaline water produced as a byproduct of concreting operations is channelled into a separate basin and is neutralised by adding CO₂. The water is then fed into the wastewater system and cleaned in the sewage plant. Soil and excavated material is analysed by external specialists. If contaminated with pollutants, the material is stored separately, and is then disposed of in a second step at a special waste facility.

Sustainable energy

As regards energy, “The Circle” is also designed to be sustainable and will be certified according to the MINERGIE standard. “The Circle” also aims to achieve the “LEED Platinum” sustainability rating. The platinum rating from this US certification system, which stands for “Leadership in Energy and Environmental Design” and is used across the globe, will ensure that “The Circle” is sustainably constructed according to internationally recognised criteria. The heating, ventilation and air conditioning systems of “The Circle” are designed to consume as little energy as possible while at the same time providing excellent indoor air quality and comfort. 75 percent of both heating and cooling requirements will be met using renewable energy. In order to utilise geothermal technology as well, the building’s 736 foundation piles are designed as so-called energy piles. These piles contain pipes through which a fluid circulates. This will ensure energy transfer with the layers of soil up to 50 metres deep, which can be utilised both for heating and for cooling purposes. A 5000 m² photovoltaic array will be installed on the roof of “The Circle”. It is designed to generate 540 kW. Responsibility for the environment Flughafen Zürich AG takes its responsibility for the environment seriously also in its construction projects. This applies not only to the building phase itself, where compliance with all the statutory and regulatory requirements is constantly monitored. It also plans buildings and their energy supply with an eye to the long term, equipping them with sustainable technologies.
Airport-related terms explained – an airport glossary

Sectoral Aviation Infrastructure Plan (SAIP)

The Sectoral Aviation Infrastructure Plan is the federal government’s spatial planning instrument for civil aviation. It sets out the aims and requirements for the infrastructural systems that support civil aviation as well as air traffic control systems outside aerodromes.

The SAIP consists of a general part plus a second part containing detailed information about the individual objects. The general part sets out the overall concept and the national network with all the locations and functions of the individual aerodromes. The second part contains a detailed plan for each aerodrome containing specific requirements for airport operations, the perimeter, noise levels, obstacle limitation, nature conservation, as well as development. The detailed plan forms the basis for approval of the respective operating regulations and for planning consent for airport facilities.

The detailed plans are drafted during a coordination process with the participation of the relevant federal and cantonal agencies, the municipalities affected and the airport operator. This is followed by a consultation exercise with the respective authorities and local residents in order to draft the detailed plan and align it with cantonal development plans.

The Federal Council approved the general part in October 2000 and since then has made several revisions. To date the Federal Council has approved the detailed plans for 51 aerodromes, including the plan for Zurich Airport which was last revised in September 2015, and is due to be revised again in the course of this year.

In the detailed plan for Zurich Airport revised in 2015, it was stipulated among other things that the airport should create conditions that will enable airlines to offer the best possible direct flights within Europe and to major cities worldwide while remaining competitive with other rival airports. Operation as a hub should be possible.

The SAIP is published on the website of the Federal Office of Civil Aviation: www.bazl.admin.ch.

Traffic statistics

Traffic trends during the first half of 2016

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<th>2016</th>
<th>2015</th>
<th>Change in % 2016 compared with 2015</th>
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<td>Local passengers</td>
<td>9,192,818</td>
<td>8,672,687</td>
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<td>Transfer passengers</td>
<td>3,389,344</td>
<td>3,493,372</td>
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<td>Share of transfers</td>
<td>26.9%</td>
<td>28.7%</td>
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<tr>
<td>Total passengers</td>
<td>12,619,216</td>
<td>12,166,059</td>
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<td>Flight movements</td>
<td>129,590</td>
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<td>Freight (in tonnes)</td>
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<td>Mail (in tonnes)</td>
<td>15,274</td>
<td>13,704</td>
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1 incl. transit, general aviation and other
Source: Flughafen Zürich AG

The most recent traffic statistics are updated every month and can be found in the Internet under www.zurich-airport.com/investorrelations.