

Company announcement

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Copenhagen Airports launches cost-cutting programme and postpones investments

As SAS and other airlines have sharply reduced their services in and out of Copenhagen Airport (CPH) on account of the current health crisis, CPH is preparing to cut back operations substantially during the upcoming period.

Over the past few days, airport management has been working on a plan to cut down operating costs and postpone the current investment plans for the airport.

At the same time, CPH has engaged with union representatives to discuss measures that can help the airport maintain minimum operations while helping the airport to sharply reduce its costs. As part of these efforts, CPH expects to make use of the wage compensation package presented by the Danish government and labour market parties.

CPH expects to apply the package for employees who will be temporarily sent home due to the sharp drop in operations. At the present time, CPH expects to temporarily send home upwards of 1,500 employees over the coming weeks. It is important to emphasise that this will be a gradual process in step with the cutback in operations. CPH has a total of 2,600 employees, while the shops at the airport, the airlines and the handling companies employ between 22,000 and 23,000 people between them.

“We’re currently attempting to manage an entirely unusual and grave crisis situation for the airport. In addition to what we can do ourselves to reduce our operations, we welcome the solution presented by the government and the labour market parties involving wage compensation for employees. It enables us to navigate the situation by taking a longer-term view and making a dedicated effort to avoid redundancies, while the crisis persists,” says Copenhagen Airport CEO Thomas Woldbye.

Cutting back on costs and investments

After reviewing all CPH business areas, management has identified potential savings in the remainder of the year of DKK 250–350 million in current operating costs, including costs for marketing, consulting services and external contracts as well as reduced staff costs, not counting the effects of the wage compensation scheme which will be phased in gradually.

Management has also identified a number of current projects and investments that can be put on hold for the time being. Overall, this will mean CAPEX savings in the airport’s

investment programme of DKK 400–700 million for the remainder of the year. CPH has currently a number of large development projects, including the airside expansion of Terminal 3, and the postponements being made will involve a portion of this project. In addition, a number of smaller projects to upgrade the airport infrastructure will be put on hold, including certain climate initiatives such as the installation of new solar panels and EV charging points. All safety-related investments will be exempt from the cost-cutting programme.

Given the widespread concerns that COVID-19 has caused for air traffic in Denmark and the rest of the world, and the uncertainty pertaining to the duration of the situation, it is still not possible to provide a realistic assessment of the financial impact of the Coronavirus. As a result, it is also not possible to forecast revenue, profit before tax or total investments. Therefore, CPH will continue to assess and adjust operating costs and the level of investments on an ongoing basis.

Maintaining operations in order to support critical infrastructure

The identified cost cuts and postponed investments will not impact the airport's ability to stay focused on operating a safe and efficient airport.

“While many airlines are currently shutting down large parts of their operations at CPH, we have an important responsibility to keep the airport running and making sure that critical flight operations, such as freight, can continue. Our main priority is to make sure that the initiatives we're launching now will not have a long-term negative impact on our ability to return quickly to normal operations when we have to. At the same time, we have to protect CPH's financial foundation and our long-term potential to act as critical infrastructure in Denmark,” says Woldbye.

One of our highly critical duties at CPH is to support the flow of freight either leaving Denmark as exports or arriving on board cargo planes or scheduled flights. A total of 33 per cent of Denmark's total exports is transported by air, and large quantities of pharmaceutical and consumables are flown in and out of the country every day.

Overall costs of the crisis must be kept as low as possible

In other words, CPH plays an important role in the Danish economy. According to data from Copenhagen Economics, the aviation industry contributes as much as DKK 100 million to the annual wealth creation in Denmark, including DKK 30 billion in direct or indirect effects from CPH. Being able to exchange goods and services quickly is crucial for a small open economy such as Denmark's. The current crisis has seriously curbed this ability, and if the damage is permanent, it would result in severe financial losses for Danish society and welfare.

“The government has announced that various options are being considered to stabilise the critical infrastructure of Danish aviation. I would like to commend the determination shown by our politicians to ensure that the huge financial crisis currently experienced by the aviation industry will not have a permanent impact on the Danish economy as a whole. The fact that the government is considering further measures supports the aviation industry's critical role as a channel for exchanging goods, services and value-added experiences. It's about more than supporting critical infrastructure; it's about keeping the overall economic and social costs of this crisis as low as possible,” says Woldbye, and he continues:

“Clearly, we must do everything in our power to manage this very sudden challenge to Copenhagen Airport. This is a serious situation, and we may come to a point where we’ll have to make such big cuts that it’ll permanently damage the critical infrastructure. Apart from major financial losses for the airport and for the Danish state, the situation could also become very serious for businesses, employees and suppliers to the airport. That’s why it’s absolutely critical to find political solutions that can stabilise the downturn in aviation and prevent companies operating across all sectors at the airport from losing everything, for example compensation schemes similar to those provided by the EU during the ash cloud and after 9/11 and financial guarantees. We fully trust the judgment of the government and the Danish parliament in determining the design and timing of such measures,” says Woldbye.

Gradual shutdown of airport operations and the shopping centre

Over the coming days, Copenhagen Airport will adapt operations to the dramatic cut in aircraft operations. Passenger traffic has already been reduced by up to 70 per cent, and it is expected to drop further over the next few days.

In the short term, the main focus will be on managing arriving aircraft carrying Danish citizens who have heeded the government’s advice to come home as soon as they can, and to help the authorities manage assignments relating to the newly introduced border control.

In addition, CPH will be solving a pressing challenge for those airlines in need of temporarily parking their aircraft until they can resume operations. This means that two of the three runways at the airport have temporarily been decommissioned and will be used to park aircraft. We expected a high double-digit number of aircraft to be parked at Copenhagen Airport before long. All take-offs and landings will use runway 22L/04R.

CPH runs what is usually Denmark’s largest shopping centre. There are 91 shops and 46 restaurants overall in our terminals. Many of these shops and restaurants will close temporarily over the next few days. However, CPH has agreed with a number of shop and restaurant concessionaires that a minimum of them will stay open to serve passengers at the airport over the coming period. This will mainly be in Pier C, where all arriving passengers have been going through passport control since border control was reintroduced on Saturday.

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