EUROCONTROL

Performance Insight

Preliminary Impacts of COVID-19 on the ANS Industry

An economic perspective

MEASURING EUROPEAN AVIATION PERFORMANCE
Powered by the Aviation Intelligence Unit

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BACKGROUND

This PRC Performance Insight document, has been prepared by the EUROCONTROL Performance Review Unit (PRU) for the Performance Review Commission (PRC)

The PRC conducts independent measurement, assessment and review of the performance of the Pan-European Air Navigation Services (ANS) system, including its contribution to the efficiency of Pan-European aviation. The PRC strives to identify future improvements and makes recommendations as appropriate.

The PRC maintains open and transparent dialogue with relevant parties, including but not limited to States, Air Navigation Service Providers, Airspace Users, Airports, social dialogue partners, civil-military organisations, international and national organisations, etc.

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The PRC produces independent ad-hoc studies, either on its own initiative and/or at the request of relevant parties.

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The PRU has made every effort to ensure that the information and analysis contained in this document are as accurate and complete as possible. Should you find any errors or inconsistencies we would be grateful if you could please bring them to the PRU's attention by sending an email to: PRU-support@eurocontrol.int.

Welcome to this PRC Performance Insight publication!

Welcome to the second edition of the Performance Review Commission (PRC) Performance Insight in which we will inform you about relevant ANS performance related topics!

The second Performance Insight is looking at the impact of the COVID-19 crisis on the Air Navigation Service industry. It provides an early description of how ANSPs are affected by the crisis, from an economic perspective, and the measures taken to mitigate the immediate impacts of the crisis.

This publication aims to accompany the forthcoming more detailed analysis performed in the ATM Cost-Effectiveness (ACE) benchmarking reports, which will examine the consequences of the crisis on ANSPs revenues and service provision costs when actual 2020 and 2021 data are available. It also serves as a starting point showing that the liquidity issues faced by ANSPs will require the examination of additional financial indicators and their monitoring in the coming years.

The analysis presented in this document relies on several data sources, including EUROCONTROL STATFOR forecasts, COVID-19 Service Units and Revenues Dashboard, as well as ACE data provided by ANSPs in compliance with Decision No. 88 of the Permanent Commission of EUROCONTROL on economic information disclosure. More specifically, for the measures taken by ANSPs in response to the COVID-19 pandemic, information was obtained through direct exchanges with the ACE Working Group Members as part of the ACE 2019 data validation process, which started in July 2020. In addition, public information from IATA, ACI and Airbus websites was also used to describe the wider context.

Please note that the PRB has published the following documents on 2nd March 2021: "Advice on the revision of performance targets for RP3" and "Monitoring Report on the Financial and Operational Impact of COVID-19 on the SES". The latter addresses similar issues as this Performance Insight, but based on different data reporting processes and also a different geographical scope.

We hope that you enjoy reading this Performance Insight.

Performance Review Commission

EUROCONTROL

Introduction

The outbreak of COVID-19, emerging in China in late December 2019, affecting Europe and the US from March 2020 and other large aviation markets like India and Brazil from later in the spring, massively impacted the aviation industry. At the time of writing this paper, one year after the start of the crisis, making reliable forecasts on the evolution of pandemic still remains extremely difficult due to several sources of uncertainties:

- the wide availability of a vaccine in the coming months and the efficiency of the vaccines given the developments of several variants;
- persistence of government travel restrictions due to several "waves" of contagion;
- behavioural changes, especially for business air travel with a more widespread use of teleconferences; and,
- consumer confidence and more generally the level of economic activity.

Anticipating future analysis for the ACE 2020 cycle, when the actual impact of the pandemic on ANSPs revenues and costs will first be captured, this paper provides:

- an analysis of the reduction in traffic due to the COVID-19 pandemic and its estimated impact on ANSP revenues; and,
- a summary of the measures adopted by ANSPs in order to mitigate the impact of the crisis.

Impact of COVID-19 crisis on the aviation sector and ANS industry

Since March 2020, all European countries had to establish various degrees of lockdown for their populations, close borders or impose travel restrictions. These measures had an unprecedented impact on the entire aviation sector, including airports, airlines, aircraft manufacturers, and ANSPs.

Concerning European airports, ACI estimates a -70.8% reduction in passenger traffic in 2020, with an associated -68.8% reduction in revenues compared to the pre-COVID forecast[1]. In November 2020, ACI-Europe also warned that nearly 200 airports could possibly face insolvency in the short term[2] if sufficient government support was not provided. During the deepest phase of the crisis, most of the top 30 European airports with multiple runways closed at least one of them and temporarily adopted single runway operations. In a few cases, there were even complete closures for commercial traffic (e.g. Paris Orly and London City).

For European airlines, IATA forecasts[3] a net post-tax loss representing 38.6% of their revenues in 2020, compared to a net profit margin of 3.1% in 2019. European airlines have adopted several extraordinary measures to reduce their costs and some of them also benefited from large scale financial support from governments (e.g. recapitalisation, nationalisation, loans, and provision of government guarantees). In some cases, these measures were not sufficient to prevent bankruptcy, as for Norwegian filing for bankruptcy protection.

Given the magnitude of the crisis and the uncertainty surrounding recovery in traffic, airlines have also moved to cancel aircraft orders or postpone their delivery, impacting the whole supply chain. Taking Airbus as an

[1] ACI Advisory Bulletin, The impact of COVID-19 on the airport business, 8 December 2020.

[2] Airports set out plan for urgent EU and Government support as financial crisis worsens; ACI-Europe; 4 November 2020.

[3] Economic Performance of the Airline Industry, IATA, 2020 End-year report, November 2020.

example, in 2020, only 383 aircraft gross orders had been received in the year, compared to 1 131 in 2019. In the meantime, Airbus delivered a total of 566 commercial aircraft in 2020, 34.4% less than in 2019.

The extraordinary impact of the COVID-19 pandemic on air traffic can be seen in Figure 1 below.

Across the Pan-European system, traffic in 2020 (measured in composite flight-hours[4]) is estimated to be -58% lower than in 2019, and -42% lower than in 2004. The period covered by Figure 1 also captures a large crisis in 2009 and one major disruption in 2010:

- During the financial crisis in 2009, composite flight-hours dropped by -7% compared to 2008 and it took until 2015 (6 years) to recover to pre-crisis levels.
- The volcanic ash crisis in April 2010 resulted in European airspace being fully closed for six-and-a-half days, however, this severe but brief impact is not apparent when looking at the annual data.

Unlike these crises, the current situation combines both high severity and high persistence. According to the latest STATFOR scenarios, recovery of traffic back to 2019 levels is not expected before 2024, even in the most optimistic scenario, which means that ANSPs will have to continue operating at much lower traffic levels for many years.

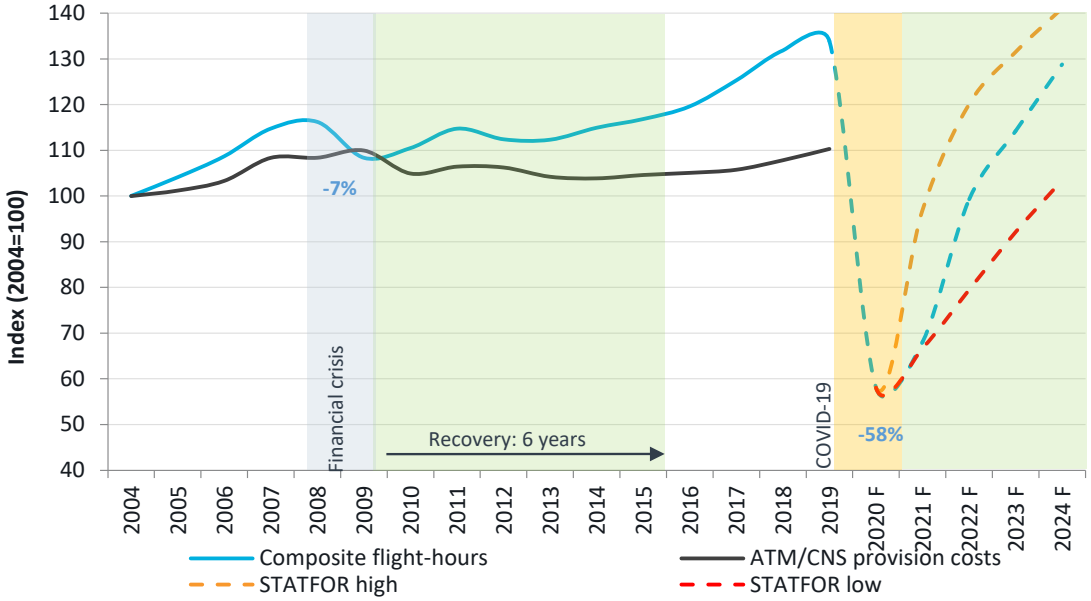

Figure 1: Pan-European system traffic 2004-2024 (est.) and ANS costs (2004-2019)

On the operational side, this is raising a number of new challenges in order to adapt the offered capacity to much lower demand but without jeopardizing the deployment of new systems and additional workforce when traffic bounce back.

On the economic side, this combination of high severity and high persistence also means that existing absorption mechanisms designed to cope with unexpected traffic variations (e.g. risk sharing mechanisms, legally mandated reserves) might not be sufficient for ensuring the resilience of ANSPs. It will therefore be necessary to develop additional metrics and analysis in

[4] In the ACE reports, the composite-flight hours are the metric used to measure the output of gate-to-gate ATM/CNS provision. They combine IFR flight-hours with IFR airport movements. More details on this metric can be found in Annex 2 of the ACE 2018 report (p.151).

order to measure and monitor the impact of the COVID-19 pandemic on the ANS industry.

Our analysis looks at how the fall in traffic results in fewer revenues for ANSPs, in turn requiring them to draw on cash reserves to cover their costs during this time, which may lead to financial difficulties as they exhaust these reserves.

Based on data from the EUROCONTROL's Aviation Intelligence dashboard, Figure 2 shows the monthly evolution of total en-route service units (TSUs) in the EUROCONTROL area in 2019 and 2020.

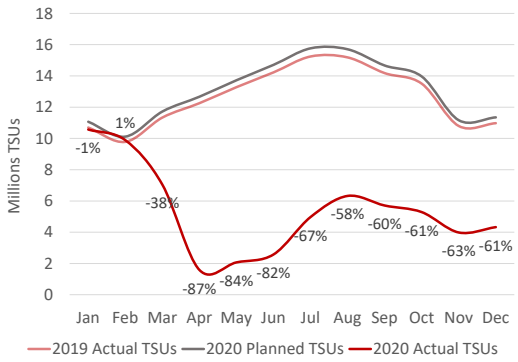

Figure 2: Monthly en-route TSU variation between 2019 and 2020

The dramatic fall in traffic which kicked-off the crisis in Europe was seen in March 2020 and has evolved in four phases since then:

1. **March**: a sudden drop with traffic going from +1% of 2019 in February to -87% in April;
2. **April to June**: traffic mostly limited to cargo, with flights at around -85% from 2019 levels, as most countries were in some form of lockdown;
3. **July and August**: partial recovery for the summer with traffic levels -67% in July and -58% August compared to 2019; and
4. **August to December**: a slight deterioration in traffic, at around -61% from 2019 levels, as a second wave of COVID-19 saw different countries reintroduce ad-hoc measures after the summer.

With these large decreases, the amounts billed by ANSPs for en-route and terminal charges also reduced considerably. In this respect, it is important to keep in mind that ANSPs revenues are in their vast majority made of en-route and terminal charges (respectively 74% and 16% of the gate-to-gate ANS revenues collected in the scope of the ACE analysis). Other ANS revenues include income from airport operators (around 4%) which correspond to situations where terminal charges are charged to airspace users by the airports before transferring revenues to the ANSP. The last 6% of gate-to-gate ANS revenues are made of financial income and other revenues (mostly from the governments).

Even when ANSPs also earn revenues from other activities (which are not always reported in their ACE submissions), these will mainly relate to revenues from Oceanic ANS, airport management and commercial activities which will also be largely impacted by the drop in traffic.

In the analysis presented below, only the "revenues from charges" have been considered, with, depending on data availability, a focus on en-route revenues.

Given the charging arrangements in place (see note below) the under-recoveries due to lower traffic might be either partially or fully charged to airspace users in future years.

At pan-European system level, total en-route service units in 2020 were -59% lower than planned. As a result, when looking at en-route ANS revenues at State level (i.e. including ANSPs, NSAs and MET providers), the estimated under-recovery (actual revenues less planned revenues) amounted to some -€5B.

Note on the impact of the traffic risk sharing for ANSPs operating in SES States and in non-SES States

In SES States, ANSPs operate under the "determined costs" method, which includes specific risk-sharing arrangements, aiming at incentivising economic performance. Under these rules, up to 4.4% of ANSPs' revenues are at risk in the event that actual traffic is substantially (±10% or more) different to that which is planned. The remaining revenue gain/loss (i.e. over-recovery or under-recovery) compared to plan is returned to airspace users or recovered by ANSPs in future years (usually in year n+2 based on charging regulation (EU) 2019/317).

Following the adoption of Commission Implementing Regulation (EU) 2020/1627 of 3 November 2020 on exceptional measures for the third reference period (2020-2024), 2020 and 2021 will be considered as a single period.

In addition, since the 2020 and 2021 unit rates used for charging purposes were based on draft performance plans, retroactive adjustments are expected to be made when the RP3 revised Performance Plans are adopted. These adjustments will be spread over five to seven years.

ANSPs in the eight States which are not bound by SES regulations, but which are part of the EUROCONTROL Multilateral Route Charges System apply the "full cost-recovery method". In this case, all gains/losses compared to planned revenues are returned/invoiced to airspace users.

Despite the magnitude of the loss being reduced by the traffic risk sharing mechanisms, the time it will take to actually convert chargeable under-recoveries into cash, and the increased risks of bad debt, remain important issues for ANSPs' finances.

Although an accurate estimation of the total ANSP revenue reduction (i.e. including terminal ANS revenues) is not yet available, it can be assumed that the total revenue reduction between 2019 and 2020 will be in the same order of magnitude as the reduction in the number of service units for the year 2020 (i.e. -58%).

Applying the assumption described above, Figure 3 shows the estimated level of ANSPs 2020 gate-to-gate revenues from charges (€3.7B) and compares it to the annual revenues earned over the 2014-2019 period (between €8.5B and €9.0B).

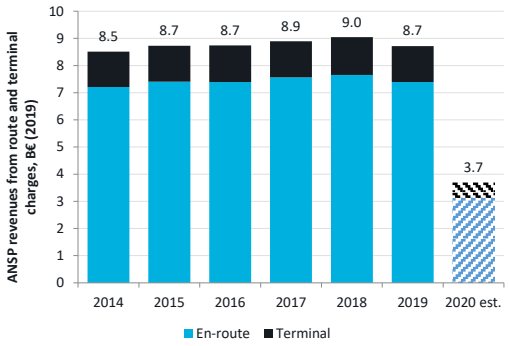

Figure 3: Pan-European system ANSP revenues, 2014-2020 (est.)

This data shows the change in revenues over time, as opposed to the difference between planned and actual revenues in 2020 discussed earlier.

In order to grasp the possible consequences of this estimated revenue reduction in 2020 (-€5.0B compared to 2019), it is helpful to look at the amount of cash ANSPs had at bank[5] at the end of 2019 (€2.7B). Although the situation might be very different when looking at ANSPs individually, this means that, on average, cash reserves held by ANSPs were covering only slightly more than half of the reduction in ANS charges in 2020.

Given this major cash issue, ANSPs had to implement a series of exceptional measures, which are discussed in the section below.

It is important to keep in mind that the financial amounts calculated in the above analysis only constitute an initial estimate, to be interpreted carefully since it is based on preliminary data, and on a number of simplifying assumptions. More accurate analysis will be done in the future ACE

[5] Preliminary ACE 2019 data.

reports when actual 2020 revenues data are collected from ANSPs.

Measures implemented by ANSPs in order to mitigate the impact of the COVID-19 pandemic

As part of its ACE data validation and analysis cycle, the PRU collected information from ANSPs on the measures implemented in 2020, or planned in 2021, in response to the challenges brought by the extraordinary drop in traffic demand. This was completed, when possible, with other sources of information, such as press releases, and this work will continue as part of the ACE project.

The aim is to provide the reader with an inventory of actions taken by ANSPs, described in a qualitative manner.

Based on the information collected so far, the range of measures implemented by ANSPs can be grouped into three main categories:

- Aid from national governments;
- Loans; and
- Cost-containment measures.

Aid from national governments, are predominantly aimed at safeguarding ANSPs' liquidity and alleviating payroll costs when furloughing schemes are implemented. By comparison, cost containment measures involve a broad range of changes (from tactical adjustments to more structural measures) which should also contribute towards slightly reducing the impact of the crisis on airspace users in future years. Some State aid may come with certain conditions attached that require longer-term restructuring or cost-containment measures to also be implemented, which is for example the case for Skyguide.

<table>
<tr><th rowspan="2">Aid from national government</th><th rowspan="2">Loans</th><th colspan="3">Cost-containment measures</th></tr>
<tr><th>Staff</th><th>Non-staff</th><th>Capital expenditure</th></tr>
<tr><td colspan="5">ANS CR, ANS Finland, Austro Control, DFS[b], LGS[a,b], LPS[b], NATS[a], NAVIAIR, skeyes[a], Slovenia Control</td></tr>
<tr><td colspan="2"></td><td colspan="3">Albcontrol, ARMATS, Avinor, BULATSA, Croatia Control, DCAC Cyprus, DSNA, EANS, ENAIRE, HungaroControl, IAA, LFV, LVNL, M-NAV, MUAC, NAV Portugal, PANSA, ROMATSA, Skyguide, SMATSA, UkSATSE</td></tr>
<tr><td>Skyguide [b]

Avinor[b]</td><td>Albcontrol[a], ARMATS, Croatia Control, DHMI[a], DSNA, EANS[a], HungaroControl, IAA, LVNL[c], MATS[a], NAV Portugal, Oro Navigacija[a], PANSA, ROMATSA, Sakaeronavigatsia, SMATSA, UkSATSE</td><td>ENAV
HCAA
MATS
MOLDATSA</td><td>DHMI
ENAV
MOLDATSA</td><td>DHMI
HCAA
MATS
Sakaeronavigatsia</td></tr>
</table>

(a) EUROCONTROL Loan. (b) Increase in equity. In the case of Avinor from the mother company, which is a State owned enterprise. (c) LVNL operates in a specific environment where the balance in its current accounts is ensured by Treasury banking.

Table 1: Mitigation measures implemented by ANSPs in 2020 or planned in 2021

Table 1 above shows that the 38 ANSPs participating to the ACE benchmarking project have reported the implementation of exceptional measures targeting, in almost all cases, a combination of operating and capital-related costs. ANSPs listed in the first row are those implementing all types of measures (affecting staff, non-staff operating costs, capital expenditures, loans and aid from national government).

Although this aspect is not discussed in this report, it is also important to note that several ANSPs incurred additional costs because of COVID-19. These additional costs mainly relate to new internal procedures in order to ensure physical distancing and to comply with more stringent sanitary measures. Increases in allowances for bad debts have also been reported.

The cost-containment measures applied cover reductions in staff numbers (e.g. Albcontrol, ANS CR, ANS Finland, ARMATS, Avinor, Croatia Control, EANS, NAVIAIR, NATS). These could take various forms, such as permanent or temporary layoffs, furloughing schemes, accelerated retirements or voluntary redundancies. For example, ANS CR reduced its workforce by 92 FTEs. Additional actions to reduce staff costs included the suspension of bonuses and overtime, reduced working hours, postponement of promotions and associated salary increases, and freezing of recruitment. Temporary salary reductions were also reported, (e.g. Albcontrol, ANS CR, DSNA, IAA, LPS, M-NAV, NATS and PANSA).

Measures targeting non-staff operating costs have been reported by almost all ANSPs. These measures generally consisted in completing only essential maintenance and reducing external (e.g. consultancy) support and utilities costs as well as non-essential training activities. In the case of NAVIAIR, some restructuring of operational units and actions to streamline administration, purchase and overhead costs were also reported.

Most ANSPs also cancelled or deferred non-essential investments, which primarily mitigates cash constraints but will also reduce capital-related costs in the longer term. On the other hand, some large scale projects considered as essential have been maintained (which is for example the case of LVNL).

Table 1 also shows that 27 ANSPs contracted loans and 12 received some form of aid from national governments. These aids took various forms such as direct or indirect contributions to equity (e.g. Avinor, DFS, LGS, LPS and Skyguide), State loans (e.g. ANS CR, NAVIAIR, Slovenia Control), payment of EUROCONTROL costs (e.g. ANS Finland), and financing of furloughing schemes (e.g. NATS) or other temporary measures reducing staff costs (e.g. Austro Control).

Amongst those having contracted loans, eight made use of the loan facility negotiated by EUROCONTROL, either as a main financing vehicle, or as a complement to other loans. For some ANSPs, the amount of the loans taken is considerable. As an example, for Slovenia Control it represents almost half of the balance sheet value at the end of 2019.

In addition to the mitigation measures implemented by ANSPs and States individually, in April 2020, the Member States of EUROCONTROL approved the deferral of payment of en-route charges due to be paid by the airspace users for the first half of 2020. As a result, the payment of some 1.1 B€ has been postponed[6] for the period spanning from November 2020 to August 2021. This measure is expected to reduce the financial strain for airspace users, but at the same time further impacts ANSPs' revenues and cash flow.

In order to alleviate the cash shortage in the ANS industry, EUROCONTROL contracted a loan of 272 M€ on behalf of the Members States participating in the EUROCONTROL Multilateral Route Charges System. Ten States opted in to the facility including Albania, Belgium, Bosnia-Herzegovina, Estonia, Latvia, Lithuania, Malta, Montenegro, Turkey and the United

[6] February 2020 bills (the largest bills since corresponding to the pre-crisis traffic levels) were delayed to November 2020. March 2020 bills were delayed to February 2021. April 2020 bills were delayed to May 2021, and May 2020 bills to August 2021.

Kingdom. These loans are scheduled to be repaid by the end of March 2022.

Conclusions

Across the Pan-European system, traffic in 2020 was -58% lower than in 2019, which resulted in a decrease of revenues from en-route and terminal charges for ANSPs estimated at around -€5B. More accurate information on the actual 2020 ANSPs revenues will become available when ACE 2020 data is collected, in 2021.

Although charging arrangements mean that ANSPs might be able in future years to either partially or fully recover revenues not realised in 2020, **the time it will take to actually cash the under-recoveries and the increased risks of bad debt remain important issues for ANSPs' finances**.

For instance, ANSPs cash reserves which were available at the end of 2019 (€2.7B) were covering only slightly more than half of the estimated reduction in en-route and terminal charges in 2020.

In addition, based on the existing charging schemes (the full-cost recovery regime or the SES regulations) **the much lower traffic levels should also lead to excessively high user charges** as incurred revenue shortfalls are, by design, to be recovered in the future through unit rate adjustments.

As part of the ACE benchmarking project, in order to analyse the impact of the COVID-19 on the ANSPs financial situation, some new indicators have been selected based on their relevance and the data availability to calculate them: the current ratio, cash-on-hand days, debt to equity ratio, and free cash flow to revenue ratio.

The evolution of these financial indicators will be monitored in the ACE 2020 report where a more detailed analysis of the COVID-19 impact on the ANS industry will be provided.

Based on the information collected so far, **ANSPs implemented a range of measures while ensuring continuous service provision**.

These measures can be grouped into three main categories: aid from national governments, loans, and cost-containment measures (applying to both operating costs and capital-related costs). An initial inventory has been presented in this paper and will be completed as part of the on-going ACE activities.

Unlike previous crises, the current situation combines both high severity and high persistence, which creates new challenges for ANSPs. On the operational side, they had to adapt their service to much lower demand. On the economic side, **the PRC welcomes all the efforts made by ANSPs to control their cost base in this particular context. This being said, it is important to make sure that the measures currently planned or already implemented (e.g. postponement of investments) will not jeopardize the deployment of future capacity when traffic bounce back.**

Should you wish to comment on this publication, or to contact the PRC, please send an email to: pru-support@eurocontrol.int.

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Watch this space for the next edition of the PRC's Performance Insight.

Performance Insight published so far:

Performance Insight #1/2020 - September 2020 Future Challenges to Safety

ANNEX

ANS FUNDING IN A POST-COVID WORLD

ANS funding in a post-COVID world

The outbreak of COVID-19 pandemic in 2020 continues to have a devastating financial impact in Q1 of 2021 on all key actors of the European aviation, in particular on airports, airlines and air navigation service providers.

For airports, the ACI estimated on 8 December 2020[1] that European airports will have -1.7 billion passengers less in 2020, resulting in a loss of -$40.8 Billion in revenues (€33.6 Billion) in 2020 compared to the projected baseline (pre-COVID-19).

The pandemic had also a devastating effect on airlines, which experienced a significant reduction in demand (a loss of 6.1 million flights in 2020, i.e. -55% of 2019 levels). On 24 November 2020[2], IATA estimated a loss of -$26.9 Billion for Airlines in Europe. The situation in 2021 is still very critical as airlines will have to face additional revenue losses due to new (stricter) travel restrictions imposed by States on non-essential travels following the latest waves of COVID-19.

"En-route revenue shortfall estimated to be €4.8 Billion at system level"

The net amount billed for en-route charges in 2020 was €3.2 Billion instead of €7.9 Billion in 2019, a decrease of -59%. While the actual ANS cost figures for 2020 are not yet fully available, it is already possible to estimate the impact of this crisis on the anticipated en-route revenues in 2020. Current estimates show that the shortfall or "loss" in en-route revenues amounts to €4.8 Billion at system level.

The paragraphs below provide estimates for the proportion of this loss that could be attributed to ANSPs and airspace users in future years depending on the charging scheme under which they operate (full-cost recovery or SES regulations). It should be noted that the estimated losses that are presented below for SES ANSPs were calculated using the traffic risk sharing arrangements defined in the Performance and Charging Scheme Regulation (EU) No 2019/317. These figures are therefore subject to change following the application of the exceptional RP3 measures proposed by the European Commission and the adoption of RP3 performance plans.

Depending on their regulatory regime, ANSPs operating under full cost recovery will recover all the losses incurred in 2020 from airspace users (i.e. €0.4 Billion), while ANSPs operating under the performance and charging scheme of the Single European Sky (determined costs regime) will have to bear €0.3 Billion, the remaining €4.1 Billion being recovered from airspace users after

[1] https://aci.aero/wp-content/uploads/2020/12/Advisory_Bulletin_The_impact_of_COVID_19_on_the_airport_business.pdf.

[2] https://www.iata.org/en/pressroom/pr/2020-11-24-01/.

the adoption of their performance plans (i.e. not before 2023) and spread over 5 to 7 years (i.e. until 2027 or 2029).

Overall, the substantial traffic decrease resulting from the COVID-19 pandemic has resulted in a +47% increase of en-route unit rates in 2021 for States operating under the full cost recovery regime. On the other hand, for States subject to the SES regulations, 2021 unit rates are based on planned traffic and costs assumptions developed in November 2019 and remained in the same order of magnitude as in 2020.

In 2021, States will have to face additional losses which will add to those borne in 2020. For States bound by the SES regulations, the magnitude of this loss will depend on the outcome of the current RP3 target-setting process and on the development of traffic during the year. Overall, considering the SES States' current assumptions for 2020 and 2021 as well as the most recent traffic forecast (Scenario 2 of the STATFOR's traffic forecast dated 4 November 2020), some €7.6 Billion would need to be charged to airspace users through adjustments to the unit rates, starting from 2023 and spread over 5 to 7 years (i.e. between €1.5 Billion and €1.1 Billion to be recovered per year on top of normal annual costs)[3].

This will result in a significant increase of en-route unit rates in 2022 as well as in future years when these adjustments will be applicable, thereby imposing an additional burden on airspace users.

When also adding-in the loss in terms of terminal ANS revenues (which represent, on average, 20% of the en-route + terminal chargeable cost-bases), the effect of the COVID-19 pandemic on the financial situation of ANSPs and airlines will be even greater.

The majority of European ANSPs have already begun to implement various measures to mitigate the impact of this crisis and the associated potential cash shortage. These measures include the implementation of cost-containment initiatives, availing of loans to alleviate liquidity risk as well as, in some cases, receiving financial support from their States. Further information on these measures will be provided in Chapter 5 of this year's Performance Review Report (PRR) 2020 and in the ACE 2019 benchmarking report - to be published in spring 2021.

"Current ANS charging schemes to become unsustainable over the next few years"

Given the magnitude of the shortfall in ANS revenues, however, these measures will not be sufficient to cover for the shortfall in the current financing of air navigation services.

The PRC considers that the current ANS charging schemes (whether it be it "full cost recovery" or "determined costs") will become unsustainable in the next few years.

The PRC therefore recommends that States consider assessing options with the view to revising the current charging scheme, (for instance by restructuring debts or by having a mix of financing between State budget and air navigation charges). The PRC would be ready to provide technical feedback on this.

Should you wish to comment on this publication, or to contact the PRC, please email us @: pru-support@eurocontrol.int.

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[3] It should be noted that the figures reported for SES States in this paragraph exclude data relating to the United Kingdom.