

InterFAB

“InterFAB Expert Talk” adds clarity to the meaning of economic surplus

7 April 2021: The second InterFab Expert Talk brought together more than 80 delegates from all over Europe to discuss the interpretation of financial data by the European Commission’s Performance Review Body (PRB) and air navigation service providers (ANSPs). A presentation by Eckhard Drews, DFS Director Controlling, and Vitan Todorov, BULATSA Director Finance and Chief Accountant, explained how different interpretations of the term ‘economic surplus’ have a profound impact on the reporting of financial results.

“It is good that the PRB has taken the initiative to invent this concept of economic surplus, but it would be useful to discuss in greater detail what it shows and how it can be used,” said Vitan Todorov, BULATSA Director of Finance and Chief Accountant.

The term ‘economic surplus’ introduced by the PRB in 2015 has subsequently become analogous with economic profit rather than accounting profit. It remains at variance with statutory terms that rely on more common assessments such as Earning Before Tax (EBT), meaning the PRB calculation of ANSP ‘economic surplus’ does not necessarily reflect the ANSP’s actual financial status, said Eckhard Drews.

There are additional factors to consider. Economic surplus can be positive or negative depending upon whether the costs to generate the output are higher or lower than the revenue as an assumption in the performance plan. Furthermore, deviations from assumptions embedded in the performance plan can arise as a result of changes in forecast traffic volume and other risk-sharing mechanisms which take into account airspace capacity, punctuality and environmental performance.

The Expert Talk presented three approaches to assist with the interpretation of ANSP results as part of the performance scheme. Firstly, there needs to be a recognition that costs may exceed revenue in ANSP performance plans. Secondly, surplus should not be used by the PRB as representative of financial ANSP results. Thirdly, mixing planned and actual figures should not be relied upon to calculate the cost of capital.

Eckhard Drews said: “Economic surplus is a technical term that is only fully understood at expert level and is at variance with the statutory accounts. ANSPs are often confronted by statements by the PRB that ANSPs are generating a lot of surplus, a term which is interpreted to mean profit which is not always the case.”

InterFAB Expert Talks provide a platform where experiences can be shared and views exchanged on the key issues which relate to data and performance in ATM. The next Expert Talk will take place on 24 March 2021. To register visit: www.fabec.eu/ExpertTalks

The airspace of the six FABEC States of Belgium, France, Germany, Luxembourg, the Netherlands and Switzerland is one of the busiest and most complex in the world. The majority of major European airports, major civil airways and military training areas are located in this area. FABEC airspace covers 1.7 million km² and handles over 55% of European air traffic.

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