

Skyguide in 2008: new strategic alignment delivers first results

Geneva, 15 April 2009. Skyguide, Switzerland's air navigation service provider, can look back on a successful 2008. All corporate goals were met or exceeded in the safety, capacity and financial fields; and while traffic levels remained high, delays were reduced by around 30%. A solution is still to be found, however, for the present structural revenue shortfall, which is reflected in the operating deficit of CHF 5.09 million recorded for the year: as part of its legal mandate, the company currently provides services whose remuneration is insufficient to cover their costs. For 2009 skyguide expects to see a continued decline in air traffic levels, to which it intends to respond with a raft of appropriate actions.

Efficiency goals clearly exceeded

With traffic volumes for the year a slight 0.3% up on 2007, skyguide swiss air navigation services ltd generated total operating revenue of CHF 372.29 million for 2008, a 0.7% increase on the CHF 369.39 million of the previous year. At the same time, a sizeable improvement in efficiency enabled the company to lower its costs by CHF 11 million, which is CHF 5.3 million more than originally budgeted. Despite this, however, skyguide posted an operating deficit of CHF 5.09 million (which compares to a deficit of CHF 4.59 million for the prior year). The operating statement showed a gross result of CHF -54.96 million for the year (compared to CHF -45.30 million for 2007). The result includes a book value adjustment relating to a lease-and-lease-back financing arrangement which was required in view of the recent upheavals on the financial markets.

Structural revenue shortfall still not resolved

Guy Emmenegger, Chairman of the Board of Directors, regards 2008 as a positive year for skyguide in which the company achieved its corporate objectives. "The actions we have taken within skyguide to raise our efficiency are having their effect," he explains. "Our present financial deficit is largely attributable to a structural revenue shortfall that even the most rigorous savings programme would be unable to offset." The shortfall stems from the fact that, under its legal mandate, skyguide provides services on behalf of the Swiss Confederation at regional airports and in adjacent airspace areas in neighbouring countries that are delegated to its control whose remuneration is insufficient to cover the associated costs (or which in some cases are not remunerated at all). "This state of affairs has to change, with all possible speed," Emmenegger stresses. "We expect a political solution to be found to compensate for the double-digit-million-franc amount that the present situation is costing skyguide every year."

A stable charging policy despite an adverse operating environment

Increasing the charges it levies for its services could ease skyguide's financial situation in the shorter term. But these charges are already among the highest in Europe. "Raising our charges would substantially weaken our position in Europe," says Daniel Weder, skyguide's CEO. "In the interests of Switzerland as a centre of aviation, too, we want to maintain our charges at reasonable levels. If, however, no

solution can be found to the present structural revenue shortfall in the foreseeable future, we will have to substantially increase our charges. We have taken every possible action to position our company well: there's nothing more we can do."

Delays reduced by around 30%

As expected, 2008 began with rising traffic levels. These soon levelled off, however, and saw a sizable decline towards the end of the year. At almost 1.24 million controlled flights (compared to 1.23 million for the previous year), the total traffic handled for the year was ultimately below projections, though it remained consistently high. With capacity increased thanks to a reorganisation of its operating units, skyguide reduced the average number of flights delayed per day by 32%, an outstanding handling performance.

An ever-tougher operating environment

Skyguide is directly affected by the economic and financial crisis that had already prompted an unforeseen slump in air traffic levels in Europe by the end of last year. In view of the steep traffic declines seen in the last two months of 2008, the company responded as early as December with an additional cost reduction of 3%. Further action was also taken in January to offset the continuing traffic declines and the resulting revenue losses. Safety has top priority in all these endeavours. Every action planned is first analysed in detail and is only taken provided it does not affect existing safety levels. Skyguide currently expects traffic volumes for 2009 to be some 12% below their 2008 levels, a decline which would reduce annual operating revenue by around CHF 30 million.

The 2008 skyguide annual report is available on our website at:

http://www.skyguide.ch/en/MediaRelations/Publications/downloadables/skyguide_AR_2008_e.pdf

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Skyguide is responsible for providing air navigation services within Swiss airspace and in the airspace of certain adjoining regions in neighbouring countries. The company guides the civil and military aircraft entrusted to its care – around 3 400 flights a day or 1.24 million a year – through some of the busiest and most complex airspace in Europe. Skyguide is a non-profit limited company which has its head office in Geneva. The majority of its shares are held by the Swiss Confederation. The company gener-

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ates annual operating revenue of over CHF 372 million and employs some 1 400 people at 14 locations in Switzerland.
