

Audit of the divisional accounts

BLS AG, Busland AG

Key facts

With turnover of around CHF 1.1 billion, BLS group is the second-largest railway company in Switzerland. Public subsidies account for around 40% of its turnover. For regional passenger transport by rail and road, the Confederation and the cantons jointly order their routes and timetables from BLS, and they pay BLS Group around CHF 190 million annually for costs not covered by ticket revenue.

The Swiss Federal Audit Office (SFAO) carried out an audit on BLS's divisional accounts and examined those for "national regional passenger transport, rail" and "national regional passenger transport, road" for 2018. The SFAO assessed compliance with the principles of subsidy law in the budgeted and actual divisional accounts and the appropriateness of their structure, as well as the upstream value flows of the operating accounting. The regional passenger transport ordering and planning process is complex and places high expectations on the internal accounting systems of BLS AG and Busland AG.

During the audit, BLS informed the SFAO that the subsidies paid had been too high for several years. In the case of BLS subsidiary Busland AG, this was due to the use of an interest cost model, and in the case of BLS AG and Busland AG, it was the result of unplanned Half Fare Travelcard compensation payments from the Libero transport network. Application of the interest rate model caused Busland AG to receive almost CHF 1 million in excess subsidies between 2012 and 2019.

In its audit of the divisional accounts, the SFAO discovered errors in the calculation of subsidies in the low seven-figure range. In future, BLS Group must ensure improved transparency and reliability of the divisional accounts. Due to the inclusion of imputed elements and misallocations, the public subsidies were sometimes too high or the respective divisional result was incorrect. Retroactive corrections must be made.

Errors in the budgeted divisional accounts meant client subsidies for BLS were too high

The transparency and comprehensibility of the planning basis as well as of value flows of revenue and cost items were severely limited in some cases. The operating accounting system of BLS Group must ensure that subsidies are determined in a comprehensible and economically correct manner in accordance with subsidy law. Existing doubts regarding the eligibility of expenses under subsidy law, for example for internal group services with profit mark-ups, must be proactively and definitively dispelled.

Missing revenue, the misallocation of costs and the use of cost models in planning, which in the SFAO's opinion are not compatible with subsidy law requirements, resulted in excessive client subsidy payments to BLS companies.

Differences in legal interpretation led to a withdrawal of funds from the regional passenger transport system

In the actual accounts, service charging between the companies of BLS Group was partly carried out with profit mark-ups, which is a disputed practice under subsidy law. This applied to the internal leasing of premises within the group, as well as to additional railway services. There were repeated significant deviations in overhead costs relative to those budgeted. Consequently, the results of the divisions entitled to subsidies were lower and less money was put into the reserve¹. The SFAO considers this an unjustified withdrawal of liquidity from the regional passenger transport system. BLS holds a different opinion with regard to the legal interpretation, which it will be able to present in its general statement.

The SFAO was able to reconcile the quantities of traction units, locomotives and drivers provided for in the budgeted divisional accounts under "national regional passenger transport, rail" with the stocks shown in the actual divisional accounts for 2018. The reserves planned for traction units and locomotives are plausible. Deviations between the budgeted and actual mileage of vehicles are negligible.

Original text in German

¹ In accordance with Article 36 of the Passenger Transport Act.