

COVID-19: Audit of measures to support critical aviation infrastructures

Federal Office of Civil Aviation and Federal Finance Administration

Key facts

On 29 April 2020, the Federal Council decided on financial measures to support critical aviation infrastructures during the COVID-19 crisis. At the same time, it mandated the Swiss Federal Audit Office (SFAO) to supervise the implementation of the measures and compliance with the agreed conditions.

The Confederation guaranteed loans to airlines amounting to CHF 1.275 billion. It provided a total of CHF 600 million to support aviation-related businesses. In July 2020, the Confederation granted SR Technics (SRT) support in the form of a deficiency guarantee for a maximum of CHF 79 million. The revolving credit agreements to support Swiss International Air Lines AG and Edelweiss Air AG (Swiss) with secured loans of up to CHF 1.275 billion were signed in August 2020. In addition to the financial provisions, guarantee-related and location policy conditions were defined.

In the first audit phase in 2020, the SFAO reviewed the consultant analyses and the draft contracts, and provided the Finance Delegation with regular updates on its findings. In the second audit phase in 2021, the SFAO reviewed the implementation of the measures and compliance with the agreed conditions. This revealed that the supervision is generally organised in an appropriate manner, but that it is not possible to make a conclusive statement on compliance with the Confederation's requirements. Weaknesses exist with regard to the lack of a supervisory concept and the effectiveness of the Swiss Aviation Foundation.

Eleven contracts were signed to support Swiss and eight for SRT. The Federal Office of Civil Aviation (FOCA) and the Federal Finance Administration are dependent on the support of externally commissioned consultancy firms both in the drafting and in the amendment of the contracts. There are different relationships and dependencies between the stakeholders involved.

Supervision is organised appropriately at the FOCA, but a supervisory concept is lacking

The FOCA is responsible for the supervision of COVID-19 aviation support. The organisation is appropriate; the tasks, powers and responsibilities are clearly defined. However, there is no standardised, risk-based supervisory concept. Moreover, there is no formalised quality assurance. The SFAO recommends that the FOCA draw up a supervisory concept in accordance with the amended requirements of Article 25 of the Subsidies Act.

The Aviation Foundation's supervisory concept is not fully developed and this makes it difficult to understand the auditing activities

The Swiss Aviation Foundation was established by the Federal Council in 2020 to supervise the location policy conditions that apply to the airlines Swiss and Edelweiss. The FOCA has no direct right of inspection at Swiss or Lufthansa with regard to the location policy conditions. At the end of November 2021, the Foundation submitted its annual report on compliance with the contractual conditions for the first time.

Due to the composition and organisation of the Foundation, its independence as a supervisory body is not ensured and its effectiveness should be questioned.

Compliance with the Confederation's requirements is uncertain

The financial clauses stipulated in the credit agreements are audited by the FOCA, but not other clauses, such as the prohibition of dividend payments. The FOCA has defined and implemented standardised audit procedures. At the time of the audit by the SFAO, there were no concerns. The FOCA also audits compliance with the guarantee-related conditions at SRT. Some of these are vague and difficult to measure; the FOCA relied for the most part on the SRT's reporting.

The Swiss Aviation Foundation is responsible for reviewing Swiss' location policy conditions. Here, too, the conditions are in some cases imprecise and difficult to measure. The Foundation relies on the reports and information provided by Swiss. A detailed examination of the reported information by the Foundation's board is only documented in isolated cases.

Support for aviation generates revenue for the Confederation

Swiss and SRT pay interest on the loans drawn down and commitment fees are payable on the undrawn credit lines. A one-time participation fee was due upon conclusion of the contract. The Confederation benefits from this revenue for the guaranteed amount.

In total, the Confederation generated income of around CHF 32 million between the signing of the contract and the end of August 2021.

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