

# COVID-19: Audit of the recapitalisation of Skyguide

## Skyguide AG

### Key facts

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The crisis in the aviation sector caused by the COVID-19 pandemic led to a massive slump in air traffic control fees. To ensure Skyguide's liquidity and solvency, the Confederation intends to make CHF 500 million available by 2022, of which at least CHF 150 million will be in the form of an increase in equity capital. The inflow of funds will also be used to repay the CHF 200 million loan from PostFinance. As part of the refinancing process, the Confederation has already provided a CHF 200 million credit facility in response to the liquidity shortfall caused by the crisis.

Around 80% of Skyguide's revenue is generated by regulated overflight and approach fees. The fees are set out in a performance plan based on the air transport agreement with the EU Commission, which contains efficiency requirements for Skyguide. To counteract further financing shortfalls, the Federal Council has demanded cost-cutting measures from Skyguide.

The performance plan with the EU provides for a correction mechanism that determines subsequent payments based on whether volume targets have been missed or exceeded. Due to the pandemic situation, the EU Commission decided that the air traffic control companies may invoice the losses incurred as a result of the traffic decline in 2020 and 2021 to the airlines, spread over seven years from 2023. Skyguide estimates that it will be able to back-invoice around CHF 280 million in fees as a result. The Federal Council anticipated CHF 500 million, which is approximately CHF 220 million more than the expected crisis-related reimbursement amount. It is therefore conceivable that the federal funds will also be used for funding shortfalls other than those caused by the pandemic.

The Swiss Federal Audit Office (SFAO) reviewed the appropriateness of the level of refinancing required from a liquidity perspective and the link to the COVID-19 pandemic. It considered the calculation of the financing requirements to be transparent. The SFAO believes there is a significant risk that taxpayers will have to foot the bill for any further funding. In addition to the great uncertainty as to when and how the aviation sector will recover, the SFAO has concerns about whether Skyguide will be able to meet the efficiency targets set by the EU (particularly in terms of personnel). The SFAO regrets that, despite these circumstances, Skyguide decided not to perform a sensitivity analysis. This makes it more difficult to assess any additional financing requirements.

#### **The cost-cutting measures outlined are not sufficient**

The savings of between CHF 90 and 100 million expected by the Federal Council are based on a comparison with the previous planning values, which were based on higher volumes. They are therefore mainly cost increases that will be averted. Compared to the current cost basis, no reduction will be achieved before 2024 in salary expenses, the most important

cost item, despite cost-saving measures. The efficiency gains from the Virtual Centre programme<sup>1</sup> (modernisation and standardisation of air traffic management) are not specifically itemised in the financial planning, despite an investment of CHF 266 million.

Skyguide receives short-time working compensation totalling CHF 18 million. The SFAO is critical of the fact that these payments are counted as cost-cutting measures and thus reduce pressure on the savings targets.

### **The Confederation provides additional aid**

The payment of CHF 18 million in short-time working compensation is a way of helping to stabilise Skyguide, but it is not shown as such in the Federal Council's proposal. Prior to the CHF 500 million refinancing package, the Federal Finance Administration had made a CHF 200 million short-term credit facility available for bridging loans. This possibility, although still there, has not been used. The SFAO doubts that Skyguide has sufficient credit-worthiness for this. Taking this into account, it is possible that the financial aid provided by the Confederation will far exceed CHF 500 million.

### **Even without the pandemic, Skyguide would probably face financial difficulties**

The financial plan includes a significant one-off payment of several million Swiss francs to the pension funds for the increase in the retirement age, as well as a special effect arising from an adjustment in the capitalisation practice for intangible assets amounting to CHF 125 million. The SFAO does not rule out the possibility that Skyguide would have faced financial difficulties even if the COVID-19 pandemic had not occurred.

**Original text in German**

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<sup>1</sup> The SFAO already audited the Virtual Centre project (audit mandate 19120), available on the SFAO's website ([www.sfao.admin.ch](http://www.sfao.admin.ch)).