Performance audit of tourism infrastructure projects under the New Regional Policy

State Secretariat for Economic Affairs

Key facts

Since 2008, the Confederation and cantons have provided support under the New Regional Policy (NRP) to mountainous, rural and border regions with their regional economic development and in dealing with structural change. By 2019, this instrument had been used to promote more than 300 tourism infrastructure projects, among other things. The loan provided by the Confederation came to over CHF 350 million. The NRP is financed via the regional development fund, which amounts to CHF 1 billion.

Using financial analyses and a survey of project managements, the Swiss Federal Audit Office (SFAO) audited whether and to what extent the supported tourism infrastructure projects demonstrate economically viability, in order that the goals of the NRP can be achieved in the longer term as well.

The audit revealed that the finances of a number of project managements were stretched, a situation which was exacerbated by the COVID-19 crisis. Against a background of increasing risks and financial burdens on the public sector, the SFAO sees potential for improvement in the promotion of sustainable NRP projects in the long term.

The public sector is often an important and crucial player in financing

Around two-thirds of NRP tourism infrastructure projects mainly involve the replacement or expansion of mountain railways. Important reasons for applying for NRP funds are, on the one hand, the fact that there are few or no lenders on the market for the corresponding projects. On the other hand, soft or interest-free NRP loans can reduce the interest burden. In addition to providing financing, the communes, which take on many roles, are also often co-owners of the management organisations. In the audited projects, most communes contribute between 15% and 40% in the case of mountain railways and around 70% on average in the case of leisure facilities. Finally, communes are often obliged to cover the shortfall in operating funds for tourism infrastructures.

By contrast, the SFAO audits revealed indications of possible deadweight effects. This means that the projects would have come about in the same or at least similar form, even without NRP promotion. The deadweight effect observed here is estimated to be up to 40%.

Cost-efficiency analyses make clear the longstanding difficult financial situation

The estimate of cost-efficiency at the audited management organisations in recent years, based on published financial figures, shows that only around one-third of all management organisations have sufficient economic viability compared to applicable industry benchmarks. Depending on the funding category, the picture is as follows: larger mountain railway companies are more likely to have a financial cushion, whereas the financial situation at small and medium-sized mountain railways is more stretched, and the leisure facilities category contains hardly any management organisations with satisfactory revenue and sound financing. The SFAO is aware that the economic situation of a management organisation depends on a number of factors, such as the current COVID-19 crisis. The SFAO nonetheless takes the view that the (operating) economic situation of the management organisation and the long-term financial planning must increasingly be tied into the approvals process for NRP projects. On this basis, it would be easier to identify viable promotion opportunities without leading to a permanent financial burden on the public purse.

The NRP fund holdings should be adjusted in line with needs

The applicable legislation stipulates that the regional development fund should be designed to maintain its value in the long term. The fund holdings have been CHF 1 billion for around ten years, but currently only half of this is invested in loans for established projects; moreover, demand for this is steadily decreasing. Economically speaking, such a high level of liquidity is not suitable. The SFAO thus takes the view that the size of the regional development fund should be reviewed.

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