Controlling of offset transactions

Summary of the report by the Parliamentary Control of the Administration for the Council of States' Control Committee

of 4 May 2021

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The controlling of offset transactions is only appropriate to a degree, because it is not possible to check whether the main objective of the offsets is being achieved, namely boosting the competitiveness of Swiss industry, in particular that of companies in the security-related technology and industrial base (STIB). However, the legal requirements are respected and considerable progress has been made in terms of transparency.

In January 2020, the Control Committees of the Federal Assembly (CCs) commissioned the Parliamentary Control of the Administration (PCA) to evaluate the controlling of offset transactions.

The responsible FDFA/DDPS sub-committee of the Council of States Control Committee (CC-S) decided in May 2020 that the appropriateness of the legal framework and of the controlling instruments, the organisation, implementation and documentation should be investigated.

For this purpose, the PCA conducted around 30 interviews with people from the Federal Administration and industry, and with various experts. It also carried out document analyses and sought external legal opinions. The evaluation led to the following key conclusions:

There is compliance with the few existing legal provisions on offsetting, but the objectives are not sufficiently clear

The legal framework for offset transactions is rudimentary. It is therefore not very difficult for the Federal Administration to comply with the law (Section 3.1). The Federal Administration guidelines are coherent (Section 3.2), but the objectives of the offset transactions lack clarity (Section 3.3) and the responsibilities for controlling are also not clearly defined (Section 3.4).

The controlling process does not involve checking whether the main objective of the offset transactions is actually achieved

Although there has as yet been minimal digitalisation of the existing controlling instruments, they can in principle be used to collect appropriate data on offset transactions (Sections 4.1 and 4.2). In practice, however, controlling only involves the operational objectives of offset transactions. There is no check on whether the main objective – boosting the competitiveness of Swiss industry, in particular STIB companies – is achieved (Sections 5.1 and 5.2). Furthermore, there is no clear definition of what STIB actually involves. This is partly due to a lack of internal coordination within the Federal Office for Defence Procurement (Armasuisse) (Section 5.3).

The independence of controlling is questionable and oversight is weak

Offset transactions are controlled by Armasuisse in cooperation with the Offset Büro Bern (OBB). The latter is operated by a group of industry associations (ASIPRO). The involvement of the private sector in controlling raises questions about the

independence of the controlling process. Moreover, oversight of offset transactions is weak (Section 5.4).

Limited staff resources only allow for limited controlling

The persons responsible for controlling offset transactions are generally recognised as competent to do so. However, the human resources allocated to controlling are very modest. Controlling thus incurs low costs, but is also very limited for this reason, and this is a questionable situation when it comes to major armament programmes such as Air2030 (Section 5.5).

External transparency has been increased, but internal documentation remains inadequate

Information for the public, which is mainly provided via the Armasuisse website, has been improved, thereby significantly increasing external transparency (Section 6.1). Internal documentation, however, is inadequate. There is a lack of clarity about how transactions are approved and insufficient documentation on how the 'multipliers' with which certain offset transactions can be revalued are determined (Section 6.2).

The full report is available in German, French and Italian (www.parliament.ch).