



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

armasuisse

Offset Webinar Program Air2030

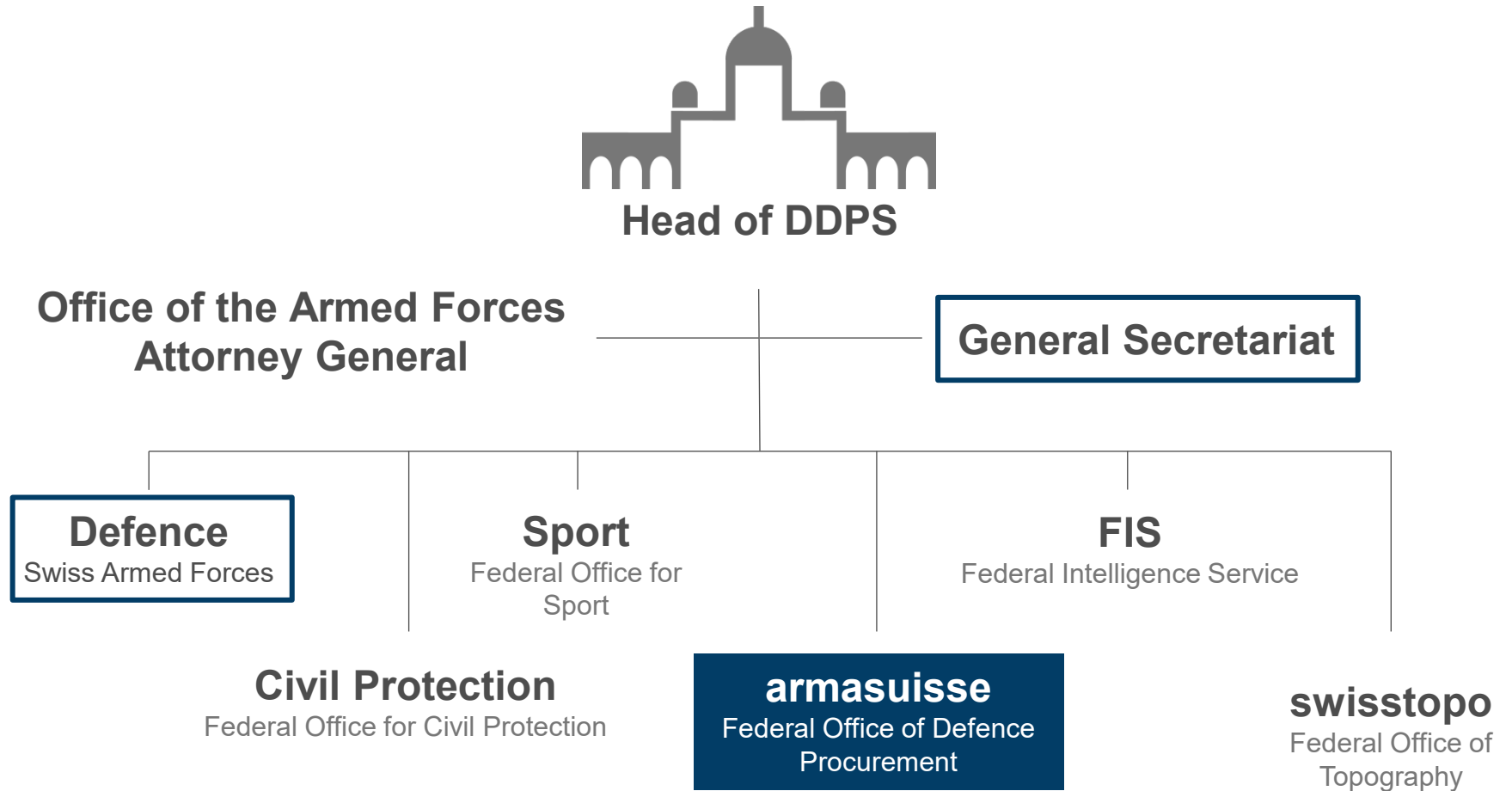
04/11/2022

P. Winter, Director Aeronautical Systems, armasuisse



armasuisse

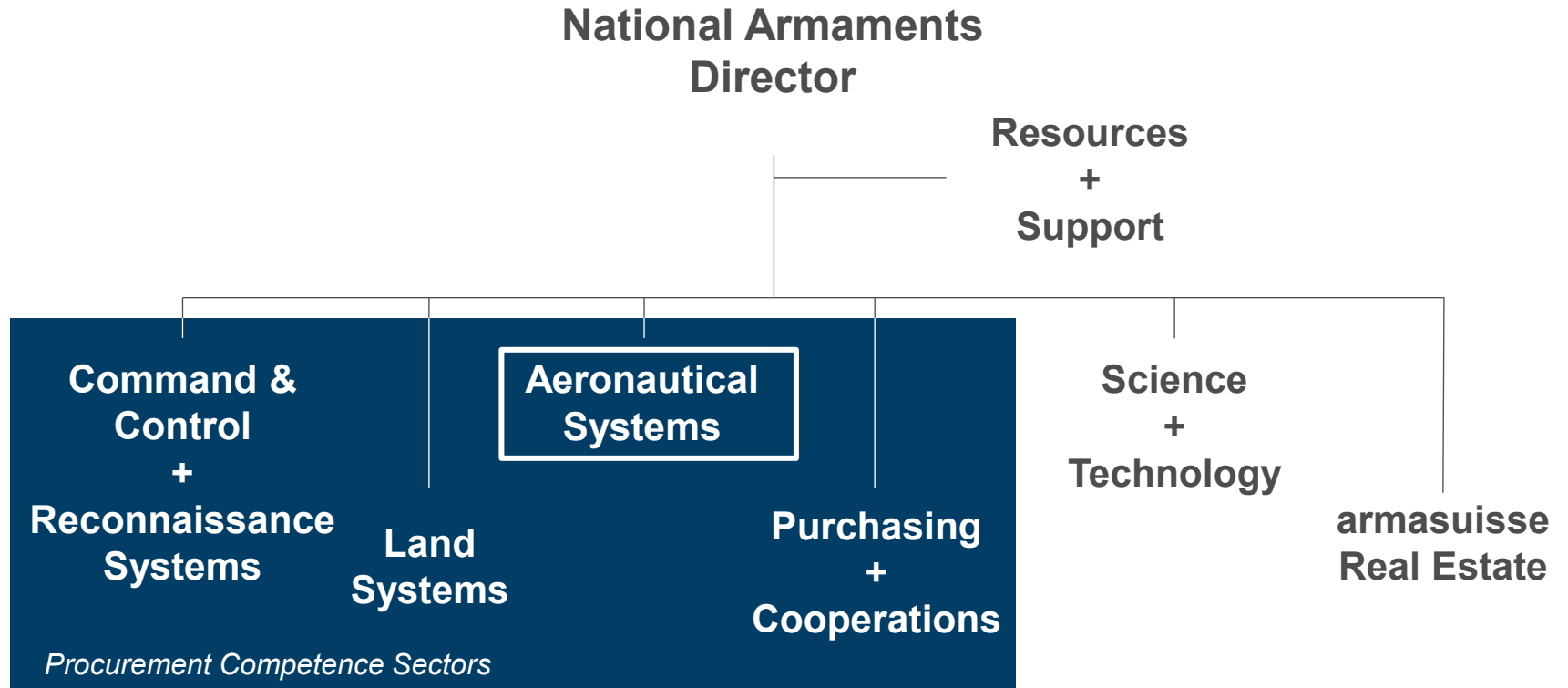
Federal Department of Defence, Civil Protection and Sport (DDPS)





armasuisse

Organization chart





armasuisse

Competence sector



120

employees at 2 sites
in Bern and in Emmen

Aeronautical Systems

International Collaboration & Networking

- Fighter aircrafts (F-5 Tiger und F/A-18 Hornet)
- Guided missiles (AMRAAM/AIM-120, Sidewinder/AIM-9 und Rapier)
- Society of Experimental Testpilots (SETP)

State: February 2021

Specialist areas



New fighter aircraft



Fighter aircraft



Helicopters, UAS +
aircraft



GBAD**



Flight Testing



Commercial



Quality Management +
Airworthiness

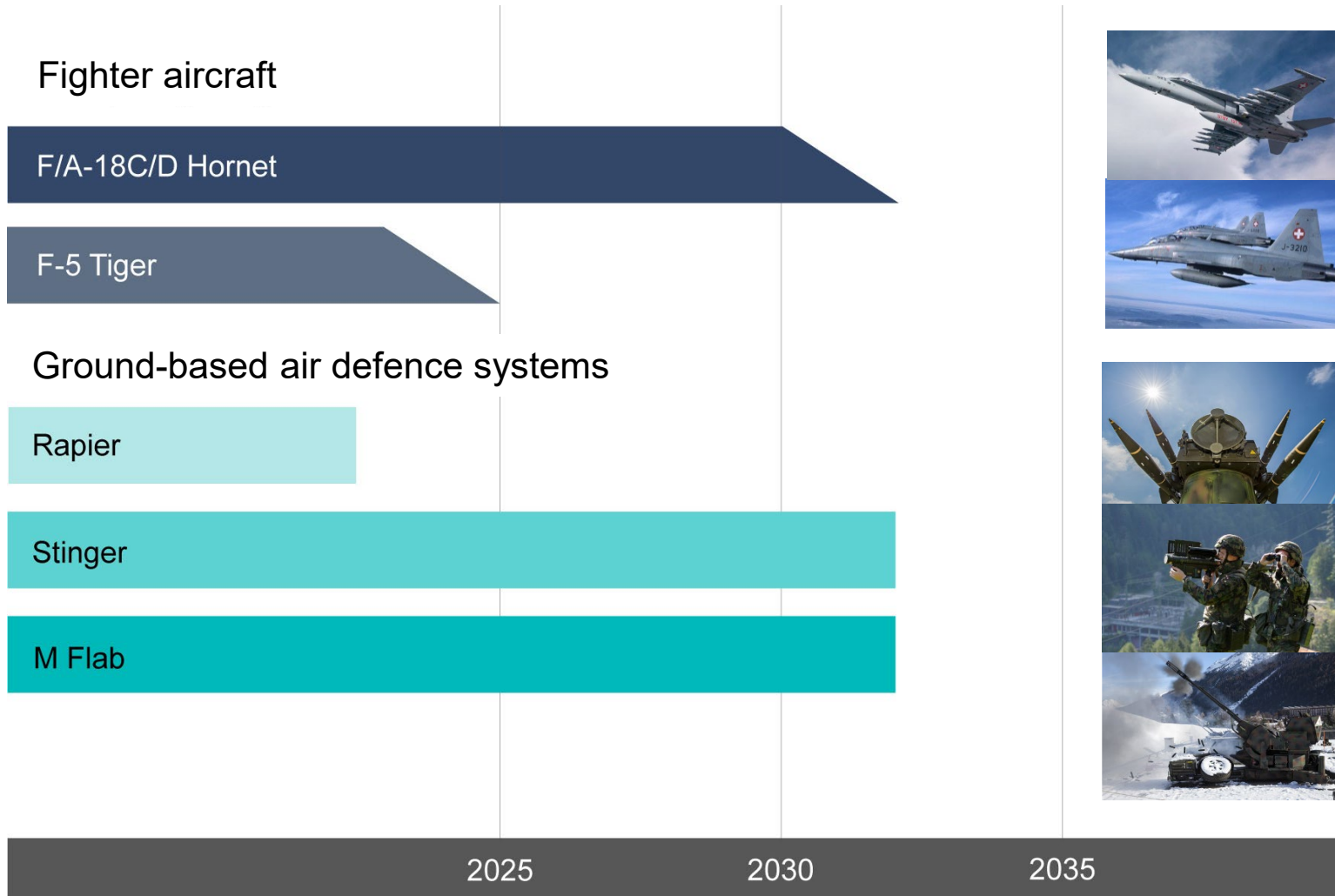


Resource Planning*



Program Air2030

End of use of current resources

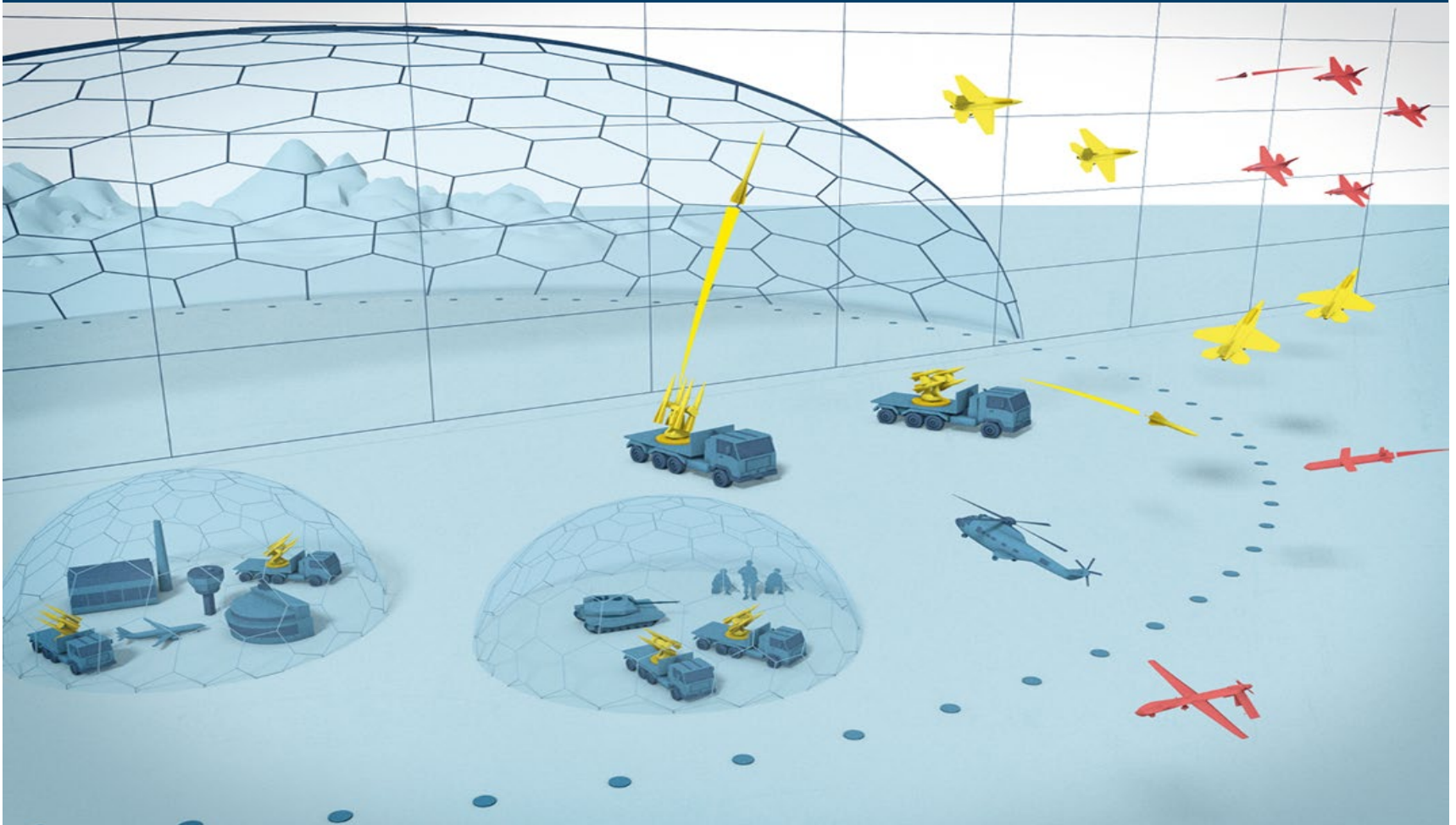




Program Air2030

Swiss Integrated Air Defence System

Air defence as an overall system





Program Air2030

Four interoperable projects

Air defence as an overall system



New Fighter Aircraft



ER GBAD



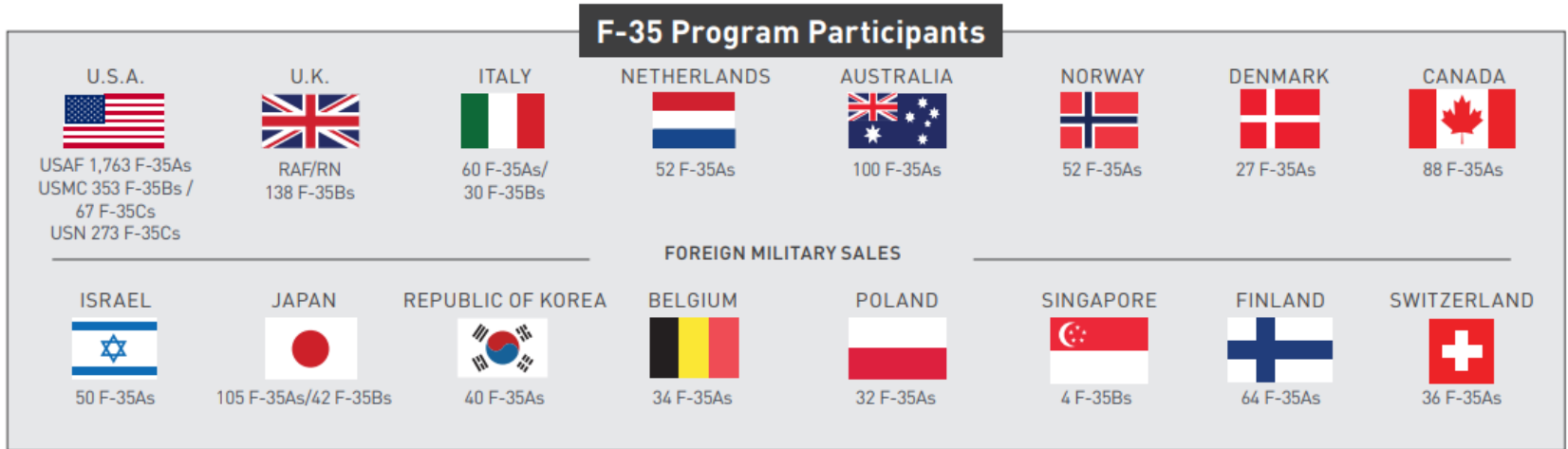
C2Air



Radar



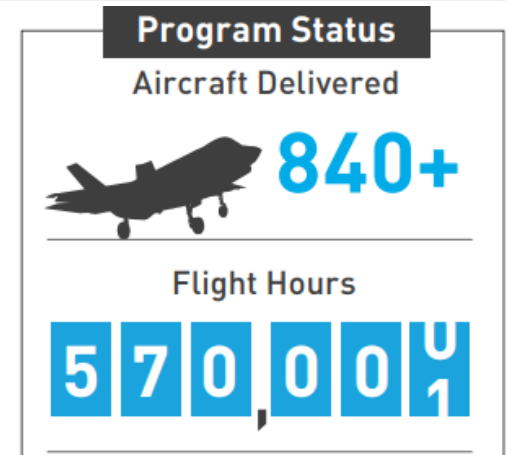
F-35 Program: Facts and Figures



Further countries:

- Germany
- Greek
- Czech Republic

19 countries - thereof 12 European countries



Quelle: [Fast Facts \(f35.com\)](https://www.f35.com), 1. Oktober 2022



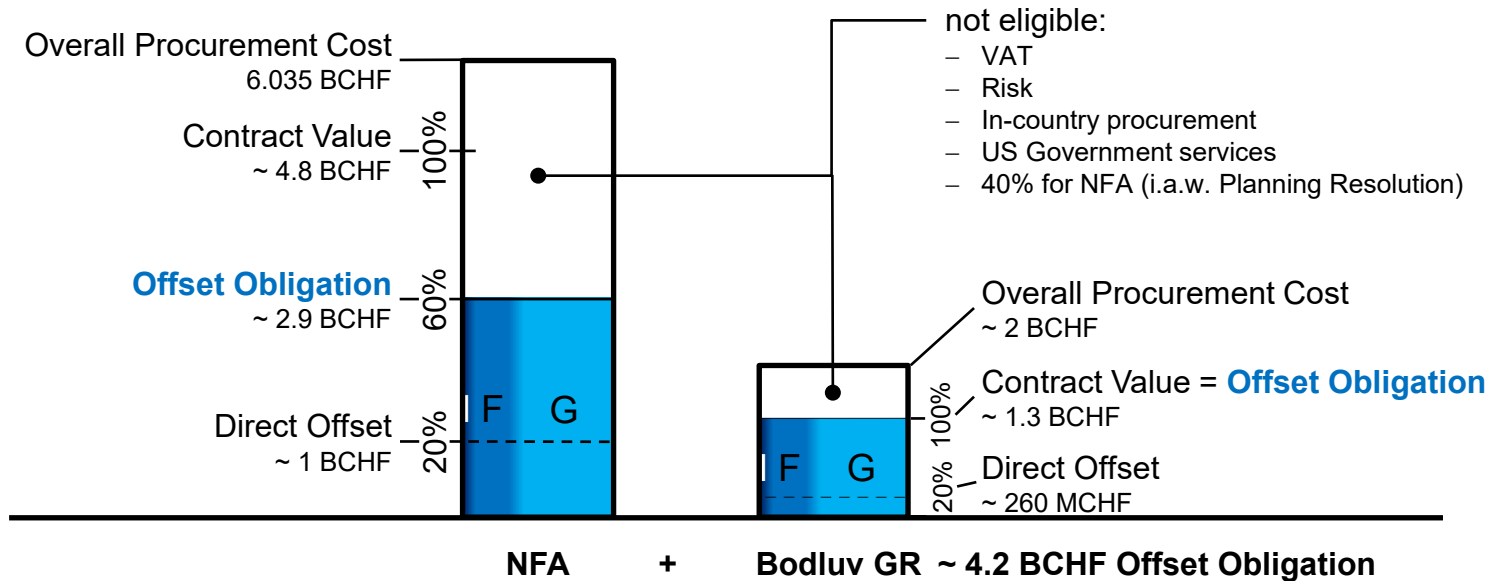
Patriot: Fact and Figures



- 17 Patriot nations worldwide with over 240 fire units
- Together with Switzerland, 18 nations have now chosen the Patriot system
- European nations with Patriot:
Netherlands, Germany, Greece, Spain, Romania, Poland, Sweden, Switzerland



Offset Obligation F-35A, Patriot



Intended regional distribution of offset values in:

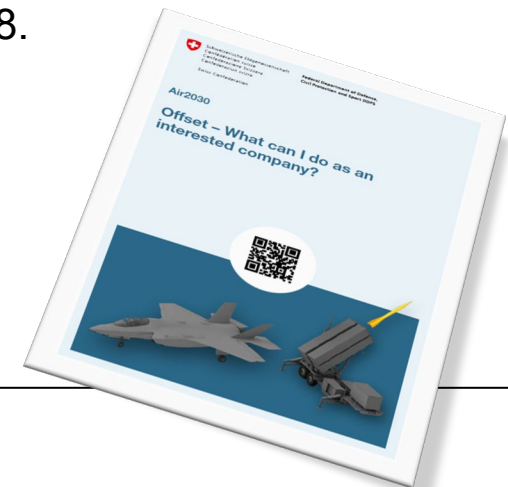
- (I) Italian-speaking Switzerland: 5%
- (F) French-speaking Switzerland: 30%
- (D) German-speaking Switzerland: 65%



What can I do as an interested company? (using the F-35A and Patriot as an example)

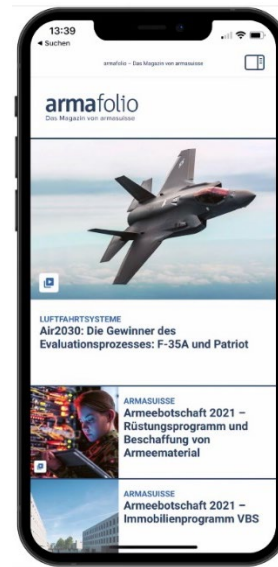


- The foreign manufacturers can choose their Swiss business partners freely..
- Interested Swiss companies can contact the manufacturers directly. armasuisse website (QR code).
- Offset transactions do not require any registration, approval or any affiliation with an association on the part of interested Swiss companies.
- More information on settling offset transactions on the websites of the manufacturers Lockheed Martin and Raytheon.
- In addition, the Offset Office Bern (OBB), is happy to answer any questions and can be reached at the following phone number +41 58 464 70 38.
- More information: www.vbs.ch/air2030





armafolio – The magazine of armasuisse





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armasuisse

Offset Webinar Program Air2030

04/11/2022

Patrick P. Anliker, Deputy Offsetmanager armasuisse



Content

1. fundamentals and purpose
2. requirements
3. creditability
4. reporting
5. documentation



1. fundamentals and purpose



what is offset?

Direct offset:

Direct reference to CHE armament procurement

=> production of parts and modules

=> Production under licence in Switzerland, final assembly in Switzerland

Indirect Offset:

Compensation transactions not directly related to the armament procurement

=> Industry- and research-contracts



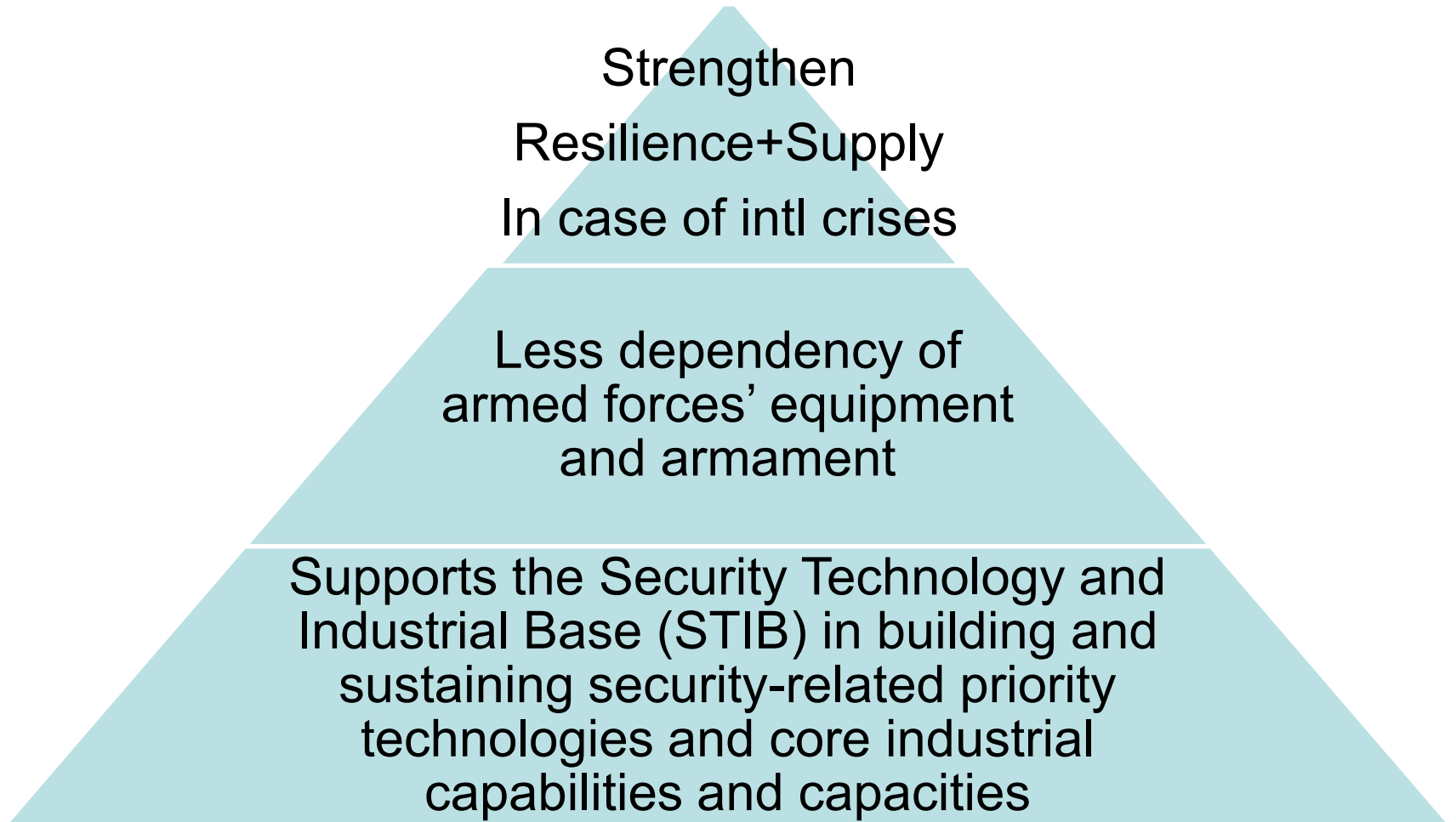
Where is offset regulated in Switzerland?



- Principles of the Federal Council for DDPS armament policy
- Strategic basis for armament procurement
- Procurement strategy of the Federal Council for the DDPS
- Industrial participation strategy
- Offset-Policy as of 1 November 2022



Why CHE demands offset?





Which technologies and capabilities are relevant for national security?

- security-relevant technologies

See Offset-Policy Appendix 2: Security relevant technologies

⇒ Industrial core capabilities and capacities

- **Fundamentals:**
- Security policy situation and development (security policy report)
- Technology foresight (ar science + technology)
- Capability requirements of the armed forces (MASTERPLAN)



Who can potentially offer these technologies and capabilities in general?

- Switzerland's security-relevant technology and industrial base

STIB

- Definition of STIB: ***"Research institutions and companies that have competencies, capabilities and capacities in the security and defense technology sector in Switzerland."***



Who particularly can offer these technologies and capabilities in CHE?

See Offset-Policy Appendix 1: Security-relevant economic sectors



Branch 20

chemical products



Branch 22

rubber / plastics



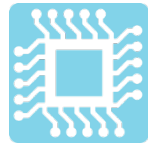
Branch 24

metal products
and machining



Branch 26

optics



Branch 27

electronics



Branch 28

mechanical engineering



Branch 29

automotive and parts



Branch 51

aeronautics + space



Branch 62

IT



Branch 72

R & D

Source:

General Classification of Economic Activities (aka “NOGA 2008”)

<https://www.bfs.admin.ch/bfs/en/home/statistics/industry-services/nomenclatures/noga.html>



2. requirements

(according to offset-policy)



When does CHE requires offset?

1. procurement of armament
(Annex 5, Abs. 1 Bst. c BÖB)
2. a) foreign supplier or
b) foreign subcontractor of a Swiss
supplier whose supply share exceeds 50 % of the
contract value
3. The contract value with a foreign supplier hits at least
CHF 20 million (several lots are added up)

➤ **All 3 conditions must be met!**



How much offset is to perform?

- The offset obligation equals generally **100%** of the **procurement contract value** (excl. VAT)
- Subsequent procurements (supplements) increase the offset obligation in accordance with their value
- On a case by case basis, offset obligation can be lowered or waived (e.g. lack of competitiveness)
e.g. Project CHE new fighter aircraft (NKF) = 60%



With whom offset transaction may be closed?

With companies and research institutions in the **domestic security-relevant sectors** (*see slide 9*)

Balanced **regional distribution** is to be aimed for:

- approx. 65 % in German-speaking Switzerland
- approx. 30 % in French-speaking Switzerland
- approx. 5 % in Italian-speaking Switzerland

No specifications by Gov about individual CHE-companies and institutions.

- Principle: Competitiveness!
- Exemption: Possible for direct offset (e.g. MRO Center)



What is the fulfillment period?

- Direct offset obligation:

To be fulfilled until the **last delivery** of the setup material (excl. warranty period).

- Indirect offset obligation:

Must generally be fulfilled within **2 years** after the end of the fulfillment period for the direct offset obligation.

- Exceptions:

A longer fulfillment period can be specified for the **indirect obligation** (in case of high procurement volume)

e.g. Project CHE new fighter aircraft (NKF) = 4 years



What happens in case of non-fulfillment?

The contractual penalty for non-fulfillment of the offset obligation is

- at least **5%** of the unfulfilled portion and
- does not exempt from complete fulfillment

(according to procurement contract or offset agreement)

Failure to meet an offset obligation may lead to exclusion from future public contracts in the defense sector

- **“black list”**



3. creditability

(according to offset-policy)



a) Co-licensing/licensing production and subcontracting

- **Example:** Establish a domestic final assembly line; installation of components; participation in the (further) system-development; component MRO.
- **Offset value:** Contract value of the service to be performed
- **Pre-Approval mandatory:** Yes (within Offsetconcepts)
- **Multiplier available:** Yes



b) Acquisition of security-related goods and services

- **Example:** Purchase of security-related products in CHE
- **Offset value:** Order value of the purchased goods or services
- **Pre-Approval mandatory:** no
- **Multiplier available:** no



c) Technology- and/or know-how-transfer

- **Example:** Provision of machinery, equipment, software, training, test facilities etc. free of charge
- **Offset value:** 1 year's turnover of products resulting from the transfer (max. 3 years after transfer)
 - >>> Alternatives:
 - a) market value, or
 - b) costs for development of the transferred technology/know-how
- **Pre-Approval mandatory:** no
- **Multiplier available:** yes



d) Project funding

- **Example:** Payment into project fund recognized by armasuisse
- **Offset value:** Value of investment not to be refunded and 1 annual turnover of products resulting from project funding.

- **Pre-Approval mandatory:** yes

- **Multiplier available:** yes



e) Marketing support

- **Example:** Placement of orders
- **Offset value:** Turnover resulting from support

Degression table		
Turnover (Mio. CHF)	Creditable (%)	Offset value (Million CHF)
0 - 10	100 %	0 - 10
10 - 30	60 %	6 - 18
30 - 50	40 %	12 - 20
50 - 100	26 %	13 - 26
100 - 150	19 %	19 - 28,5
150 - 200	15 %	22,5 - 30
200 - 300	12 %	24 - 36
300 - 400	10 %	30 - 40
400 - 500	8 %	32 - 40
500 -	5 %	25 -

- **Pre-Approval mandatory:** no
- **Multiplier available:** no



Order threshold

The threshold value for the recognition of individual offset transactions is **CHF 10,000** or an equivalent amount in another currency (according to procurement contract or banking/offset agreement)



Additionality (1/2)

Indirect offset transactions may not be accommodated in the ordinary course of business (“daily business”).

Code 1: New offset business

Modes:



- 1) **First time business relationship** with CHE beneficiary;
- 2) Transaction involves **different goods/services** or **significant innovations** compared to previous transactions with the CHE beneficiary; or
- 3) **Resumption** of business relationship with CHE beneficiary after an interruption of at least 24 months.



Additionality (2/2)

Code 2: Follow-up orders

Modes:



1. **Follow-up order** to an offset business recognized by armasuisse with a comparatively **higher order value of at least 50 percent**; or
2. Follow-up order to an offset business recognized by armasuisse whose promoted technology has a **high or critical safety relevance** (see Annex 2 of the Offset Policy).



Swiss value added

The offset value is determined taking into account the CHE value added.

CHE value added equals the **difference between the order value** of the offset business agreed with the CHE beneficiary **and the value of the foreign additional deliveries** and sub-deliveries or services.

- CH value added $> 61 \%$ = full crediting
- CH value added $20 - 61 \%$ = proportional crediting
- CH value added $< 20 \%$ = no crediting



Multiplier



- The value of an offset transaction can be multiplied by a **factor of 1 to 3**.
 - Prerequisite: Prior approval by armasuisse ("Pre-Approval").
 - **Evaluation criteria:**
 - Direct offset: gained operational/support autonomy for the procured armament material
 - Indirect Offset: Security relevance of the supported technology and industrial core capability
- see Offset-Policy Appendix 2: Security relevant technologies*



Partner

The foreign supplier may be assisted in fulfilling its offset obligation by the following foreign partners:

- ❖ its group companies; and
- ❖ subcontractors, sub-suppliers and consortium partners involved in the procurement to which it transfers part of its offset obligation, as well as their group companies.

=> **According to the listing** in the Annex to the Banking/Offset Agreement!



Transfer of offset credits (1/2)

- Offset credits up to **20%** chargeable to indirect offset obligation.
- Offset credits transferable up to **5 years** from order date of underlying offset transaction.
- **Written application** to ar (incl. list of offset transactions to be transferred and consent of all partners).





Transfer of offset credits (2/2)

«Banking»

- **Transfer from advance performance**

Basis: Banking Agreement

- **Transfer from overfulfillment of a completed offset obligation**

- **Transfer between partners**

a) Recipient was partner of the transferor in its offset obligation/banking in which credit balance arose;

or b) Transferor is partner of Recipient in its offset obligation/banking.



Intergovernmental clearing transaction

"Swap"

- Full or partial settlement of the offset obligation with an offset obligation of a CHE company in the country of the foreign supplier.
- Written application to ar (incl. consent of all parties).



4. Reporting

(according to offset-policy)



Reporting


- Foreign supplier designates a **SPOC**.
- **Annual** coordination meeting between foreign supplier and armasuisse (**ORM**)
- **Semi-annual reporting** of offset transactions by means of reporting forms (ODF), incl. supporting documents. Subsequent changes must be reported.
- Offset transactions must be reported within **12 months** of order date.

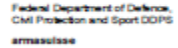
We go digital:

WIP: Digitization of offset reporting (approx. mid 2023)



Offset declaration form ("ODF")

 Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

 Federal Department of Defence,
Civil Protection and Sport DODPS
armasuisse

ODF No.

Offset Declaration Form (ODF) (Please attach any supporting documents and pre-approvals)

Name of Swiss procurement project:

Offset type:

A. Offset transaction (to be completed by the foreign supplier)

1. Name and address of foreign supplier or eligible partner:

2. Contact (Name, Tel. No., E-mail):

3. Order number and date: (if more than one order, please list them in the appendix with date, number and value)

4. Description of the transaction:

5. Economic sector and number: (see Appendix 1 of Offset Policy)

6. Transaction type: (see Clause 5.2 of Offset Policy)

7. Additionality code: (only for indirect offset transactions, see Clause 5.3 of Offset Policy)

8. Security-relevant technology: (if applicable, please list and describe, see Appendix 2 of Offset Policy)

9. Transaction value and currency: (without multiplier)



- For each offset transaction (direct and indirect)
- Section A to be completed by the foreign supplier
- Section B to be completed and signed by CH beneficiary.
- Submission by e-mail by foreign supplier to ar and OBB.
- Controlled by ar (direct) and OBB (indirect). Reply in max. 90 days (confirmation letter).



Communications

- All figures and information on individual offset transactions are subject to **business secrecy**. Publication only with written consent of the foreign supplier, the CH beneficiary and armasuisse.
- Specified informations about ongoing offset obligations are accessible to the public via the official **offset register**. It is updated by armasuisse on a half-yearly basis at June 30 and December 31
<https://www.ar.admin.ch/en/beschaffung/ruestungspolitik-des-bundesrates/offset/offsetregister.html>



5. Documentation



Publications Swiss Offset

about Offset:

<https://www.ar.admin.ch/en/beschaffung/ruestungspolitik-des-bundesrates/offset.html>

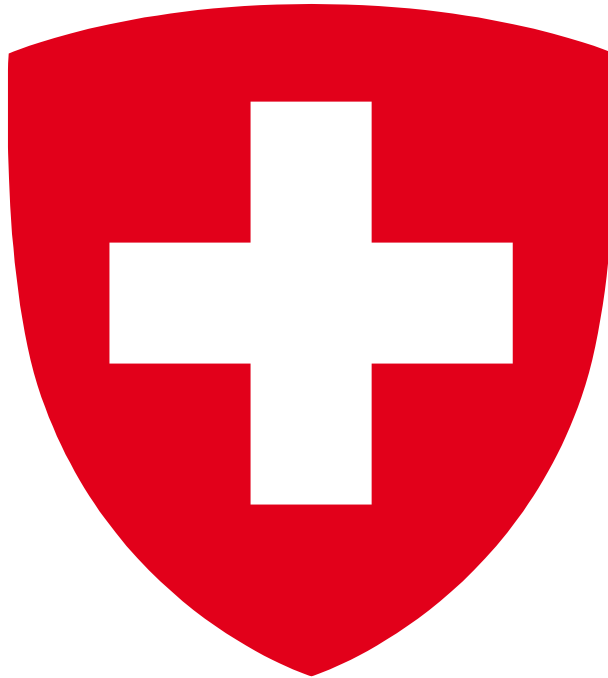
- Offset Policy of 1 november 2022
- Infographic Offset
- Offset Declaration Form (ODF)
- Offset Project Proposal for Pre-Approval
- Offset Reporting Process
- Link to ASIPRO Website

about STIB:

<https://www.ar.admin.ch/en/beschaffung/ruestungspolitik-des-bundesrates/sicherheitsrelevante-technologie-und-industriebasis-stib.html>



Any questions?





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ASIPRO

Association for Swiss Industry Participation
in Security & Defence Procurement Programs

OBB

Offset-Büro Bern | Bureau des affaires compensatoires
à Berne | Ufficio offset a Berna | Offset Office Berne

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Offset Office Berne

Webinar Nov. 4th, 2022



Agenda



Association for Swiss Industry Participation
in Security & Defence Procurement Programs

- Organization
- Role of the Offset Office
- Experiences/Pre-conditions



Organization



Association for Swiss Industry Participation
in Security & Defence Procurement Programs

1. Offset Office (OBB) is part of and run by ASIPRO
 - Members of ASIPRO are the industrial associations, such as Swissmem Swiss ASD, GRPM, Digitalswitzerland and Swissmechanic
2. Public-Private Partnership armasuisse and ASIPRO
3. Offset Office (OBB) is responsible for **indirekt** offset, whereas armasuisse contract managers of the respective procurement/offset programme are responsible for **direct** offset



Role of the OBB



Association for Swiss Industry Participation
in Security & Defence Procurement Programs

In close collaboration and in support of armasuisse:

- Evaluates requests for Pre-Approvals for planned offset transactions
- Controls, accepts or rejects offset declarations
- Manages the accounts of credits accepted in favour of the foreign companies with transparent communications to all stakeholders
- Informs the Trust Company to issue the invoices for the offset fee
- Organizes audits through a specialized, certified company with Swiss offset beneficiaries
- First point of contact for the Swiss security relevant industry for general offset queries
- Provides contacts of the foreign companies, having an offset obligation to Swiss companies and to foreign companies contacts of Swiss companies



Experiences:

- Offset is no bazaar, there are not gifts and hardly «quick wins»
- Successful offset transactions very often lead to long-term partnerships and business relations, beyond the duration of the offset programmes
- Offset transactions strengthen the Swiss security relevant industry, open new markets and provide access to new technologies

Pre-Conditions:

- Flexibility is a key point
- Knowledge and resources for export business
- Certificates
- Working processes must eventually be adapted
- Quality System must respond to the requirements
- Internationally competitive



Further information on Offset



Association for Swiss Industry Participation
in Security & Defence Procurement Programs

Armasuisse website:

[Offset \(admin.ch\)](#)

ASIPRO website:

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