

Individual support to companies during the COVID crisis

Performance audit

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[FULL REPORT \(NL\)](#) ↗

[EN SUMMARY](#) ↗

What we assessed and why

We published the findings of our audit in two parts, the first part on 26 June 2020 as a letter to parliament: “Support for big companies – learning from the past”. This letter collected 16 lessons that successive governments had learned, sometimes the hard way, from state support measures over the past 40 years. These ranged from state support for the former RSV shipbuilding group in the 1970s and for aircraft manufacturer Fokker in the 1990s to the recent support for banks during the credit crisis.

In the second part of the project, published on 12 November 2020 as a report, we examined whether the same 16 lessons had been applied in state support measures for companies such as KLM, IHC and HEMA during the current COVID crisis. We examined government decision-making procedures for four companies that had received tailored state support during the COVID crisis and three companies whose applications had been rejected. Had lessons been learned, or did some pitfalls prove difficult to avoid?

What we found

We found that the government had applied many of the lessons learned from the past. We found that ministers had generally considered applications carefully to see if they were sufficiently substantiated and explored alternatives where necessary. Before entering into a state support plan, they had also first assessed what support was available from other stakeholders to save (or “bail in”) the company. Thus, for example, government decided HEMA was capable of surviving without support. NS (the national rail operator) and the ground handlers at Schiphol airport were referred to more general COVID support schemes. Ministers had generally also consulted the European Commission promptly to determine the compatibility of the proposed support with the internal market. However, the audit also revealed that things had not always gone well in all cases. For instance, the government had shown its hand too early in announcing publicly that it intended to give KLM support in the region of €2-4 billion. This early announcement gave away the advantage in support negotiations to banks with a stake in KLM, which would have suffered considerable losses if the airline had gone bankrupt. As it happened, the state ended up bearing 93 % of the risk from the support measure. We therefore concluded that the “bail-in” principle had had only limited



success with KLM. This is reminiscent of the bailouts for Fokker and NedCar in the 1990s, where public interest in saving the companies had sometimes given private parties leverage to force the government to provide support.

We also found there was a risk of conflicts of interest: in the case of support for KLM, the government had sought advice from ABN AMRO while the bank was also part of the consortium with which it had to negotiate participation in the support operation.

State support for shipbuilder IHC was intended to prevent the government from having to pay out €395 million on export credit insurance already provided in the event of the company going bankrupt. IHC was saved from bankruptcy, thanks in part to additional credit insurance. The government considered €700 million to be the acceptable level of risk to the state from this support measure. However, we found that the maximum risk to the state from supporting IHC would be as high as €895 million. In gambling terms, such a strategy is called “doubling down”. The government had not fully informed parliament about this risk. Also, for certain aspects of the support scheme parliament should, by law, have been informed earlier, so as not to be presented with a fait accompli.

On 1 May 2020, the government published a new assessment framework for deciding on individual support applications. We consider that, subject to a number of adjustments, the new assessment framework provides a roadmap for dealing with individual support applications in a proper and structured manner.

What we concluded

We concluded that the government had learned many – but not all – lessons from the past. We recommended adding to the assessment framework on a number of points. This assessment framework should also be formalised.