



Press subsidies under the new Postal Act

Swiss Post contributes to press diversity

Swiss Post is interested in a smoothly functioning press market. It supports the promotion of a diverse press landscape by the Confederation. The publishers of these publications will continue to enjoy discounted postal rates as a contribution to a varied regional and local press and to a number of newspapers and magazines of non-profit organizations. For this, the Confederation pays Swiss Post compensation each year. This will be increased under the new legislation but will still not cover all the costs. Swiss Post does not have a mandate to subsidize the press beyond the contributions of the Confederation. It is calling for a pricing system that takes this circumstance into account. It wants to pass on the subsidies approved by politicians transparently to the publications deemed eligible by an independent body in the form of discounts per copy.

The indirect press subsidy is set out in Article 16 of the new Postal Act. The annual contribution of the Confederation as a press subsidy is being increased by CHF 20 million to CHF 50 million. Discounts will be granted for the delivery of subscription regional and local daily and weekly newspapers as well as for the newspapers and magazines of non-profit organizations to subscribers, members or donors (member and donor press) as part of daily delivery. Compared with the current Postal Act, the new legislation is more restrictive. For instance, publications that are part of an association with a certified total circulation of over 100,000 copies will not be eligible for subsidies in the future. For newspapers and magazines of non-profit organizations, Parliament decided to extend the circle of beneficiaries: In addition to the member press, the indirect press subsidy will be

expanded to include the donor press in the future. The specifics of the new postal legislation will be set out in an ordinance to be drawn up by the Swiss Federal Department of Environment, Transport, Energy and Communications (DETEC).

No cross-subsidies

In November 2010 and at the instigation of the price watchdog, the postal regulator clarified whether PromoPost items and free newspapers would be cross-subsidized by the subscription newspapers. The results were clear: no products as part of the competitive services are subsidized by products from the universal service.

Swiss Post's executive role

Under the current press subsidy regulations (Art. 15 Postal Act, status: 1st January 2008) Swiss Post is obliged to implement the provisions. Swiss Post is therefore required to stipulate which newspapers will and will not receive a press subsidy. Court rulings in disputed interpretations have so far borne out Swiss Post's implementation practice. However, it was seen that the current legal basis leaves considerable scope for interpretation owing to a lack of more specific provisions.

Current challenges

The regulations relating to press subsidies under the current and future Postal Act entail a number of challenges for Swiss Post:

- Swiss Post's newspaper statement for 2010 reflects a total deficit of around CHF 117 million. Of this amount, the subsidized press publications account for around CHF 43 million (after deduction of the contribution for press subsidies). Given this deficit, Swiss Post must be able to increase its prices for subscription newspapers and magazines.
- There are currently two different pricing systems for the delivery of newspapers and magazines, but the range of services is identical. The "with press subsidy" system is an obsolete price structure which could not be adjusted to market circumstances for political reasons as part of the revision of Art. 15 of the current Postal Act on 1st January 2008. The "without press subsidy" system is a competitive system that was developed in conjunction with the publishing industry and was implemented on 1st January 2008.
- Under the current regulations, Swiss Post finds itself having to take on conflicting roles: On the one hand, it is a provider of delivery services in a competitive market; on the other hand, it is responsible for carrying out the legislator's requirements in terms of press policy. Swiss Post is therefore interested in being relieved of this dual role in the future.
- The future of the press subsidies and their effectiveness are the subject of an independent study commissioned by DETEC. Swiss Post supports the authors' recommendation which calls for a uniform pricing system for all newspapers and for the indirect press subsidy to be passed on via a discount per copy in the future.



Swiss Post's position

Swiss Post is interested in a smoothly functioning press market but can no longer subsidize the press beyond the Confederation's contributions. This financing deficit will also not be resolved with the new postal legislation.

Swiss Post supports the recommendation of a study commissioned by DETEC on the future of press subsidies which calls for a uniform pricing system for all newspapers and magazines for the indirect press subsidy to be passed on via a discount per copy in the future.

Swiss Post advocates being able to structure its prices according to uniform, cost-based criteria.

Additional links

www.swisspost.ch/politics

Need of cost coverage

Swiss Post's goal is to no longer be required to adhere to a loss-making pricing system. This means that the publishers will make a greater contribution to the services they use and that the Confederation will cover the costs resulting from the politically desired subsidies. The current

political concession of "unchanged end prices for subsidized publications" must be discontinued. Instead, Swiss Post is calling for the current pricing system for "non-subsidized" publications, which was developed with the publishing industry, to be amended to include a new discount component. The subsidy resources provided by the Confederation will be passed on directly in the form of a discount per copy of the newspaper to the eligible publications.

Advantages:

- Flexibility for the legislator. It can control the subsidies via the press policy-related requirements and via the amount of compensation and can adapt them to current circumstances as needed.
- The same pricing system for publications with and without press subsidies. Equal treatment for all publishers. No market distortion.
- Simple execution for Swiss Post. On the basis of a uniform system, the subsidies provided by the Confederation can be passed on to the publishers in a simple and transparent manner.

Newspaper statement

Swiss Post, the association of Swiss media and the member press stakeholder group have together commissioned a study of Swiss Post's newspaper statement by the Institute for Accounting, Controlling and Auditing at the University of St Gallen. The study focused on the methodical suitability and formal correctness as well as the economic appropriateness and meaningfulness of the cost statement. The study evaluates the cost calculation system as "generally suitable and meaningful for the requirements". No reasons were found to call the integrity of the information into question.