



## Delivery prices for newspapers

### Reasonable pricing policy to cover operating costs

**Swiss Post takes an interest in a press market that runs smoothly. It welcomes the Confederation's promotion of a diverse press landscape. Certain newspapers and magazines benefit from the Confederation's subsidies granted as delivery price support. Swiss Post passes all of these subsidies on to the publishers through a price reduction per copy. Swiss Post itself incurs a deficit for newspaper delivery. Because it must cut this deficit, it is increasing the prices for newspaper delivery since 2014. Taking the publishers into consideration, this takes place in stages over three years. However, this measure will only nearly halve the deficit.**

In order to maintain the diversity of press and opinions in Switzerland, the Confederation pays a total subsidy contribution of 50 million francs per year through indirect press subsidization. This helps local and regional daily and weekly newspapers, as well as membership and donor newspapers and magazines that

benefit from reduced prices in daily delivery. 30 million francs of the Confederation funds are allocated to the regional and local press and 20 million francs to membership and donor publications. Swiss Post passes the Confederation's subsidies directly on to the publishers or the eligible titles through a reduction per newspaper copy. Since 2013, the Federal Office of Communications (OFCOM) has been deciding, upon application, which titles are eligible for subsidies.

#### Impact on prices

Since 2013, there has also been a uniform pricing system for all newspapers and magazines. It is simpler, leads to uniform price structures and equal treatment of all publishers.

In 2014, the titles of the regional and local press are supported with 22 centimes per copy and the titles of the membership and donor publications with 14 centimes per copy. For the regional and local press, the newspaper transport has become 30 percent less expensive

#### High delivery quality

Surveys conducted by the Swiss Federal Institute of Technology in Lausanne (EPFL) indicate that 98.8 percent of newspapers are delivered on time in Switzerland. With this level of quality, Swiss Post is making an important contribution to the appeal of the newspaper. The publishers can count on high quality and reliable delivery.

as a result of the change to the uniform pricing system, while the prices for the membership and foundation publications have increased by an average of 6 percent. However, as most of these titles are only published monthly or quarterly, the impact per subscription is marginal.

#### Deficit will only be halved

Swiss Post's prices for newspaper delivery do not correspond to the costs incurred. Therefore, Swiss Post's newspaper account has always had a deficit. For the year 2013, a total deficit of nearly 99 million francs was reported. Additional costcutting measures and efficiency improvements will hardly reduce this deficit substantially. Swiss Post supports the subsidization of a diverse press landscape. But it has no mandate to subsidize the press over and above the amounts set by the Confederation.

Swiss Post feels compelled to increase the prices moderately to ensure that the deficit does not need to be borne by the other customers. It is doing so in a staggered manner over several years, taking full account of the challenges the publishing houses are facing. Since 2014, prices for the delivery of all newspapers and magazines in Switzerland will be increased gradually over a period of three years by 2 centimes per copy.





## Swiss Post's position

Swiss Post takes an interest in a press market that runs smoothly and is in favour of the Confederation's promotion of a diverse press landscape.

The Postal Act stipulates that Swiss Post may determine prices in accordance with economic principles (section 16, para. 1 of the Postal Act) and set these prices so as to provide the basic services in an economically viable manner. In order to achieve this, Swiss Post will have to be allowed to develop its prices in accordance with market-oriented and cost-oriented criteria.

However, the problem created by the financial deficit in the delivery of newspapers and magazines in Switzerland will not be completely resolved by the new postal legislation.

For this reason, Swiss Post must take action. It will increase the prices for newspaper transport by a total of 6 centimes in stages from 2014 to 2016. In consideration of the publishers, it will do so in stages over three years. With this measure, Swiss Post can only nearly halve its deficit.

Swiss Post is prepared to bear part of the deficit as long as the basic service is solidly financed and the residual monopoly exists for letters. However, the operating costs of newspaper delivery must be covered in any case.

Over the long term, Swiss Post aims to achieve a reasonable return on sales with the delivery of newspapers and magazines.

These planned measures will enable Swiss Post to almost halve its deficit in three years. Swiss Post is prepared to bear part of the deficit as long as the basic service is solidly financed and the residual monopoly exists for letters. However, the operating costs of newspaper delivery must be covered in any case.

In the medium term, Swiss Post's objective is to no longer commit itself to a loss-making price and to achieve full cost coverage in the delivery of newspapers and magazines. Over the long term, Swiss Post is aiming for a reasonable return on sales.

## Change in subsidization

Indirect press subsidization is regulated in Section 16 of the new Postal Act and is substantiated in Sections 36 and 37 of the Postal Ordinance. Swiss Post was exempted from its dual role when the new postal legislation came into effect in October 2012: Previously, as a service provider, it was required to specify which titles were entitled to subsidization. Now, the Federal Office of Communications (OFCOM) decides as an independent body.

With a uniform pricing system, the subsidies can be simply passed on to the eligible titles in a manner that is transparent for everyone, through a fixed, annually defined price reduction per copy. The reduction is defined by the Federal Council.

In a motion by the National Council, the Federal Council was requested in 2012 to present a subsidy concept and draft legal foundations for direct and indirect media subsidies. The report is expected at the end of 2014. At the same time, the Federal Council intends to carry out an assessment in 2015.

### More information

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