

# ANNEX

## OVERVIEW OF THE FACTS, "POSTBUS INVESTIGATION", JUNE 2018

### Legal basis: passenger transport

The regular commercial transport of passengers is governed by the Passenger Transport Act issued by the Confederation. A procedure referred to as the ordering procedure applies to regional passenger transport. The costs of the services ordered are divided equally between the Confederation and the cantons. In order for compensation to be paid by the Confederation, the accounting of the licensed transport company (LTC) must meet the legal conditions, be broken down into segments, and the uncovered costs must be shown individually for each segment.

### Ordering procedure in regional passenger transport

The Confederation and the cantons order regional passenger transport services for a timetable period of two years at a time. The order placed for PostBus routes is the result of a tendering process:

PostBus must first draw up a tender outlining the expected costs and revenues for each PostBus route. These estimated costs and revenues are then negotiated with the purchasers. If an agreement can be reached on the estimated costs and revenues, a tender agreement is signed. This tender agreement sets out the financial compensation from the purchasers. In accordance with the legal requirements, the purchasers pay any planned uncovered costs for regional passenger transport.

If the costs actually incurred on performing the service are higher than the estimated costs, PostBus makes a loss. If the costs are lower – or if revenues are higher – than those estimated, PostBus makes a profit.

### Profits in regional passenger transport

If (unplanned) profits are made, by law two-thirds must be paid into a special reserve. This is intended to cover losses. PostBus must calculate the actual costs and revenues per bus route internally each year, and disclose the figures to the purchasers. The disclosure of these up-to-date accounts provides important information when negotiating compensation for the next timetable period. PostBus manipulated the publication of the actual costs and revenues in order to gain an unlawful advantage in the negotiations. This resulted in excess compensatory payments.

### Irregular accounting practices until 2015

In the segment accounting at PostBus, the actual profits for the regional passenger transport segment were not disclosed, but were instead reclassified to the "Other" segment. This was the case for a large number (200,000) of direct and indirect book entries. In these book entries, fictional costs – such as costs for tyres which were never incurred – were debited from the regional passenger transport segment, and disclosed as income in the "Other" segment. The profit figures for the regional passenger transport segment shown to purchasers were too low, and PostBus was able to claim excess compensation.

### Systematic manipulation

For years, PostBus manipulated its accounts, earning profits that it systematically concealed. The Executive Board of PostBus was informed of the actual segment results each year, and approved the suggested reclassification of profit per region. The Executive Board then authorized the definitive –

and manipulated – segment accounting to be submitted to the Federal Office of Transport (FOT). These book entries were made systematically each year in the period from around February to March of the following year. The actual result from subsidized regional passenger transport was thereby concealed.

### Conflict of interest in generating profit

One of the goals set for Swiss Post in 2012 by the Federal Council, as its owner, was to achieve an increase in the company's value. The Federal Council and FOT made it equally clear that a profit was not expected in regional passenger transport. This highlights that, from this date on at the latest, there was no longer a conflict of interest. Profit-seeking by PostBus in regional passenger transport was inconsistent with the requirements of the Confederation.

In the same year (2012), the price regulator cast doubt on the profits generated by PostBus for subsidized services, and questioned the PostBus management and the CEO.

### New holding structure from 2016: "IMPRESA" project

PostBus was tasked with a project to safeguard profits by Executive Management at the beginning of 2013. PostBus subsequently developed a company structure called "IMPRESA". The holding structure adopted in 2014 and introduced on 1 January 2016 was intended to secure profits through transfer prices to PostBus subsidiaries.

Regional passenger transport was based in the newly structured company PostBus Switzerland Ltd. PostBus Switzerland Ltd was to purchase services from other companies in the PostBus Group at excessive transfer prices. This made it possible for the actual profit generated by PostBus Switzerland Ltd to be accrued by the other subsidiaries. This eliminates the fictitious reclassifications.

### Enquiry into the facts and establishment of responsibilities

Within the framework of an audit under subsidy law, the FOT made serious allegations against PostBus. In November 2017 a draft audit report was submitted to PostBus which described extensive irregularities in accounting practices.

To clarify the facts in detail, Swiss Post launched an independent investigation into the period from 2007 to 2015. The law firm Kellerhals Carrard in association with EY (Ernst & Young) analysed just under three million documents and set out their findings in an enquiry report. Three independent experts also drew up an evaluation of the enquiry report. The reports were published – while preserving personal rights.

OVERVIEW OF MEASURES, "POSTBUS INVESTIGATION"  
<https://www.post.ch/en/pages/reports-on-the-irregular-accounting-practices-at-postbus>