

Switzerland: The Role of Swiss Post in Indirect Press Subsidies

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Swiss Economics Working Paper 0044

April 2014

ISSN 1664-333X

Published as:

„Switzerland: The Role of Swiss Post in Indirect Press Subsidies“ (2014). In: State Aid for Newspapers. Murschetz, P. (ed.), Springer, pp. 323–336.

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Abstract

The Swiss press is comparatively small and divided into four regional language regions. The press currently benefits from two forms of subsidy: First, selected press products are subsidised indirectly by means of discounted postal transport prices, and second, a reduced value added tax rate is applied to certain printed matter. This article examines the first form of subsidy and the role of *Swiss Post* in greater detail. Specifically, it discusses the subsidisation in the context of postal regulation. When a new Postal Act came into effect in 2012, it also reformed the indirect press subsidy scheme. While the scope of the subsidy has not changed significantly, Swiss Post's role as an intermediary in the subsidisation is now much clearer and the subsidy per press title is determined by a simple and transparent allocation mechanism. However, some regulatory inconsistencies still remain.

1. Introduction

Switzerland is a highly federalised state with a population of approximately 8 million people including some 2 million foreign nationals. Covering a national territory of 41,000 square kilometres, it incorporates four language regions (German, French, Italian, and Rhaeto-Romanic). With this in mind, the press is accorded considerable national importance in consolidating cohesion within the country.

According to Hugentobler (2003), the issue of press subsidies in Switzerland has always been the subject of controversy. In recent decades, several attempts to accommodate a dedicated press subsidy article in the federal constitution have failed. A minimum consensus existed with regard to indirect press subsidies via the daily postal delivery channel, hence the major role assigned to Swiss Post. Until the end of 2007, all newspapers transported by *Swiss Post* in the daily delivery channel could benefit from highly advantageous transport prices which, however, in no way, covered the costs incurred. From 2008, more stringent legislation relating to the press was introduced resulting in better targeted press subsidies. The aim was first and foremost to support the small-scale and independent publishers in order to preserve a diverse regional and local press. It was Swiss Post's role to decide whether or not a publication satisfied the press-specific guidelines stipulated in the Postal Act.

In the complete revision of the Postal Act (which took effect on 1 October 2012), the role of *Swiss Post* in relation to indirect press subsidies was redefined. *Swiss Post* continues to have a universal service obligation. The rationale behind this is to provide the population and the economy with a wide range of affordable high-quality postal services as well as monetary transaction services. Among other things, the universal service obligation includes the transport of subscription newspapers and magazines and the implementation of indirect press subsidies by granting price reductions for delivery.

Under the new Postal Act, *Swiss Post* is only responsible for allocating the annual federal subsidies totalling CHF 50 million (ca. EUR 40 million) to the publications eligible for subsidies. The thorny issue of the eligibility of individual publications for the subsidies no longer falls under its responsibility. This sovereign task now falls to the *Federal Office of Communications* (German: *Bundesamt für Kommunikation*), thereby eliminating the dual role of Swiss Post. While the new legal guidelines introduced significant improvements for all stakeholders, they must nevertheless be seen as being somewhat marginal in the general context of press subsidies. That is to say that the new regulation continues to demonstrate

weaknesses and the range of press subsidy instruments has largely remained unchanged. Therefore, for the foreseeable future this topic will stay on the political agenda.

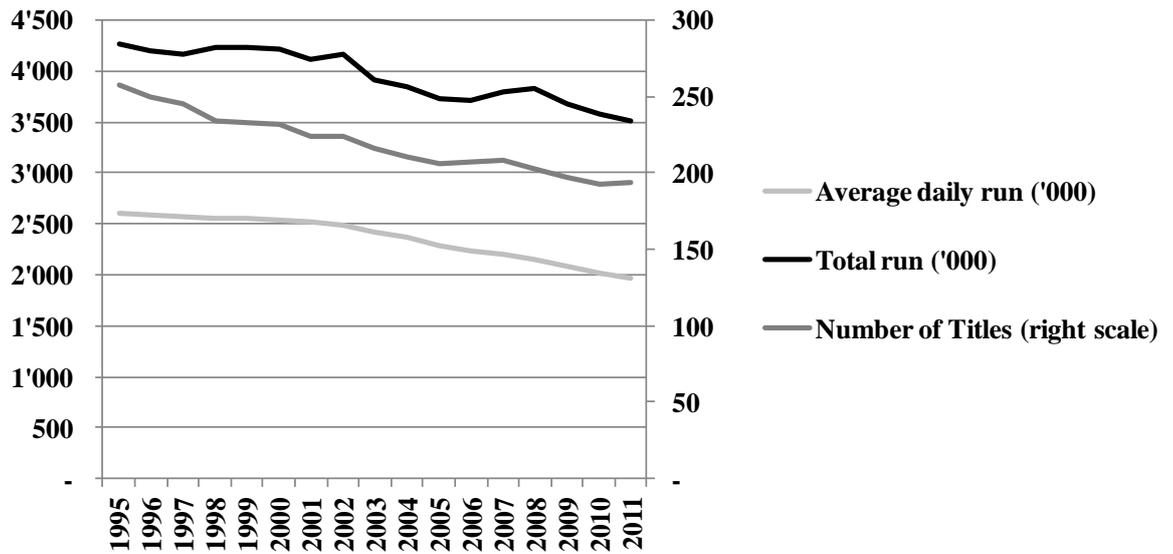
In addition to a description of the press industry as a whole, the discussions concerning the press and the historical and current forms of subsidising the press in Switzerland, the remainder of this chapter will also offer a brief insight into emerging challenges to be faced in the future.

Print media in Switzerland

The press industry in Switzerland has undergone profound change in recent decades. As information carriers, traditional paid-for newspapers have found themselves in competition with free daily papers and commuter papers as well as radio, television and online content. Over the past 70 years, the press industry in Switzerland has been characterised by a steady fall in independent newspapers. In contrast, the circulation of the remaining newspapers increased considerably until the mid-1980s. The concentration in the supply of topical newspapers available for purchase was therefore accompanied by a broader circulation. With this concentration in supply, a trend developed whereby an increasingly large share of newspapers was produced by larger publishing houses. This provided an opportunity to create synergies between different publications as well as between different types of media. In recent years, however, Switzerland has witnessed a steady fall in the number of newspapers available for purchase by subscription or in shops which appear at least once a week (see,

Figure 1). The total run and average daily run increased steadily until 1986. Since then, however, the average daily run has once again fallen while the total run remained at a largely stable high level until 2003. Since 2003, however, a clear downward trend can also be seen for the total run.

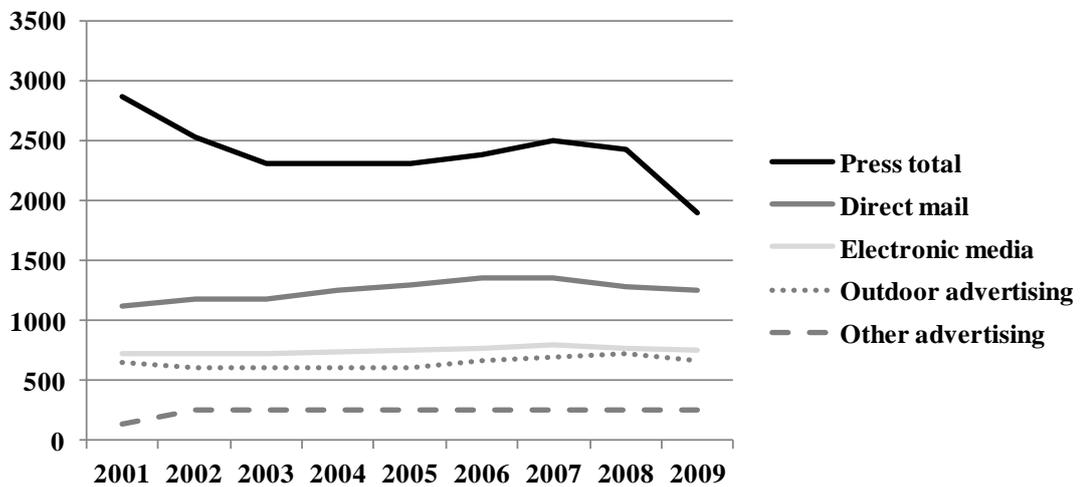
Figure 1: Number of press titles and run 1995-2011.



Source: Swiss Federal Statistical Office 2013

In addition to falling circulation, falling advertising revenues also increase economic pressure on the press industry (see, Figure 2).

Figure 2: Change in advertising revenues per media type (2001 – 2009, in CHF millions)



Source: Kradolfer *et al.* (2010)

In addition to being sold at newsstands, newspapers can be delivered via regular letter delivery or via early-morning delivery. Under certain conditions, indirect press subsidies are granted for titles which are distributed to readers via Swiss Post’s regular mail delivery channel (see, Figure 3). Early-morning delivery is generally excluded from press subsidies. It is provided by *Swiss Post* subsidiaries and private delivery organisations.

Figure 3: Structure of the press titles delivered by *Swiss Post* / million copies per year

<p>Regular delivery channel: 2,260 titles / 800 million copies</p> <p>of which titles benefiting from press subsidies: 1,225 titles / 259 million copies:</p> <p>143 titles / 134 million copies of regional and local press</p> <p>1,082 titles / 125 million copies of membership and foundation publications</p>	<p>Early-morning delivery channel: 98 titles / 300 million copies</p>
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Swiss Post is the market leader in both the regular mail delivery and early-morning delivery. In the early-morning delivery segment, consolidations can be noted. Organisations are merged or several publishers participate in an organisation. The strong position of *Swiss Post* in the daily delivery and early-morning delivery segments is mirrored by equally strong publishers. As a consequence of the superior bargaining position of these publishers (due to potential competition and the implicit threat that they will develop their own private delivery organisations), *Swiss Post* has not succeeded in recent years to operate a daily newspaper delivery service which covers its costs. The deficit in the newspaper segment amounts to approximately CHF 100 million (ca. EUR 80 million), with about half of this total accounted for by titles benefiting from press subsidies (base: 2011).

The Swiss press industry and the possibilities for subsidising it were analysed in depth in 2011. In its report entitled “*Ensuring the plurality of the press*” (Swiss Federal Council 2011), the Swiss Federal Council, in reply to two postulates, asked in particular whether the press, in light of the structural change witnessed in the media sector, would be able to continue fulfilling its opinion-making function in democracy or whether government measures would be required. The Swiss Federal Council’s Report is based on five media science studies focussing not only on the press but on the media in general. An additional study examines current press subsidies in Switzerland (Ecoplan 2010). The media science studies describe the economic developments and changing media use in Switzerland. They illustrate the media concentration processes, the disappearance of political news coverage in regional newspapers and the slump in advertising revenues in subscription newspapers. Furthermore, a decline in the quality of reporting is observed not only in the (regional) press but at least equally as much in other media types, in particular online and free media.

The studies came to the following conclusions: Kradolfer *et al.* (2010) found that the evolution of the press industry in Switzerland is in a negative spiral under the combined effects of declining use and falling advertising revenues. An end to this downward spiral is

not in sight. From a democratic standpoint, it is questionable to which extent the demanding production of high-quality journalistic content can be financed in the long run. Von Rimscha *et al.* (2010) used a mathematical forecasting model to show that since the crisis years of 2008 and 2009 general advertising revenues have been enjoying a gradual recovery. In contrast, the press sector nevertheless continues to follow a downward trend. The decline in the number of news stand titles available persists. Based on their empirically founded projection, the authors doubted whether it would be possible to finance quality in the print industry through advertising and newspaper sales. Scenarios which paint an unedifying picture of the future of the press industry would appear far more likely. Kamber and Imhof (2010) focused on the two regions of north-west Switzerland and south-east Switzerland to analyse the question of whether media companies are coming to resemble each other more and more due to the increasingly economic orientation of media systems, the media crisis, media concentration and the convergence of media content and whether the diversity of stakeholders and opinion would tend to become more restricted. They found that in both regions, more than one media company in the market is unrealistic. The diversity of information within a press title could also lead to a broad dissemination of information by means of zoned editions (with different titles). In this way, small media markets would also be supplied with press titles reporting on foreign, domestic, economic, cultural and regional news. Meier *et al.* (2010) concluded that one dominant media company per region is the general rule. Their structural analysis demonstrated that the reporting relevant to democracy is often limited to uncritical event reporting without providing any background information on socio-political topics. Regional reporting is provided in varying levels. Controversial themes are favoured; political reporting is also characterised by increased personalisation and tabloidization. Keel *et al.* (2010) showed that the increasing pressure on productivity and the prioritisation of corporate goals over journalistic considerations are more damaging to journalistic diversity than convergent editorial structures. The Internet would only partially promote journalistic diversity: it is not technological factors which are decisive for diversity but economic and social factors as well as industry-specific standards. Ecoplan (2010) deemed the effectiveness of indirect press subsidies to be very limited in view of the political goals of journalistic diversity and the political relevance of the press benefiting from subsidies. The study recommended that the press be subsidised in a targeted and selective manner in accordance with transparent criteria and that the reduction in the postal tax for membership publications be abolished or be made more restrictive. Furthermore, the press could also be supported directly, for example by subsidising projects which contribute to a diversity of opinion.

In light of these studies, the Swiss Federal Council (2011) came to the conclusion that both direct and indirect assistance can, in principle, be implemented with a view to consolidating the media and their democratic services. Examining the current press subsidy regime shows that while the economic burden is removed from publishers and organisations, no direct effect can be felt with regard to the political goal of journalistic diversity in the media. However, there is very little, if any, constitutional scope for new measures and in particular for direct subsidies for the media. Within the framework of the new postal legislation, no revolutionary changes were made to the system of indirect press subsidies via *Swiss Post*, a more gentle evolution being favoured.

2. Indirect Subsidies – The Old Postal Act

Media policy considerations

According to Hugentobler (2003), Switzerland has attached considerable value to the role of the press as a custodian of freedom of expression and the diversity of opinion within the context of democracy since the founding of the Federal state (1848). For national political reasons, the parliament and the national government have always exercised considerable influence on the organisation of the postal newspaper service as well as on the related price structure. For more than 160 years, publishers have therefore benefited from a considerable price reduction for the transport of newspapers and magazines by *Swiss Post*. The government nevertheless has very little constitutional scope to subsidise the press. In contrast to the situation with audio-visual media (Art. 93 of the Federal Constitution), the government has no regulatory authority with regard to print media. The introduction of direct subsidies would therefore not be covered by the existing Federal Constitution. To guard against any suspicion of or attempt at state control over the press, the constitution currently only allows to implement indirect subsidies.

In recent decades, several attempts to accommodate a dedicated press subsidy article in the Swiss Federal Constitution have failed. In somewhat simplified terms, while a certain need for regulations could be observed at the political level, no political majority could be found in favour of direct interventionist approaches or interference in the freedom of the press. Even within the publishing sector itself, the majority of stakeholders resist any form of direct payments. Indirect press subsidy measures therefore exist in two areas:

- The press is subsidised indirectly via *Swiss Post*: selected press products benefit from reduced daily delivery rates;
- A reduced VAT rate of 2.5% instead of the standard rate of 8% applies to newspapers, magazines, books and other printed matter of a non-advertising nature.

Indirect press subsidies

Until the end of 2007, the Postal Act provided a regulatory framework for indirect press subsidies for all subscription newspapers and magazines. *Swiss Post* was required to offer especially low rates for these titles. Nevertheless, the Federal Government only reimbursed *Swiss Post* a small proportion of the costs of providing these so-called ‘services in the common interest’ leading to chronic deficits in its newspaper delivery business.

The missing focus of the press subsidies began to meet with increasing political opposition, giving rise to a re-orientation: since 2008, they have been severely restricted and applied in a more targeted manner. The focus was on the regional and local press (a daily run of up to 40,000 copies on average) and non-profit membership publications (a run of up to 300,000 copies). At the same time, a market-oriented pricing system was introduced for titles not eligible for press subsidies, which was developed in close collaboration with the publishing sector.

The Swiss Post pricing system

For political reasons, the pricing system had to be maintained unchanged for titles benefiting from press subsidies. In practice, this led to a situation whereby *Swiss Post* was required to offer two entirely different pricing systems in both structural and pricing terms for the same range of services (see, the comparison of the two systems in Figure 4).

Figure 4: Comparison of the pricing systems for subsidized and non-subsidized press

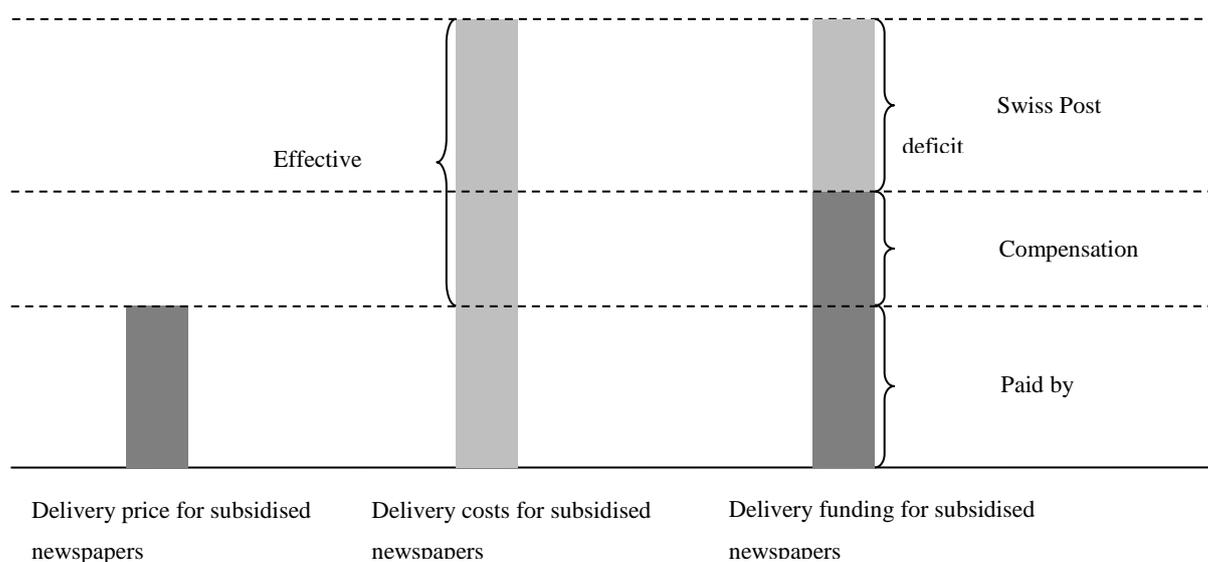
Price components	Historical pricing system (by end of 2012 only in force for titles <i>benefiting from press subsidies</i>)	Standard pricing system (applicable since 2008 for titles <i>without</i> press subsidies and since 2013 for both categories)
Volume price / Basic price	Positioned low, differentiated according to frequency of publication and also according to the run	Positioned high, differentiated according to frequency of publication
Price by weight per 25 g	Positioned high, differentiated according to frequency of publication	Positioned low, no differentiation according to frequency of publication
Sorting degree	Differentiated fee according to weight for copies in postal service area	Differentiated supplement according to sorting degree (copies in postal service area: no supplement)

Format	Differentiated supplement according to weight for formats larger than B5	No supplement (standard B4 format)
Volume quota for sample issues	Identical	Identical
Large run (delivery to non-subscribers in a specific area)	Differentiated supplement	Standard supplement
Delivery list (no address on the newspaper itself)	No supplement	Supplement
Increased processing costs/efforts	Identical	Identical
Insert rate	Identical	Identical
Price increase	6.9% price increase on all price components	No supplement
Press subsidy	Press subsidies are applied via a separate pricing system offering particularly low prices	Price reduction per copy for regional/local press membership/foundation publications

Deficit in newspaper delivery

Within this framework prices for the subsidised press and the related compensation to *Swiss Post* were determined independently of one another. The political desire for subsidies exceeded the resources available. Consequently, *Swiss Post* had to contend with deficits in its newspaper delivery business and could only take very limited measures with a view to eliminating them. This can be demonstrated by means of the following example: With regard to reducing the deficit in the *Swiss Post* newspaper accounts, the so-called ‘one-third model’ was negotiated in the 1990s between the publishing sector, *Swiss Post* and the Federal government, whereby the deficit was absorbed in equal parts by the parties concerned. The publishers paid for their share in the form of price increases (staggered over 1996/97/98), while *Swiss Post* reduced its costs and the Federal government paid *Swiss Post* press subsidies totalling approximately CHF 100 million (ca. EUR 80 million). These measures led to a steady reduction in the deficit which had fallen to a very low figure by 2004. From 2005, the contributions of the Federal government were reduced to CHF 80 million (ca. EUR 65 million) and a meagre CHF 30 million (ca. EUR 25 million) from 2008. *Swiss Post* could transfer these dwindling subsidies to the publishing sector only on a modest scale by means of price increases, leading to a renewed sharp increase in its deficit in the newspaper accounts. Ultimately, the publishing sector was inadvertently subsidised by other *Swiss Post* customer groups (see, Figure 5).

Figure 5: Effective reduction for titles benefiting from press subsidies (based on Ecoplan 2010)



It is questionable whether this excess subsidisation can be justified by *Swiss Post's* universal service obligation. Gadenz (2012) argues that it is unfair vis-à-vis other *Swiss Post* customer groups which is why he deems price increases necessary. He argues that in light of the severe pressure from politicians and the market, prices should be increased only moderately and in a continuous fashion.

Plurality of roles at Swiss Post

A further difficulty in the regulatory framework was the fact that *Swiss Post* was required by law to provide the indirect press subsidy in its entirety. That meant that it had to evaluate the requests for press subsidies based on a small number of legislative guidelines and – in the event of a positive finding – offer rates which clearly did not cover its costs. Furthermore, it had to tackle media-technical issues related to the eligibility of regional and local newspapers for subsidies. A number of such cases finally had to be judged by the Swiss Federal Court. For *Swiss Post*, which enjoys strong backing among the Swiss population, the publication of such court rulings was always accompanied by unwanted damage to its reputation and troubled customer relations.

The recent revision of the Swiss Postal Act provided an opportunity to challenge press subsidies and reorganise them with a view to future development. The revision of the law was a chance to correct the following weaknesses in the old form of press subsidies together with their consequences:

- Lack of focus of the subsidies,

- Conflicting roles of *Swiss Post* in financing, delivering and implementing the subsidies, and
- Persistent deficit in *Swiss Post*'s newspaper delivery business.

3. Indirect Press Subsidies in the New Postal Act

In connection with the revision of the Swiss Postal Act, the weaknesses outlined above were examined for their optimisation potential. At the end of 2010, the Swiss Parliament approved the entirely revised Postal Act. This Act came into force in autumn 2012. The new Postal Act contained a number of modifications concerning indirect press subsidies which are described in greater detail below.

In principle, indirect press subsidies are retained. With annual subsidies for the delivery of newspapers and magazines totalling CHF 50 million (ca. EUR 40 million), the Federal government continues to contribute to maintaining the diversity of the press and opinions in Switzerland. Eligibility criteria were in part taken from the previous Postal Act (Article 15) and specified in the ordinance on the Postal Act. With regard to membership and foundation publications as well as the regional and local press, certain criteria were adapted and/or additional criteria were incorporated.

Eligibility is no longer examined and granted by *Swiss Post* but by the Swiss *Federal Office of Communications*. Parties deemed eligible are daily and weekly newspapers on subscription produced by the regional and local press which satisfy the cumulative criteria of the ordinance on the new Postal Act as described in Article 36, paragraph 1, letters a to m. The regional and/or local nature of the publication is no longer defined by geographic, linguistic or content-related criteria concerning the printed matter, but rather through the criteria mentioned above. Regional and local press is defined as small newspapers, in particular with a daily print-run of between 1,000 and 40,000 copies on average and which satisfy all the criteria from a to m. Any express definition of regional and local press being limited to a linguistic or geographical region or to a requirement concerning the reporting of regional and local themes will thus be avoided as difficulties arise in defining the boundaries and an examination of the content of the printed matter is not desirable (*Secretariat General GS-UVEK*, 2012). In addition to the regional and local press, non-profit membership and foundation publications are also eligible for subsidies if they satisfy the cumulative criteria of the Postal Act as described in Article 36, paragraph 3. Membership and foundation

publications are also defined exclusively by these criteria. The Federal Office of Communications publishes the list of newspaper titles eligible for subsidies on its homepage.

Context of the universal service obligation

In Switzerland, *Swiss Post* has a legal universal service obligation (USO). The rationale behind this is to provide the population and the economy with a wide range of affordable and high-quality postal services as well as monetary transaction services. Among other things, the USO includes the transport of newspapers and magazines and the implementation of indirect press subsidies by granting of price reductions in delivery. Indirect press subsidies through *Swiss Post* are provided under the banner of the universal service (Article 16 of the Postal Act). In addition to press subsidies, the universal postal service also includes guidelines on the range of addressed items (Article 29 of the ordinance on the Postal Act), home delivery (Article 31), quality of service (Article 32), and the accessibility of the network of post offices and agencies (Article 33). The obligation to home-delivery refers to all items sent (addressed letters, parcels, and newspapers) in the regular mail delivery channel. Within the framework of the USO, only newspapers and magazines distributed via the regular mail delivery channel can therefore benefit from press subsidies.

In relation to the financing of the USO, press subsidies assume a special role: The *Swiss Post* mandate to offer reduced rates to titles eligible for subsidies is compensated by the subsidy payment from the Federal government. *Swiss Post* must finance the other elements of the universal service itself, i.e. without external funding. It nevertheless has the possibility of redistributing the net cost of the universal service obligation through transfer payments between its units and subsidiaries ('*net cost balancing*', see Article 51 of the ordinance on the new Postal Act). In this way, it can call on all its services to fund the universal service obligation (Jaag 2007, *ibid.* 2011).

Price setting with the new press subsidies

The rates for newspapers and magazines within the USO as described in Article 29, paragraph 1, letter c of the ordinance on the Postal Act are to be determined according to economic principles independent of distance. When setting prices, *Swiss Post* can thus adopt a standard price system for all subscription newspapers and magazines covered by the universal service obligation. Different price criteria (e.g. volume, weight) and supplements are relevant which take account of the costs involved in delivering newspapers.

The reduced rates applied to titles eligible for subsidies are based on the rates for subscription newspapers and magazines covered by the universal service obligation. *Swiss Post* shares the delivery reductions transparently across the number of titles eligible for subsidies. The reduction is calculated by dividing the subsidy per category by the number of copies sent every year per category. The relevant volumes are those from the previous year. That means that a change in the number of titles or copies eligible for press subsidies is rebalanced by greater or smaller reductions the following year. In this way, the size of the reduction per copy can vary slightly from one year to the next. This mechanism ensures that the price reduction to be granted by *Swiss Post* does not systematically exceed the subsidies provided by government. Nevertheless, the calculations must be checked by the Federal Council (*Bundesrat*) while it must also approve the reduced rates. In approving the reduced rates, the Federal Council has a certain political scope for discretion (*Secretariat General GS-UVEK*, 2012). A deviation from the mathematically calculated price reduction may be envisaged in the event of a transition from the old ordinance and with a view to avoiding cases of hardship. However, a long-term obligation imposed on *Swiss Post* by the Federal Council to reduce prices for the press industry beyond the subsidies would call the consistency of the press subsidy system and the *Swiss Post* pricing system in the newspaper domain into question. This would undo the considerable progress made in relation to the old Act, namely a standard pricing system for the delivery of newspapers together with a transparent subsidy system. Consequently, when approving the price reduction for the first time, the Federal Council abstained from asking *Swiss Post* to bear an additional subsidy.

In 2013, in the regional and local press category, 143 publications with a total run of 134 million copies satisfy the requirements for a delivery discount. The Federal Government provides an annual contribution towards this discount of CHF 30 million (ca. EUR 25 million). This results in a reduction of CHF 0.22 (EUR 0.18) per copy. In the membership and foundation publications category, 1,082 publications with an annual circulation of approximately 125 million copies satisfy the requirements for a delivery discount. The Federal Government provides this category with annual support totalling CHF 20 million (ca. EUR 15 million). This results in a reduction of CHF 0.16 per copy (EUR 0.13). Because not all listed publishers had submitted their request by the cut-off date in December 2012, further requests are expected during the course of 2013. The Federal Council therefore set the delivery discount for this category at CHF 0.15 per copy (EUR 0.12).

Implementing the new press subsidy scheme

Schematically speaking, the actual implementation of indirect press subsidies occurs on three levels (see Figure 6).

Figure 6: Implementation of the new press subsidy scheme

Level 1	<p>Legislation</p> <p>The Postal Law and the ordinance on the Postal Act govern the level and recipients of the press subsidies</p> <ul style="list-style-type: none"> • CHF 30 million (ca. EUR 25 million) for subscription daily and weekly newspapers in the regional and local press • CHF 20 million (ca. EUR 15 million) for newspapers and magazines from non-profit organisations (membership and foundation publications)
Level 2	<p>Administration</p> <p>The Federal Office of Communications assesses requests for press subsidies and in the event of a positive decision, it authorises <i>Swiss Post</i> to grant a price reduction to the corresponding newspaper titles.</p>
Level 3	<p>Swiss Post</p> <p><i>Swiss Post</i> grants a price reduction per copy in relation to its standard pricing system for newspapers and magazines and indicates this transparently on the customer invoice.</p>

Advantages of the new press subsidies

The new press subsidies offer considerable improvement not only for *Swiss Post* but also for the administration and the publishing sector. These are summarised in Figure 7.

Figure 7: Advantages of the new press subsidy scheme

Stakeholder	Improvements from their standpoint
Administration	<ul style="list-style-type: none"> • The subsidy is provided on the basis of media policy goals • The level of the press subsidies and their recipients are clearly defined • Requests for press subsidies are assessed by a neutral authority
Swiss Post	<ul style="list-style-type: none"> • Released from its conflicting roles in financing, delivering and implementing the subsidies • Limited to transferring press subsidies to the beneficiary of the subsidy • Standard pricing system for titles with and without press subsidies • Easier reduction of the deficit in the newspaper delivery business
Publishing sector	<ul style="list-style-type: none"> • Title-specific press subsidies • Has the federal administration as a neutral contact partner • Transparent and reliable prices

4. Conclusion and Outlook

For all stakeholders, the legal reorganisation of indirect press subsidies brings considerable improvements compared to the regulation enforced between 2007 and 2012.

The following major improvements are to be noted:

- The press-specific guidelines are newly materialised in the ordinance on the Postal Act, thereby facilitating the assessment of requests for press subsidies,
- Requests for press subsidies are no longer assessed by *Swiss Post* but by a public authority (the *Federal Office of Communications*),
- The press subsidies made available by the Federal Government are provided in the form of a reduction on standard postal rates and are transferred in a transparent manner to the beneficiary of the subsidy.

However, one has to note that the present legal framework is not yet fully coherent, in particular with regard to the following aspects:

- The subsidy is still dependent on the delivery channel. Newspapers and magazines in the early-morning delivery channel and/or the channel of delivery organisations other than *Swiss Post* are not eligible for the subsidy. In light of media policy to be attained by subsidies, this discrimination makes little sense. The discrimination could be avoided without any major implementation problems by subsidising the qualified press titles irrespective of the delivery channel.
- For historical reasons, the price level for titles with or without the benefit of press subsidies is generally set too low and cannot be increased as necessary due to the market power of the publishers. For example, the rate for a newspaper is four times lower than a comparably large letter. *Swiss Post* has taken initial measures against below-cost selling by adopting higher rates in 2012 and officially announcing their application for 2014, 2015, and 2016.
- Nevertheless, under-cost selling in the newspaper business continues to exist. As long as there is a residual monopoly (with the necessary funding basis) and the right to finance the USO by net cost balancing, a deficit in its newspaper account should be bearable for *Swiss Post* up to a certain level. In the medium term, a solution must nevertheless be found to enable *Swiss Post* to cover its costs without threatening the very existence of many of the press titles.
- Indirect press subsidies (CHF 0.22 or 0.15 per copy; EUR 0.18 or 0.12) are very high. This holds the danger of market distortions and could lead to situations which threaten the existence of the publishers concerned if the legislator were to reduce press subsidies significantly or even eliminate them altogether.

- When approving the reduced prices, offering the Federal Council the possibility of deviating from the mechanism defined holds the danger of over-determination and thus of inconsistencies in the price structure for the subsidised and non-subsidised press.
- Article 16, paragraph 3 of the Postal Act stipulates that delivery rates for subscription newspapers and magazines should correspond to ‘the standard prices in major cities’. Per se, this paragraph just reinforces the obligation to set uniform rates for the delivery of these products. However, it may be mistaken and interpreted as an obligation to set rates corresponding to the *costs* of delivery in major cities. Such an interpretation would result in a systematic deficit due to the heterogeneous cost structure in delivery and would contradict the tenet that rates be established according to economic principles (Article 16 paragraph 1 of the Postal Act).

To ensure an enduringly consistent regulation of press subsidies, the consensus in the political sphere and the publishing sector must be much more pronounced than is currently the case. The roles of the individual stakeholders are nevertheless now clearer and the subsidies flow in a more targeted manner than before.

In December 2012, the Federal Council adopted a proposal concerning the consolidation of the Federal budget. Savings measures which can be implemented in the short term include abandoning indirect press subsidies from 2015. In light of the long-standing and complex history specific to the press sector, it remains to be seen whether the Swiss Parliament will approve the abandonment of indirect subsidies.

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