

# Cross-section audit of the supervision of the universal service

PostCom, ComCom, OFCOM

## Key facts

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The Federal Postal Services Commission (PostCom) supervises the market for postal services. The Postal Services Act sets out the universal service mandate for postal services (letters, parcels, newspapers and magazines) and for payment services (account opening, deposits and withdrawals, transfers). The universal service is financed by the turnover of Swiss Post (Art. 46 of the Postal Ordinance). The residual monopoly for domestic letters below 50g is an additional element in financing the two universal service mandates. The annual market volume is around CHF 3.4 billion.

The Federal Communications Commission (ComCom) regulates the telecommunications services market. The Confederation periodically holds a competitive tender for the concession to provide universal telecommunications services. Until now, Swisscom has been awarded the concession without going through a full tender procedure. It was the only service provider interested. Articles 14 and 15 of the Telecommunications Act and Article 12 of the Telecommunications Ordinance regulate the procedure and the conditions for awarding the concession. Swisscom provides the universal service without receiving financial compensation from the industry fund. As Swisscom has not claimed any financial compensation to date, no information is available on the turnover volume from the universal service for telecommunications services.

The Swiss Federal Audit Office (SFAO) conducted a comparative audit of the supervision of the universal service for postal and telecommunications services. It found no significant deficiencies in the supervisory activities.

### **Supervisory instruments simplified thanks to divisional accounting**

Postal and telecommunications service providers deliver services both as part of the universal service and in free markets. This constellation inherently harbours the risk of hidden cross-financing<sup>1</sup>. In the postal sector, the legislator addresses this risk by requiring service providers to prove compliance with the ban on cross-financing. To this end, the legal requirements stipulate in particular that Swiss Post must calculate its costs on the assumption that it only transports letters weighing up to 50g.

Furthermore, net cost compensation allows Swiss Post to offset deficits from individual services in the universal service with surpluses from other services. The calculation of the net costs of the universal service is very complex and is partly based on assumptions. There are discrepancies between Swiss Post's financial reports prepared in accordance with the International Financial Reporting Standards and the regulatory reporting. Imputed interest accounts for the major part of these discrepancies, which is included only in the regulatory reporting. Neither Swiss Post's publicly available Annual Report nor the PostCom report

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<sup>1</sup> In Article 19 of the Postal Services Act, the term "cross-subsidising" is used. However, since no subsidies are paid, this is a case of cross-financing. The report therefore uses the term "cross-financing" throughout.

allow any conclusion to be drawn on the origin of these differences. This would require more internal information from Swiss Post.

In terms of telecommunications services, ComCom has no calculation of the net costs of the universal service.

In order to increase financial transparency at Swiss Post and reduce the risk of hidden cross-financing, the SFAO recommends that the General Secretariat of the Federal Department of the Environment, Transport, Energy and Communications (GS DETEC) introduce a divisional accounting system to replace the calculation of the net costs of the universal service and the proof of compliance with the ban on cross-financing.

### **Supervision could be strengthened by granting a right of inspection**

PostCom is dependent on information from the supervised companies in order to carry out its supervisory activities. The legal basis does not allow the regulator to check this information on site in a risk-oriented manner. The SFAO recommends to the GS DETEC that the regulator's supervisory activities be strengthened by granting it the right to inspect the supervised companies.

### **Technology-neutral requirements for future-proof supervision and regulation**

The Telecommunications Act states that the provision of the universal service should be technology-neutral, i.e. it should in principle also be possible to provide this service using wireless technologies (mobile telephony, including 5G, and satellite solutions). However, the ordinance and the technical administrative regulations stipulate quality characteristics which generally require a wire-based (glass or copper) mode of supply.

The SFAO recommends that the GS DETEC consider amending the legal basis so that greater account is taken of technological neutrality in the provision of the universal service.

**Original text in German**