

# Post and Politics

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**Edition: Winter 2008**

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## Swiss Post close to European best-in-class as regards parcel prices

### Following the Letter Post Index, here comes the Parcel Post Index

#### Background

An average Swiss household spends just under 80 Swiss Francs a year, i.e. around 0.1 per cent of its annual outgoings, on the shipment of parcels and letters. This amount seems small. Yet Swiss Post's rates are a regular topic of widespread debate. Several comparisons have already been carried out between Switzerland's main service providers without revealing any substantial differences in price and quality. But what about other European countries?

In 2006, Swiss Post commissioned Professor Hans Wolfgang Brachinger, Head of the Centre for Research in Economic

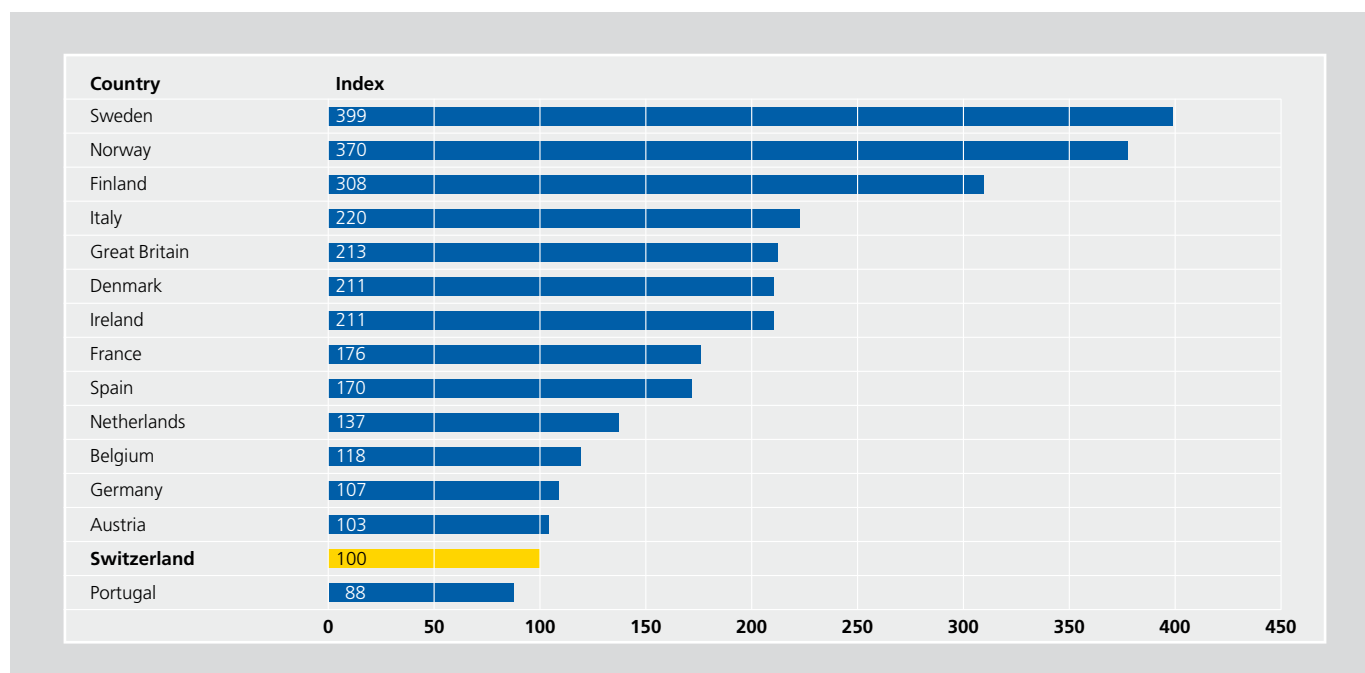
Statistics CEStat.ch at the University of Freiburg Switzerland, to develop the so-called Letter Post Index, allowing for a Europe-wide comparison of letter prices. Since then, the Letter Post Index has been used by the DETEC to measure target achievement and published by the Postal Services Regulation Authority in its annual report. Swiss Post has now mandated Professor Brachinger to devise a corresponding index for parcel prices. The new Parcel Post Index shows: Swiss Post boasts the second-lowest prices in Europe.

#### Facts and figures

In order to gain an eloquent picture of parcel prices, all parcel categories must be taken into account and weighed according to their relevance. This is precisely how the Parcel Post Index operates. It weighs individual parcel categories according to the frequency with which they are shipped by Swiss consumers. Underlying this method is the Laspeyres index concept, which has been in use worldwide for many years when it comes to price comparisons.

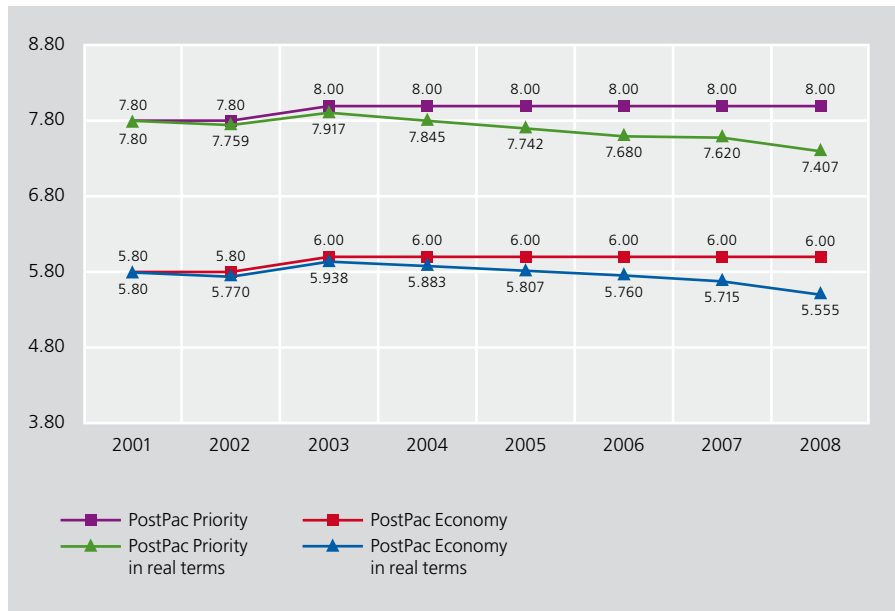
The Parcel Post Index is based on parcels of the types "PostPac Priority" and "PostPac Economy" belonging to weight

**Chart 1: Swiss Parcel Post Index 2008** (as at September 2008)



Parcels taken into account up to 20 kg (without additional services); list prices for individual items (exchange rate-adjusted)

**Chart 2: Evolution of parcel prices 2001–2008 (in CHF)**



## The Swiss parcel market

The parcel market has been fully open to competition since 2004. Other providers have established themselves next to Swiss Post and have taken over a quarter of the market volume from the former monopolist. Swiss Post is further heightening its strong customer focus: with the web-based solution Webstamp, customers can stamp their own parcels and have them collected at a location of their choosing. The establishment of so-called PickPost collection points further allows customers to collect deliveries up to late in the evening. Swiss Post most recently increased its list prices for domestic parcel shipments back in 2003.

categories 1 to 20 kg. The 14 countries under consideration yielded the index values displayed in Chart 1. A country's index value shows by how many percentage points its parcel prices lie above or below parcel prices in Switzerland (index value = 100).

This chart illustrates that, overall, Swiss Post provides its services on the parcel market at very reasonable prices. Only Portugal ships parcels at an even lower price level. In Austria, Germany and Belgium, services are provided at price levels that are higher, yet still "within reach" of the Swiss price level. The other countries under consideration display distinctly higher rates. Consumers have to pay particularly high prices on the Scandinavian parcel markets.

### Direct price comparison

The strength of the Swiss postal price indices lies in their practical informative value. One weakness of the methodology

is that results depend on the exchange rates applied. In phases, these can be quite volatile. Chart 1 is based on prices from September 2008. Contemplating this comparative overview, it should be noted that the postal services under consideration are not provided according to the same quality standard in all countries. High-quality Swiss postal products may thus be compared with products of more simple quality abroad. It may thus be assumed that Switzerland would tend to perform rather more poorly than it should in the price comparison at hand.

In this direct, exchange rate-adjusted price comparison, Switzerland's above-average level in wage costs is not taken into account. Moreover, an adjustment for general differences in purchasing power would further improve Swiss Post's ranking, as the Swiss need to work less long hours in international comparison to ship a letter or a parcel.

## The position of Swiss Post

- The Parcel Post Index shows that Swiss Post offers the second-lowest parcel prices in Europe.
- The Parcel Post Index is based on the scientifically recognised index methodology for international price comparisons.
- If factors such as quality, wage level or purchasing power were taken into account, Swiss Post would fare even better in international comparison.
- Parcel prices have not been raised since 2003, even though costs have since risen markedly.
- In real terms, parcel prices have gone down over the past years (see Chart 2).