

Post and Politics

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Letters

Attractive prices for top-quality service

Background

The Swiss population benefits from affordable prices in the postal sector. People living in Switzerland spend an average of just CHF 80 a year on mailing letters and parcels. Swiss Post's letter prices fare extremely well in European comparison. This can be seen in the latest letter post index (LPI) which compares letter prices across 15 European countries. Swiss Post is also one of the international front-runners in terms of quality.

Facts and figures

The letter post index

To gain a complete overview of all letter prices, the various letter categories have to be studied simultaneously and weighted according to demand. This is where the letter post index comes in. The index was developed on behalf of Swiss Post by Professor Hans Wolfgang Brachinger, Head of the Centre for Research in Economic Statistics CEStat.ch at the University of Fribourg.

Of the fifteen most important European countries compared, Swiss Post fares well (see Fig. 1), ranking sixth with regard to the LPI. Comparable letters in Germany, for example, cost 10 percent more, and 40 percent more in Sweden, while Norwegians are expected to pay double the price for their letters compared to their Swiss

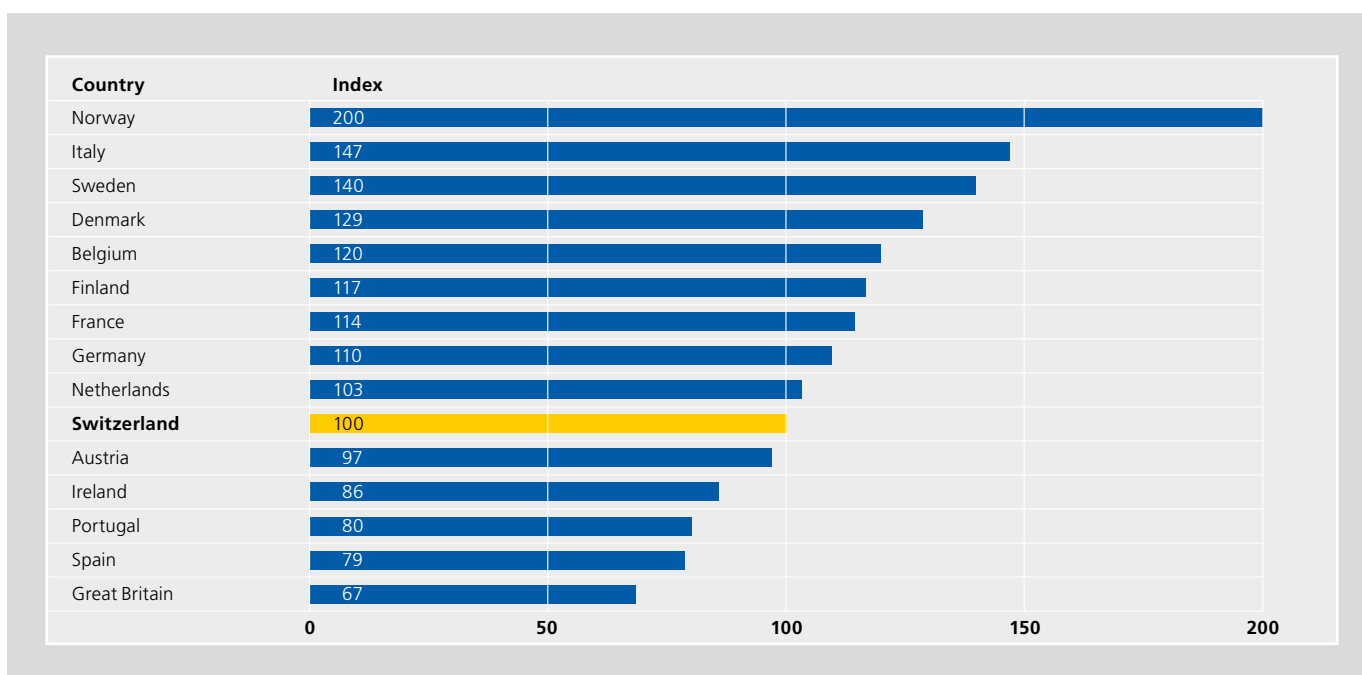
counterparts. The LPI shows that letter prices in Switzerland are relatively low in comparison to those of other countries.

Not all factors are taken into account

The following factors that are not included in the current letter post index would further improve Swiss Post's international ranking.

- The letter post index does not take into account the differing levels of service quality. As the quality of Swiss Post's letter services tops the table – alongside Luxembourg – in European comparison, Swiss consumers enjoy better quality services from their postal operator for the same price. In 2010, 97.2 percent of A Mail letters arrived punctually with their intended recipients.
- Letter formats, which are very generously categorized at Swiss Post, were also not taken into account. For example, C5,

Swiss Letter Post Index 2011



Letters taken into account up to 1 kg, excluding premium mailings; list prices for individual items (exchange-rate-adjusted). Index Switzerland = 100.

the most commonly used format in Switzerland (envelope for A4 pages folded in half) which costs CHF 1 for A Mail up to 100 g, is regarded by Deutsche Post as a large format and costs EUR 1.45.

- No allowances were made for Switzerland's above-average salary levels either.
- Furthermore, it should be noted that the Swiss franc was very strong compared to the Euro on the key date (1 November 2010).
- The Swiss have to work fewer hours to pay for a letter than their European counterparts. Purchasing power was not taken into account in the price comparison.

Individual price comparison up to 20 grams

Even if individual price comparisons are not representative, these comparisons arise repeatedly in public debates.

How expensive is Swiss Post for letters weighing less than 20 grams, which make up almost half of all mail?

In Switzerland, letters are divided into two main categories: bulk mailings and individual mailings. In the case of bulk mailings, which are used predominantly by business customers, Swiss Post applies a differentiated pricing scheme with different prices for every 10 gram increment.

For individual letters weighing up to 100 g, Swiss Post has one price for A Mail and one price for B Mail. The advantage of this is that small customers do not have to weigh their letters to determine the correct franking amount. The disadvantage is that letters up to 20 grams, at least for A Mail, are not among the least expensive. However, in an independent EU study («Main Developments in the postal sector (2008–2010)»), Switzerland's prices were found to be below average in real terms, thus placing it above its neighbours Germany, Austria, France and Italy. The heavier, individual letters fared well. The reason for this is that some operators have incorporated clear price jumps at the 20 gram limit.

Specific price adjustments

As announced in December 2010, Swiss Post will be introducing certain adjustments to services and prices as of 1 April 2011 as part of the ongoing revision of its product range. These adjustments are necessary in order to achieve results in line with the industry. The adjustments will affect niche products and specific services for business customers. Individual A Mail and B Mail items and parcels will not be affected. These measures will not impact on the Letter Post Index. Since 1998, prices for A Mail letters up to 100 grams (including inflation) have in fact fallen slightly in real terms.

The method

The LPI is based on a basket of all the letter categories offered by Swiss Post to private customers at the counter. The categories are weighted according to the frequency with which they are actually requested by Swiss consumers. This method is based on the Laspeyres index concept, which has been used throughout the world for many years.

Since it was first introduced in 2006, the letter post index has been used by the Federal Department of Environment, Transport, Energy & Communication (DETEC) for measuring target attainment and is published in the postal regulatory authority's annual report.

Swiss Post's position

- The 2011 letter post index shows that Swiss Post's letter prices are comparatively inexpensive. If factors such as exchange rate fluctuations, quality, format restrictions, salary costs and purchasing power were taken into account, Swiss Post would fare even better.
- All letter categories are given appropriate consideration in the Letter Post Index and are weighted in accordance with national mailing frequency.
- Price adjustments must be possible for Swiss Post in future in order for it to continue generating returns in line with the industry standard.

Additional links

www.swisspost.ch/politics

http://ec.europa.eu/internal_market/post/doc/studies/2010-main-developments_en.pdf

