

# Post and Politics

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## Letters

### Attractive prices for top-quality service

#### Background

Swiss Post's prices are a regular topic of widespread debate. However, people often don't realize that an average Swiss household only spends around 0.1 percent of its annual expenses on mailing parcels and letters. This corresponds to around 80 Swiss francs per year. The best way of knowing whether these prices are high or low is to compare them with prices in other countries. This information is recorded in the annual Letter Post Index – accurately and scientifically.

#### Facts and figures

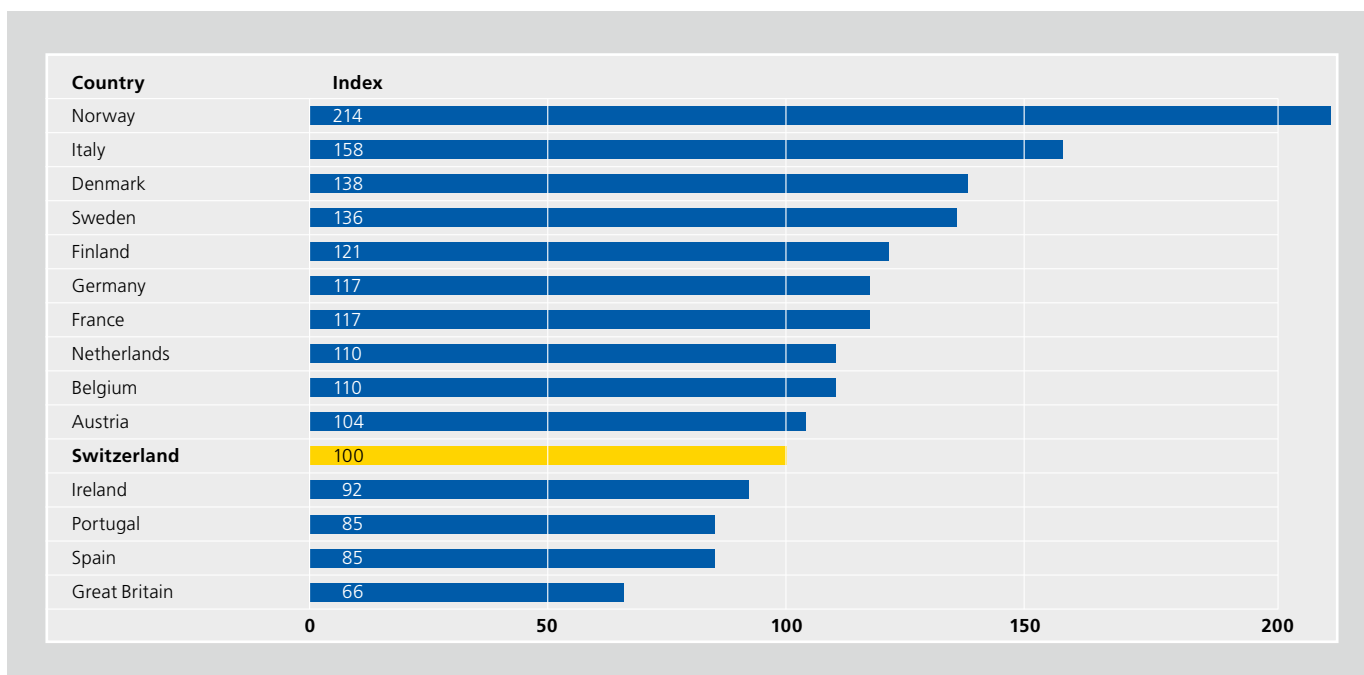
**The Letter Post Index (LPI) – a method developed at the University of Fribourg**

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 (LPI) comes in. The index was developed by Professor Hans Wolfgang Brachinger, Head of the Centre for Research in Economic Statistics CESTat.ch at the University of Fribourg, on behalf of Swiss Post.

**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 used by Swiss con-**

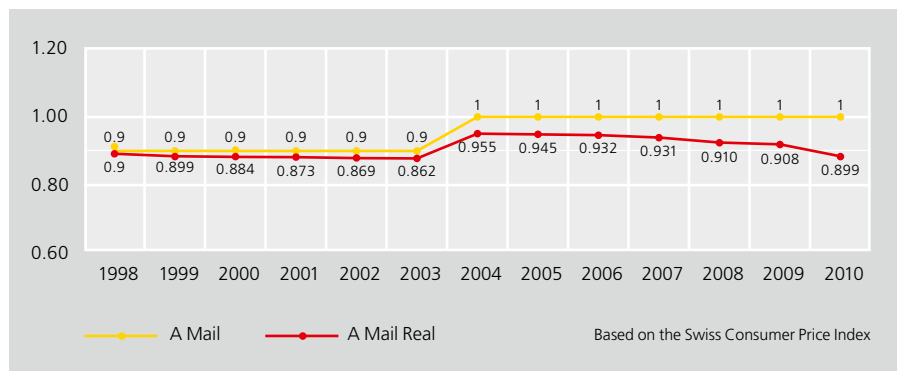
**sumers. This method is based on the Laspeyres index concept which has been used throughout the world for many years.** Of the fifteen most important European countries compared, Swiss Post fares well (see fig. 1), ranking fifth. For example, comparable letters in Germany and France cost 17 percent more, and almost 40 percent more in Sweden and Denmark. And the Italians are expected to pay almost 60 percent more for their letters. The LPI shows that letter prices in Switzerland are relatively low in comparison to those of other countries. 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.

Chart 1: Swiss Letter Post Index 2010 (as at 15 January 2010)



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

**Chart 2: Price development for A Mail 0–100 grams since postal reform in 1998 (in CHF)**



### 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 is very high compared to other European countries, Swiss consumers get better quality from their postal operator for the same price. Although the cost of mailing letters in Spain and Ireland is less expensive, only around 80 percent of "A Mail" letters reached their intended recipients on time in 2008. In contrast, almost 98 percent of Swiss "A Mail" letters reached their destination on time in 2009.
- Letter format categories, which are very generous at Swiss Post, were also not taken into account. For example, C5, the most commonly used format in Switzerland (envelope for A4 pages folded in half) which costs one Swiss franc for A Mail up to 100 g, is regarded by Deutsche Post as a large format and costs at least EUR 1.45.
- No allowances were made for Switzerland's above-average salary levels either.
- Furthermore, 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 again and again in public debates.

### How expensive is Swiss Post for letters up to 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 in the 0–100 g category, Swiss Post has just 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 (here Finland, Denmark and Norway are more expensive) even though the heavier individual items do very well by comparison. The reason for this is that some operators have incorporated clear price jumps at the 20 gram limit. Just how this affects the bottom line is shown by the Letter Post Index (see fig. 1).

### Letter price trends

On 1 July 2009, Swiss Post simplified its prices for large letters and lowered the majority of its remaining prices for business customers. The agreement concluded with the price supervisor includes price advantages of around 200 million Swiss francs per year. Consumers and the economy are currently benefiting as a result. Given the rising costs of today's already highly efficient processes, Swiss Post has little choice other than to increase prices for its letter services in the medium term. The last adjustments to Standard individual items were made in 2004. However, since 1998, prices for A Mail letters up to 100 grams (including VAT) have fallen slightly in real terms (see chart 2).

### Price regulation

Swiss Post currently offers an attractively priced, high-quality basic service in Switzerland. This can be seen in international comparisons. Price regulation per sector – as is currently the case – is only necessary as long as there's a residual monopoly. Following full market deregulation, sanctions on distance-independent prices, e.g. in the EU, will only apply to selected products from the small customer segment (individual consignments).

### Further information

[www.swisspost.ch/politics](http://www.swisspost.ch/politics)

### Swiss Post's position

- The 2010 Letter Post Index confirms that Swiss Post's letter prices are among the least expensive in Europe. If factors such as 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 offering the kind of quality and services demanded by its customers.