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# Letter Post Index 2014

## Swiss Post offers attractive prices for top service

**Swiss Post's customers benefit from attractive prices. Swiss Post's letter prices compare very well internationally. This is documented by both the Letter Post Index, and the Index, which takes into account purchasing power in the countries under review. The indices compare prices in 15 representative European countries. Swiss Post also performs outstandingly well as regards the quality of its services and has always numbered among the best in international comparison.**

Swiss Post is publishing two indices: the Letter Post Index, which does not take purchasing power into account, and an index compiled according to the same method which does consider purchasing power when comparing prices.

In order to gain a comprehensive overview of letter prices, the different letter categories must be considered collectively and weighted according to demand. This is what the so-called Letter Post Index proceeds to do. It was developed on behalf of Swiss Post in 2006 by the Centre for Research in Economic Statistics CESTat.ch at the University of Freiburg and has since been published by Swiss Post on a yearly basis. The conversion of European prices is based on the currency exchange rates, which fluctuate significantly.

A report by the Swiss Institute for International Economics and Applied Economic Research (SIAW) at the University of St. Gallen recommends additionally using purchasing power parities for conversion. According to the report, the advantage of an index

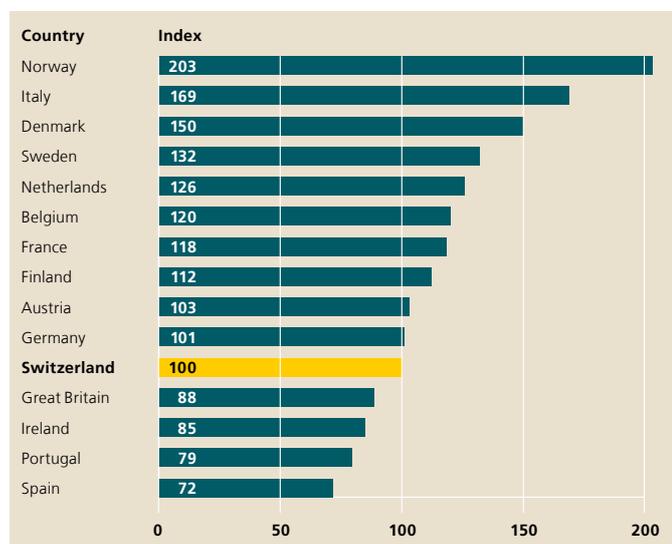
containing purchasing power parities is that it is less volatile over time and maps the real prices of letters relative to other means of written communication. The report further states that postal consignments, with their nationally bound infrastructure, are classic, non-tradeable goods, making letter and parcel post indices natural candidates for purchasing power parity conversion.

In order to ensure comparability with previous years, Swiss Post publishes both the Letter Post Index and the version adjusted for purchasing power.

### Evaluation of results

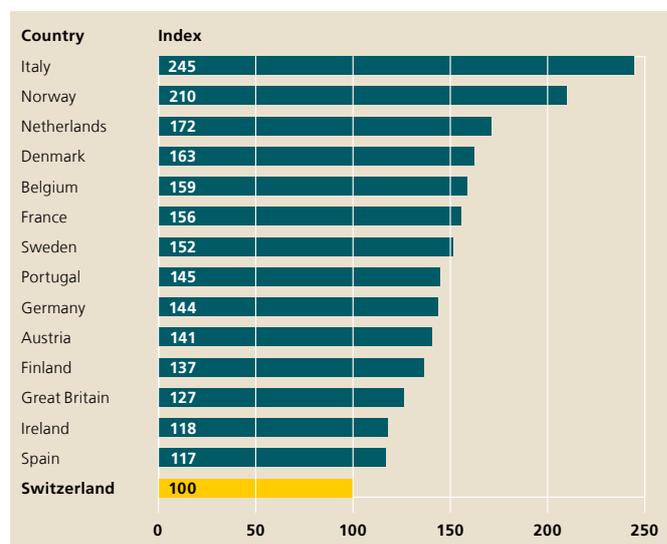
In the absence of adjustment for purchasing power, Swiss Post ranks fifth (see chart 1), thus earning a good position among 14 European countries despite a strong Swiss franc. Compared to the

**Chart 1: Swiss Letter Post Index 2014**



Letters taken into account up to 1 kg, excluding premium mailings and additional services; list prices for individual consignments (exchange rate-adjusted). Status: 1.11.2013.

**Chart 2: Swiss Letter Post Index adjusted for purchasing power 2014**



Letters taken into account up to 1 kg, excluding premium mailings and additional services; list prices for individual consignments. Status: prices as at 1.11.2013; purchasing power parities OECD 2012 (Status: 13.11.2013).

previous year, Switzerland moved up one place (compared to sixth in the previous year).

For example, comparable letters cost 18 per cent more in France, and 12 per cent less in Great Britain. Norwegians, on the other hand, have to pay more than twice as much as the Swiss for their letters.

Taking into account purchasing power, Swiss Post ranks first (see chart 2), displaying highly attractive prices in comparison. In no other country under review can customers send letters and at the same time afford so many other goods as in Switzerland. Measured in terms of alternative goods, letters in Norway are more than twice as expensive as in Switzerland.

### **Not all factors are taken into account**

As is the case with every economic model, the two Letter Post Indices depict reality in simplified form:

- The Letter Post Indices do not consider the differing qualities of the service provided. Since Swiss Post, together with Luxembourg, ranks first in the comparison of letter service quality in Europe, the Swiss get more quality from their postal services for the same price. In 2013, 97.6 per cent of A Mail letters and 98.8 per cent of B Mail letters were delivered punctually to their recipients.
- Letter formats, which Swiss Post defines in a highly customer-friendly manner, were not taken into account either. C5 (envelope for A4 pages folded in half), for example, the format most used in Switzerland, costing CHF 1 for A Mail up to 100 grammes, is considered by Deutsche Post to be a large format and costs EUR 1.45. The Swiss format makes it possible to also enclose advertising material or to use high-grade paper at no extra cost.

- In Switzerland, customers can choose between A Mail and B Mail; many European postal operators do not provide these options.

## **The method**

Both Letter Post Indices serve to compare international price levels for letter post. They are based on a basket of goods that includes A Mail and B Mail letters up to 1 kg. The Letter Post Indices thus adequately take into account all letter categories and weight them according to overall mailing frequency across Switzerland. As a matter of definition, the indices are set at 100 for Switzerland. Values over 100 mean that letter consignments in this country are more expensive than in Switzerland. The individual values also indicate by how many percentage points letter post is more expensive or cheaper in a particular country. A value of 120, for example, signifies that letter consignments in this country are 20 per cent more expensive than in Switzerland.

The method underlying the indices is based on the Laspeyres index concept, which is used worldwide for price comparisons.

Macroeconomics recognises two standard procedures for comparing different prices in international baskets of goods. Firstly, conversion using market exchange rates, and secondly, conversion using purchasing power parities. In the case of purchasing power parity exchange rates, CHF 1 buys the same basket of goods in every country. Adjusting for purchasing power is therefore a standard procedure in macroeconomics for establishing price comparisons.

## **Swiss Post's position**

- The Letter Post Indices show that Swiss Post's letter prices are highly attractive in international comparison. If other factors such as quality and format restrictions were taken into account, Swiss Post would fare even better.
- Comparing prices using letter post indices is a scientifically recognised practice. All letter categories are adequately taken into account and weighted according to overall mailing frequency across Switzerland.
- The Letter Post Index adjusted for purchasing power transparently maps the real prices of letters and it is robust, because it does not react to exchange rate fluctuations.
- Going forward, Swiss Post must retain the possibility to continuously adapt its services and prices to changing customer requirements and shifts in the economic situation.

### **Additional links**

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