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### Swiss Post and Swiss WorldCargo test Matternet drones

Speech by Dieter Bambauer, Leiter PostLogistics

CHECK AGAINST DELIVERY

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Welcome!

Starting today, Swiss Post is testing a technical solution for the parcel delivery of tomorrow: drones. The tests are being carried out in collaboration with the California-based company Matternet. And another premiere: these tests will mark the first time that Matternet drones have flown in Europe.

The test device will be a Matternet ONE drone. This drone is already being used in difficult terrain, such as rainforests.

But what does that have to do with Swiss Post? Swiss Post delivers reliably, no matter what the terrain – even in Switzerland's challenging geography. We have always done this. What has changed regularly over the past 160 years is the technology we use to accomplish this. Swiss Post has made some quantum leaps in technology which have allowed it to become even faster and even more reliable.

The first quantum leap was rail transport. Letters and parcels were transported by train on the main lines at an early stage. However, local distribution first become possible thanks to Swiss Post. Initially it was by horse-drawn carriage, followed by larger and smaller motorized vehicles. They were increasingly supplemented by ultramodern vehicles such as electric cars, hybrid buses and hydrogen Postbuses. Today, we supplement our state-of-the-art fleet with transportation suited to the geographical conditions. In Quinten, on the Walensee, for example, Swiss Post used a boat for a long time, whilst in Grindelwald, it still uses a horned sledge in winter.

Today, we ensure that Economy and Priority parcels are delivered reliably throughout the country by integrating all types of transportation. Logistics means transporting items from A to B in the shortest amount of time at economically feasible costs. Our delivery of worldwide top quality is only possible thanks to the sophisticated integration of technical developments. And this development is continuing.

Today there are two primary market developments which influence the parcel business as a component of our core business: First, the continued growth of the parcel market, particularly through e-commerce. We assume that by 2020, up to 40 percent of the sale of non-food products will take place online. Secondly, service providers from other sectors are increasingly making the push into parcel logistics. Amazon, Google and Uber are examples of this. These players do not need to make profit in the delivery sector because it can be generated in their core business. The result is increasing pressure on the margins and cost structures of conventional parcel service providers. This development forces conventional parcel logistics providers to become ever more efficient.

Our end customers are also changing their consumer behavior with the growth of online commerce. For example, they want to be able to purchase products and services increasingly quickly. And they expect more convenience in parcel delivery. They want delivery and returns to be fast, individual, inexpensive and independent of location and time.

Today's recipients have a simple goal: they want to be able to order from their preferred retailers from anywhere at any time. And they want to be able to receive their parcels flexibly and without restrictions at any location and at any time. This is the aim of our new services.

We have introduced many solutions in the last few years to ensure that end customers receive exactly this flexibility from us: we deliver during off-peak times in the evening and on Saturdays. We have further

simplified the receipt and posting of parcels by introducing parcel terminals, PickPost points and parcel collection from home. We have introduced online management for missed parcels. Our customers receive an SMS or e-mail from us as soon as a parcel arrives at the sorting center. The next step is for customers to be able to flexibly determine where and when we deliver their parcel after they have received the notification.

Other possible steps Swiss Post can take are: Delivery on the same day. New technologies are also being tested in delivery. For instance, GPS delivery. This means that a customer could give us the GPS coordinates of their car and the electronic code for unlocking the boot. That would allow us to deliver a parcel directly to their car boot.

Another new possible transport technology is GPS-controlled drones which fly from one point to the next autonomously. Starting today, we are testing the GPS drones as a technical solution for possible future delivery options. Drone technology could allow us to expand our local distribution in a meaningful way in future.

The potential for application is varied: from delivery in peripheral regions to urgent goods delivery. However, all of these applications are still fantasy because they require many conditions which have not yet been met. Among those is the legal framework. Controlling airways is already a challenge. Drones add even more density to flight paths which are already heavily used. In addition, there are technical limitations such as battery life or the device's lack of "environment perception".

Today, we may laugh about this new transport or delivery possibility the way people at the end of the 19th century laughed about the first glider operated by the pioneer of flight, Otto Lillenthal. However, we are guessing that specific applications will be realistic within five to ten years. It is not realistic that drones will take over conventional nationwide delivery in the future. This is unthinkable in our already overloaded, small airspace when more than 500,000 postal parcels are currently delivered per day, and over a million per day during the Christmas season. The focus of the tests is the utilization of drones in special situations or for transporting special items:

1. If a settlement which is cut off from the outside world because of bad weather, the drones could transport urgently needed items there.
2. People living in isolated areas who need regular medicine deliveries could also receive their items via drones.
3. Or drones could be used to transport high-priority courier consignments, such as laboratory samples.

Our goal in this test phase is to understand the technical development and to examine possibilities for integrating it into our e-commerce strategy at an early stage. We do not want simply to adopt new technology. We also want to help shape it and integrate it into our processes wherever necessary in order to improve our efficiency. How drones may be utilized in the future depends to a significant degree on when the technical hurdles, such as battery life, can be overcome.

Today, we are at the beginning of an exciting development, at the point where all development paths are still wide open, and we will take advantage of all possible opportunities.

Thank you for your attention.



## Airborne postal delivery?

Dieter Bambauer,  
Member of Executive Management

*Yellow in motion.*



## Postal delivery – from mail coach to high-tech logistics



Logistics are gaining speed through an increasingly complex interaction of transport modes.



### Market developments

- Thriving e-commerce boosts parcel volumes
- Growing competition increases pressure on margins



### Post office opening times 24/7/365



My Post24  
Manage parcel online  
Evening delivery  
GPS delivery?  
Same day delivery?



