



swiss economics

Regulatory Framework for the Swiss Postal Sector in Light of Current Challenges

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Current Challenges – Driving Forces

Availability of electronic communication

- Substitution of letter mail
- Increasing parcel volumes

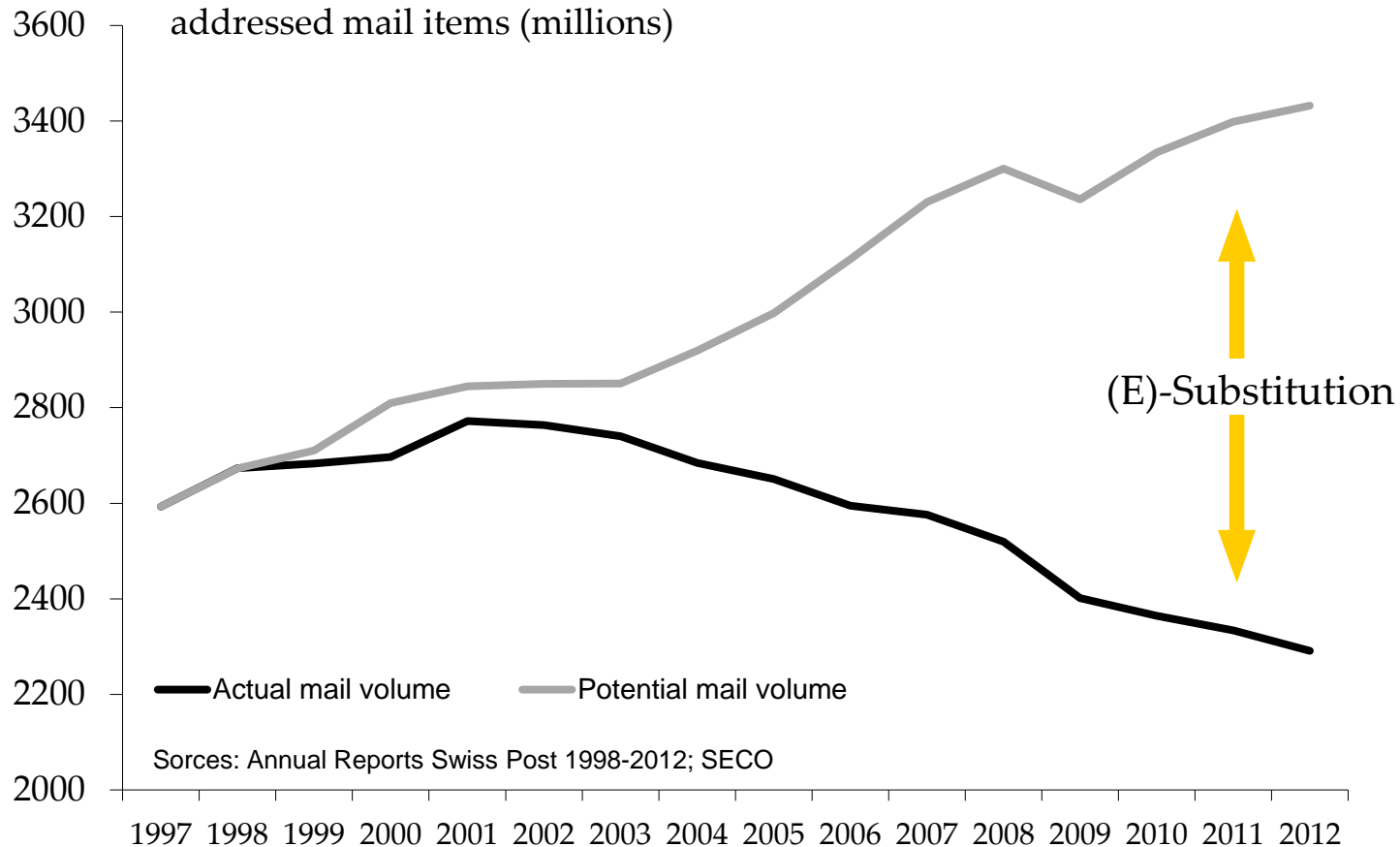
Increasing direct competition

- Market share loss in core business
- Postal law vs. competition law

Changing customer needs

- Scope of Universal Service Obligations («what the Post must do»)
- Scope of activity («what the Post is allowed to do»)

Swiss Post – Substitution of Letter Mail



Still 280 addressed mail items per capita per year conveyed by Swiss Post!

Legal Framework – Overview

Postal law

- The **Postal Act** governs
 - **market regulation** in the postal sector
 - provision of **universal** postal and payment **services**
 - **institutional setting**
- The **Postal Organization Act** governs
 - **legal form** (autonomous state-owned corporation),
 - Swiss Post's **objective/mandate** and
 - **working conditions** for Swiss Post's employees

Competition law

- The **Price Supervision Act** prohibits abusive prices or price increases (if there is no effective competition).
- The **Cartel Act** prevents the harmful economic or social effects of cartels and other restraints of competition.

Legal Framework – Swiss Post's Universal Service Mandate

Postal services

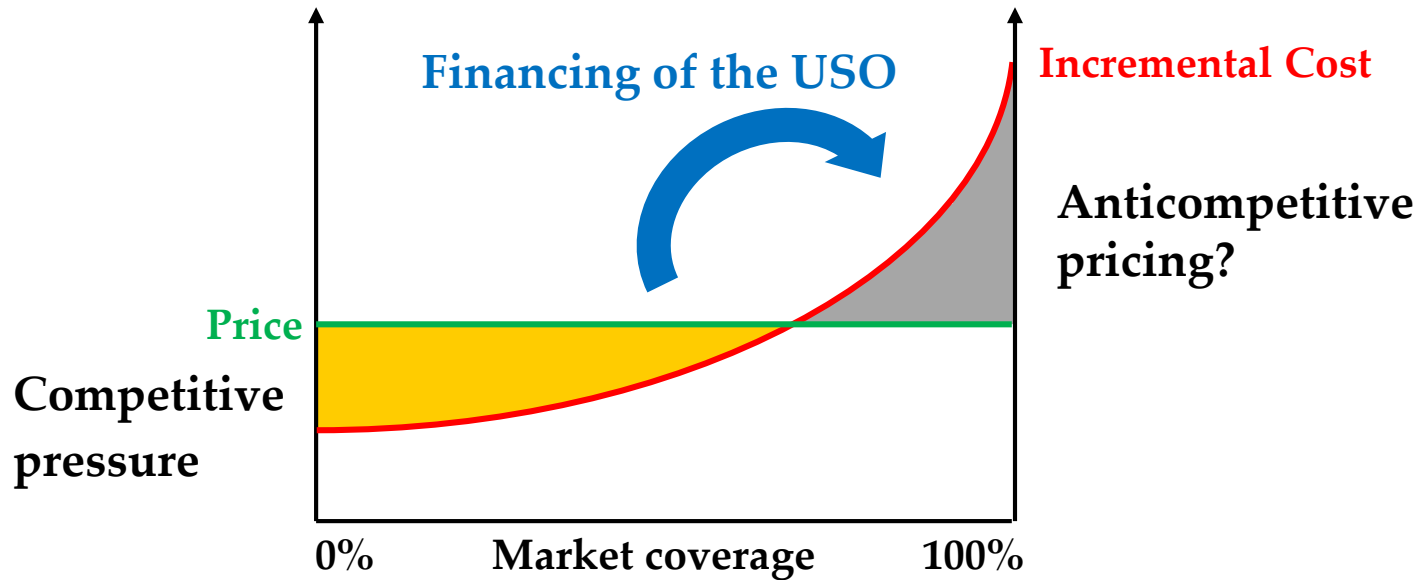
- Delivery of letters, parcels, newspapers generally on all working days, at least 5 days a week to all permanently inhabited settlements
- Minimum product range (differentiated for retail and business customers)
- Standard prices must be uniform and affordable
- Minimum quality of service (97% / 95%)
- Accessible within reasonable distance

Payment Services

- Minimum product range: Inpayments, outpayments, transfers and cash withdrawals
- Accessible by reasonable means

No external means of financing

Postal Law vs. Competition Law



→ Net cost rebalancing

- Shifts burden of the USO on profitable services
- Price regulation considers profit / rate of return after rebalancing

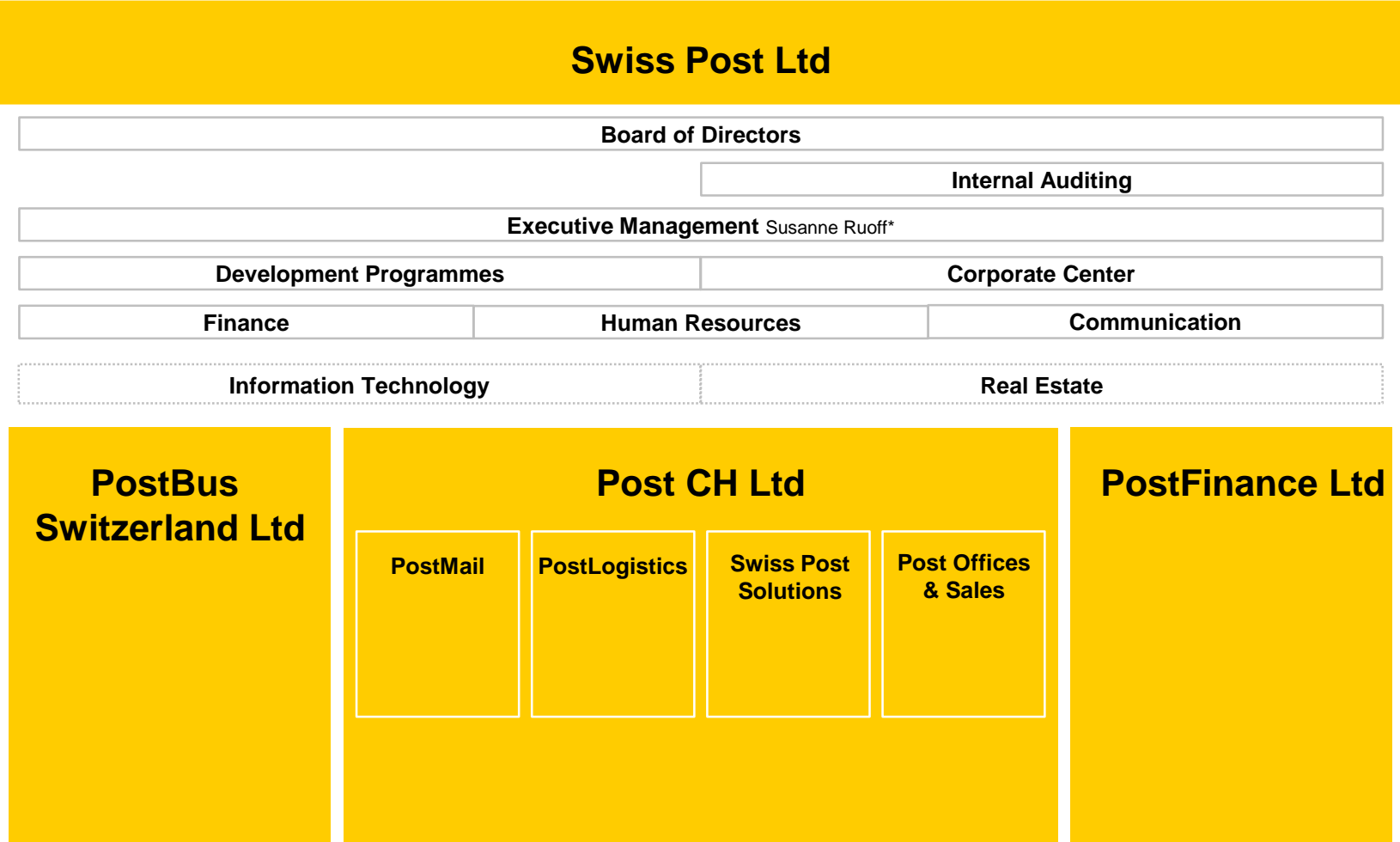
Legal Framework – Financing of the USO

- Reserved area up to 50g
- The burden of the USO corresponds directly to the calculated net cost
→ no additional verification whether the burden is to be considered as unfair
- „Net cost rebalancing“ as internal financing mechanism (no external financing or sharing)
- Swiss Post is allowed to redistribute the net cost of the USO through transfer payments between units
- Pricing (and price regulation) with regards to the financing of the Universal Service
- Charge the services for which it is able to generate high prices on the market and cross-subsidize unprofitable services.

Legal Framework – Regulatory Institutions

	Post CH Ltd	Swiss Post Ltd. PostFinance Ltd	PostBus Switzerland Ltd
Policy	OFCOM		
USO (postal, payments)	PostCom	OFCOM	
Monopoly price control	Federal Council		
Price control	Price Supervisor		
Press subsidies	OFCOM		
Sector-specific market supervision	OFCOM	Finma	FOT
Owner	General Secretariat DETEC / FFA		

Swiss Post - Organization



Swiss Post – Key Figures

- 62,000 employees from 144 nations in more than 100 professions
- Third-biggest employer in Switzerland
- 15 million consignments (letters, promotional mailings and newspapers) per day
- 114 million parcels a year
- Over 2.9 million customers use a postal account and the PostFinance Card
- 139 million passengers on PostBus a year
- An extensive network with 1,662 post offices, 569 agencies and 1,269 home delivery services
- Operating income (turnover): 8.575 billion francs
- Group profit: 626 million francs
- Investments: 453 million francs

Swiss Post – Four Markets

Communications market



Logistics market



Retail financial market



Passenger transport market



Swiss Post – Network

1,662 post offices



569 agencies



45 PostFinance branches



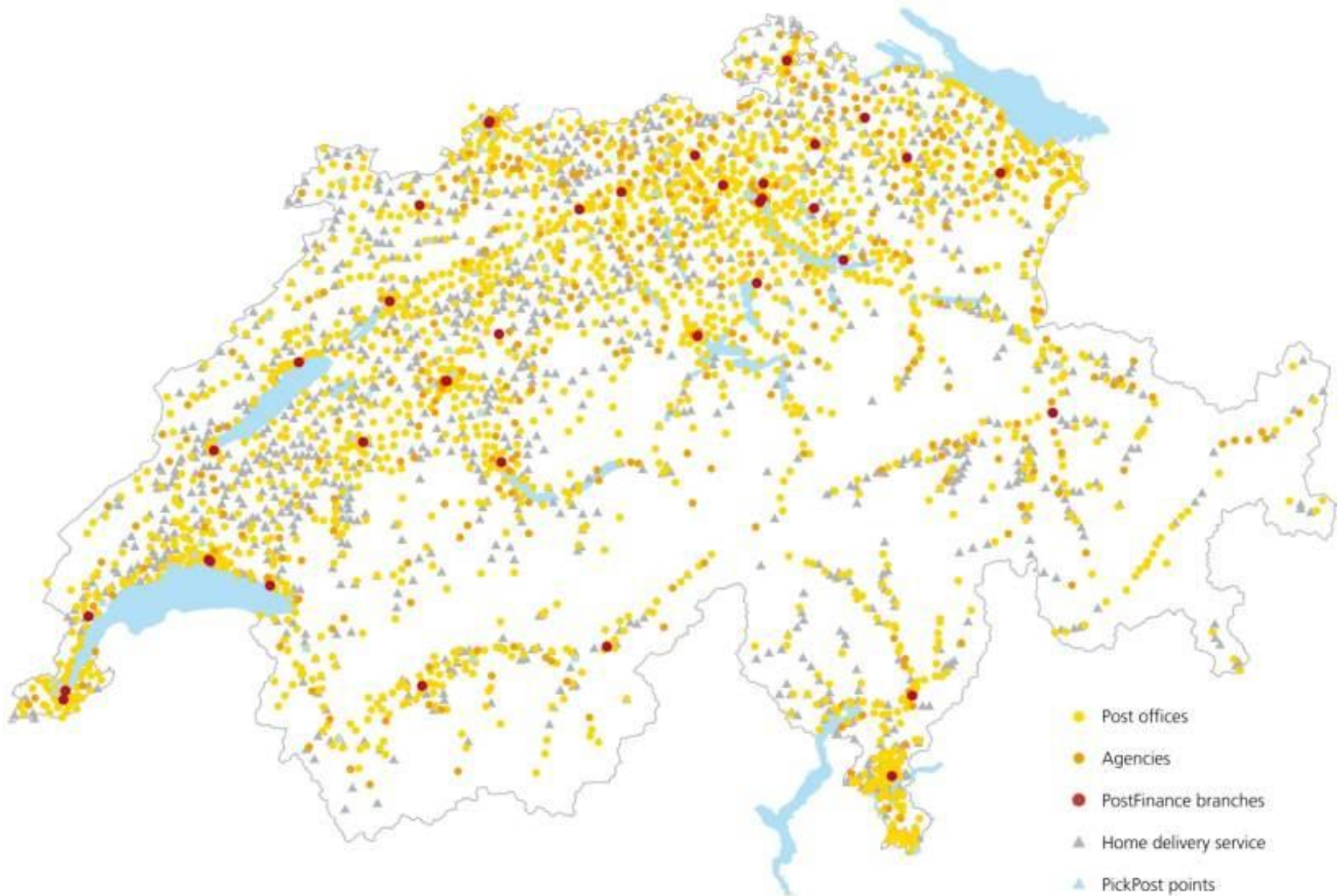
1,269 home delivery service points



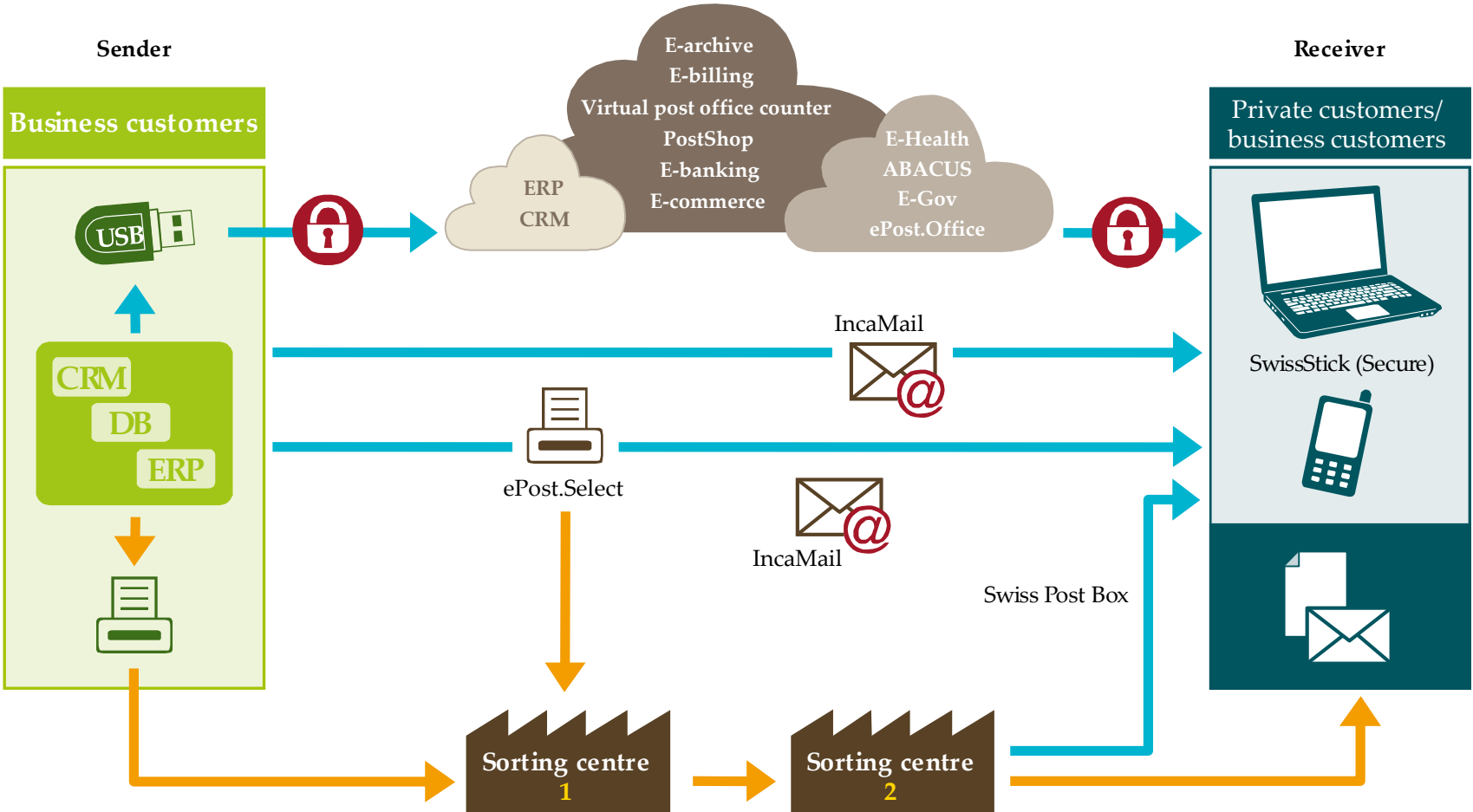
Over 700 PickPost points



Swiss Post – High Proximity



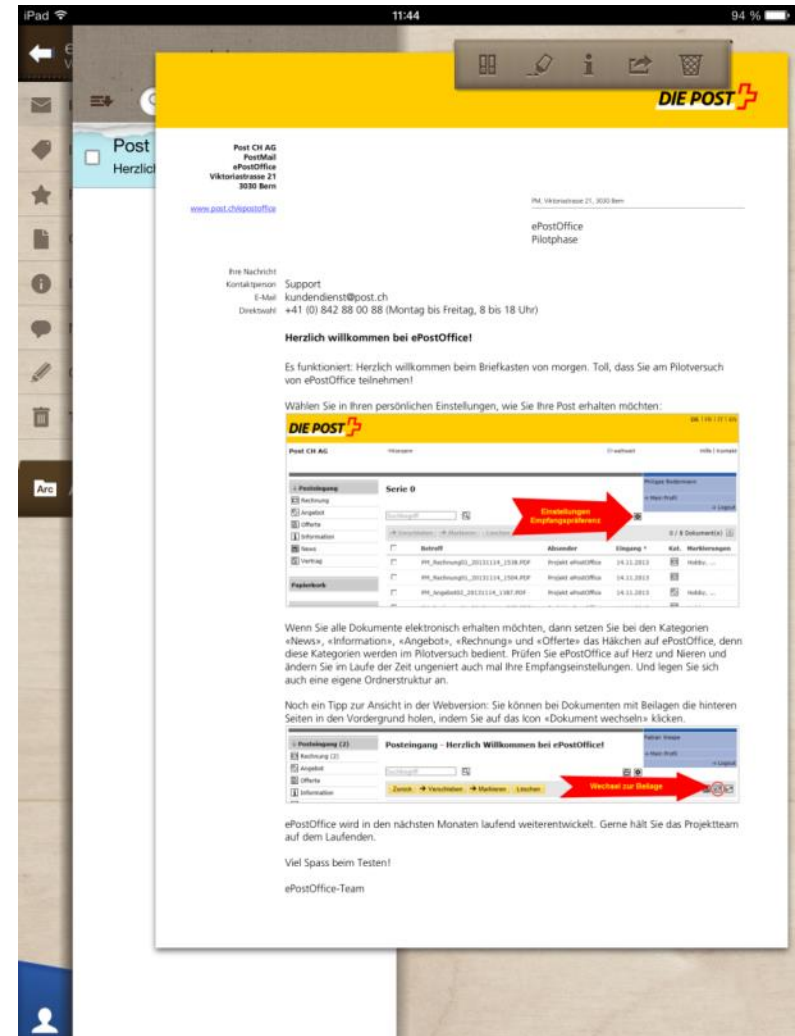
Swiss Post – Between the Physical and the Digital World



Swiss Post – E-Post-Office: Digital Letter Platform

Receive digital or physical letters

- Recipients decide whether they wish to receive their mail electronically or as a physical letter.
- Option selected per sender
- Digital delivery via encrypted e-mail or on the E-Post Office platform
- In future, invoices will also be handled via E-Post Office.



Assessing the Current Regulatory Framework

	Availability of E-Communication	Increasing Direct Competition	Changing Consumer Needs
Market regulation	~	✓	~
Postal USO	✗	~	✗
Payment USO	✓	✓	✓
Financing of USO	~	~	~
Regulatory institutions	✓	✗	✓
Swiss Post statute	~	✓	~

Conclusion

- The new postal law has still a strong focus on the USO
- In addition to a postal USO there is also a USO for payment services in Switzerland
- Swiss Post operates in a quite complex regulatory environment (laws and regulatory institutions)
- Consistency of the regulatory framework will depend on the coordination between the various institutions and their application of the law
- Current framework is not entirely future proof

Thank you!

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