



# **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

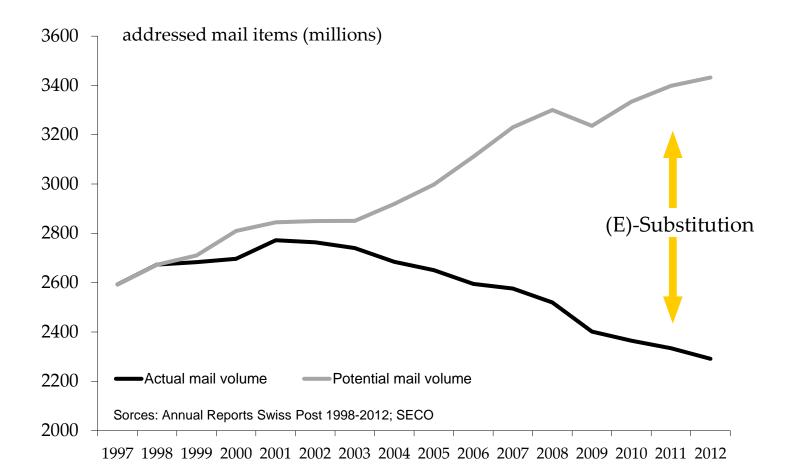
### **Increasing direct competition**

- 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 stateowned 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**

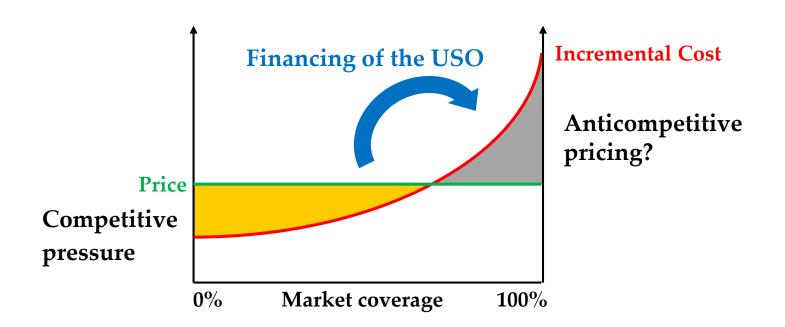
- Delivery of letters, parcels, newspapers generally on all working days, at least 5 days a week to all permanently inhabited settlements
- Minimum product range (differentiated for retail and business customers)
- Standard prices must be uniform and affordable
- Minimum quality of service (97% / 95%)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



#### $\rightarrow$ Net cost rebalancing

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

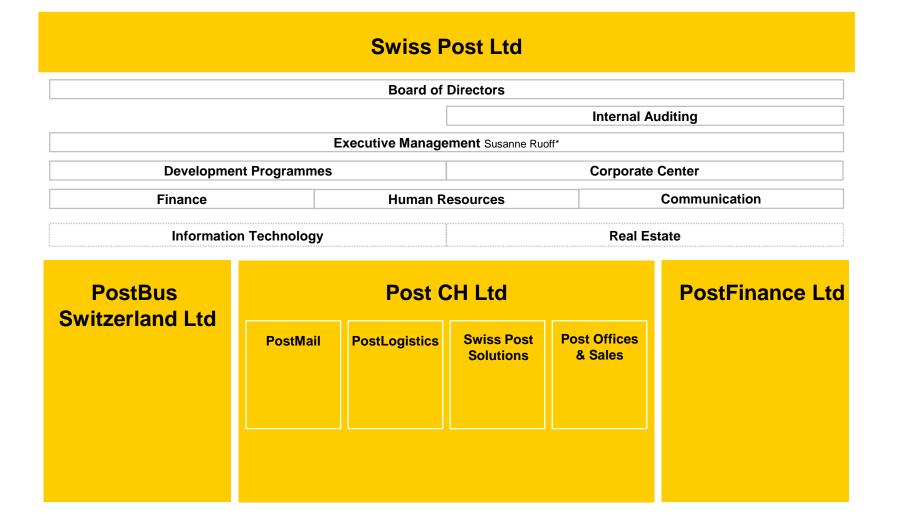
# Legal Framework – Financing of the USO

- 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

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



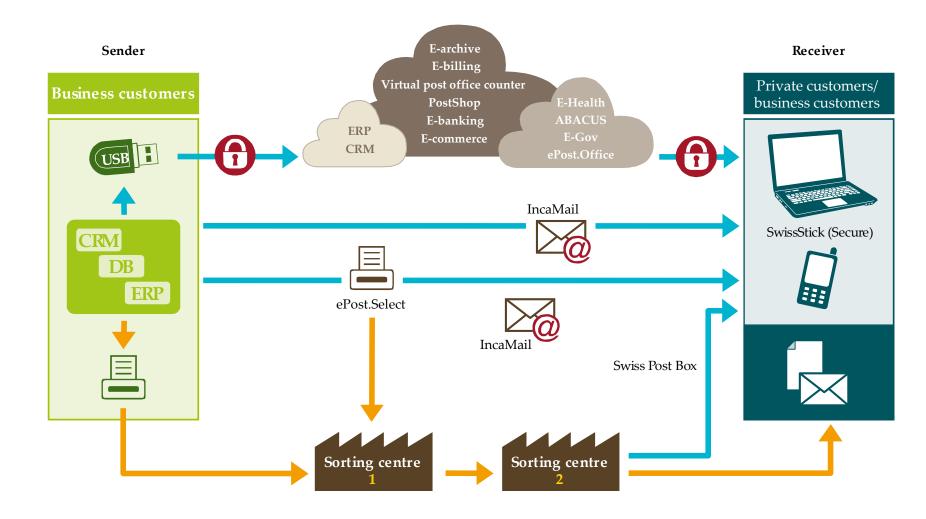
Over 700 PickPost points



# **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 email or on the E-Post Office platform
- In future, invoices will also be handled via E-Post Office.

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## **Assessing the Current Regulatory Framework**

	Availability of E-Communication	Increasing Direct Competition	Changing Consumer Needs
Market regulation	~	$\checkmark$	~
Postal USO	×	~	×
Payment USO	$\checkmark$	$\checkmark$	$\checkmark$
Financing of USO	~	~	~
<b>Regulatory institutions</b>	$\checkmark$	×	$\checkmark$
Swiss Post statute	~	$\checkmark$	~

# 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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