

Swiss postal, telegraph and telephone services [continued]

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SWISS POSTAL, TELEGRAPH AND TELEPHONE SERVICES

(Continued)

"Which are the reasons which have brought about this unsatisfactory situation?

"First of all, it should be borne in mind that most charges and rates have remained unchanged since 1924. The international letter rate was raised twice, it is true; also, parcel post rates and the fees in the remittance and banking services went up once (on 1st January 1963). This latter increase resulted in additional receipts of approximately 38 mio francs — but was completely counter-balanced by an equivalent reduction of the telephone charges. The only advantages derived from this whole operation were a more realistic receipt structure in the postal service and the possibility of conveniently introducing periodic pulse metering in the telephone service (with an eye to the forthcoming automatic international telephone service). Frankly speaking: the pressing of large sections of the community, especially of business circles, for the full compensation of the postal rate increase by telephone charge reductions was rather short-sighted. For even at that time, in 1962, the present situation began to take shape.

"The fact of the frozen rates should be considered in the light of the cold devaluation of the Swiss franc which has occurred since as a result of the rising cost of living. The following figures speak for themselves:

"Starting with 100 points in 1939, the cost of living index rose to 152 points in 1944 and by August 1965 had reached 216 points. This is to say: The PTT rates fixed in 1924 do not nearly represent the money value they had at that time. We perform our services for a remuneration having less than half the purchasing power value of 30 years ago! The PTT can be said to hold a record with regard to price standstill agreements.

"Personnel and material costs have of course risen along with the creeping or almost open inflation and, hence, with postal charge depreciation. It is solely due to the automatising of the telephone service and the extraordinary increase in traffic, especially since the end of World War II, that receipts have risen even more steeply.

"Moreover, we should not overlook the fact that year for year the PTT have to pay for services at the present purchasing power value of the franc, while their own charges, largely those of 1924, are based on a far higher purchasing power value of the franc. An example will illustrate my point:

"In 1955 we paid 37.8 mio francs to the Swiss Federal Railways, private railways, steamship companies, etc., for mail transport. 30.1 mio went to the Federal Railways alone. The corresponding figures for 1964: total payments 52.2 mio francs, of which 42.6 mio went to the Federal Railways. This is an increase of no less than 38.1 % over 1955; of this, only a small proportion can be attributed to an increase in the work performed by the Railways as a result of the growing postal traffic.

"Staff costs account for almost half the operating expenses: 778.2 mio francs in the total expenditures of the operating account for 1964. The figures appearing in the budget for 1966 are as follows: 865.5 mio francs personnel costs in the total expenditures of 1,900 mio francs of the operating account. Besides the growing number of staff, the high costs of living allowances are of course in large part responsible for the sharply rising personnel costs.

"In summing up the financial situation of the PTT, it appears that on the postal side all services are operating

below cost — except letters and cards, which yield a profit. In the parcel post and postal coach passenger services the receipts pay for merely two thirds of the cost, in the remittance and banking services the excess of costs over receipts is one fifth. If in 1965 the PTT accounts still managed to keep out of the red, this is due to the telecommunication services, above all to the telephone.

"What can we do in order to meet the present situation? As a first step we have undertaken an exact analysis of all PTT services, in an effort to trace all the elements of the unbalance. Here is where cost accounting comes in, which gives us more accurate results from year to year.

"A sound business policy would demand that in future the PTT should not sell any of their services below cost. It stands to reason, however, that this principle cannot be observed throughout in a public undertaking. An examination of the present situation shows that the telecommunication services do pay their way, with the exception of the radio service, whose account shows a deficit.

"On the postal side the opposite is true, unfortunately. Naturally, a branch such as the postal coach passenger service for instance is obliged, in the general economic interest of the country, to provide transport on numerous non-paying postal coach routes.

"The reduction of the depreciation rates in financial accounting would be a further means of improving our earnings. However, our General Directorate holds this to be an unsuitable measure. We proceed cautiously in fixing these rates; normally our plant has a longer life than is shown by our depreciation account. But this is not the point. Depreciation in accounting has to see to it that the funds necessary for purchasing new plant are available when equipment has to be replaced because of its obsolescence or inefficiency. This is unfortunately no longer the case today. Not even half of our new investments is paid for by our depreciations. In financing our projects we have to rely increasingly on outside capital. We would have to do this to an even greater extent if we reduced our depreciation rates.

"Since 1963 less than 50% of the increment has been financed over the operating account (depreciations). In the year 1966 the book value of the PTT plant will probably reach almost 50%, as against 10.5% in 1946.

"The principal reason for this is the following: The PTT Enterprises start from the original value in their depreciations, and continue until the write-off reaches 100% of the original price. Under normal conditions the amounts written off should pay for new, similar equipment. Today this usually is no longer possible: new plant often costs double or three times the amount paid for the plant to be replaced. Thus the funds available from depreciation in the operating account do no longer suffice for the renewal of the plant; they have to be supplemented by capital from other sources. Therefore the book value of the capital account is constantly on the increase.

"To stem this unsatisfactory development, recourse could be had to a remedy which is being employed by private industry, and also by the Federal Railways: The regular depreciations could be increased by additional write-offs taking replacement costs into account and making allowance for today's price level. Unfortunately, the unsatisfactory financial situation of the PTT makes it impossible for us to adopt this course, although it would compensate, at least in part, the rising cost of the plant.

This is bound to lead to a loss of substance and — as depreciations are falling behind — to an internal indebtedness of the enterprise. In 1936 already, when the book value of the PTT plant had reached the level of 50%, the Federal Financial Control criticised the insufficiency of the depreciations and demanded additional write-offs.

(To be continued.)

A NEW TOWN

A city of the future is due to be created soon near Yverdon, a wide-awake industrial town on the Lake of Neuchâtel where the famous educationalist and writer Heinrich Pestalozzi had an institution from 1800 to 1825. Thanks to private initiative, the town has laid plans for the construction of an "ideal city" to house 6-10,000 people in the nearly 20 sq. miles of lakeside territory known as Champ-Pittet. The terrain was purchased from a real estate company four years ago, for the purpose of erecting a planned "City of the Future". The Yverdon authorities have already approved an initial credit of 7 million francs for the first phase of the project. Starting this coming autumn, there will gradually be erected the first 5-600 apartment units, a shopping centre, a school and parks.

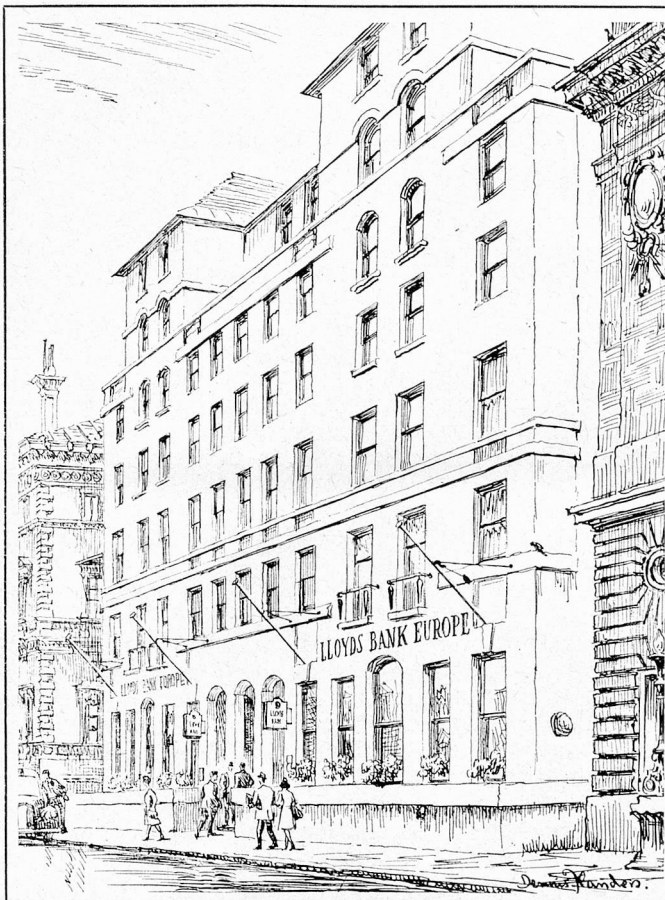
[S.N.T.O.]

FELIX AND REGULA FLY TO NEW YORK

Two swans from Zurich Lake, recently undertook a journey to New York — not under their own power, but on a Swissair jet. They were scheduled to be presented to New York's Mayor John Lindsay on 23rd June, at the opening of the Swiss Centre on Fifth Avenue, as a gift from Zurich's Mayor, Dr. Sigmund Widmer. According to the presentation document, the two swans, named after Zurich's early Christian patron saints, are a gift of friendship from the largest city in Switzerland to America's greatest metropolis. The birds' new home will be the lake in New York's Central Park.

[S.N.T.O.]

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