

20 November, 2019

Mr Rod Sims
Chairman
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Sims,

Notification of changes to Australia Post's reserved ordinary letter service

I am writing to formally notify the Australian Competition and Consumer Commission (ACCC) of proposed price changes within Australia Post's reserved ordinary letter service effective 2 January 2020.

The key change is a 10-cent increase to the ordinary small letter rate (the basic postage rate or BPR) from \$1.00 to \$1.10. Large letter prices will continue to be set relative to the BPR (i.e. they are expressed in multiples of the BPR) to ensure the pricing structure remains consistent and simple to understand.

Australia Post remains very conscious of its responsibility to maintain an accessible and affordable letters service for all Australians. As such the:

- Concession stamp will continue to be offered to eligible Australians at 60 cents; and
- The seasonal greeting rate will continue to be offered at 65 cents for a small letter.

Our formal notification is provided at [Attachment 1](#). Supporting information to the formal notification is at [Attachment 2](#).

Separate to this confidential version we will provide your staff with a public version and other supporting information, including external reports.

We remain committed to working closely with the ACCC in its consideration of this notification and addressing any issues that may arise. Accordingly, I encourage your team to contact Sandra Mills on (03) 9106 8789 if they have any questions.

Yours sincerely,



Christine Holgate
Group Chief Executive Officer & Managing Director

NOTIFICATION AND DETAILS OF CHANGES PROPOSED BY THE AUSTRALIAN POSTAL CORPORATION FOR ITS RESERVED ORDINARY LETTER SERVICE

Notification of changes pursuant to section 95Z of the Competition and Consumer Act, 2010

Name of Declared Person: Australian Postal Corporation (Australia Post)
Whose address is: 111 Bourke Street, MELBOURNE VIC 3000
(Postal address: GPO Box 1777, MELBOURNE VIC 3001)

Hereby gives notice that it proposes to supply the goods or services described below at the prices and terms and conditions indicated, effective from 2 January 2020.

Description: Locality, Proposed Prices, Terms and Conditions

The services, which are the subject of this notification, are detailed in Schedule 1 of this Attachment.

Context

The proposed 2 January 2020 increases are the first change to ordinary letter service prices since January 2016, when the choice of delivery speed was extended to all Australians.

At that time, the January 2016 changes ('**Reform**') were an essential re-calibration designed to provide closer alignment between the revenue raised from the letters service and the efficient cost of delivering the service.

Notwithstanding the benefit from Reform, the combination of ongoing volume decline and an ever-increasing delivery footprint requires a continuing focus on cost efficiency as well as regular price increases to ensure a sustainable letter service.

Since January 2016, the number of new delivery addresses has increased by around 700,000, yet the volume of letters that Australia Post is delivering has declined by around 820 million.

Australia Post believes the proposed prices are appropriate, justified and necessary to allow Australia Post to generate sufficient revenue to align more closely with the efficient forward-looking economic costs of its notified service (the reserved ordinary letter service).

As part of the proposed 2 January 2020 price increases, Australia Post will maintain the existing price of:

- concession stamps (at 60 cents);
- seasonal greeting card stamps (at 65 cents for a small letter); and
- the priority label (at 50 cents).


Even with the 2 January price changes, under the post-tax revenue model used by the Australian Competition and Consumer Commission in Australia Post's previous price notifications, by 2020/21 Australia Post's:

- reserved ordinary letter service is forecast to under recover by \$118m; and
- domestic letter service is forecast to under recover by \$351m.

Consideration having regard to section 95G(7) of the Competition and Consumer Act, 2010

Australia Post asserts that the proposed price changes do not result in revenues in excess of revenues based on efficient costs and a reasonable rate of return and are consistent with the requirements of section 95G(7) of the Competition and Consumer Act, 2010.

Signature:



Christine Holgate
Managing Director and Chief Executive Officer

Date: 20 November 2019

Schedule 1

Product	Current Price	Proposed Price
Ordinary Small	\$1.00	\$1.10
Ordinary Large Letters		
Up to 125 grams	\$2.00	\$2.20
Over 125 grams up to 250 grams	\$3.00	\$3.30