

Our Ref:
Contact Officer: Adam Jarvis
Contact Phone: 03 9290 6988



**Australian
Competition &
Consumer
Commission**

28 May 2010

GPO Box 520
Melbourne Vic 3001

Level 35, The Tower
360 Elizabeth Street
Melbourne Vic 3000

tel: (03) 9290 1800
fax: (03) 9663 3699

www.accc.gov.au

Mr Shane Morris
Group Manager
Corporate Strategy
Australia Post
GPO Box 1777
Melbourne Vic 3001

Dear Mr Morris

**Price Notification: Australia Post Pricing Proposal
Notice Pursuant to Paragraph 95Z(6)(b) of the Trade Practices Act 1974**

I am writing in response to the price notification (locality notice) given to the Australian Competition and Consumer Commission (ACCC) on 1 April 2010 by Australia Post pursuant to subsection 95Z(5) of the *Trade Practices Act 1974* (the Act).

On 26 May 2010, the ACCC decided not to object to the prices set out in that locality notice. A schedule of prices consistent with those specified in the locality notice is included as an attachment to this letter. The ACCC notes that the price changes are intended to take effect from 28 June 2010.

The reasons for the ACCC's decision are attached and have been published on the ACCC's website. This information will also be included in the public register kept under section 95ZC of the Act.

As outlined in the decision, while the ACCC did not object to the price increases in the price notification, it considers that further price rises over the next two years are not justified, based on an assessment of Australia Post's costs and volume forecasts.

The ACCC also considers that in the longer term, a continuing decline in demand raises more fundamental questions about the appropriate approach to the pricing of Australia Post's reserved letter services. In particular, the approach to determining the appropriate contribution towards shared costs by reserved services needs to be examined prior to any further price notification.

I also note your comments that Australia Post is currently reviewing its business model to ensure it is a sustainable business which can continue to meet its community service obligations into the future. The ACCC looks forward to receiving further information on the outcomes of this review.

If you would like to discuss this further, please do not hesitate to contact either myself on 03 9290 1804, or Adam Jarvis on 03 9290 6988.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Anthony Wing', with a stylized flourish at the end.

Anthony Wing
General Manager
Transport and General Prices Oversight

Attachment – Australia Post's existing and proposed prices

Schedule 1

Ordinary Letters

	Current	Proposed Prices	
		Amount	% Change
Small Letters			
Ordinary - (eg Stamped)	\$ 0.55	\$ 0.60	9.1%
Metered / Imprint	\$ 0.54	\$ 0.58	7.4%
Clean Mail (up to 125g)	\$ 0.48	\$ 0.51	6.3%
Seasonal Greeting Cards	\$ 0.50	\$ 0.55	10.0%
Large Letters			
Seasonal Greeting Cards			
Up to 125g	\$ 1.00	\$ 1.10	10.0%
Ordinary Letters			
Up to 125g	\$ 1.10	\$ 1.20	9.1%
Over 125 up to 250g	\$ 1.65	\$ 1.80	9.1%
Over 250 up to 500g	\$ 2.75	\$ 3.00	9.1%
Metered / Imprint			
Up to 125g	\$ 1.08	\$ 1.16	7.4%
Over 125 up to 250g	\$ 1.62	\$ 1.74	7.4%
Over 250 up to 500g	\$ 2.70	\$ 2.90	7.4%
Clean Mail			
Small Plus Size			
Up to 125g	\$ 0.75	\$ 0.80	6.7%

Notes/Comments: Ordinary Letters

Small, 55c to 60c; Large in multiples of 60c

Metered / Imprint from 54c to 58c, with Large rounded to multiples of 58c

Seasonal Greeting Card prices available during November and December

Local Delivery (only available in specified postcodes)

	Current	Proposed Prices	
		Amount	% Change
Small Letters			
Up to 125g	\$ 0.51	\$ 0.56	9.8%
Medium Letters			
Up to 125g	\$ 0.70	\$ 0.80	14.3%
Over 125 up to 250g	\$ 0.95	\$ 1.10	15.8%
Large Letters			
Up to 125 g	\$ 0.99	\$ 1.00	11.1%
Over 125 up to 250g	\$ 1.30	\$ 1.45	11.5%
Over 250 up to 500g	\$ 1.45	\$ 1.60	10.3%

Reply Paid

	Current	Proposed Prices	
		Amount	% Change
Small			
Barcoded	\$ 0.42	\$ 0.43	2.4%
Unbarcoded	\$ 0.63	\$ 0.65	3.2%
Annual Fee	\$ 65.00	\$ 65.00	0.0%
Large			
Up to 125g	\$ 1.20	\$ 1.30	8.3%
Over 125 up to 250g	\$ 1.75	\$ 1.90	8.6%
Over 250 up to 500g	\$ 2.85	\$ 3.10	8.8%

PrePaid Envelopes

	Current Prices			Proposed Prices			% Change		
	Single	1-4 Packs of 10	5+ Packs of 10	Single	1-4 Packs of 10	5+ Packs of 10	Single	1-4 Packs of 10	5+ Packs of 10
Plain Envelopes									
Small (DL and C6)	\$ 0.65	\$ 6.34	\$ 6.18	\$ 0.70	\$ 6.83	\$ 6.65	7.7%	7.7%	7.7%
C5 Size	\$ 1.30	\$ 12.68	\$ 12.35	\$ 1.40	\$ 13.65	\$ 13.30	7.7%	7.7%	7.7%
C4 Size	\$ 2.50	\$ 24.38	\$ 23.75	\$ 2.70	\$ 28.33	\$ 26.65	8.0%	8.0%	8.0%
B4 Size	\$ 2.90	\$ 28.28	\$ 27.55	\$ 3.20	\$ 31.20	\$ 30.40	10.3%	10.3%	10.3%
One Rate to the World Postcard	\$ 1.50	NA	NA	\$ 1.60	NA	NA	6.7%	NA	NA
Window Faced									
Small (DL and C6)	NA	Pk of 50 \$ 32.20	Bx of 500 \$ 309.50	NA	Pk of 50 \$ 34.70	Bx of 500 \$ 333.50	NA	Pk of 50 7.8%	Bx of 500 7.8%

Notes/Comments:

Non-reserved products (over 250g or more than four times the BPR) are shaded

All prices are GST Inclusive, except for External Territories where they are as stated but GST free.

PreSort Letters

Note: all prices are GST Inclusive, except for External Territories where they are as stated but GST free.

Regular Delivery	Same State BDT			Other State BDT			Residue			Unbarcoded Residue		
	Current	Proposed Price		Current	Proposed Price		Current	Proposed Price		Current	Proposed Price	
		Amount	% Var		Amount	% Var		Amount	% Var		Amount	% Var
Small Letters												
Up to 125g	\$ 0.399	\$ 0.427	7.0%	\$ 0.410	\$ 0.438	6.6%	\$ 0.449	\$ 0.477	6.2%	\$ 0.480	\$ 0.510	6.3%
Charity Mail	\$ 0.344	\$ 0.372	8.1%	\$ 0.355	\$ 0.383	7.9%	\$ 0.394	\$ 0.422	7.1%	\$ 0.480	\$ 0.510	6.3%
Small Plus												
Up to 125g	\$ 0.509	\$ 0.550	8.1%	\$ 0.551	\$ 0.572	7.7%	\$ 0.619	\$ 0.660	6.6%	\$ 0.750	\$ 0.800	6.7%
Medium												
Up to 125g	\$ 0.630	\$ 0.683	10.0%	\$ 0.674	\$ 0.737	9.3%	\$ 0.768	\$ 0.831	6.2%	\$ 0.905	\$ 0.968	7.0%
Over 125 up to 250g	\$ 0.823	\$ 0.913	10.9%	\$ 0.911	\$ 1.001	9.9%	\$ 1.015	\$ 1.105	9.6%	\$ 1.158	\$ 1.248	7.9%
Large												
Up to 125g	\$ 0.773	\$ 0.825	6.7%	\$ 0.817	\$ 0.869	6.4%	\$ 0.938	\$ 0.990	5.5%	\$ 0.982	\$ 1.034	5.3%
Over 125 up to 250g	\$ 1.103	\$ 1.155	4.7%	\$ 1.191	\$ 1.243	4.4%	\$ 1.323	\$ 1.375	3.9%	\$ 1.433	\$ 1.485	3.6%
Over 250 up to 500g	\$ 1.543	\$ 1.589	3.4%	\$ 1.675	\$ 1.727	3.1%	\$ 1.753	\$ 1.815	2.9%	\$ 1.983	\$ 2.035	2.6%

Off Peak Delivery	Same State BDT			Other State BDT			Residue			Unbarcoded Residue		
	Current	Proposed Price		Current	Proposed Price		Current	Proposed Price		Current*	Proposed Price	
		Amount	% Var		Amount	% Var		Amount	% Var		Amount	% Var
Small Letters												
Up to 125g	\$ 0.388	\$ 0.416	7.2%	\$ 0.399	\$ 0.427	7.0%	\$ 0.432	\$ 0.465	7.6%	\$ 0.465	\$ 0.505	8.6%
Charity Mail	\$ 0.328	\$ 0.356	8.5%	\$ 0.339	\$ 0.367	8.3%	\$ 0.372	\$ 0.405	8.9%	\$ 0.465	\$ 0.505	8.6%
Small Plus												
Up to 125g	\$ 0.488	\$ 0.539	6.2%	\$ 0.520	\$ 0.551	7.9%	\$ 0.608	\$ 0.649	6.7%	\$ 0.720	\$ 0.795	10.4%
Medium												
Up to 125g	\$ 0.597	\$ 0.671	12.4%	\$ 0.638	\$ 0.704	11.7%	\$ 0.729	\$ 0.820	12.5%	\$ 0.950	\$ 0.983	13.3%
Over 125 up to 250g	\$ 0.757	\$ 0.875	15.6%	\$ 0.801	\$ 0.919	14.7%	\$ 0.949	\$ 1.084	14.2%	\$ 1.099	\$ 1.238	16.9%
Large												
Up to 125g	\$ 0.751	\$ 0.803	6.9%	\$ 0.784	\$ 0.836	6.6%	\$ 0.905	\$ 0.979	6.2%	\$ 0.960	\$ 1.029	7.2%
Over 125 up to 250g	\$ 1.026	\$ 1.089	6.1%	\$ 1.092	\$ 1.155	5.6%	\$ 1.225	\$ 1.331	7.8%	\$ 1.334	\$ 1.474	10.5%
Over 250 up to 500g	\$ 1.381	\$ 1.375	-0.5%	\$ 1.339	\$ 1.465	5.9%	\$ 1.521	\$ 1.650	8.5%	\$ 1.741	\$ 1.825	10.6%

Impact Mail	Postcode Direct Tray			Area Tray			Residue		
	Current	Proposed Price		Current	Proposed Price		Current	Proposed Price	
		Amount	% Var		Amount	% Var		Amount	% Var
Small - up to 125g									
Same State	\$ 0.620	\$ 0.645	6.7%	\$ 0.640	\$ 0.680	6.3%	\$ 0.760	\$ 0.740	-5.7%
Other State	\$ 0.610	\$ 0.650	6.6%	\$ 0.650	\$ 0.690	6.2%	\$ 0.710	\$ 0.750	5.6%
Small Plus - up to 125g									
Same State	\$ 0.890	\$ 0.900	5.9%	\$ 0.900	\$ 0.950	5.6%	\$ 1.000	\$ 1.050	5.0%
Other State	\$ 0.860	\$ 0.910	5.8%	\$ 0.910	\$ 0.960	5.5%	\$ 1.010	\$ 1.060	5.0%

Acquisition Mail	Same State BDT			Other State BDT			Residue			Unbarcoded Residue		
	Current	Proposed Price		Current	Proposed Price		Current	Proposed Price		Current	Proposed Price	
		Amount	% Var		Amount	% Var		Amount	% Var		Amount	% Var
Off Peak Delivery												
Small - up to 125g	\$ 0.280	\$ 0.300	7.1%	\$ 0.300	\$ 0.320	6.7%	\$ 0.432	\$ 0.465	7.6%	\$ 0.485	\$ 0.505	8.6%
Small Plus - up to 125g	\$ 0.390	\$ 0.415	6.4%	\$ 0.410	\$ 0.435	6.1%	\$ 0.608	\$ 0.649	6.7%	\$ 0.720	\$ 0.795	10.4%

Notes/Comments - PreSort Letters

Small PreSort

Charity Mail prices for Barcoded items set at a specific cent reduction from 'non-charity' small PreSort (Regular 5.5c and Off Peak 6c)

Non-reserved products (over 250g or more than four times the BFF) are shaded