AUSTRALIA POST

AHMED FAHOUR
Managing Director and
Chief Executive Officer

GPO Box 1777
MELBOURNE VIC 3001

111 Bourke Street
MELBOURNE VIC 3000

Telephone: +61 3 9106 6758
Facsimile: +61 3 9206 4152

auspost.com.au

30 November 2015

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

Dear ~~Mr Sims~~ Rod,

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.

The key change is a 30-cent increase to the Ordinary Small Letter (the Basic Postage Rate or BPR) from 70 cents to $1.00. 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.

As you would be aware I'm very conscious of the need 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.

I am also pleased to confirm my commitment to continuing to support the mailing industry by increasing the discount for Promo Post from 14% to 25%.

We are planning to make these price changes effective from 4 January 2016. At the same time, consistent with the announcement by the Australian Government in March 2015, we will introduce a broad based, two speed letter service that provides all Australians with a choice of a 'Priority' or a 'Regular' letter service.

As you are aware, the combination of volume decline and the fixed-cost nature of our letter-sorting and delivery operations are leading to Australia Post incurring growing losses on the domestic reserved letter service.

Over the past three years, this loss has grown as follows:

- FY2012/13: ($198.0m)
- FY2013/14: ($242.6m)
- FY2014/15: ($283.4m)

The proposed 30 cent BPR increase, coupled with the introduction of the Priority and Regular delivery timetables, will assist in reducing the size of the loss that we incur in providing the nation's letters service.

Our formal notification is provided at Attachment 1. Supporting information to the formal notification is at Attachment 2.

Australia Post wishes to assist the ACCC in its consideration of this notification and to promptly resolve any issues that may arise during the course of those considerations. Accordingly, please do not hesitate to contact Mark Pollock, General Manager, Mail Products on (03) 9106 7578 if you have any questions.

Yours sincerely,

Ahmed Fahour
Managing Director and Group Chief Executive Officer

Attachment 1

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 4 January 2016.

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:

Australian domestic addressed letter volumes reached a peak in 2007/08 (4.6b letters). By 2017/18, Australia Post expects volumes to be less than half of that peak (2.1b letters).

On 3 March 2015 a joint release by the Hon Malcolm Turnbull MP, then Minister for Communications and Senator the Hon Mathias Cormann, Minister for Finance announced that to support a more sustainable letter service, with the aim of breaking even, the Australian Government had approved Australia Post's request to introduce a two-speed letters service (Regular and Priority) and that the price of Regular letters would be overseen by the Australian Competition and Consumer Commission (ACCC).

The release also noted:

- The introduction of this service would be 'no earlier than September 2015';
- To support the sustainability of the letter service, Australia Post would apply to the ACCC to increase the regular stamp price from $0.70 to $1.00;
- Australia Post would continue to deliver mail five days a week to 98% of addresses;
- The concession stamp (available to 5.7 million Australians) would be frozen at 60 cents; and
- The seasonal greeting card rate would be frozen at 65 cents.

Consistent with this announcement, in August 2015, Australia Post provided the ACCC with a draft notification proposing an increase to Ordinary Letter Services (including the basic postage rate) effective 4 January 2016.

The draft notification also noted that as part supporting the sustainability of the letters service, product changes to give all Australians a choice between a 'Priority' letter service (delivered according to the existing delivery timetable) and a 'Regular' letter service to be delivered to a slower delivery timetable would be introduced at the same time.

To ensure the ACCC has the most recent and relevant information upon which to consider Australia Post's proposal, in October 2015, Australia Post provided the ACCC with a Supplementary Information document.

This document, based on Australia Post's 2015 Corporate Plan, contains an additional year of forecast data (out to 2017/18), updated volume and revenue forecasts as a result of the increased discount for Promo Post and updated information on the increased benefit from Australia Post's major reform Program 'Reform our Letters Service – RoLS' (from $262m to $323.8m)

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: ______________________________

Ahmed Fahour
Managing Director and Group Chief Executive Officer

Date: **30 November 2015**

Schedule 1

Product	Current Price	Proposed Price
Ordinary Small	70c	$1.00
Ordinary Large Letters		
Up to 125 grams	$1.40	$2.00
Over 125 grams up to 250 grams	$2.10	$3.00