

Our ref: R92/0039-03 Out-24217

3 December 2015

Mr Robert Wright
General Manager - Water and Wireline Markets
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Wright

ACCC Assessment of Australia Post Postage Pricing

I write to provide Local Government NSW (LGNSW)'s submission to the Australian Competition & Consumer Commission (ACCC)'s assessment of Australia Post's proposed pricing for postal services.

LGNSW is the peak body for councils in NSW. LGNSW represents all 152 NSW general-purpose councils, 12 special-purpose county councils and the NSW Aboriginal Land Council. In essence LGNSW is the 'sword and shield' of the NSW Local Government sector.

Australia Post proposes to introduce a basic postage rate of \$1 for letters delivered at a new timetable, which allows up to an extra two business days for delivery to occur. Postage stamps for letters delivered at the current timetable cost 70 cents. Australia Post's proposal also includes price increases for the delivery of large letters.

LGNSW opposes the price increases and service level reduction proposed by Australia Post.

If the proposed prices and service levels were approved, this would have significant financial and communication implications for Local Government. It would increase council expenditure on mail by up to an estimated \$100,000 per annum for larger councils and would negatively impact on the timeliness of mail communication with councils' ratepayers and their communities.

While the mail services division of Australia Post made a significant loss in 2014, overall Australia Post recorded a substantial profit. Rather than imposing increased charges on consumers, Australia Post should review the operation of its mail services division with a view to implementing efficiencies that reduce expenditure in that division. It should also be noted that combining the year end results for mail services and parcel services amounts to a profit rather than a loss. Australia Post has recorded a 5-year profit (2010/11 to 2014/15) after tax of \$905.5 million.

LGNSW further submits that:

- Australia Post's 2014 Annual Report reveals that they are providing services in excess of their Customer Service Obligations (CSOs) which is contributing to the increase in costs for the mail services division. It is recommended that Australia Post reviews their delivery of CSOs rather than proposing increases in prices and reductions in service levels to the ACCC.

- The requested price increase of 43% for letters is substantial and appears to have no basis other than to cover losses suffered in the mail services division. When compared to the Consumer Price Index (1.5%) and the Wages Price Index (2.5%) for the last 12 months, this increase is more than 17 times these indexes, and does not take into account the current economic climate or the capacity of consumers to pay.
- Australia Post not only proposes a huge price increase, but also to deliver mail three times more slow in the metropolitan area. Such a significant price increase is usually accompanied by a justification of how this will improve service standards, not with a reduction in delivery standards to consumers. In a society where the public demands better and more up-to-date information, the changing of regular deliveries from 1 to 3 days will result in poor communication and delays in consumers receiving vital information.
- In submitting the price notification to the ACCC, Australia Post has failed to identify its pricing for priority letters (i.e. delivery next business day). The prices for priority letters should be disclosed as they are likely to increase by even more than 43%, potentially resulting in greater cost increases in councils' mail expenditure. LGNSW calls on Australia Post to be more open and transparent in its proposals so that a true and proper assessment can be undertaken.

I trust that LGNSW's submission is of assistance and will result in an improved outcome for NSW councils.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Keith Rhoades', written in a cursive style.

Cr Keith Rhoades AFSM
President