

Our Ref:

Enquiries: Angela Matthews

28 September 2015

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

postalservices@acc.gov.au

Dear Mr Wright,

I refer to the draft proposal lodged by Australia Post to increase the price of its ordinary letter services, including stamps and increase its delivery service standards. Council strongly objects to these proposals due to the significant financial impacts they will have on Council's budget and the significant impact the change in delivery standards will have on Council communicating with its residents in a timely fashion.

Break O'Day Municipality is a small, remote Municipality on the East Coast of Tasmania and timely mail delivery is sometimes an issue already with Australia Post with next day delivery not always guaranteed because of the processes in place within Australia Post in Tasmania. From advice we have previously received is that our mail goes to Hobart for sorting and then quite often has to come back to the area for delivery which causes delays within itself.

With the introduction of the proposed new two-speed delivery service would again be an impost on our community as well as the considerable cost increases.

Particularly, Council objects to these proposals, for the following reasons:

- While the mail services division of Australia Post made a significant loss in 2014, overall Australia Post recorded a substantial profit so rather than impose 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 this Division. It is also worth noting

from the **mountains** to the **sea**



- that if you combine the year end results for mail services and parcel services these amount 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.
- Australia Post's 2014 Annual Report reveals that Australia Post are providing services in excess of their Customer Service Obligations (CSO's) which is contributing to the increase in costs for the mail services division. Council recommends that Australia Post reviews their delivery of CSO's rather than the changes proposed to the ACCC.
- The requested price increase of 43% for letters is a substantial increase that has no basis other than to cover losses suffered in the Australia Post's 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 nor the capacity of consumers to pay for such.
- Not only is Australia Post proposing a huge price increase but are proposing to deliver mail three times slower in the metropolitan area. In a business sense it does not seem rational to diminish delivery standards (3 fold) and increase your prices by 43%. Such a dramatic price increase is usually accompanied by a justification of how this will improve service standards not diminish delivery standards to the consumers.
- In a society where the public want to be more informed and provided with up-to-date information changing regular delivery from 1 to 3 days is not fair to the public and will result in poor communication and delays in consumers receiving vital information.
- The price increase will have a huge impact on businesses as a whole given Australian is currently experiencing low growth in it's economy. The price increase will also have a huge impact on the budgets of local councils who rely on Australia Post's mail services to communicate with it's residents. If this increase goes ahead than councils will be forced to investigate using other alternatives to regular mail as well as investigating other service providers for mass mailouts/deliveries which will reduce Australia Post's volumes even further.
- In submitting the price notification to the ACCC Australia Post has not identified its pricing for priority delivery. If customers need a letter delivered by the next business day Australia Post has not disclosed what price this will be. Firstly, Australia Post by hiding the price of priority delivery are not acting in an ethical way towards its customers and secondly this will mean that the price for sending a letter using priority delivery will be even greater than 43% and result in businesses expenditure on mail raising even higher than 43%. Council calls for Australia Post to be more open and transparent in it's proposals so that a true and proper impact on costs can be undertaken.
- While mail volumes for Australia Post may be decreasing, Australia Post need to reform its business practice rather than increase its prices, this is no more evident than the increase in operating costs of the CSO's of \$30 Million in 2014.

Yours faithfully



Bob Hoogland
ACTING GENERAL MANAGER