



October 4, 2015

Mr Robert Wright
General Manager – Water and Wireless Markets
Australian Competition and Consumer Commission
GPO Box 520
Melbourne NSW 3001 postalservices@accc.gov.au

Dear Mr Wright,

Thank you for inviting us to make a submission on Australia Post's Draft Price Notification Issues Paper dated September 2015.

We oppose the 42.85% price increase for letters (BPR).

We oppose the 42.85% price increase for Large Letters up to 125g

We oppose the 30% price increase for Large Letters 125g to 250g

The proposed increase to \$1 for BPR letters, is really a **100% price increase since 2007** and **81.8% increase** since 1/9/08, which is way above the CPI in Australia in the same period.

At the same time, Australia Post has increased the prices of Parcel Post satchels (500g and 3kg) by **over 60%** since 2008, again way above the CPI in Australia in the same period.

The proposed massive hike in BPR letter, will very likely drive more mail users to continue to increase their use of email mediums causing Australia Post to come back with more and more requests to increase their postage fees to cover the shortfall.

Setting aside Licenced Post Offices (LPO's) in Australia, whose premises are either owned or rented by small businesses, the Australia Post wholly owned Post Office's (WOPO's) are in premises either owned or sold off by Australia Post and then rented by Australia Post. These WOPO's are therefore provided to Australia Post as taxpayer - funded outlets for Australia Post's business.

It is our submission that Australia Post is not making good economic retail use of these wholly taxpayer funded WOPO assets and this is placing pressure on the costs of Australia Post's letters and parcel business, resulting in letter and parcel price postage increases and placing undue cost of living increases and cost of doing business pressures on consumers, small businesses as well as medium / large enterprises.

Australia Post are in a unique position to make good use of these WOPO assets to drive profitable sales, so as to alleviate the need to increase the prices of letters and parcels, but they are squandering the opportunity.

Australia Post does not manifest any concrete evidence in retail operation expertise. Their WOPO retail outlets are poorly designed and laid out with little to no regard to efficiency, economic trading or attention to customer satisfaction.

Access to their services are restricted by shop design and their operational approach and given the range of services offered at these retail outlets, the time customers waste attempting to access any or all of these services are causing more and more to turn to alternative avenues.

With regard to WOPO transactions like passport applications and bill payments which while vital for consumers to access, require better control to avoid queues being intermingled with person requiring traditional postage services. Smarter methods for Australia Post to operate these sections of their business may be to dedicate areas, require appointments for passport services. Self-service units to dispense stamps using cash / credit card as payments and even self-service units for bill payments accepting cheque are all achievable and would both reduce queues and reduce costs of WOPO operations

Sophisticated processing of parcels and letters at WOPO using currently available methodologies such as automated dimension and automated weighing coupled with postage and label printing (bar-coded) could improve the speed and efficiency of sending parcels and letters. Transfers of hand-written delivery instructions via scanning and transference to bar-coded labels are achievable. On-line preparation of delivery instructions for parcel or letters for postage could be set up with 3d barcodes issued to smart phones for final transaction completion at the WOPO outlet. All of these available technologies would reduce costs, improve service and improve parcel and letter delivery processes across all of Australia Posts operations. We believe that Australia Post should expend far more time in seeking low cost, high service methodologies rather than simply increasing prices particularly when a main cause of the decline of throughput can be traced back to Australia Post's own internal inefficiencies

With regard to merchandising, Australia Post could provide competitive merchandising given its buying power and be a destination for consumers and small business. This need not only be through a physical presence in the WOFO's but online as well. Additionally Australia Post may be required to conduct detailed research in to the types of merchandise that would suit the outlets, attract customer and increase retail profits.

Therefore it is our submission, that Australia Post is squandering their WOFO assets and this is placing pressure on the letters and parcels pricing.

There needs to be detailed and robust competitive oversight with Government owned Corporations and our submission will now explain why and how Australia Post are price leading up the whole market for parcel and larger load freight in Australia.

One of the fastest growing costs for ALL businesses in Australia, especially small – medium business is freight. This includes freight costs from supplier to the wholesaler / retailer and from the retailer to the consumer, where for example goods are shipped to the consumer.

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The key benchmark for setting freight rates in Australia, is the **100% Australian Government owned entity** – Australia Post.

Our submission is that the actions of Australia Post in recent years has detrimentally impacted the businesses and consumers it provides services for, and in particular small / medium business. Australia Post is making Australian businesses more uncompetitive, by their uncontrolled and exorbitant price increases. It is Australia Post that leads and influences their private sector competitors (e.g. couriers and freight handlers) in pricing attitudes hence when Australia Post places an increase the private sector generally follows.

The ACCC should look very closely Australia Post which has increased the prices of Parcel Post satchels (500g and 3kg) by **over 60%** since 2008. They have also increased the prices of over the counter parcels and Express Post satchels, by a similar amount.

Parcels / Cartons and satchels are the way Australian companies send goods to other companies and to consumers. They either use Australia Post or Couriers etc. or their own fleet (if they have a fleet).

We have retained a copy of all of the Australia Post price increase media releases since 2009, to prove these price increases. If you require them, please let us know. Australia Post only publically retain the last price increase as accessible on their website.

For many years Australia Post had provided a competitive service which was less expensive than Courier Companies, and they also provided a wider geographic coverage. However, since 2011/ 2012, following the heavy Australia Post price increases, Courier Companies are now much cheaper than Australia Post. We will provide examples later in this response.

Australia Post, in their media releases and other commentary over the past 4 years, has blamed the following for the price increases:

1. More delivery locations across Australia (i.e.: new suburbs etc)
2. The increase in Diesel prices
3. The declining letter volume, resulting in need to make up revenue elsewhere
4. Online Tracking ability on parcels and satchels, (i.e. new improved service)

While there may be more suburbs in new urban areas, we do not believe this is a major factor. Diesel prices since 2009 and 2014 are very similar in cents per litre. <http://www.aip.com.au> Letter volumes may indeed be declining, but this does not justify the huge increases on Australian consumers and businesses. The tracking ability has been available from private companies for many years and it is generally offered as part of their standard service. Australia Post has only recently offered this service and it is a restricted service, not fully or generally available.

As you aware, the Australian Bureau of Statistics CPI increase, given the Australian and Global economy in the past 4 years (2009 – 2013) has been approximately 11.07% since 2009. **Therefore Australia Post has increased prices five times the CPI.**

What impact has this had on Australian Businesses and Consumers?

Australia Post is losing parcel business to Courier Companies, who are much cheaper and offer a better service (albeit to major cities, major regional and rural areas, and not every remote rural location).

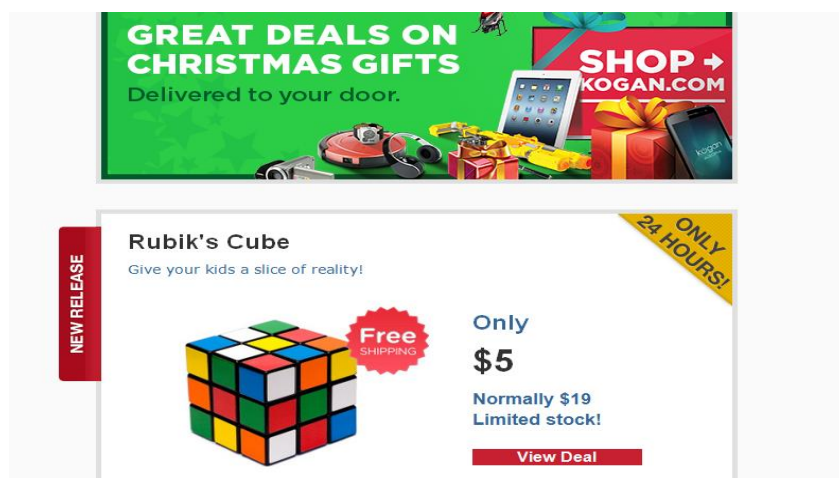
The impact has been worse actually. With such a rapid increase in Australia Post parcels and satchels pricing, Australia Post is price leading up the market and allowing the Private Sector Courier Companies to push their prices up more than they maybe would have. This also has overall competitive issues for Australian versus overseas businesses.

A 100% Australian Government owned entity, like Australia Post, should not be doing this and potentially creating a situation where private company competitors can simply follow Australia Post's lead increase their prices. There needs to be better control and competitive oversight of Australia Post and other 100% owned Government entities and there should be a call for public and expert commentary, well before these hasty and significant price increases, five times the CPI, are allowed to be imposed on business and the public alike.

With the exception of 2014, where for some undisclosed reason other than that Australia Post may have been surprised that some competitors had not increased prices as fast as they have, Australia Post generally seek and achieve price increases in April and October, each year.

To illustrate the point of parcel cost competition, at an Online Retail conference in Sydney in November 2013, and a Director from Kogan Pty Ltd presented. He can ship a small package (Rubik Cube) from their warehouse in Shenzhen China (including packing, labour, air shipping and delivery) to **any residential address** in Australia for \$A1.40, whereas it costs him \$A7.50 for sending the same item (including packing and postage, but excluding labour) across the street or across the country inside Australia.

We realise international postal agreements will be a factor, but you can understand the quantum of the problem facing Australian businesses and consumers with the uncompetitive landscape Australia Post is providing and contributing to.



Australia Post introduced new services in late 2011 called *Click & Send* in partnership with Ebay.

<http://auspost.com.au/parcels-mail/click-and-send.html>

These 500g and 3kg satchels were released into the market at competitive prices, but soon after in 2012 Australia Post increased the price of the 500g product by a whopping \$1 (around 15%) and by a lesser yet substantial amount in the first half of 2013. The Australia Post increases were so aggressive and uncompetitive, that in October 2013, following complaints, they decreased the price by 20c to \$6.95. In April 2014, they increased the price again by 20c and in May 2014 by another dollar to \$8.20. This product is targeted at small retail business and are purchased **online** (customer or business prints consignment details and pays with credit card or Paypal).

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This *Click & Send* product has tracking, but ONLY if you take it to an Australia Post outlet, queue up and have it scanned. This process could involve a queue at the Post Office for anything up to 25 minutes, depending if you are unlucky enough to get a bill payment or passport application in front of you.

The business can lodge the Click & Send satchel into a red Australia Post mailbox, but they don't get lodgement proof or lodgement tracking. They can also pay an extra service fee and Australia Post will collect from their premises.

So let's look at how uncompetitive Australia Post has become and how this will be hurting Australian businesses and consumers.

Please see attached spreadsheet (Attachment A)

In September 2014 we compared the pricing of Satchels and also cartons (22 kilo limit at Australia Post, and 25kg limit with couriers).

Couriers are up to 22.5% cheaper in the 500 gram market with a better 1 kilo product

Couriers are up to 52.24% cheaper in the 1kilo market

Couriers are up to 25.7% cheaper in the 3 kilo market

Couriers are up to 30.8% cheaper in the 5 kilo market

Couriers are up to 47% cheaper in the 22 kilo market with a better 25 kilo product and with tracking

Couriers also provide FREE insurance up to \$1500. Australia Post provides no insurance, unless an additional fee is paid and the insurance is limited. The process to claim on Australia Post insurance is protracted and takes many weeks if not months.

As you can see couriers, who offer a better service, are significantly cheaper than Australia Post. The price delta is simply too great, and the couriers offer a better service in that they collect from the consumer / business premises, whereas with Australia Post you have to line up and lodge at a Post Office or red street post box (and lose lodgement tracking)

Australia Post may offer better contracted rates with high volume business customers, as the Couriers would as well.

Whichever way you look at it, Australia Post has been irresponsible with their (close to) 60% increases in parcel and satchel rates since 2008. Worse, they are making Australia uncompetitive, contributing to excessive inflation and impacting on the disposable income of consumers and the profits of businesses. Their pricing actions are also leading up the prices of their private sector competitors. We would argue that they are also forcing small businesses who sell products of a lower shipping value, out of business.

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We do understand that postage and parcel services to regional and outback areas within Australia are necessary and that Australia Post has an obligation to ensure that these services do not deteriorate or diminish, however we must stress that while all Australians can and should expect some subsidy to ensure these vital services can be retained, it should not allow Australia Post to continue to unjustly increase pricing without first seeking methods to improve their operational capability, their sophistication of service and their technological expertise to embrace and adopt cost reducing processes.

Thank you for the opportunity to submit to the ACCC.

Yours sincerely



Mark Skipper
Chairman



John Eleftheriou
Director

www.sclaa.com.au

Attachment: Australia Post v Couriers October 2014

Attachment A includes GST	Australia Post single item rate	Australia Post bulk rate 10 - 90 satchels per shipment	Australia Post bulk rate 100+ satchels per shipment	Fastway Couriers single item rate 20+ satchels per shipment	Fastway Couriers bulk rate 20+ satchels per shipment	Australia Post higher than Fastway by
Last price increase	8/04/2013	8/04/2013	8/04/2013	1/11/2013	1/11/2013	
	no insurance	no insurance	no insurance	insurance to \$1500	insurance to \$1500	
500 gram Satchel with tracking	\$8.25	\$7.84	\$7.22	\$6.40	\$6.40	22.42%
1kilo Satchel with tracking	\$13.40	\$12.73	\$11.73	\$6.40	\$6.40	52.24%
3 kilo Satchel with tracking	\$13.40	\$12.73	\$11.73	\$9.96	\$9.96	25.67%
5 kilo Satchel with tracking	\$16.70	\$15.87	\$14.62	\$11.55	\$11.55	30.84%
	Australia wide	Australia wide	Australia wide	National Coverage except remote / some rural		
	<----over counter or post in red post box (1) --->			see map hyperlink. pickup from your location		
	(1) no lodgement tracking if in red post box			Full Online Tracking	Full Online Tracking	
	Australia Post Parcels	Australia Post Parcels	Australia Post Parcels	Fastway Couriers Parcels	Fastway Couriers Parcels	
Last price increase	31/03/2014	31/03/2014	31/03/2014	1/11/2013	1/11/2013	
				20+ price	100 - 400 price	
Up to 22 kilo's carton (same zone)	\$9.75	\$9.75	\$9.75	\$9.90	\$4.75 - \$6.85	51.28%
(same zone - Metro area)	over counter	over counter	over counter	< -----online tracking and 25kg ----->		
	no tracking	no tracking	no tracking	pickup from your location		

2013 Pricing

<http://auspost.com.au/parcels-mail/prepaid-satchels.html>

2014 Pricing

<http://auspost.com.au/media/documents/Parcel-Post.pdf>

<http://www.fastway.com.au/images/pricing/nov-13/rate-schedule-melbourne-nov13.pdf>

Australia Post March 2014 price increase was for parcels, left satchels the same