

Mr Anthony Wing
General Manager—Transport and General Prices Oversight
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Anthony Wing,

I take this opportunity to comment on the proposed postal cost rate increase.

Having used Australia Post's services in a personal and professional capacity, and also having watched the service of the general postal service not change drastically in terms of shorter delivery times or reliable delivery, I find it difficult to come to grips with the proposed price increase.

In a professional capacity, we have made the conscious decision to refrain from using direct marketing methods, such as standard letters in our communications and marketing mix due to the increasing costs. Consider small businesses, which rely on this service to generate demand. A small change in price, even five cents, is enough to make a once palatable campaign financial unviable. If the Australian Government were committed to small businesses, they would seek to reduce the price of this service. In simple economic supply and demand terms, this would invariably increase the use of the service, generating the same, if not more revenue and profit to Australia Post.

In a personal capacity, I liken these price increases to Melbourne's public transport dilemma. Fare prices continue to increase, yet the service quality continues to decline. While I can appreciate that traditional postal mail is under attack from electronic forms of communication, this is largely due to ease of use and cost. While ease of use cannot be overcome through Australia Post's intervention, the cost issue can certainly be addressed.

The cost of basic communication services have continued to decrease over the last twenty years, all with the exception of postal services. Telecommunications services, particularly the cost of a 'local call' has declined in price significantly since the deregulation of the market in 1997 where the standard cost for a local call was approximately twenty-five cents. Today, local calls can be had for less than twelve cents, more than a 50% decrease over 13 years. During the same period, the basic domestic postage rate has increased from forty-five cents to a proposed price of sixty cents, an increase of 25% percent over the same period.

Staffing numbers have remained relatively stable over the last few years according to its annual reports. General costs including vehicles, petrol and other associated costs in market terms have also remained relatively stable. In terms of operating a logistics fleet, I propose a question to Australia Post – what is the purpose of the price increases, if general costs haven't increased? Let's assume that CPI has a role to play. Even then, CPI has only risen 5% between March 2008 and March 2010, where the price of a postage stamp has risen 8% over the same period. This provides further support to the ACCC's objection in 2009 to a proposed rate increase which did not adequately address the linkage between prices, volumes and costs, which is still not clear.

In summary, I object to the rate increase. Australia Post should seek other revenue raising opportunities, just as other businesses in Australia are forced to do each and every day, instead of continuing to increase the price of a monopolised commodity in postage fees.

Regards,

Andrew Sims.