



Record Keeping Rules
Establishing a
Regulatory Accounting Framework
for
Australia Post
issued under section 50H
of the
Australian Postal Corporation Act 1989

30 March 2005

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Part I—Introduction, Interpretation and Objects

1. Title

- (1) These Record Keeping Rules (the Rules), made by the ACCC under section 50H of the *Australian Postal Corporation Act 1989*, may be referred to as the Australia Post Record Keeping Rules.

2. Interpretation

- (1) In these Rules, unless the contrary intention appears:

Account Item	means any categorisation or grouping of costs, revenues, assets, liabilities, capital funding and reserves recorded in Australia Post's accounting records.
Australia Post	means the Australian Postal Corporation.
Australian Accounting Standards	means the series of accounting standards developed by the Australian Accounting Standards Board.
ACCC	Australian Competition and Consumer Commission
Group Statutory Accounts	means the audited statutory financial statements prepared by Australia Post in satisfaction of its requirements under section 9 of the <i>Commonwealth Authorities and Companies Act 1997</i> .
Manual	means the Regulatory Accounting Procedures Manual, required by Rule 23.
Regulatory Accounts	means the Statement of Financial Performance, the Statement of Capital Employed, the Statement of Movements in Non-Current Asset Values, Statement of WACC and the Statement of Service Group Usage, required by these Rules.
Reports	means the Regulatory Accounts, the Regulatory Accounting Procedures Manual, the audit report for the Regulatory Accounts and Responsibility Statement required by these Rules.
Rules	means these Record Keeping Rules for Australia Post.
Schedule	means Schedules 1 to 11 of these Rules, of which Schedules 1 to 10 are to be incorporated into the Regulatory Accounting Procedures Manual and may be amended or varied in accordance with the procedures set out in Rule 23. Any such amendment or variation made

pursuant to Rule 23 will be deemed an amendment or variation to the Schedules of these Rules.

Service Group	means the Services Groups defined in Schedule 1 of these Rules.
Subsidiary	has the same meaning as in the <i>Corporations Act 2001</i> .
WACC	means the weighted average cost of capital

3. Object of these Rules

- (1) The object of these Rules is to give effect to matters underlying Part 4A of the Australian Postal Corporation Act and in doing so provide instruction to Australia Post about records it must keep and the manner and form in which it must report to the ACCC. In particular these Rules provide:
 - (a) details of the information and financial reports to be provided for each Service Group, including the revenues, costs and capital associated with each Service Group
 - (b) principles to be applied by Australia Post in developing detailed allocation methodologies in compliance with these Rules
 - (c) details of specific reports on activity levels
 - (d) rules that Australia Post must follow in developing a Manual which records the procedures to be followed in preparing the Reports
 - (e) the audit and compliance framework for ensuring the integrity of the information provided to the ACCC.

Part II—Application of these Rules

4. Application

- (1) These Rules apply to Australia Post.
- (2) Australia Post must keep records of all matters relevant and necessary for the purposes of preparing the annual Regulatory Accounts.
- (3) In keeping records and providing Reports under these Rules Australia Post must report with respect to all business activities:
 - (a) engaged in wholly by Australia Post; and
 - (b) engaged in by any subsidiaries of Australia Post.

5. Commencement

- (1) The ACCC will issue the Rules by:
 - (a) placing the Rules on its website
 - (b) sending an electronic copy of the Rules to Australia Post.
- (2) The ACCC will publicly announce that the rules have been issued.
- (3) Australia Post must lodge its first reports in accordance with Rule 20 for the financial year ending 30 June 2005.

6. Reviewing and amending these Rules

- (1) The ACCC may review and amend these Rules from time to time, in light of its requirements and the objects of these Rules.
- (2) When conducting a review of these Rules, the ACCC will consult with Australia Post and, if it considers appropriate, may also provide an opportunity for public comment.
- (3) Australia Post may request that the ACCC amend the Rules. A request for amendment should be in writing and should explain the reasons for the requested amendment(s).
- (4) The ACCC must decide whether to make the amendments requested under sub rule 6(3) and will advise Australia Post of its decision in writing.
- (5) In considering requests for amendment made under sub rule 6(3), the ACCC may consult interested parties and may provide an opportunity for public comment.

- (6) When deciding whether to amend the Rules, the ACCC will have regard to:
 - (a) the objects of these Rules;
 - (b) the Australian Postal Corporation Act;
 - (c) whether the amendment is likely to be of significant value having regard to subsection 50H(4) of the Australian Postal Corporation Act; and
 - (d) any other relevant matter.
- (7) Rule 6 does not apply to Schedules 1 to 10 which are incorporated into the Regulatory Accounting Procedures Manual and may be varied in accordance with the procedures set out in Rule 23.

7. Summary of requirements

- (1) Australia Post must keep the following records necessary for the purpose of preparing and providing the following statements (collectively known as Regulatory Accounts):
 - (a) a Statement of Financial Performance prepared in accordance with Rule 15
 - (b) a Statement of Capital Employed prepared in accordance with Rule 16
 - (c) a Statement of Movements in Non-Current Asset Values prepared in accordance with Rule 17
 - (d) a Statement of WACC prepared in accordance with Rule 18
 - (e) a Statement of Service Group Usage prepared in accordance with Rule 19.
- (2) Australia Post must ensure the Regulatory Accounts are audited in accordance with Part VI of these Rules.
- (3) Australia Post must provide a Responsibility Statement in accordance with Rule 22.
- (4) Australia Post must provide a Regulatory Accounting Procedures Manual prepared in accordance with Rule 23.
- (5) Australia Post must provide the records described in sub rule 7(1), the audit report resulting from the audit described in sub rule 7(2), the Responsibility Statement described in sub rule 7(3) and the final copy of the Regulatory Accounting Procedures Manual described in sub rule 7(4) to the ACCC in accordance with Rule 20.

8. Calendar of key dates

- (1) The following are key dates in relation to Australia Post's compliance with these Rules (based on a July to June financial year):

- (a) 15 April last day for the lodgement of the draft Regulatory Accounting Procedures Manual with the ACCC.
- (b) 15 April last day for providing draft terms of reference for the audit of the Regulatory Accounts to the ACCC.
- (c) 7 May last day for the ACCC to request changes to the terms of reference for the audit of the Regulatory Accounts.
- (d) 17 May last day for providing terms of reference for the audit of the Regulatory Accounts to the auditor.
- (e) 30 June end of financial year reporting period.
- (f) 15 October last day for the lodgement of Group Statutory Accounts.
- (g) 15 November last day for lodgement of Reports under these rules.

Part III—Principles of Preparation

9. Accounting standards and policies

- (1) All Reports prepared and provided by Australia Post to satisfy these Rules must be prepared according to Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and applicable accounting standards, except where these Rules specifically mandate otherwise.
- (2) Australia Post must advise the ACCC of any material changes to its accounting principles or policies, and the rationale for such changes.
- (3) Australia Post must provide the ACCC with details of any material impact that changes made under sub rule 9(2) will have on the Regulatory Accounts.

10. Reconciliation to Group Statutory Accounts

- (1) The Regulatory Accounts are to be prepared by de-consolidating and disaggregating, by each Service Group, the Group Statutory Accounts.
- (2) The Statement of Financial Performance and Statement of Capital Employed in the Regulatory Accounts must be reconciled to the primary business segments, and to the product dissections between reserved and non-reserved services contained in Australia Post's Group Statutory Accounts.
- (3) Australia Post must be able to demonstrate that the figures used in the Regulatory Accounts are traceable and reconcilable to Australia Post's Group Statutory Accounts and the accounting records that underlie its Group Statutory Accounts.

11. Substance over form

- (1) Australia Post must ensure that the Regulatory Accounts report the substance of transactions and events.
- (2) When the commercial substance of a transaction or event differs from legal form, it is the commercial substance that must be reported.
- (3) In determining the substance of a transaction or event, all aspects and implications must be considered, including the expectations of and motivations for it.

12. Materiality

- (1) Australia Post must ensure that all material items are disclosed in the Regulatory Accounts. The ACCC will apply the following standard of materiality:
 - (a) an item is material if its omission, misstatement or non-statement has the potential to prejudice the understanding of the financial or operational position and nature of the services, gained by reading the Regulatory Accounts.

13. Allocation of Account Items

- (1) The Statement of Financial Performance and the Statement of Capital Employed shall use methods for allocating Account Items between services as set out in this rule.
- (2) Each Account Item to be reported in relation to a particular Service Group must be reported as either:
 - (a) a direct Account Item – that is, one solely associated with the particular service;
 - (b) an attributable Account Item – that is, part of a pool of common Account Items¹ that are identifiable to a particular service by a separable cause and effect relationship; or
 - (c) an unattributable Account Item – that is, part of a pool of common Account Items but are not identifiably related in whole or in part to any particular service by a separable cause and effect relationship.²
- (3) Where possible an Account Item must be reported as a direct Account Item.

¹ For example, common costs are those expenditures for resources or inputs which help to produce more than one product. These could include, for example, post office buildings and counter staff that serve both reserved and non-reserved products, while postal delivery serves a range of letter and other mail products. Other costs such as manual sorting may be confined to ordinary letters, but may be common to both small and large letters.

² Examples:

- direct costs – an advertising program purely relating to Express Post.
- attributable costs – salaries of counter staff who are available for a range of services, but which can be reasonably divided on the basis of estimated time spent on different services.
- unattributable costs – salaries of executive staff concerned with whole-corporation policy. If no cause and effect relationship can be established, these costs could for example be allocated for convenience between products in proportion to direct costs or revenues.

- (4) Where it is not possible to report an Account Item as a direct Account Item, it must be reported if possible as an attributable Account Item, assigned on a causation basis as far as possible by identifying relationships such as the following:
 - (a) a directly traceable cause and effect relationship with the provision of the product or service; or
 - (b) a verifiable relationship between the item and the output of the individual product or service; or
 - (c) a relevant, reliable and verifiable factor such as relative use.
- (5) The remaining unattributable items should be allocated using allocating factors which are the closest available to ones with a causal relationship.
- (6) If the total allocation of unattributable items (across all Service Groups) made under sub rule 13(5) is greater than 10 per cent of Australia Post's aggregate Account Items (across all Service Groups), Australia Post must provide explanations for this to the ACCC.
- (7) Where it is not possible to allocate an Account Item other than arbitrarily, the Account Item may be reported as unallocated with the ACCC's prior written approval.
- (8) Australia Post must provide explanations for any Account Items reported as unallocated to the ACCC, and must also explain whether, and if so how, the extent of allocations can be increased when seeking the ACCC's approval to report the Account Item as unallocated.
- (9) The relationships used to assign each Account Item as direct, attributable or unattributable must to be recorded in the Regulatory Accounts Procedures Manual in accordance with sub rule 23(6).

Part IV—Reporting Requirements

14. Service Group Definitions

- (1) Australia Post must prepare its Statement of Financial Performance and Statement of Capital Employed in accordance with the Service Group definitions contained in Schedules 1(a) and (b), or as updated in accordance with sub rule 14(2).
- (2) Australia Post must update the Service Group Definitions annually as part of the Regulatory Accounting Procedures Manual.

15. Statement of Financial Performance

- (1) Australia Post must prepare consistent with Part III of these Rules a Statement of Financial Performance disaggregated by each Service Group in accordance with Schedule 2.
- (2) In preparing the Statement of Financial Performance Australia Post must report against each Service Group:
 - (a) each revenue item applicable to the provision of each Service Group as set out in Schedule 3; and
 - (b) each cost item applicable to the provision of each Service Group as set out in Schedule 4.

16. Statement of Capital Employed

- (1) Australia Post must prepare consistent with Part III of these Rules a Statement of Capital Employed disaggregated by each Service Group in accordance with Schedule 5.
- (2) In preparing the Statement of Capital Employed Australia Post must report against each Service Group the asset values for Account Items as set out in Schedule 6 employed in the provision of each Service Group.
- (3) Australia Post must report asset values under sub rule 16(2) as at 30 June in the relevant year.

17. Statement of Movements in Non-Current Asset Values

- (1) Australia Post must prepare a statement showing the source of changes in aggregate asset values between the start and end of the reporting period in accordance with Schedule 7.
- (2) In preparing the Statement of Movements in Non-Current Asset Values Australia Post must report against each asset class set out in Schedule 6.

- (3) The allocation of asset classes between reserved and non-reserved services must be reconciled to the allocation of non-current assets in the Statement of Capital Employed prepared in accordance with Rule 16.
- (4) Australia Post must report the following components of value for each class of non-current asset:
 - (a) the opening net asset value, which is the historical cost of bringing the asset class to its current position and/or the revalued amount thereof;
 - (b) the value of any acquisitions in the asset class;
 - (c) the value of any retirements in the asset class;
 - (d) the value of any transfers in the asset class between Services Groups (this will include any physical transfers of assets and any transfers as the result of changes to allocation drivers, such as changing volumes);
 - (e) the value of any revaluations in the asset class;
 - (f) the value of in year depreciation in the asset class; and
 - (g) the closing net asset value, which is the opening net asset value, plus the value of acquisitions, less the value of retirements, plus (or less, as applicable) the value of transfers and revaluations, and less the value of in year depreciation.

18. Statement of WACC

- (1) Australia Post must prepare a statement estimating its weighted average cost of capital in accordance with Schedule 8.
- (2) Australia Post must provide to the ACCC:
 - (a) an estimate of its pre-tax nominal WACC
 - (b) the assumptions underlying the estimations
 - (c) full and detailed explanations of the basis of the calculations
 - (d) references to any sources of information or precedents.
- (3) The pre-tax nominal WACC formula is:

$$WACC = \frac{r_e}{(1 - (T_c(1 - \gamma)))} \cdot \frac{E}{V} + r_d \cdot \frac{D}{V}$$

where:

(a) $\frac{D}{V}$ is Australia Post's benchmark gearing ratio

(b) $\frac{E}{V}$ is Australia Post's benchmark equity ratio

(c) γ is the imputation factor

(d) T_e is the effective tax rate

(e) r_e is the rate of return on equity

(f) r_d is the rate of return on debt

(4) In preparing the Statement of WACC:

(a) the rate of return on equity (r_e) is determined according to the following formula:

$$r_e = r_f + \beta_e(r_m - r_f)$$

where:

i) r_f is the risk-free rate-of-return, which is the rate on government bonds

ii) β_e is the equity beta, which is the degree of correlation between a particular asset's earnings and those of the market in general and is determined using the following formula:

$$\beta_e = \beta_a + (\beta_a - \beta_d) \left(1 - \left(\frac{r_d}{1 + r_d} \right) (1 - \gamma) T_e \right) \frac{D}{E}$$

where:

β_e is the equity beta

β_a is the asset beta

β_d is the debt beta

γ is the imputation factor

T_e is the effective tax rate

r_d is the return on debt; and

$\frac{D}{E}$ is the debt to equity ratio.

- iii) r_m is the market rate of return; and
 - iv) $r_m - r_f$ is the market risk premium, which is the rate of return the investors need to earn over and above that offered on government bonds.
- (b) the return on debt is the rate of return the reporting carrier must earn to pay for the cost of debt.
 - (c) the effective tax rate is the tax rate calculated as an average over time as:

$$T_e = \frac{\text{Actual tax paid}}{(\text{Revenue} - \text{Operating expenses} - \text{net interest paid} - \text{Depreciation})}$$

- (d) the imputation factor is the value of franking credits to the extent which shareholders in the company can reduce their tax liability. The value of the imputation factor can range between zero and one.

19. Statement of Service Group Usage

- (1) Australia Post must prepare a statement of the volume or level of use for each Service Group.
- (2) Schedules 9(a) and 9(b) list the information required for each product within the relevant Service Group.

20. Lodgement of Reports

- (1) Australia Post must lodge with the ACCC all Reports covering a full year period for each financial year by 15 November following the end of the financial year, provided that Australia Post's Group Statutory Accounts have been tabled in either house of the Parliament by the relevant Minister.
- (2) If Australia Post's Group Statutory Accounts have not been tabled in Parliament by 15 November, Australia Post is not required to lodge the Reports with the ACCC until the Group Statutory Accounts have been tabled in either house of the Parliament by the relevant Minister.

21. Format of Regulatory Accounts

- (1) Australia Post must provide to the ACCC copies of the Regulatory Accounts prepared under these Rules:
 - (a) as hard copy, and
 - (b) in electronic format as MS Excel and/or Word, as appropriate.

22. Responsibility Statement

- (1) At the time of lodging the Regulatory Accounts prescribed by these Rules, Australia Post must also submit a Responsibility statement signed by its Chief Executive Officer and Chief Financial Officer in accordance with Schedule 10.

Part V—Regulatory Accounting Procedures Manual

23. Regulatory Accounting Procedures Manual

- (1) Australia Post must establish and maintain a Manual which records the procedures to be followed within the company in preparing the Regulatory Accounts.
- (2) The purpose of the Manual is to provide:
 - (a) detailed instruction to Australia Post staff involved in preparing the Regulatory Accounts;
 - (b) the independent auditor of the Regulatory Accounts with a documented reference framework against which to test both Australia Post's adherence to its stated procedures and the fitness of the procedures for the purpose of producing the Regulatory Accounts; and
 - (c) the ACCC with an understanding of how Australia Post produced its Regulatory Accounts.
- (3) Schedule 11 provides a sample of the format that the Manual may follow. It sets out a sample of the structure of the Manual and describes the key features of major sections. The sample should be regarded as providing the minimum information which the ACCC requires. Australia Post may choose to alter the format of the Manual if it accomplishes the same general purpose and provides at least the same level of information.
- (4) Schedules 1 to 10 of these Rules are to be incorporated into the Manual and will be referred to as a basis for identifying and explaining Australia Post's reporting requirements.
- (5) Australia Post must provide detailed mapping of its allocation procedures in the Manual. This mapping must detail how Account Items are:
 - (a) assigned, allocated and summed to each Service Group
 - (b) reported as either direct, attributable or unattributable as required by Rule 13.
- (6) Australia Post must provide a draft of the Manual to the ACCC, to be approved by the ACCC, by 15 April each year.
- (7) Australia Post must liaise with the ACCC during the initial development of the Manual to ensure that the Manual meets the ACCC's reasonable requirements.
- (8) Australia Post must submit a final copy of the Manual to the ACCC at the time of submitting the Reports for each financial year.

- (9) The ACCC may require an update, amendment or variation to the Manual (including the Schedules to the Manual), or require that further information be provided in the Manual, providing that:
 - (a) the request by the ACCC is consistent with these Rules; and
 - (b) the request is in writing setting out the ACCC's reasons for requiring the update or amendment to the Manual.
- (10) The ACCC may require the updated or amended Manual be provided to it by a certain date.
- (11) Australia Post must designate a person who will be the contact officer for the purposes of these Rules. The contact person may be designated as a position within the company, the occupant of which may vary from time to time.
- (12) Each page of the Manual must identify the date it was last amended and the financial year to which it relates.

Part VI—Auditing of Reports

24. Auditing of Reports

- (1) Australia Post must engage, at its own cost, an independent auditor to audit the compliance of Australia Post with these Rules.
- (2) The audit must be conducted in accordance with the Australian Auditing Standards.
- (3) The audit must be conducted annually on Australia Post's Regulatory Accounts.
- (4) The auditor will have a duty of care to the ACCC in undertaking any audit according to these Rules.
- (5) Any regulatory audit report prepared by the auditor according to these Rules shall be addressed to the ACCC as well as Australia Post.
- (6) If the audit fails to satisfy the ACCC's requirements, the ACCC may require a further audit.
- (7) If the ACCC wants the auditor's opinion explained or more information about their work, the ACCC, or its agent, can meet with the auditor in the presence of Australia Post.

25. Audit Terms of Reference

- (1) Australia Post must provide terms of reference to the independent auditor by 17 May each year.
- (2) Prior to submitting terms of reference to the independent auditor, Australia Post must provide draft terms of reference to the ACCC by 15 April each year.
- (3) The ACCC may, by notice in writing before 7 May each year, require changes to the draft terms of reference and/or notify Australia Post that it requires certain terms of reference to be given to the auditor.
- (4) The terms of reference of such an audit must include:
 - (a) the objectives of the audit;
 - (b) format of the auditor's opinion;
 - (c) the audit reporting requirements; and
 - (d) a timetable for the audit reporting requirements.
- (5) The objectives of the audit must include determining whether the Reports required under these Rules are prepared in accordance with the requirements of the Rules.

26. Content of audit

- (1) The audit report must include an expression of opinion as to whether Australia Post has complied with the Rules and, if necessary, details of any shortcomings in, or limitations in identifying, compliance.

27. Audit reporting requirements to the ACCC

- (1) When lodging reports in accordance with Rule 20 Australia Post must provide to the ACCC a copy of:
 - (a) the audit terms of reference provided to the independent auditor pursuant to Rule 25
 - (b) the report of the independent auditor.

28. Reserve audit powers of the ACCC

- (1) The ACCC may require that Australia Post:
 - (a) undertake, at its own cost, an ad hoc audit of the Regulatory Accounts with terms of reference specified by the ACCC
 - (b) contract with a specific auditor or group of auditors for the auditing of Australia Post's compliance with these Rules or to undertake an ad hoc audit in accordance with sub rule 28(1)(a).
- (2) The ACCC must provide reasons to Australia Post on why the ACCC:
 - (a) requires an ad hoc audit under sub rule 28(1)(a); or
 - (b) requires Australia Post to contract a specific auditor or group of auditors for the purposes of sub rule 28(1)(b).

Part VII—Regulatory accounts to be provided by Australia Post

This is a list of the Regulatory Accounts required by these Rules. The attached pro forma Schedules contain the minimum required account headings for each Schedule.

Regulatory Account	Schedule number
Statement of Financial Performance	Schedule 2
Statement of Capital Employed	Schedule 5
Statement of Movements in Valuation of Non-Current Assets	Schedule 7
Statement of WACC	Schedule 8
Service Group Usage Report	Schedule 9
Responsibility Statement	Schedule 10

Schedule 1: Service Group definitions

Schedule 1(a): Reserved service group descriptions

Service Group	Product/service	Description
Small Letters Ordinary	S L – Ordinary - Stamped	Small letters include enveloped mail, letter sheets, prestamped envelopes and unenclosed postcards no larger than 130mm x 240mm, no thicker than 5mm and no heavier than 250gms.
	S L - Clean	Reduced charges for customer who present quantities of correctly machine addressed small letters.
	S L – Ordinary - Other	Ordinary small letters, where postage has not been paid via a postage stamp (includes payment via charge account and postage meters.
	S L – Reply Paid	Small letters within the above definition where the addressee has supplied a ‘reply paid’ envelope, i.e. the addressee is ‘paying’ the postage. Revenue includes the additional ‘fee’ for the service.
	S L - Impact Mail	Irregular shaped mail – small
Small Letters Pre-sort	S L - Regular Pre Sort	Reduced charges for small letters displaying a Delivery Point Indicator within a four state barcode, when presented by the customer in accordance with relevant mailing conditions. Normal delivery standards apply.
	S L - Off Peak Pre Sort	Reduced charges for small letters displaying a Delivery Point Indicator within a four state barcode, when presented by the customer in accordance with relevant mailing conditions. Delivery standard up to three days longer than Regular.
	S L - Local Rate	Reduced charges for customers who reside or carry on business in any postcode area serviced by the delivery office and who lodge small ordinary letters. Only found in country areas.
	S L - Regular Charity Mail	Pre-Sort Small Letters from organisations that are endorsed as income tax exempt charitable institutions and trust funds for charitable purposes, by the Australian Tax Office. Normal delivery standards apply.
	S L - Off Peak Charity Mail	Pre-Sort Small Letters from organisations that are endorsed as income tax exempt charitable institutions and trust funds for charitable purposes, by the Australian Tax Office. Delivery standard of up to three days longer than Regular.
Large Letters Ordinary	L L – Ordinary - Stamped	Large Letters include enveloped mail, prestamped envelopes and unenclosed postcards that are rectangular in shape, no larger than 260mm x 360mm, no thicker than 20mm, no heavier than 250gms, not a Small Letter and Postage does not exceed \$2.
	L L – Ordinary - Other	Ordinary Large Letters where postage has not been paid via a postage stamp, this includes payments via charge account and postage meters.
	L L - Clean	Reduced charges for customers who present quantities of correctly machine addressed large letters.

	L L - Reply Paid	Large Letters within the above definition where the addressee has supplied a 'reply paid' envelope, i.e. the addressee is 'paying' the postage. Revenue includes the additional fee for this service.
	L L - Impact Mail	Irregular shaped mail, small plus.
Large Letters Pre-sort	L L - Regular – Pre-Sort	Reduced charges for large letter size items under 250gms displaying a Delivery Point Indicator within a four state barcode when presented by the customer in accordance with the relevant mailing conditions. Normal delivery standards apply.
	L L - Off Peak Pre-Sort	Reduced charges for large letter size items under 250gms displaying a Delivery Point Indicator within a four state barcode when presented by the customer in accordance with the relevant mailing conditions. Delivery standard up to three days longer than Regular..
	L L - Local Rate	Reduced charges for customers who reside or carry on business in any postcode area serviced by the delivery office and who lodge large letters. Only found in country areas.
International Inward	International Letters	The carriage and delivery within Australia of incoming international mail which meets the scope of the reserved service.

Schedule 1(b): Non-reserved service group descriptions

Service Group	Product/service	Description
Non-reserved Large Letters	L L - Ordinary	Large Letters include enveloped mail, pre stamped envelopes and unenclosed postcards that are rectangular in shape, no larger than 260mm x 360mm, no heavier than 500gms, not a Small Letter and Postage is at least \$2.
Non-reserved Large Letters Pre-sort	L L - Regular Pre-Sort	Reduced charges for customers who sort their large letters in excess of 250gms before lodgement, and comply with relevant mailing conditions. Normal delivery standards apply.
	L L - Off Peak Pre-Sort	Reduced charges for customers who sort their large letters in excess of 250gms before lodgement, and comply with relevant mailing conditions. Delayed delivery standards apply.
International Mail (outward)	Outward international mail service	All mail items lodged in Australia for delivery to overseas addressees
Non-reserved International inward	Non-reserved inward international mail services	The carriage and delivery within Australia of incoming international mail that is outside the scope of the reserved service.
Other non-reserved mail services	Periodical publications	Reduced charges apply for customers who lodge authorised publications and catalogues that are no larger than 260x360x20mm and up to 1kg for delivery within Australia.
	Unaddressed mail	The unaddressed delivery service is the distribution of such items as catalogues, merchandising samples and leaflets to all letterboxes in a certain area.
	Registered post fees	Additional fees for service includes optional prepaid envelopes or Registered Post labels or imprints. Also entails insurance cover up to \$100.
	Reply paid fees	The additional fees above normal postage.
Parcels	Parcels	All other domestic mail items which do not meet the criteria for letters including items mailed under the “express” banner.
Logistics	Logistics and fulfilment services	Provision of storage facilities, receipt of orders, picking, packing and sending products for both domestic and international customers.
	On line delivery	The provision of specialised delivery operations requiring dedicated, specialised vehicles.
	Other fulfilment services	Miscellaneous logistics services.
Retail	Philatelic	The sale of stamps, related products and coins to the collector market.
	PostPak	The sale of postal packaging and related items.
	Complementary products	The sale of stationery, cards, communications and other products through retail outlets.
Financial services	Transaction services	The provision of financial transaction facilities including money orders, banking services (both personal and business) and the undertaking of passport photos.
	Other Agency	The provision of bill payment and related services.
Customised Services	EDIPOST – Mail	The production of hard copy documents for mailing to addressees from computer generated

		data. Covers production costs only, i.e. excludes postage that is included in relevant areas above.
	Messenger Post	The provision of “courier” type operations
	Forces Mail	Mail and parcel services to deployed military units.
	Mail Rooms	The running of customers’ internal mail rooms.
	Fax Post	The acceptance and/or delivery of faxed messages to customers without a private fax facility.
	Private Boxes and Bags	The provision by Post of numbered boxes and private mail bags which act as a delivery point for customers “renting” the boxes / bags.
	Address Post	The provision of “change of address” data to customers wishing to update their mailing lists.
	Redirection Fees	The provision of mail redirection service (both short term and “hold” and permanent on-forwarding) for both private individuals and businesses.
Other	Other Miscellaneous	Revenues which cannot be attributed to other products, eg. property rents.
	Commercial business development	Business development costs for new/unestablished products, ie. costs unable to be allocated to existing products.
	Corprocure	A wholly owned subsidiary of Australia Post which provides electronic business-to-business technology and other non-electronic procurement services to Australia Post and its customers.

Schedule 2: Statement of Financial Performance

			Revenue items (as per Schedule 3)			Cost items (as per Schedule 4)			Service Group Profit (Revenue – Costs)
					Total			Total	
Reserved Services (as per Schedule 1(a))	Service Group 1	Direct							
		Attributable							
		Unattributable							
		Total							
	Service Group 2 ... n	Direct							
		Attributable							
		Unattributable							
		Total							
	Total Reserved Services	Direct							
		Attributable							
		Unattributable							
		Total							
Reserved Services reconciliation to Group Statutory Accounts.									
Non-reserved Services (as per Schedule 1(b))	Service Group 1	Direct							
		Attributable							
		Unattributable							
		Total							
	Service Group 2 ... n	Direct							
		Attributable							
		Unattributable							
		Total							
	Total Unreserved Services	Direct							
		Attributable							
		Unattributable							
		Total							
Total	Regulatory Account Total	Direct							
		Attributable							
		Unattributable							
		Total							
Non-reserved services reconciliation to Group Statutory Accounts									
Total Reconciliation									
	Group Statutory Accounts								

Schedule 3: List of Account Items for Revenues

Account Code	Account Item	Description
3-1	Mail Revenue	All revenue earned from the carriage of mail items (including letters and parcels) including through sale of postage stamps, postage labels, bulk postage and franking machines. (Note: Individual categories of reserved and non-reserved mail will be separated through the split of service items)
3-2	Licence Fees	All revenue earned from licence fees not included in other revenue categories.
3-3	Transaction Fees	All revenue earned from transaction fees not included in other revenue categories.
3-4	Retail Sales	All revenue earned from retail sales not included in other revenue categories.
3-5	Property Rents	All revenue earned from property leasing not included in other revenue categories.
3-6	Other	All other revenue earned not included above.

Schedule 4: List of Account Items for Cost

Account Code	Account Item	Description
4-1	Employee	All costs associated with the employment of staff, including wages and salaries, payroll tax, leave and other entitlements, separation and redundancy and workers' compensation.
4-2	Motor Vehicles	Costs (excluding depreciation) for the operation of motor vehicles including their maintenance and upgrade.
4-3	Accommodation	Costs (excluding depreciation) for accommodation and property including their maintenance, upgrade and the supply of basic services (i.e. power, water etc).
4-4	Depreciation	A periodic allocation of the historical cost of plant and equipment over the useful life of the asset.
4-5	Amortisation	A periodic allocation of the value of intangible assets.
4-6	General Administration	General corporate type costs not already included, including corporate centre, legal, regulatory, accounting and finance, human resources and personnel, and non-product specific research and development.
4-7	Other	All other costs not already included.

Schedule 5: Statement of Capital Employed

			Non-Current Assets (as per Schedule 6)			Total
Reserved Services (as per Schedule 1(a))	Service Group 1	Direct				
		Attributable				
		Unattributable				
		Total				
	Service Group 2 ... n	Direct				
		Attributable				
		Unattributable				
		Total				
	Total Reserved Services	Direct				
		Attributable				
		Unattributable				
		Total				
Unreserved Services (as per Schedule 1(b))	Service Group 1	Direct				
		Attributable				
		Unattributable				
		Total				
	Service Group 2 ... n	Direct				
		Attributable				
		Unattributable				
		Total				
	Total Unreserved Services	Direct				
		Attributable				
		Unattributable				
		Total				
Total	Regulatory Account Total	Direct				
		Attributable				
		Unattributable				
		Total				
Total Reconciliation						
	Deconsolidation Adjustments					
	Group Statutory Accounts					

Schedule 6: List of Account Items for Asset Values

Account Code	Account Item	Description
6-1	Land and buildings	
6-1-1	Land	All land (including freehold and perpetually renewable leasehold land) owned by Australia Post. Includes land improvements but excludes buildings or other limited-life structures.
6-1-2	Buildings	All buildings including those under construction, owned by the company and the associated building alterations.
6-1-3	Fit-out	All extensions, structural attachments, improvements; and building plant and equipment such as electric light and power equipment, lifts and air-conditioning which are considered an integral part of the building. Included are improvements on leased buildings.
6-2	Plant and Equipment	
6-2-1	Motor Vehicles	All motor vehicle and related equipment.
6-2-2	Sorting Equipment	All equipment related to the sorting of mail and/or parcels.
6-2-3	Office Equipment	All office and related equipment.
6-2-4	Counter Equipment/EPOS	All equipment related to the servicing of customers in retail outlets, including the provision of electronic point-of-sale facilities.
6-2-5	Software	All software
6-2-5	Other plant & equipment	All plant and equipment not already included.
6-3	Other	
6-3-1	Intangibles	Identifiable assets having no physical existence, their value being limited by the rights and anticipative benefits that possession confers upon the owner, such as goodwill, trade marks, copyrights, patents, licenses and other assets of a similar nature.
6-3-2	Other	Other assets not expected to be developed, utilised or received within the next twelve months and which have not already been included i.e. net long term inventories and provisions for future income tax benefit and deferred research and development expenditure.

Schedule 7: Statement of Movements in Non-Current Asset Values

	Opening (1)	Acquisitions (2)	Retirements (3)	Transfer (4)	Revaluations (5)	Depreciation (6)	Closing (7)
Reserved Services							
Asset class 1							
Net book value							
Asset class 2 ... n							
Net book value							
TOTAL RESERVED NON-CURRENT ASSETS							
Net book value							
Non-reserved Services							
Asset class 1							
Net book value							
Asset class 2 ... n							
Net book value							
TOTAL NON-RESERVED NON-CURRENT ASSETS							
Net book value							
TOTAL NON-CURRENT ASSETS							
Net book value							

Notes:

Closing Value (7) = the opening net asset value (1), plus the value of acquisitions (2), less the value of retirements (3), plus (or less, as applicable) the value of transfers (4) and revaluations (5), and less the value of depreciation (6).

Schedule 8: Statement of WACC

Parameter	Symbol	Lower range	Upper range	Proposed value
Benchmark value of total capital financed out of debt	D			
Benchmark value of total capital financed out of equity	E			
Market value of total capital including debt and equity	V			
Imputation factor	γ			
Effective tax rate	T_e			
Rate of return on equity	r_e			
Rate of return on debt	r_d			
Risk free rate of return	r_f			
Equity beta	β_e			
Asset beta	β_a			
Debt beta	β_d			
Debt to equity ratio	D/E			
Market rate of return	r_m			

Schedule 9: Statement of Service Group Usage

Schedule 9(a): Statement of Service Usage—Reserved Services

Service Group	Usage levels or volumes to be reported
Small Letters Ordinary	Total number of small, ordinary letters carried.
Small Letters Pre-sort	Total number of small, pre-sorted, letters carried.
Large Letters Ordinary	Total number of large, ordinary letters carried.
Large Letters Pre-sort	Total number of large, pre-sorted letters carried.
International Inward	Total number of incoming international letters carried.

Schedule 9(b): Statement of Service Group Usage—Non-reserved Services

Service Group	Product / Service	Usage levels or volumes to be reported
Non-reserved Large Letters		Total number of large letters carried.
Non-reserved Large Letters Pre-sort		Total number of large pre-sorted letters carried.
International Mail (outward)		Total number of outbound international mail items carried.
Non-reserved International inward		Total number of inbound international mail items carried.
Other non-reserved mail services	Periodical publications	Total number of Australia Post approved periodical publications carried.
	Unaddressed mail	Number of unaddressed mail items carried.
Parcels		Number of parcels carried by Australia Post.
Logistics		Number of orders fulfilled per day.
Retail		N/A
		N/A
		N/A
Financial services	Transaction services	Number of over-the-counter banking transactions. Number of electronic banking transactions.
		Number of money orders sold.
	Other agency	Number of bill payment transactions, excluding those above.
Customised Services	EDIPOST – Mail	Number of customer jobs fulfilled
	Messenger Post	Number of customer jobs fulfilled
	Forces Mail	Number of mail items and parcels carried
	Mail rooms	N/A
	Fax post	Number of fax messages accepted and delivered
	Private boxes and Bags	Total private boxes and bags combined
	Address Post	N/A
	Redirection fees	Average number of customer months for which mail is redirected. Average number of months for which mail is held
Other	Other Miscellaneous	Revenues which cannot be attributed to other products, e.g. property rents
	Commercial business	Business development costs for new / unestablished products i.e. costs unable to be allocated to existing

	development	products.
	Corprocure	Wholly owned subsidiary of Australia Post which provides electronic business-to-business technology and other non-electronic procurement services to Australia Post and its customers.

Schedule 10: Responsibility Statement

(Date)

General Manager
Transport and Prices Oversight Branch
Australian Competition and Consumer Commission

Statement by AUSTRALIA POST'S Chief Executive Officer and Chief Financial Officer

We declare that:

- (a) the reports attached herewith are prepared in accordance with the requirements of the Record Keeping Rules for Australia Post, issued by the Australian Competition and Consumer Commission;
- (b) the Manual attached herewith is established and maintained in accordance with the Record Keeping Rules for Australia Post, issued by the Australian Competition and Consumer Commission;
- (c) the Manual has been appropriately updated to reflect changes in the business or structure of Australia Post and the requirements of the Record Keeping Rules for Australia Post, issued by the Australian Competition and Consumer Commission; and
- (d) all reports are reconciled with Australia Post's audited statutory financial statements.

Dated at this day of 20

Chief Executive Officer
(or delegated authority)

Chief Financial Officer
(or delegated authority)

Schedule 11: Regulatory Accounting Procedures Manual Guidelines

This Schedule provides Australia Post with a sample of the format that the Manual should follow. It sets out a sample of the structure of the Manual and describes the key features of major sections. The sample should be regarded as providing the minimum information which the ACCC requires. Australia Post may choose to alter the format of the Manual if it accomplishes the same general purpose and provides at least the same level of information.

1.0 Introduction

1.1 Purpose of Manual (as stated in Rule 23)

1.2 Structure of Manual

1.3 Required reports and timetable for presentation and audit

1.4 Confidentiality

1.5 Amendments to the Manual

2.0 Organisation Structure and Systems

2.1 Roles and Responsibilities

This should identify the roles and responsibilities of different groups and positions within Australia Post in respect of the following:

- update and maintenance of the Manual;
- gathering of the underlying data and model inputs required for preparation of the reports.

It should also include a regulatory accounts production timetable, and quality control and signoff procedures to ensure that responsibilities are allocated for timely completion of the reports.

In addition, it should specify procedures which ensure that those involved in the preparation of the reports have read and understood the Manual, and its procedures that are to be applied in the production of the reports.

2.2 Accounting and System Environments

This should provide details of the various financial, accounting and operational packages that are utilised to gather and process the information required for the preparation of the reports. It should pay particular attention to the way in which information is extracted from the day-to-day financial, accounting and operational packages and used in the preparation of the reports.

2.3 Organisation Structure

This should contain details of the organisation of the business and operating units within Australia Post, with particular reference to the operational support units and how they relate to the main business streams. The organisational chart must include key business units and persons responsible for each business unit. Current versions of the organisational charts should be included in the Manual.

2.4 Maintenance of the Cost Allocation Procedures

This should contain details of specific individuals who are responsible for the maintenance of the Manual, as well as the policies and procedures required to ensure that all changes to products, general ledger accounts, record keeping or any other matters which would affect Australia Post, conform with the Rules.

2.5 Controls and Procedures

These include the necessary controls and procedures to ensure the Manual is updated on a timely basis to reflect changes in Australia Post's service offerings and internal structure, and Commission requirements.

It should clearly articulate the responsibility of business units to report appropriate changes in operations and business activities to the appropriate responsible person to enable updates to the Manual to be made on a timely basis.

3.0 Reporting Requirements

This will identify all of the specific reports provided in accordance with the Rules, as well as explaining the purpose of each report and the guiding principles to be applied in developing the necessary information for the reports.

4.0 Product/Service Definitions

This should include details of Australia Post's services as set out in other records (for example - accounts, price schedules, advertising) and how these map to the product and service definitions that are set out in Schedule 1 of these Rules.

5.0 Allocation Principles

5.1 Principles and Guidelines

This section should follow the principles set out in Rule 13, and give further guidance regarding internal procedures to ensure that this is a stand-alone document capable of use by Australia Post personnel.

5.2 Application of Principles

The Manual must identify, for each General Ledger account item used by Australia Post, the following information:

- (a) General Ledger Account Number

- (b) General Ledger Description
- (c) Corresponding record keeping rule account code, as in Schedules, 3, 4 and 6
- (d) Allocation Principle
- (e) Allocation Method
- (f) Allocation Prime Driver.

6.0 Revenue Allocation Procedures

6.1 Overview

This will contain the basic principles to be followed.

6.2 Allocation Processes

This will contain the basis for allocation used for each of the revenue streams, including reference to the appropriate section within the Manual which explains in more detail the methodology and practices used for that particular allocation.

6.3 Allocation Studies

This should include details of the methodology and the rationale of the various calculations used to undertake the allocations.

7.0 Cost Allocation Procedures

7.1 Overview

This will contain the basic principles to be followed, together with an overview of the procedures undertaken to gather the necessary information and allocate costs.

7.2 Allocation Processes

This will include, for each cost item, the basis for allocation used as set out in the Rules. It will include an explanation of how this is implemented in the particular circumstances of Australia Post. This will also include, as necessary, reference to the appropriate section within the Manual that explains in more detail the methodology and practices used for that particular allocation.

It will include a listing of the general allocators used, describing the cost lines to which they are applied (whether directly or indirectly) as well as the rationale used to support these allocators.

Specific flowcharts should be drawn up to show any allocation process that involves more than one step in the allocation process i.e. for support unit costs.

7.3 Allocation Rationale

This should include details of the methodology of the various rationale or calculations used to undertake the allocations.

8.0 Audit

8.1 Internal Audit

This should specify procedures by which Australia Post will ensure that the procedures set out in the Manual are adhered to.

8.2 External Audit

This should specify the procedure for engaging external auditors and the timetable for the completion of the external audit.

9.0 Glossary

This should contain definitions of common or technical terms used in the Reports, the Manual, or in Australia Post's business.