



**Australian  
Competition &  
Consumer  
Commission**

**Australia Post's draft price notification  
Issues paper**

**February 2008**



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# Introduction

Australia Post provided the Australian Competition and Consumer Commission (ACCC) with a draft price notification on 5 February 2008.

The draft price notification outlines Australia Post's proposal to increase prices for services over which Australia Post has a statutory monopoly. The services captured by this monopoly are generally referred to as 'reserved services'. The reserved services extend to:

- the collection, within Australia, of letters for delivery within Australia
- the delivery of letters within Australia
- the exclusive right to issue postage stamps within Australia.<sup>1</sup>

There are a number of exceptions to the reserved services, including letters weighing more than 250g and letters that are carried for a charge more than four times the basic postal rate.

The ACCC decides whether to object or not object to proposed increases in the prices of services declared under Part VIIA – Prices Surveillance of the *Trade Practices Act 1974* (the TPA).

The purpose of this paper is to seek the views of key stakeholders and interested parties on Australia Post's proposed price increases.

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<sup>1</sup> Section 29 of the *Australian Postal Corporation Act 1989*.

# Background

## The ACCC's role in the regulation of postal services

The ACCC has three specific responsibilities in the regulation of postal services. These are:

- monitoring for the presence of cross subsidies between Australia Post's reserved and non-reserved services
- assessing proposed price increases for Australia Post's reserved services
- inquiring into certain disputes regarding the terms and conditions under which Australia Post supplies bulk-mail services.

To assist it in undertaking these roles, the ACCC can issue record-keeping rules (RKR) to Australia Post that require Australia Post to keep specified records and provide them to the ACCC.

The ACCC issued one RKR in March 2005 which established a regulatory accounting framework for Australia Post. The primary purpose of the RKR is to enable the ACCC to monitor for the presence of cross subsidy.

The ACCC has released two reports monitoring the presence of cross subsidy, for the 2004–05 and 2005–06 financial years. These reports are available on the ACCC's website, [www.accc.gov.au](http://www.accc.gov.au).

## Legislative framework for assessing increases in prices of notified services

The ACCC's role in assessing proposed increases in the prices of Australia Post's reserved services falls within the scope of Part VIIA of the TPA. In particular, under s. 95X in Part VIIA of the TPA, the Minister, or the ACCC with the approval of the Minister may:

- declare goods or services to be 'notified' goods or services
- declare a person to be, in relation to goods or services of a specified description, a 'declared person' for the purposes of Part VII of the TPA.

Declaration 75 made under s. 21(1) of the former *Prices Surveillance Act 1983*<sup>2</sup> provides:

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<sup>2</sup> Declaration No. 75 was originally made under ss. 21(1)(a) and 21(1)(b) of the *Prices Surveillance Act 1983*. On 1 March 2004, the Prices Surveillance Act was repealed and replaced by Part VIIA of the TPA—Part VIIA essentially replicates the provisions that were formally contained in the Prices

- the provision of letter services reserved to Australia Post to be notified services for the purposes of Part VIIA of the TPA
- Australia Post to be a declared person for the purposes of Part VIIA of the TPA.

This declaration means that Australia Post must notify the ACCC if it proposes to increase the price of a reserved (and therefore notified) service, or if it proposes to introduce a new service that would fall within the definition of reserved (notified) services, or if it proposes to provide an existing reserved service (notified) service under terms and conditions that are not the same or substantially similar to the existing terms and conditions of that service.

The ACCC must review these price notifications and take such action, in accordance with Part VIIA, as it considers appropriate.<sup>3</sup> In doing so, ss. 95G(7) states that the ACCC must have particular regard to the following matters:

- (a) the need to maintain investment and employment, including the influence of profitability on investment and employment
- (b) the need to discourage a person who is in a position to substantially influence a market for goods and services from taking advantage of that power in setting prices
- (c) the need to discourage cost increases arising from increases in wages and changes in the conditions of employment inconsistent with principles established by relevant industrial tribunals.

Consideration of the above criteria is subject to any direction issued by the Minister under s. 95ZH of the TPA. Relevant to the assessment of Australia Post's proposed increase in the price of reserved (notified) services is Direction 11, made on 14 September 1990.

Amongst other things, this Direction 11 specifies that where a price notification concerns a standard postal article,<sup>4</sup> the ACCC, in having regard to the criteria under ss. 95ZG(7), must give special consideration to:

- Australia Post's obligation to pursue a financial policy in accordance with its corporate plans as set out in s. 31–41 of the Australian Postal Corporation Act and in particular the pricing targets contained in Australia Post's corporate plan

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Surveillance Act and transition arrangements provide that a declaration made pursuant to ss. 21(1)(a) and 21(1)(b) has effect as though it was made under s. 95(X)(1) and 95(X)(2) respectively.

<sup>3</sup> Subsection 95G(5) of the TPA.

<sup>4</sup> A standard postal article is defined under s. 3 of the *Australian Postal Corporation Act 1989* as an article of a kind that, under the terms and conditions on which Australia Post supplies postal services, may be carried by post and weighs less than 250 grams, is less than 5 mm thick and is rectangular.

- the functions and obligations of Australia Post as set out in s. 14–16 and 25–28 of the Australian Postal Corporation Act as to such directions or notifications given to Australia Post by the Minister under the Act.<sup>5</sup>

The ACCC’s approach to having regard to the criteria in accordance with s. 95G(7) is outlined in detail in its ‘Statement of regulatory approach to assessing price notifications’ publication, available on the ACCC’s website, [www.accc.gov.au](http://www.accc.gov.au).

## The process of assessment

Sub-section 95ZB(1) of the TPA specifies an ‘applicable period’ of 21 days, starting on the day the notification is given, within which the ACCC is to make its assessment.

However, as outlined in the ACCC’s ‘Statement of regulatory approach to assessing price notifications’, this initial statutory period does not provide sufficient time for the ACCC to give proper consideration to the complex issues presented in the assessment of a proposal to increase the prices of a firm with a high degree of market power.

In particular, assessment of Australia Post’s proposed price increases will involve careful consideration of econometric analysis of past and estimated future productivity improvements, theoretical financial analysis of the components of the balance sheet on which a return should be provided, the approach used to allocate costs between reserved and non-reserved services (and to particular letter services), and each of the components of the financial model applied to support the proposed price increases. Further, the ACCC will conduct a robust public consultation process with stakeholders, involving initial comments on the proposal and feedback on the ACCC’s preliminary view on the proposed price increases.

Therefore, to inform the ACCC’s formal decision under s. 95Z of the TPA, the ACCC intends to conduct a detailed assessment of Australia Post’s proposed price increases and an appropriate public consultation process. An indicative timeframe outlining the period for the ACCC’s assessment of Australia Post’s draft price notification is outlined below:

**Table 1: Indicative timeframe**

<i>Date</i>	<i>Action</i>
4 April 2008	Closing date for submissions on the issues paper
June 2008	ACCC releases preliminary view and calls for comments
June / July 2008	Closing date for comments on preliminary view
<b>Late July 2008</b>	ACCC releases final view

<sup>5</sup> Direction 11, made under ss. 95ZH(1) of the TPA.



## **Making a submission to the ACCC**

Interested parties are invited to make submissions to the ACCC in relation to the issues identified in this paper, or on any other issues they consider relevant to the ACCC's assessment of the price increases proposed by Australia Post.

**Submissions should be provided to the ACCC no later than close of business, Friday 4 April 2008.**

To facilitate an informed, transparent and robust consultation process, the ACCC prefers that all submissions are publicly available. Accordingly, submissions will be treated as public documents and posted on the ACCC's website, unless prior arrangements are made with the ACCC to treat the submission, or portions of it, as confidential.

The ACCC will accept submissions by email or by post. However, it is preferred that submissions be made by email. If submissions are provided in PDF format, parties are asked, for accessibility reasons, to also provide a copy in Microsoft word format.

Submissions should be addressed to:

Ms Margaret Arblaster  
General Manager—Transport and Prices Oversight  
Australian Competition and Consumer Commission  
GPO Box 520  
MELBOURNE VIC 3001

By email: [transport.prices-oversight@acc.gov.au](mailto:transport.prices-oversight@acc.gov.au)

If you have any questions about the process, or about making a submission to the ACCC, please contact Mark McLeish on 9290 1834.

# Australia Post's proposed price increases

In summary, Australia Post has proposed the following changes to prices for its reserved letter services:

- an increase of 5 cents to the basic postal rate (BPR)
- an increase to other Ordinary Letter prices (eg. Large letters, Seasonal greeting cards, etc)
- an increase to PreSort letters by an average of 2.5 cents (GST exclusive)
  - Small PreSort by an average of 2.4 cents (GST exclusive)
  - Large PreSort by an average of 3.2 cents (GST exclusive).

A detailed table of Australia Post's proposed prices can be seen in the **Appendix**.

Australia Post's draft price notification documentation, including reports commissioned by Australia Post in support of its proposed price increases are available on the ACCC's website, [www.accc.gov.au](http://www.accc.gov.au).

## Issues on which the ACCC is seeking comment

The ACCC has identified a number of specific issues for comment. It would be useful for the ACCC if parties could, if possible, structure submissions around the identified issues. However, this list of issues is not exhaustive, and comment on other relevant matters is also welcomed.

## Duration of Australia Post's pricing proposal

The price increases proposed by Australia Post are sufficient to cover its estimate of its efficient costs for the 2008-09 financial year. Australia Post has not sought to model its costs, volumes and revenues to quantify the extent to which price increases may be required in the future.

While Australia Post's proposed price increases were last considered in the context of a five-year timeframe, Australia Post considers that a five-year timeframe is not appropriate for its current price notification. In particular, Australia Post submits that:

- 'in contrast to the higher profitability in 2001/02, domestic reserved letter service profitability in the 2007/08 will be negligible. Therefore, a long period is not required to achieve an average profitability in line with the required rate of return; and
- to bring about average returns over a number of years would require a significant upfront price increase. Australia Post believes that significant price increases should

be avoided, as experience with customers who use other non-reserved letter products (e.g. Print Post and Unaddressed Mail) indicates that there has been a distinct preference for modest price adjustments at more frequent intervals as opposed to significant increases at infrequent intervals.’<sup>6</sup>

An important issue in the ACCC’s examination of a proposal to increase prices is the extent to which the proposed prices are expected to recover efficient costs in periods beyond the current financial year. This is particularly important where costs, volumes and revenues for services can fluctuate over time.

The ACCC seeks the views of interested parties on the duration of Australia Post’s draft price notification. In particular, the ACCC would appreciate views on:

- the period over which the reasonableness of Australia Post’s proposed prices should be considered by the ACCC
- the implications of more frequent price notifications for cost efficiency
- the impact of future price increases on customers’ planning (including the impact on the investment decisions of customers).

## Forecasts of future mail volumes

Australia Post considers that the domestic letter market can be represented by three letter segments. These include:

- transactional – typically mass produced bills, statements and other transactional correspondence from business
- promotional – typically advertising mailings between businesses and between businesses and consumers
- social mail – typically private letters, postcards, greeting cards and other correspondence between individuals.

Australia Post submits that transactional mail accounts for 78 per cent of domestic letter volumes, while promotional and social mail account for 18 and 5 per cent of domestic letter volumes respectively.

Australia Post states that letter growth since 2002 has been relatively low, at an average of 0.3 per cent per annum. Australia Post forecasts that future letter volumes will slowly trend downwards.

In particular, Australia Post expects that the average growth per annum for underlying domestic letters volume growth will be an average of -0.4 per cent per annum over the period 2007–08 to 2016–17.

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<sup>6</sup> Australia Post, *Draft Notification of Change in Domestic Letter Pricing and Introduction of New Letter Categories – Detailed Explanation of Price Changes*, 5 February 2008, p. 7-8.

The ACCC seeks the views of interested parties on Australia Post's forecasts of future mail volumes. In particular, the ACCC would appreciate views on:

- the factors identified by Australia Post that influence letter volumes
- the underlying assumptions in Australia Post's forecasts of future volumes regarding consolidation, rationalisation and substitution
- the impact of price increases on Australia Post's reserved service profitability in the context of forecast declining letter volumes.

## **Sensitivity of mail volumes to price changes**

Australia Post commissioned Diversified Specifics Pty Ltd (Diversified Specifics) to undertake a study on Domestic Small Letter Segment Volume Demand. The Diversified Specifics study involves econometric analysis of Australian domestic small letter volumes over the period 1995–96 to 2006–07.

Diversified Specifics found:

- substitutive pressures, such as electronic substitution, have affected domestic small letter volumes since the mid 1990s
- domestic small letter volumes have become less responsive to increases in income as rationalisation and consolidation trends intensify
- while letter volumes overall have historically been less sensitive to small price changes, the sensitivity does vary by the type of mail, where promotional mail is typically more sensitive than social and transactional mail.

The ACCC seeks the views of interested parties on the sensitivity of mail volumes to price changes. In particular, the ACCC would appreciate views on:

- the impact that the proposed price changes will have on volumes for each of the products for which Australia Post is intending to increase its prices
- the extent to which the level and the timing of price changes has an impact on mail volumes.

## **Allocation of shared costs between services**

In providing some services, Australia Post uses the same infrastructure (i.e. vehicles, land, equipment, etc) and the same operating expenditure (i.e. labour, maintenance, etc) to supply multiple services. Costs that are shared in the provision of multiple services are known as common costs.

Australia Post has allocated costs between its products in accordance with section 5-7 of the Regulatory Accounting Procedures Manual (RAPM). The RAPM establishes a framework for the allocation of costs between services for the purposes of the ACCC's

ongoing role in assessing whether there is any evidence of cross-subsidy from Australia Post's reserved services to its non-reserved services.

More detailed information on the approach Australia Post has taken to allocating costs between services is contained in the ACCC's RAPM (which is available on the ACCC's website, [www.accc.gov.au](http://www.accc.gov.au)). The ACCC's decision on Australia Post's 2002 price notification also contains a discussion of the principles of activity based costing.

The ACCC seeks the views of interested parties on the principles of cost allocation applied by Australia Post. In particular, the ACCC would appreciate interested parties' views on:

- the key drivers of the costs of the collection, sorting and delivery services provided by Australia Post, and how these drivers could be used to inform an assessment of the allocation of costs between the different letter services provided by Australia Post.

## Forecast productivity improvements

Australia Post submits that the scope for it to realise future productivity gains are limited. In particular, Australia Post submits:

'Australia Post has reached the stage in its development where material productivity gains are becoming increasingly difficult to orchestrate and obtain. In the reserved service, the combination of CSOs, absence of volume stimulus to productivity, and reduced potential gains from technology change, are expected to constrain future TFP growth. Nevertheless, the forecasts in this Notification of ongoing TFP growth, particularly in the reserved service, reflect Australia Post's position that ongoing, but increasingly difficult, productivity gains will continue to be vigorously pursued.'<sup>7</sup>

Australia Post has commissioned a study by Meyrick and Associates which estimates measures of partial factor productivity and total factor productivity (TFP) over the five years since 2002 and over future years to 2010–11.

The key findings of the report are:

- the TFP growth for Australia Post's operations as a whole during the period 2002–2007 was 1.7 per cent per annum, while TFP growth for reserved letter services during the period 2002–07 was lower, at 0.7 per cent per annum
- the TFP growth for reserved letter services for the period 2007–11 is forecast to be 1.3 per cent per annum. This is a result of forecast output growth for reserved letter services of -0.2 per cent per annum, and forecast input growth of -1.5 per cent per annum.

A version of the Meyrick and Associates report, 'Australia Post's Aggregate and Reserved Service Productivity Performance', is available on the ACCC's website, [www.accc.gov.au](http://www.accc.gov.au).

The ACCC intends to conduct a rigorous assessment of the report's findings on Australia Post's future TFP growth, particularly the TFP growth for reserved services.

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<sup>7</sup> Ibid, p. 37.

This process will involve identifying the key drivers of Australia Post's past, present and future productivity improvements, including the changing role of factors such as technological progress, economies of scale and scope, and internal efficiency improvements in providing efficient reserved and non-reserved postal services over time.

The ACCC is seeking the views of interested parties on the key drivers of past and future productivity gains identified by Australia Post in the draft price notification and in the Meyrick and Associates report.

The ACCC is also seeking comments on the Meyrick and Associates report. In particular the ACCC would appreciate interested parties' views on:

- the forecast growth in outputs and inputs for the reserved and non-reserved services
- the reasonableness of the trend growth rate for the period 2002-2007 and for the forecast period 2007-11
- the use of the consumer price index (CPI) as a price deflator for individual input and output price indexes
- the assumption of constant returns to scale for Australia Post's aggregate business.

## **Financial model**

The price increases proposed by Australia Post for the 2008–09 financial year have been determined with reference to an allowable revenue calculation derived with reference to the Post Tax Revenue Model (PTRM). The PTRM is an implementation of a post-tax 'building block' approach modelling a firm's allowable revenue requirement over time.

A 'building block' approach builds costs up to construct an estimate of efficient forward looking costs. A building block approach was used by the ACCC in 2002 to inform its consideration of the reasonableness of the proposed prices in Australia Post's draft price notification.

The ACCC is seeking the views of interested parties on the following components of Australia Post's building block model:

- operating expenditure
- asset base
- capital expenditure
- Australia Post's return on capital.

### **Operating expenditure**

Operating expenditure refers to the day-to-day expenses that Australia Post incurs in providing its reserved and non-reserved services, such as wages, maintenance costs, contractor fees and depreciation.

Australia Post's draft price notification provides a detailed outline of the operating costs for Australia Post's operations as a whole. Australia Post submits that labour and labour-related expenses account for approximately 70 per cent of the total costs of providing the domestic reserved letter services.

The ACCC seeks the views of interested parties on the economic efficiency of the operating costs outlined by Australia Post in its draft price notification. In particular, the ACCC would appreciate views on:

- the economic efficiency of Australia Post's operating costs (including labour costs, contractor costs, accommodation and depreciation)
- changes in Australia Post's cost structure over time.

### **Asset base**

Australia Post sought the advice of Officer and Bishop on whether a return should be provided on working capital in regulatory decisions. Officer and Bishop have conducted a detailed examination of the composition of the asset base on which a rate of return is applied.

Briefly, the paper suggests that a firm should earn a return on not only the investment it has made, but also on the provision of other assets that are required for the investment. For example, it suggests that in the case of an investment in a post office, a return should be provided on the capital investment in the post office, as well as other assets such as the cash float required for operating the post office.

Informed by this report, Australia Post proposes that the asset base used for pricing purposes should contain some current assets and non-current assets. Specifically Australia Post wishes to include 'cash in the field' into the asset base, as well as working capital.

A copy of this report is available on the ACCC's website, [www.accc.gov.au](http://www.accc.gov.au).

The ACCC seeks the views of interested parties on the Bishop and Officer report. In particular, the ACCC would appreciate views on:

- the conceptual framework applied in the Bishop and Officer report for determining the capital at risk
- whether current assets such as working capital and cash in the field should be incorporated into the asset base.

### **Capital expenditure**

Australia Post submits that a major part of its capital expenditure involves items which are cyclical or require regular replacement. Australia Post's board has approved a capital expenditure program for 2007–08 of \$246 million and for 2008–09 of \$399

million, of which \$114 million in 2007–08 and \$122 million in 2008–09 are allocated to the domestic letter service. However, Australia Post submits that not all of this planned capital expenditure has gone through formal business case evaluation, and accordingly may not eventuate.

Australia Post’s draft price notification provides a detailed overview of Australia Post’s capital expenditure.

The ACCC seeks the views of interested parties on Australia Post’s proposed asset base and capital expenditure. In particular, the ACCC would appreciate views on:

- the level and composition of proposed capital expenditure for the domestic reserved letter service
- Australia Post’s approach to incorporating forecast capital expenditure into its pricing asset base.

### **Return on capital**

The return on capital compensates the firm for the opportunity cost of its investment decisions. The return on capital is a weighted average of the cost of funding investment decisions through debt and through equity. This return on capital is also known as the weighted average cost of capital (WACC).

Australia Post has proposed a pre-tax nominal return on capital of 10.7 per cent. Australia Post considers that this return on capital reflects conditions in the market for funds and the systematic risks associated with the reserved letter service.

A detailed outline of the parameters used to generate Australia Post’s return on capital is outlined in Appendix 11 of Australia Post’s draft price notification. In summary, Australia Post has listed the following parameters for the WACC:

**Table 2: Australia Post’s proposed WACC parameters.**

<i>WACC Parameter</i>	<i>Value</i>
Risk-free rate	6.1 per cent
Market risk premium	6.0 per cent
Asset $\beta$	0.52
Imputation credits value	50 per cent
Equity $\beta$	0.66
Tax rate	30 per cent
Debt $\beta$	0.10
Cost of debt	7.3 per cent
<b>Gearing (debt/debt+equity)</b>	<b>25 per cent</b>



The ACCC seeks the views of interested parties on the parameters of Australia Post's proposed WACC. In particular, the ACCC would appreciate views on:

- whether the statutory tax rate or an estimate of Australia Post's effective tax rate should be incorporated into the WACC
- whether the equity beta of 0.66 is reflective of the operating and financial risk of Australia Post's returns relative to the market.

## **Structure of Australia Post's proposed price increases**

Australia Post submits that its proposed prices have been modelled in an environment of declining volumes, reduced potential for ongoing productivity improvement, and a continuing obligation to fund community service obligations.

In particular, Australia Post considers that its proposed prices better reflect the differences in costs within and between Ordinary Letters and Bulk Letters and, as far as practicable, simplify Ordinary Letters prices for customer convenience by selecting prices in multiples of five cents and in multiples of the BPR for relevant products.

The ACCC seeks the views of interested parties on the structure of Australia Post's proposed price increases. In particular, the ACCC is interested in:

- whether the difference between the pre-sort letter service rates is appropriate
- whether the Acquisition Mail service has been priced appropriately in comparison with other mail services
- the likely impact of the introduction of the new Acquisition Mail service on the other types of promotional mail.

# Appendix – Australia Post’s current and proposed prices

Note: all prices are GST inclusive, except for external territories where they are as stated but GST free.

Ordinary Letters	Current	Proposed Prices	
		Amount	% Change
<b>Small Letters</b>			
Ordinary – General (eg. Stamp)	\$ 0.50	\$ 0.55	10.0%
Ordinary – Imprint/Metered (new)	\$ 0.50	\$ 0.54	8.0%
Clean mail	\$ 0.45	\$ 0.48	6.7%
Seasonal greeting	\$ 0.45	\$ 0.50	11.1%
Barcoded and Metered	\$ 0.48	\$ 0.54	12.5%
<b>Large Letters</b>			
Seasonal greeting cards			
Up to 125g	\$ 0.90	\$ 1.00	11.1%
Ordinary letters – General			
Up to 125g	\$ 1.00	\$ 1.10	10.0%
Over 125g up to 250g	\$ 1.45	\$ 1.65	13.8%
Over 250g up to 500g	\$ 2.45	\$ 2.75	12.2%
Ordinary large – Imprint/Metered (new)			
Up to 125g	\$ 1.00	\$ 1.08	8.0%
Over 125g up to 250g	\$ 1.45	\$ 1.62	11.7%
Over 250g up to 500g	\$ 2.45	\$ 2.70	10.2%
Ordinary letters barcoded and metered			
Up to 125g	\$ 0.95	\$ 1.08	13.7%
Over 125g up to 250g	\$ 1.40	\$ 1.62	15.7%
Over 250g up to 500g	\$ 2.35	\$ 2.70	14.9%
Clean mail			
Small plus size			
Up to 125g	\$ 0.70	\$ 0.75	7.1%

Local Delivery (only available in specified postcodes)	Current	Proposed Prices	
		Amount	% Change
Small letters			
Up to 125g	\$ 0.46	\$ 0.51	10.9%
Medium letters			
Up to 125g	\$ 0.60	\$ 0.70	16.7%
Over 125g up to 250g	\$ 0.85	\$ 0.95	11.8%
Large letters			
Up to 125 g	\$ 0.85	\$ 0.90	5.9%
Over 125g up to 250g	\$ 1.20	\$ 1.30	8.3%
Over 250g up to 500g	\$ 1.30	\$ 1.45	11.5%

Notes: Local delivery – Local delivery postcodes to be reviewed.

Reply Paid	Current	Proposed prices	
		Amount	% Change
Small			
Barcoded	\$ 0.40	\$ 0.42	5.0%
Unbarcoded	\$ 0.60	\$ 0.63	5.0%
Annual fee	\$60.00	\$65.00	8.3%
Large			
Up to 125g	\$ 1.10	\$ 1.20	9.1%
Over 125g up to 250g	\$ 1.55	\$ 1.75	12.9%
Over 250g up to 500g	\$ 2.55	\$ 2.85	11.8%

## Notes/Comments: Ordinary letters

Small, 50c to 55c, Large rounded to multiples of 55c

Introduction of new price category for items that are paid for by a charge account or postage meter.

Large letter prices are also multiples of the 54c price.

Prices for Barcoded AND Metered have been aligned with the new category

Note: all prices are GST inclusive, except for external territories where they are stated but GST free.

PrePaid envelopes	Current prices			Proposed prices			% Change		
	Single	1-4 Packs of 10	5+ Packs of 10	Single	1-4 Packs of 10	5+ Packs of 10	Single	1-4 Packs of 10	5+ Packs of 10
Plain envelopes									
Small (DL and C6 size)	\$ 0.60	\$ 5.85	\$ 5.70	\$ 0.65	\$ 6.34	\$ 6.18	8.3%	8.3%	8.3%
C5 Size	\$ 1.20	\$ 11.70	\$ 11.40	\$ 1.30	\$ 12.68	\$ 12.35	8.3%	8.3%	8.3%
C4 Size	\$ 2.35	\$ 22.91	\$ 22.33	\$ 2.50	\$ 24.38	\$ 23.75	6.4%	6.4%	6.4%
B4 Size	\$ 2.70	\$ 26.33	\$ 25.65	\$ 2.90	\$ 28.28	\$ 27.55	7.4%	7.4%	7.4%
One rate to the world postcard	\$ 1.20	NA	NA	\$ 1.50	NA	NA	25.0%	NA	NA
Window faced		Pack of 50	Box of 500		Pack of 50	Box of 500		Pack of 50	Box of 500
Small (DL and C6 size)	N/A	\$ 29.70	\$ 286.00	N/A	\$ 32.20	\$ 309.50	N/A	8.4%	8.2%

**Notes/Comments – PrePaid envelopes**

Small letter prices increased in line with basic postage rate and to reflect increased stationary costs

Large letter prices increased slightly to reflect change to ordinary prices with rounding to five cent multiples.

One rate to the world postcard price reflects first increase since circa 2000.

**Barcode PreSort letters – Regular Delivery**

Regular Delivery	Same state BDT			Other state BDT			Residue			Unbarcoded Residue		
	Current	Proposed price		Current	Proposed price		Current	Proposed price		Current	Proposed price	
		Amount	% Var		Amount	% Var		Amount	% Var		Amount	% Var
Small letters												
Up to 125g	\$ 0.374	\$ 0.399	6.7%	\$ 0.385	\$ 0.410	6.5%	\$ 0.424	\$ 0.449	5.9%	\$ 0.450	\$ 0.480	6.7%
Charity mail	\$ 0.312	\$ 0.344	10.3%	\$ 0.323	\$ 0.355	9.9%	\$ 0.356	\$ 0.394	10.7%	\$ 0.450	\$ 0.480	6.7%
Small plus												
Up to 125g	\$ 0.473	\$ 0.509	7.6%	\$ 0.495	\$ 0.531	7.3%	\$ 0.572	\$ 0.619	8.2%	\$ 0.700	\$ 0.750	7.1%
Medium												
Up to 125g	\$ 0.561	\$ 0.630	12.3%	\$ 0.594	\$ 0.674	13.5%	\$ 0.671	\$ 0.768	14.5%	\$ 0.803	\$ 0.905	12.7%
Over 125g up to 250g	\$ 0.724	\$ 0.823	13.7%	\$ 0.779	\$ 0.911	16.9%	\$ 0.889	\$ 1.015	14.2%	\$ 1.034	\$ 1.158	12.0%
Large												
Up to 125g	\$ 0.770	\$ 0.773	0.4%	\$ 0.825	\$ 0.817	-1.0%	\$ 0.935	\$ 0.938	0.3%	\$ 0.980	\$ 0.982	0.2%
Over 125g up to 250g	\$ 1.111	\$ 1.103	-0.7%	\$ 1.221	\$ 1.191	-2.5%	\$ 1.331	\$ 1.323	-0.6%	\$ 1.430	\$ 1.433	0.2%
Over 250g up to 500g	\$ 1.584	\$ 1.543	-2.6%	\$ 1.694	\$ 1.675	-1.1%	\$ 1.804	\$ 1.763	-2.3%	\$ 1.980	\$ 1.983	0.2%

## Barcode PreSort letters – Off Peak Delivery

Off peak delivery Size/Weight	Same state BDT			Other state BDT			Residue			Unbarcoded Residue		
	Current	Proposed price		Current	Proposed price		Current	Proposed price		Current	Proposed price	
		Amount	% Var		Amount	% Var		Amount	% Var		Amount	% Var
Small letters												
Up to 125g	\$ 0.363	\$ 0.388	6.9%	\$ 0.374	\$ 0.399	6.7%	\$ 0.402	\$ 0.432	7.5%	\$ 0.435	\$ 0.465	6.9%
Charity mail	\$ 0.296	\$ 0.328	10.8%	\$ 0.301	\$ 0.339	12.6%	\$ 0.340	\$ 0.372	9.4%	\$ 0.435	\$ 0.465	6.9%
Small plus												
Up to 125g	\$ 0.451	\$ 0.498	10.4%	\$ 0.473	\$ 0.520	9.9%	\$ 0.550	\$ 0.608	10.5%	\$ 0.671	\$ 0.720	7.3%
Medium												
Up to 125g	\$ 0.528	\$ 0.597	13.1%	\$ 0.534	\$ 0.630	18.0%	\$ 0.638	\$ 0.729	14.3%	\$ 0.759	\$ 0.850	12.0%
Over 125g up to 250g	\$ 0.653	\$ 0.757	15.9%	\$ 0.669	\$ 0.801	19.7%	\$ 0.818	\$ 0.949	16.0%	\$ 0.946	\$ 1.059	11.9%
Large												
Up to 125g	\$ 0.748	\$ 0.751	0.4%	\$ 0.792	\$ 0.784	-1.0%	\$ 0.902	\$ 0.905	0.3%	\$ 0.957	\$ 0.960	0.3%
Over 125g up to 250g	\$ 1.045	\$ 1.026	-1.8%	\$ 1.111	\$ 1.092	-1.7%	\$ 1.254	\$ 1.235	-1.5%	\$ 1.353	\$ 1.334	-1.4%
Over 250g up to 500g	\$ 1.298	\$ 1.301	0.2%	\$ 1.364	\$ 1.389	1.8%	\$ 1.551	\$ 1.521	-1.9%	\$ 1.815	\$ 1.741	-4.1%

## Acquisition mail (new product)

	Same state BDT			Other state BDT			Residue			Unbarcoded Residue		
	Current	Proposed price		Current	Proposed price		Current	Proposed price		Current	Proposed price	
		Amount	% Var		Amount	% Var		Amount	% Var		Amount	% Var
Off peak delivery												
Small – Up to 125g		\$ 0.280			\$ 0.300			\$ 0.432			\$ 0.465	
Small plus – Up to 125g		\$ 0.390			\$ 0.410			\$ 0.608			\$ 0.720	

## Impact mail

	Postcode direct tray			Area tray			Residue		
	Current	Proposed price		Current	Proposed price		Current	Proposed price	
		Amount	% Var		Amount	% Var		Amount	% Var
Small – up to 125g									
Same state	\$ 0.550	\$ 0.600	9.1%	\$ 0.590	\$ 0.640	8.5%	\$ 0.660	\$ 0.700	6.1%
Other state	\$ 0.560	\$ 0.610	8.9%	\$ 0.600	\$ 0.650	8.3%	\$ 0.670	\$ 0.710	6.0%
Small plus – up to 125g									
Same state	\$ 0.800	\$ 0.850	6.3%	\$ 0.850	\$ 0.900	5.9%	\$ 0.950	\$ 1.000	5.3%
Other state	\$ 0.810	\$ 0.860	6.2%	\$ 0.860	\$ 0.910	5.8%	\$ 0.960	\$ 1.010	5.2%

### Notes/Comments – PreSort letters

#### Small PreSort

Charity mail prices for barcoded items set at a specific cent reduction from 'non-charity' small PreSort (Regular 5.5 cents and Off peak 6 cents)

#### Acquisition mail

New category; barcode residue and unbarcoded residue are per the Off peak price structure.