

5 May 2010

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

Dear Mr Wing

This submission responds to the Australian Consumer and Competition Commission's (ACCC) *Australia Post's 2010 Price Notification Issues Paper*, April 2010.

The Australian Direct Marketing Association (ADMA) welcomes the opportunity to comment on this vitally important matter for the direct marketing industry.

ADMA is the peak body of the Australian direct marketing industry and represents over 500 member organisations including all the major financial institutions, telecommunications companies, energy providers, travel service companies, major charities, statutory corporations and specialist suppliers of direct marketing services.

The Australian economy and marketing organisations are greatly advantaged by the quality and reliability of the Australian Postal service. ADMA members rely heavily on Australia Post's products both for transactional and promotional communication. ADMA notes also this single proposed price increase replaces two proposed price increases in a similar space of time.

Notwithstanding the above it was, and still is, ADMA's contention that any increase in postage prices will only lead to corresponding decreases in volumes which will in turn necessitate further prices increases. ADMA urges that an alternate solution to continually increasing prices be found in the face of decreasing demand for mail services.

ADMA did not support the last proposed price increase by Australia Post for two primary reasons including:

- a) a price increase would expedite organisations plans to move to cheaper electronic methods of marketing communication exerting further downward pressure on demand for mail;
- b) the inability to separate the impact of the global financial crisis from the impact of the September 2008 price increase.

In addition to the above, and notwithstanding the substantially improved trading conditions in Australia, marketing budgets still remain static. In this environment an increase in the postage rate substantial risks organisations substituting lower cost digital channels which will again result in downward pressure on demand for mail.

Further, marketing budgets for the next financial year were set some time ago. An increase in postage rates, that are notified in April and confirmed in May or June, to take effect on 28 June will not result in additional money being allocated to mail marketing budgets. It will simply mean that volumes will be cut again putting downward pressure on mail volumes.



Structural change caused by transition to the Digital Economy

In addition to the economic environment, Australian commerce is undergoing a significant change as it increases its participation in the Digital Economy. Many ADMA members are moving away from using Australia Post pre-sort mail services as a primary means of marketing communication.

This is occurring in many different ways. For example, some of our members are transitioning to electronic bills delivered by email that fully integrate with a full customer experience via the organisation's website. In other instances mail marketing is being replaced by fully integrated digital marketing strategies which incorporate the use of email, internet and social media and mail. In these systems mail is a component channel but not the primary source of communication as it once was.

In light of the above, a return to the volumes carried by Australia Post prior to 2009 seems increasingly unlikely.

Any potential increase in volumes will be stymied by a price increase

Nonetheless it should be reasonable to expect that as further confidence returns to the market mailing volumes should increase but then again any increase will be stymied by an increase in postage prices.

On this basis, we are encouraged that Australia Post has confirmed that it is undertaking a fundamental review of its business model to ensure that it is a sustainable business which can continue to meet its community service obligations.

Conclusion

ADMA submits that the ACCC should not approve Australia Post's price increase, rather it should continue to examine other alternatives, including the identification of an appropriate cost structure for Australia Post on the basis of diminishing volumes for the medium to long term.

I would be pleased to provide any additional information if needed.

Yours faithfully

Rob Edwards
Chief Executive Officer

