

To the ACCC,

I formed a mailing company in Melbourne in 1996 in partnership with David Docherty(50/50) since then we have been operating in Victoria and New South Wales and we employ in excess of 100 permanent staff.

Our company name is D&D Mailing Services and our two divisions are at 15 Elonera Road NOBLE PARK VIC 3174 and 1064 Canley Vale Road WETHERILL PARK NSW 2176.

Our company is 100% Australia owned and managed by both David Docherty and myself, myself being the author of this email.

Our core business is the plastic wrapping of magazines on behalf of publishers in Australia, we are the largest company of this type and we process collectively in excess of 5 million magazines per calendar month, the majority of which are all lodged with Australia Post.

We spend on average two million dollars per calendar month with Australia Post.

We also provide services for the Federal Government of Australia, our biggest two customers being the Australian Electoral Commission(AEC) and Centrelink. At election time we are heavily relied upon by the AEC in order to plastic wrap and facilitate the distribution of some 9 million how to vote brochures via Australia Post.

D&D Mailing Services

The service that we use with Australia Post is predominately the Print Post Service, designed specifically for the cost effective and timely distribution of magazines.

This service was introduced around 1990 and has been very heavily relied upon for publishers in order to build their businesses so that their respective magazines are cost effectively and reliably delivered to their subscribers and customers.

D&D Mailing Services and our customers rely heavily upon this cost effective service in order to sustain their business income and viability.

There is also documented evidence to support the fact that the magazine distribution and plastic wrap volumes are not in decline, in fact they are showing small growth.

We are of the strongest opinion that increased pricing in other mail services being commensurately applied to the Print Post service is a cross subsidy pricing manoeuvre conveniently manipulated by Australia Post.

Australia Post – Print Post Service

Australia Post conveniently moved the Print Post product from their mail or letters division to their Parcel Division so that the performance of the letters product division was lessened in terms of the contribution or profit.

The following increases advised by Australia Post and it seems that including the impending October 2015 increase that the publishers will within reason wear the increase and not make any significant changes to their volumes or distribution patterns.

March 2015 – Weighted Average Increase
3%

October 2015 – Weighted Average Increase
5.1%

Total
8.1%

Based on the above figures, and note they only apply to the Print Post “Regular” service then our budget planning and forecasting for the next 12 months is indicating little change to our over all volumes of magazines to be mailed.

Note, our figures do not include the impending AEC work for the upcoming Federal Election or proposed referendum, nor do they include any numbers for Centrelink.

Australia Post Costs

There is also occasions when Australia Post use their letters service for the costly delivery of large weighty items but the income for that service has been allocated to the parcels division. This type of occurrence will happen on a regular basis with items like annual reports and prospectus mailings.

Some of these mailings can be in excess of 400,000 articles weighing near on 1kg each, the customer would expect the total of the amount to be processed and delivered by Australia Post in no longer than one week.

On nearly all occasions the Australia Post parcels sales team would do a deal for a special rate lower that what is published under the bulk mail pricing table.

Our business has a very low profit margin for a very high turnover and we are labour intensive in terms of our costs, management of our labour is paramount to being successful both in terms of the service we provide and the profit that we need to sustain.

Proposed January 2016 Price Increases and Industry Ramifications

Our biggest threat to our sustainability in this industry is the proposed January 2016 increases to the Print Post Service.

Australia Post has conveniently not tabled the level of the increase nor have they tabled the comparative pricing model as they have done so in the past.

In the past they provided all categories of pricing, Old versus New and then with the percentage change, for January 2016 they have only provided the new price.

Our modelling comparing the new October 2015 price to the January 2016 prices shows a weighted average increase over the whole Print Post weight and distribution spectrum of 9%.

This increase will be higher than 9% to the majority of the publishers simply because the detailed category increases within the weight and distribution spectrum where the “average” of the magazine weight is shows up to 11.5%.

I have attached this document at annex A, this document is for evaluation purposes only and should not be distributed, accordingly it is marked – **Commercial In Confidence – Postal Analysis 2016.xlsx(777.4KB)**

The natural progression for a price increase is that the publisher will ask us for recommendations in order to reduce their price and the Print Post service and its discounted pricing structure is very heavily weighted whereby distant regional areas are the most costly.

An increase of between 9 and 11 percent in January 2016 will cause Australian publishers to cull their mailing lists, at present the regional areas of Australia account for about 30% of their database so if the Australia Post increases are accepted then our processing and distribution volumes will decrease accordingly.

This decrease will represent the first noted and tangible decline in personal magazine deliveries and it will undo all of the good work that the publishing and mailing industry has achieved during the past 30 years, regional delivery routes will suffer and in the coming months Australia Post will have a stronger economical blue print to terminate or minimise regional deliveries throughout Australia.

This January 2016 increase will be the beginning of the end.

Already we have had publishers make presentations to us that they will be culling their regional subscribers and delivery points.

In our business and with a turnover in excess of \$30,000,000.00 we will start the process of winding down with a view to closure more than likely after the next federal election.

Just using our company as an example, in excess of 100 people will lose their jobs in Victoria and New South Wales, we will no longer spend \$60,000.00 per month with Australian companies who presently supply our plastic film and other ancillary and necessary services which support the industry.

Australia Post – Pricing Notification
Wrong Pricing
Inconsistent Notifications
Unexplained Weighted Averages
Misleading Pricing Informaton

I have attached a copy of the October increases as notified 27th August 2015. **AS SUPPLIED BY AUSTRALIA POST – Aus Post Price Increases October 2015 & January 2016[7].pdf(763.1 KB)**

The January price increases were requested by us to Australia Post to be in the same format so that we could compare and advise our customers accordingly.

In our opinion, Post conveniently did not supply the pricing in the same format which makes it almost impossible to compare the price increases being presented in January 2016 for ACCC approval versus the October 2015 increases.

I have highlighted the tables on the attachments.

Typically Australia Post changes their pricing increase format and typically we have to request uniformity so that they can be accurately compared.

I have highlighted the deficiencies below:

October 2015			January 2016		
	Regular	Priority		Regular	Priority
PreSort	4.4%	3.2%	PreSort	36.5%	51.0%
Charity mail	3.1%	2.9%	Charity mail	14.4%	18.9%
Promo Post	1.5%	N/A	Promo Post		
Clean mail	4.7%	2.2%	Clean mail	36.3%	62.6%
Acquisition Mail			Acquisition Mail	31.4%	

Impact Mail			Impact Mail	32.2%	
Metered/Imprint	2.3%	0.0%	Metered/Imprint	41.8%	TBC**
Local Country			Local Country	41.2%	43.1%
Print Post	5.1%	7.7%	Print Post	9.5%	11.8%

** Priority rate for imprint/metered will be finalised after the ACCC decision on the Ordinary Stamp Rate

The yellow highlighted areas have been omitted or conveniently not supplied by Australia Post.

Attached I have included my preparation of the above table, with regard to the attachment has been now updated and includes the missing increase areas.

It should also be noted that the grid above has **been prepared by us and NOT Australia Post**, their grids are as per the attached documentation, please see above.

We have requested clarification from Australia Post but have had no response by the time this email was penned and sent.

This type of price increase presentation is so typical of Australia Post, the bulk mail customers and publishers rely heavily on companies like ours to sort through and decipher the increases so that they are completely understood and so that the increases can be compared accordingly.

In addition, it should be noted that some prices include the Goods and Services Tax (GST) and some don't, of course they are labelled but in fine print and not easily read and understood by the majority of bulk mail customers and publishers, once again it is up to companies like ours to sort out and identify whether or not this tax has been included or omitted.

And again, Australia Post when convenient uses the wording "Weighted Average" when presenting pricing, sometimes. They do not provide any workings or any background information as to how they determine the weighted average, this is very misleading because depending on the weight and distribution of a magazine under the Print Post banner the end price could be much higher or much lower than the so called "Weighted Average".

So when we undergo pricing comparisons for our customers then we have to explain why the price may vary from the "Weighted Average" price increase, once again this is very confusing and we are found to be in the awkward position of having to justify our pricing because Australia Post cannot explain or detail their pricing model.

This happens on all increase, over all weight breaks, over all distribution patterns and over all methods of postage.

Attached is an example of Wrong Weighted Averages as presented by Australia Post –**Example of Wrong Weighted Averages.pdf(501.6KB)**

In the example attached I would like to draw the readers attention to the last column and to the weighted average published, to demonstrate I have transcribed the figures as follows:

**DESCRIPTION
UNIT WEIGHTED AVERAGE**

Small up to 125g
2.6%

Small plus up to 125 g
2.8%

Large up to 125 g
8.8%

Large 125 g to 250 g
11.8%

Large 251 g to 500 g
12.1%

**Published Australia Post Weighted Average of these lines
3.2%**

I have calculated the weighted average to be the total of the 5 weight breaks (38.1) divided by (5) equals **7.62%**

These percentages have been promulgated to the Australian public and the bulk mailing industry and they are wrong, we have challenged Australia Post but at the date of penning and sending this email they had not responded either with an explanation nor an amendment.

On the attachment the prices under the table transcribed above are also wrong and they have the wrong weighted average, I did not think that it was necessary to transcribe the both.

It would be fair to say that we should delegate these erroneous calculations back to Australia Post, we have and basically we are not able to firstly get the weighted averages corrected nor are we able to get them explained, we cannot even get the price increases formatted and supplied the same way.

Printed Matter Agreements

Australia Post has many large Australian organisations whereby special pricing is negotiated under a "Printed Matter Agreement".

This agreement is confidential and the pricing is not available.

It is known that printed matter agreements provide large customers like the RACQ, NRMA and other large magazine producers special rates well below the price of the published Print Post rates.

Australia Post took this competitive pricing approach via printed matter agreements to theoretically maintain or win the business from private distribution companies like PMP Distribution and SALMAT distribution, neither of which were successful in delivering personalised magazines and neither of which could deliver to all areas within Australia.

Today Australia Post still maintains and negotiates these printed matter agreements and the discounted pricing structure not always reviewed at the same time as other mail which means that the smaller Print Post bound customers are subsidising the printed matter customers or publishers.

Mail Returns

Our company in Victoria and New South Wales processes and mails in excess of 5 million items per calendar month of which a percentage are returned, in some cases to us and in other cases back to the sender or the return address on the specific article.

The returns, in the case of magazines are charged at the full rate letter price in accordance with their respective weights.

This price for return mail is significantly higher than that charged by the bulk mail or Print Post rate.

We have on one occasion written to the minister for communications to advise him that all returns are not being charged for, we provided documentary evidence. Our response from the minister and as advised by Australia Post was that they were aware of the problem, they accepted our advice and that the matter was in hand to be corrected so that all return mail was charged for.

This ministerial was undertaken more than five years ago, nothing has changed.

Mail returns still end up back with us and the originators of mail with no charging documentation and this applies to all mail throughout Australia.

So mail is being returned through the Australia Post system and without charge.

Australia Post cannot provide a guarantee that all mail returns are being charged for but they can provide a guarantee that some of our bigger customers are being charged for returns back through some of their specific mail operations centres in New South Wales and Victoria, this is not fair to the proposed pricing model and it is not fair to the publishers who are selectively bearing a cost that others are not.

Mail returns would represent a very significant revenue loss to Australia Post especially considering mail despatched throughout all of Australia.

Summary

We are an Australian owned and operated company that employs Australia people.

We specialise in the publishing industry, bulk mail and magazine mailings.

We are the largest of our type in Australia.

The two owners David Docherty and David Sykes own and manage the business.

Recurring price increases will damage if not destroy our business.

Australians will lose their jobs.

The businesses of publishers has been built and modelled around the Australia Post Print Post Service.

Australia Post confuses publishers and customers with increases.

Australia Post frequently moves its cost around so that the "mails" division performs poorly.

Australia Post provides pricing tables that are incorrect and for which they will not explain.

Australia Post cannot manage the efficient re-charging of all mail returns.

In Closing

This representation to the ACCC may not be perfect and it may not necessarily be in the format that some of the other more professional responses are in, but don't lose sight of the fact that we know what we are talking about, we know the industry and we know Australia Post.

David and I are industry experts and that includes all facets of mail and mail processing.

We know the failings of the systems and procedures and we know that these impending price increases will cause us to shed staff and we know that our publishing based customers will do the same.

Aside from our company age, both David Docherty and I come from very well trained backgrounds from within Australia Post and from within the private mail house industry, collectively we have both in excess of 60 years experience.

We are never consulted by Australia Post and what's more we have never been consulted by Australia Post. Their so called consultative meetings are just show and tell and when all of the decisions have been made and will not be changed. These meetings are represented in their documentation to the ACCC as consultative but this is clearly not the case.

As Australia's largest consolidated Print Post customer then we would expect to have some input into the Print Post product which could be:

- Logistics – postal preparation, lodgement and movements;
- Pricing;
- Future challenges and objectives including delivery, preparation and pricing;
- Delivery schedules;
- Customer/Publisher feedback; and
- The future of the product and the service

We do not and we have never had input into any of the areas detailed above, this is despite many requests directly to the senior management team at Australia Post, verbally and in writing.

Thank You for the opportunity to present a submission.

David Sykes
Director
D&D Mailing Services

27 August 2015



Mr Craig Wright
General Manager NSW
D & D Mailing Services
PO Box 6458
WETHERILL PARK NSW 1851

Dear Craig,

Changes to business letter pricing

As you may be aware, Australia Post is planning to introduce important changes to its letters service. I am writing to provide you with details of these changes and what they mean for business customers to assist with planning and budgeting.

In March we announced plans to introduce a two-speed letters service for consumer mail, in line with what is already available for business customers. We also confirmed that we would seek an increase in the Basic Postage Rate (BPR) to recover more of the cost of providing the letters service.

Australia Post is forecasting losses approaching \$500 million in our mail service for the 2014/15 financial year, further highlighting that we are at a key point in our business as we seek to reform our letters service and position our business for growth.

Australia Post has lodged a draft notification with the Australian Competition and Consumer Commission (ACCC), seeking an increase in the BPR from 70 cents to \$1, which will apply to the new Regular service for consumers.

These changes will allow us to recover more of the cost of providing the letters service so we can maintain our nationwide network of over 4,000 post offices, and keep our posties delivering to around 11.4 million points across the country.

What this means for business letter pricing

As you may be aware, Australia Post reviews its business letter services as part of its normal pricing review cycle.

Over the coming months there are two expected increases to business letter pricing – the first in **October 2015** and a further increase in **January 2016**.

October price changes

Effective 5 October 2015, prices for business letter services using the Regular timetable will increase by a weighted average of between 1.5 per cent and 5.1 per cent.

October 2015		
	Regular	Priority
PreSort	4.4%	3.2%
Charity Mail	3.1%	2.9%
Promo Post	1.5%	N/A
Clean Mail	4.7%	2.2%
Metered/Imprint	2.3%	0.0%
Print Post	5.1%	7.7%

Draft 2016 price changes

Included in our ACCC draft notification are proposed business letter price increases for January 2016 to enable the ACCC to gain a better understanding of our overall business.

At this stage, prices for business letter services using the Regular timetable are **proposed** to be increased by a weighted average of between 9.5 per cent and 41.8 per cent on 4 January 2016.

As a principle, we have sought to maintain the existing business mail pricing discounts relative to the BPR (noting the BPR represents a 42.9% increase) and to extend these discounts where possible.

As we move through the ACCC process we are committed to keeping you informed and will write to you again once this process has been completed. It is at this point that we will be able to confirm the final price changes for January 2016.

Our sales team is available to work with you to look at the impact of these changes on your business.

Further detail on the pricing changes are available at auspost.com.au/pricingupdates.

If you have any queries or require additional information, please do not hesitate to speak to your account manager or to contact our Customer Sales & Service Centre on 1300 519 677.

Yours sincerely,



Mark Pollock
General Manager
Mail Products

PreSort	Same State BDT			Other State BDT			Residue			Unbarcoded Residue			Weighted Average		
	Price (GST Inc)			Price (GST Inc)			Price (GST Inc)			Price (GST Inc)			(GST Inc)		
	Current	Oct-2015	% Var	Current	Oct-2015	% Var	Current	Oct-2015	% Var	Current	Oct-2015	% Var	Current	Oct-2015	% Var
Size / Weight	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Priority Delivery															
Small – Up to 125g	0.630	0.648	2.9%	0.652	0.670	2.8%	0.670	0.685	2.2%	0.675	0.690	2.2%	0.649	0.666	2.6%
Small Plus – Up to 125g	0.820	0.843	2.8%	0.855	0.879	2.8%	0.950	0.977	2.8%	1.120	1.152	2.9%	0.889	0.914	2.8%
Large – Up to 125g	1.120	1.255	12.1%	1.175	1.315	11.9%	1.305	1.380	5.7%	1.370	1.385	1.1%	1.218	1.326	8.8%
Large – Over 125 up to 250g	1.528	1.710	11.9%	1.637	1.835	12.1%	1.801	2.018	12.0%	1.925	2.080	8.1%	1.659	1.854	11.8%
Large – Over 250 up to 500g	2.030	2.280	12.3%	2.220	2.485	11.9%	2.370	2.660	12.2%	2.570	2.880	12.1%	2.199	2.465	12.1%
Total Priority													0.682	0.704	3.2%
Regular Delivery															
Small – Up to 125g	0.558	0.578	3.6%	0.576	0.596	3.5%	0.600	0.630	5.0%	0.630	0.660	4.8%	0.577	0.599	4.0%
Promo Post	0.541	0.549	1.4%	0.559	0.565	1.1%	0.582	0.598	2.7%	0.630	0.660	4.8%	0.557	0.566	1.5%
Small Plus – Up to 125g	0.705	0.730	3.5%	0.735	0.761	3.5%	0.910	0.943	3.6%	1.010	1.046	3.6%	0.773	0.801	3.6%
Large – Up to 125g	0.980	1.080	10.2%	1.030	1.135	10.2%	1.230	1.330	8.1%	1.320	1.335	1.1%	1.106	1.199	8.5%
Large – Over 125 up to 250g	1.300	1.430	10.0%	1.410	1.555	10.3%	1.600	1.760	10.0%	1.700	1.875	10.3%	1.416	1.560	10.1%
Large – Over 250 up to 500g	1.670	1.840	10.2%	1.810	1.995	10.2%	2.030	2.225	9.6%	2.280	2.500	9.6%	1.841	2.025	10.0%
Total Regular (ex Promo Post)													0.610	0.637	4.4%
Total PreSort (ex Promo Post)													0.634	0.659	3.9%

October 2015**January 2016**

	Regular	Priority		Regular	Priority
PreSort	4.4%	3.2%	PreSort	36.5%	51.0%
Charity mail	3.1%	2.9%	Charity mail	14.4%	18.9%
Promo Post	1.5%	N/A	Promo Post	25.2%	N/A
Clean mail	4.7%	2.2%	Clean mail	36.3%	62.6%
Acquisition Mail	3.7%	N/A	Acquisition Mail	31.4%	N/A
Impact Mail	7.4%	N/A	Impact Mail	32.2%	N/A
Metered/Imprint	2.3%	0.0%	Metered/Imprint	41.8%	TBC**
	No change	No change			
Local Country			Local Country	41.2%	43.1%
Print Post	5.1%	7.7%	Print Post	9.5%	11.8%