

major mail users

SUBMISSION
IN RESPONSE TO THE
ACCC PRELIMINARY VIEW PAPER
of June 2008

**Australia Post's
Draft Notification
POSTAL PRICING INCREASES**

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11 July 2008

Mr Anthony Wing
General manager
Prices Oversight and Monitoring Branch
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Mr Wing:

This submission is a follow-on from our submission of April 2008 which dealt with the ACCC's Issues Paper and our meeting with you on Wednesday 2 July.

We remain of the same opinion:

that the Reserved Services should be dealt with as having two separate and distinct parts: firstly, the "Domestic Mail" element collected from the local roadside red mailboxes and/or local post offices and, the second, the "Bulk PreSort Mail" in which we as an organisation have focused upon in our comments;

that within the Bulk PreSort Mail product there have been four periods since the passage of the *Australia Postal Corporation Act 1989 as amended*: (1) pre-Barcoding; (2) development and introduction of Barcoding; (3) development and introduction of the Bulk Mail Partner Program and (4) the current period wherein offers by MMUA members for a new and cost-savings system (given the working title by us of *Advanced Network Integration (ANI)*) have not been taken up by Australia Post despite their having been available on and from 1 January 2008 at the time of offering;

that the ACCC in handing down its Preliminary View that a price increase in the Bulk PreSort Mail has not dealt appropriately with the differences between Domestic Mail and Bulk PreSort Mail and is, in effect, rewarding Australia Post for having failed to take full advantage of the productivity gains that are still available within the "time period" of (2) and (3) and failing for dealing properly with the productivity gains that are available within the proposed ANI

and wish to register our strong objection to the proposal to not object to the Bulk PreSort Mail element of the proposed postage price increase.

It is our contention that any price increase in the Bulk PreSort Mail product should be objected to until such time as our own ANI proposals are dealt with properly – at "operational interface" levels within AP – not as is Australia Post's wont, at clerical, administration level.

**FOR AND ON BEHALF OF
MAJOR MAIL USERS OF AUSTRALIA LIMITED**

John Gillroy
Chief executive officer

In the comments below we have elaborated upon our three basic points – detailed information contained in our April 2008 response to the ACCC Issue Paper remains relevant to and is considered by us to be part of this second submission.

1. A RETURN TO THE MONOPOLY CULTURE

1.1 Australia Post has not taken up many potential productivity gains available to it in respect to Bulk PreSort Mail and therefore should not be granted a price increase for that specific product within its monopoly until such time as there has been a proper exploration – at **operational interface** level – with stakeholders of that potential.

1.2 The downgrading over the past three or four years by Australia Post of the previous decade's good work in "customer connection" allied with senior management's decision to use only administrative, clerical and management staff (cutting out staff with *operational interface* expertise and day-to-day responsibilities for same) in stakeholder negotiations surrounding Bulk PreSort Mail matters has resulted in lost productivity gain opportunities.

1.3 Australia Post should not be rewarded for its reversion to the monopoly mentality and approach that led the then chairman of Australia Post, Linda Bardo Nicholls, to give the following undertaking to our annual convention in October 1998:

*" ... The rub is that some perceive that the monopoly culture lingers. That we're not always tailoring service features to customer needs. And that we don't do enough to develop relationships with you. If we find that these perceptions are accurate, part of my role as Chairman would be to make sure the Corporation is addressing those concerns **and making meaningful improvement in the way we behave as a business partner** [MMUA's emphasis!]."*

1.4 Well that was October 1998 and this is May 2008: Chairman Linda Bardo Nicholls has long gone and a new breed now runs the show.

1.5 The "monopoly culture" (her phrase) has returned and, as a result, the *Monopoly Culture Rules, OK* attitude and practice has seen not only the failed uptake of still available productivity gains from the Barcoding Project but also the failed uptake of still available productivity gains from the Bulk Mail Partner Project and the disregarding of the offer made by our members to have in placed by January last a yet further productivity gain potential winner from our Advanced Network Integration Project.

1.6 MMUA represents the organisations that provide 80+ percent of the Bulk PreSort Mail product that Australia Post has a monopoly on. We are strongly opposed to Australia Post being, in effect, rewarded with a price increase on its Bulk PreSort Mail product when it has failed to act in those three important areas (Barcoding, Bulk Mail Partner and Advanced Network Integration) because it will not allow discussions between our *operational* experts and its *operational* experts.

2. THE IMPORTANT DIFFERENCE BETWEEN "DOMESTIC MAIL" AND "BULK PRESORT MAIL"

2.1 Between the passage 19 years ago of the 1989 legislation and its all-important [Reserved Services] definition of a "letter" and today there have been massive technological changes that have dramatically changed the way the community conducts business.

2.2 The relevance of the monopoly powers extended to Australia Post fall outside the scope of this Draft Notification process but nonetheless our contention is that the responsibility attached to the ACCC for assessing price notifications embraces in general the relevance of technology and its application to paper-based mail and, more particularly, whether or not Australia Post has made good and proper use of technology's ever-evolving advances in order to keep costs in check and to achieve productivity gains.

2.3 The technology employed today in the mail industry in this country – acknowledged as being one of the world leaders for same, if not the world leader – is markedly different to what it was 19 years ago and so too is the “mail product”.

2.4 When the 1989 legislation came into effect “Bulk PreSort Mail” as we know it today did not exist. A simple bundling of mail on a postcode basis sufficed but, as the ACCC will know from its own studies of the Bulk PreSort Mail Terms and Conditions, much more is required today if one wishes to avail oneself of the pricing regime of Bulk PreSort Mail.

2.5 Technology evolves but the monopoly culture prevails within the Letters Group and the Revenue Collection Group who have been given the power by Australia Post's senior management and Board to block direct access to *operational* level staff for “*making meaningful improvement in the way we behave as a business partner*” that the then Chairman of Australia Post had hoped to achieve in 1998. For a brief shiny period – between 1998 and 2006 – that did happen and the Corporation no longer is addressing such matters as the Chairman of that day said it would should they resurface.

2.6 We trust that the importance of this point will not be lost on the ACCC: in a truly competitive marketplace a business improvement suggestion by customers representing 80+ percent of a product as important as Bulk PreSort Mail would have been dealt with appropriately and *operational interface* level staff engaged in the exercise: under the current Return to the Monopoly Culture mentality that prevails within Australia Post, that has not been the case. Our contention is that until it is done the potential for sizeable productivity gains that rests within the ANI proposal remain unexamined at *operational interface* level and a price increase should not be approved whilever that remains the case.

2.7 Technology constantly evolves. The further development and processing of Bulk PreSort Mail is reliant upon that evolutionary process and there is within its customers – its partners in the business of mail – the expectation that Australia Post would at the very least, work with them at *operational interface* level. The Bulk PreSort Mail system has to be organic, flexible and responsive to the business needs of all the partners. Under the monopoly culture control of Australia Post that is not the case and yet it has asked for a price increase which we contend should be objected to.

Breaking the link

2.8 In our opinion there is a fundamental flaw in the approach, at all levels, to the monopoly granted to Australia Post, the so-called “Reserved Services” in that, linked to the delivery of the Community Service Obligations attached to that monopoly, the main purpose is to ensure that the mail of the “citizen in the street”, using the roadside red letter boxes for depositing “domestic” mail is properly handled and delivered ***whereas*** over the past two decades the use of technology-driven pre-lodgement preparatory processes has made the “business” mail, the so-called “Bulk PreSort Mail” an entirely different mail product with entirely different processing, entirely different costings, entirely different throughout the process of [high-tech] production, [high-tech] preparation and lodgement up until it is placed into the individual *postie's* area of responsibility.

2.9 We do not believe that either Australia Post or the ACCC have, in this current draft notification process, addressed that fundamental difference between the two types of mail.

2.10 As a result, whilst it may well be reasonable for there to be an increase in the price of the current 50 cent postage stamp, Australia Post's inability to take up suggestions for new techniques, new production line methodologies and proposed new electronic PreLodgement Advice systems (working on real time production line runs) that would bring productivity gains in more than one area of its operations to it, is a deplorable mismanagement of the high level of trust placed in it as a government monopoly and should not be rewarded, as it were, with a rubber-stamp approval of its price increase proposal for Bulk PreSort Mail.

2.11 Indeed the active role of two areas of Australia Post – the Letters Group and the Revenue Collection Group – in actually blocking *operational interface* discussions with areas of Australia Post that have *operational* (as distinct from administrative, clerical and management) expertise and responsibilities is seemingly being approved – and certainly financially rewarded – by the ACCC in its Preliminary View document in the proposal that the ACCC will not oppose an increase in the price of Bulk PreSort Mail.

3. MISSED PRODUCTIVITY GAINS THAT WERE AVAILABLE FROM JANUARY 2008

3.1 Furthermore the fact that our Mailing House members (with over 80 percent of Bulk PreSort Mail passing through their sites) offered on 1 March 2007 to have the ANI system operative on and from 1 January 2008 – providing productivity gains from that date – and Letters Group and Revenue Collection Group either were not able or did not deal with the proposals appropriately at *operational interface* level should have been taken into account by the ACCC and the price increase for Bulk PreSort Mail should have been objected to.

3.2 To do otherwise, as the ACCC says it intends, is nothing short of a signal that a government monopoly has no need to look seriously at its customers proposals for improvements.

3.3 In this instance, the ACCC, which we thought had a statutory role to look after the interests of “consumers”, is proposing to reward Australia Post with a price increase in Bulk PreSort Mail when it has not properly dealt with a proposal for improvements in *operational interface* systems that would have given productivity gains to all parties (Generators, Mailing Houses and Australia Post).

3.4 In this day and age paper-based mail is but one of many choices open to business for communicating with its clients. There are many jobs attached to the paper-based mail industry: Australia Post is but one player in a sizeable job market and economic market but its impact as a the monopoly carried of the Bulk PreSort Mail product places it in a very special area of responsibility that should not be lost sight of when assessing any claim for a Bulk PreSort Mail postage price increase.

3.5 Australia Post's unwillingness to allow any discussions between our technical people and their technical people on *operational interface* matters shows a corporate culture's reliance on its government monopoly of Bulk PreSort Mail that is to be deplored: that is to say, Big Brother Is Always Right. Where is Chairman Nicholls when the industry really needs her?

3.6 Technology is driving communication techniques and Generators' clients are increasingly dictating to Generators the choice of paper-based mail or e-alternatives: Australia Post is foolish and short-sighted, to say the least, to so wilfully obstruct meaningful *operational interface* discussions with our Mailing House members and their Advanced Network Integration proposals with its inherent productivity gains potential.

3.7 And the ACCC? The ACCC in its Preliminary View approach which ignores all of that, is giving Australia Post a clear signal that there is no procedural blocking of Australia Post being able to do whatever they wish and still gain a price increase, deserved or otherwise. We understand that the ACCC does not tell a corporation how to run its business but surely it is relevant for the ACCC to take into account in a price control setting whether or not every means of achieving productivity gains has been taken before agreeing to not object to a price increase proposal?

3.8 *Our recommendation is that* Australia Post should be denied the proposed increase in the Bulk PreSort Mail increase and told to institute *operational interface* discussions cum negotiations on Advanced Network Integration (ie, discussions that include the using of Australia Post personnel who have *operational* experience and responsibilities as distinct to purely administrative, clerical and management experience and responsibilities) and report back to the ACCC (in the context of the Assessing Price Notification key responsibility of the ACCC) in due course before any further consideration is given to changing the current pricing levels for Bulk PreSort Mail.

4. COMMENTS MADE BY AUSTRALIA POST – MAY 2008 “AUSTRALIA POST’S RESPONSE TO PUBLIC SUBMISSIONS”

4.1 - In our own dealings with the *post-2006* Letters Group and Revenue Collection Group we have become used to a blurring of the presentation and non-answers through the non-use of Plain English but to see it repeated in certain areas of this Response cannot be allowed to pass without our comment.

4.2 **Page 7 – Para. 2 of the AP Response to Public Submissions document** – statement that there has been a shift in the drivers of productivity growth and that future productivity gains will come not from “previous major network and automation investment” but from “sustained process improvement”.

4.2.1 Australia Post is referring here to its own operations and – as it does constantly in its documentation – ignores the contribution made by its Generator and Mailing House customers in the pre-lodgement process that ensures massive savings (to Australia Post) and falls within the “process improvement” defining of para. 2’s comment. Our Advanced Network Integration proposal – with its ePreLodgement Advice system – is exactly that “process improvement” and we offered it for implementation on 1 January 2008 for in excess of 65 percent of Bulk PreSort Mail being lodged. How can a price increase in Bulk PreSort Mail be not objected to when Australia Post declines to discuss the proposal at properly qualified *operational* staff level?

4.2.2 Australia Post’s PIP.II Project, on the other hand, is heavily reliant upon “major network and automation investment” and well over 12-months since first announced its still awaiting proper funding with the Corporation or advice from machinery *et al* suppliers of various elements, without a timetable for completion, without a timetable for operation, without the documentation-in-principle outline that was a feature of the earlier Barcoding Project – all of that should be contrasted

with our won ANI Proposal which we offered in March 2007 with a commencement date of 1 January 2008.

4.3 **Page 8 – Para. 3 of the AP Response to Public Submissions document** – Statement that the three elements of BMP (PIP, CBQA and eLMS) were established before BMP was created in 2004.

4.3.1 This is a strange statement – we hesitate to postulate on why the true facts of the situation have been left out of the Australia Post document only to give them the benefit of the doubt. Here is an expanded comment on the matter:

4.3.2 BMP is an accreditation program based on quality assurance. It was suggested by MMUA to AP in 1995 and rejected outright by Australia Post at that time.

4.3.3 Later, when the personnel within the Letters Group had changed (as a practical application of the thinking stated in October 1998 by Chairman Nicholls (see above)) it was resurrected in a joint AP-MMUA Barcoding Workshop (one of 14 conducted at MMUA's instigation, our first offer to work at *operational interface* level having been rejected, by the way, by Australia Post's Letter Group of that day) and began its life not in 2004 as Australia Post states but at a joint AP-MMUA Workshop in Sydney on 23 September 2003. Australia Post has a convenient (to it) way of forgetting history when it comes to customer input but its customers do not.

4.3.4 Originally called "Quality Mail Partner" it was formally launched in Sydney on 11 August 2004 as the Bulk Mail Partner Project. It is hard to understand why Australia Post should so blatantly misrepresent the true position regarding the three elements:

4.3.5 PIP came about as the result of a project initiated by the then Salmat organisation with AP, followed up by the then HPA organisation, wherein all of the *operational interface* connections between AP and the individual mailing house were identified and overlaps worked through. It is that same *operational interface* contact that Letters Group and Revenue Collection Group now block – it's known in racing parlance as having a two bob bet each way but it's not good enough for today's Bulk PreSort Mail business partnership.

It is hard to understand why Australia Post should so blatantly misrepresent the true position: *Plus ca change*

4.3.6 eLMS was first requested by MMUA in the 1990s – that is to say electronic lodgement processes out of which eLMS has grown. It was a reluctant AP at that time but as we pointed out at the discussion table, the Minister with regulatory control of AP was not only the Communications Minister but also the Information Technology Minister and it was agreed to take up the suggestion. This is not to take away from the work done by AP in this important area (which in today's IT world is second nature) but it was breaking new ground at the time we asked for it and just as Letters Group and Revenue Collection Group are resisting our desire to see Advanced Network Integration and ePreLodgement Advices today, so too there was resistance to our ground breaking proposal for paper-based lodgements to be replaced by a reliance on the [then] new e-technology .

It is hard to understand why Australia Post should so blatantly misrepresent the true position: *Plus ca change*

4.3.7 CBQA came out of the work being done jointly by AP and MMUA in the Barcoding Project's developing areas

Again, it is hard to understand why Australia Post should so blatantly misrepresent the true position: *Plus ca change*

4.4 **Page 8 – Para. 4 of the AP Response to Public Submissions document** – That being said, the claim by Australia Post that lower Bulk PreSort Mail prices represents its sharing of operational savings achieved is not an argument that can or should be accepted in the absence of the accounting transparency that we have called for above.

4.4.1 In the absence of accounting and financial statements showing the costings for Domestic Mail and Bulk PreSort Mail as two separate and distinct arms of the monopoly's Reserved Services there is no way that that claim can be examined.

4.4.2 A contrary view is that the lower cost of handling Bulk PreSort Mail has produced financial benefits for Australia Post that it has rolled into the costings for Domestic Mail and that the vague accounting reports that it makes available in these matters (which are outside the coverage of the ACCC's Monitoring Cross-subsidisation key responsibility) wherein Domestic Mail and Bulk PreSort Mail are treated as one product are not good enough to warrant an increase at this time in the price of Bulk PreSort Mail.

4.5 **Page 8 – Para. 5 of the AP Response to Public Submissions document** – this reference to "various pricing incentives and commissions" seems to be related to Licenced Post Offices not Bulk PreSort Mail customers.

4.6 **Page 10 – Para. 3 of the AP Response to Public Submissions document** – the rejection by Australia Post of MMUA's contention regarding its inability to run a truly "uniform and national" service as demonstrated by the disparity of LQS monthly statistics for BMP mailing houses with Outstations and BMP mailing houses without Outstations, as well as the difference of results between the States – with particular comparison of Victoria and New South Wales – is pure obfuscation on Australia Post's part.

4.6.1 But here is the rub: they reject our claim, we reject their non-acceptance of our claim: it's a circular argument and we can only hope that the ACCC will see the point that we make and that is that if it were truly being run as a "uniform and national" monopoly service, the monthly LQS statistics would show a much different result: Victoria would not stand out like a dog's hind leg in all the statistics is but one example of the inability of Australia Post to provide a "uniform and national" service.

4.6.2 This surely means that one state is running a more effective business than another, whether that is Victoria at the top or Victoria at the bottom, or Victoria in the middle is not the issue. The fact is that there is a feudal system of governance in place, with individual states as separate fiefdoms, and Australia Post's own LQS statistics are consistently, month-by-month, showing that the feudal kingdom is not "uniform and national" therefore one or more states must be running more productively than one or more other states: or less productively if you prefer your glass half empty rather than half full.

4.6.3 It follows, therefore, surely, that Australia Post is not applying its own litmus of (as they put it) "sustained process improvement" state-by-state, mailing house-by-mailing house in order to achieve maximum productivity benefits – and

yet they want to be rewarded for such a gross inefficient management of their own system by a price increase for their Bulk PreSort Mail product when there are still obvious savings to be had by proper management!

4.7 **Page 11ff – Section 2.5 (Opportunity for Future Productivity)** of the AP Response to Public Submissions document – it would be repetitive to again refer to our references to productivity gains that are still available for the having however we have to reject two statements specifically:

4.7.1 At page 14 – para. 1 – reference to the misnamed “technical meeting of 4/12/07. This meeting was not attended by anyone of *operational* or *technical* expertise on Australia Post’s part and it is a blatant misrepresentation to call it a “technical” meeting.

4.7.2 Three persons attended from the Letters Group and Revenue Collection and only one person spoke. The meeting was in connection with our e-PreLodgement Advice proposal – since the impact of the ePLA is directly related to Mails and Network Division and Commercial Division we would have expected representation of such *operational* staff but then when we take into account the refusal of the Revenue Collection staff who attended the ANI/PIP2 Meeting No. 3 in Sydney on 26/9/07 to allow the Mails and Network Division to comment on our proposal’s interest to that Division then the picture is clear: administrative, clerical and management staff within Australia Post have been given authority to block access to *operational* staff and thus they were excluded from the 4/12/07 meeting. Several members who attended that meeting subsequently decided that it was a waste of their valuable time to continue meeting with Letters Group and Revenue Collection on these matters.

4.7.3 Furthermore the range of IT-technical questions posed by Australia Post related to areas of non-relevance to Australia Post’s handling of the *IT operational interface* and has indicated to our own technical personnel that the administrative, clerical and management staff who have been dealing with our *operational* proposals have no proper understanding of the proposal and MMUA intends to reconsider its position at a meeting of its senior Mailing House personnel in August 2008.

4.7.4 Australia Post is in effect following a policy and practice of “if there is an adequate way, why bother looking for a better way?” and there currently being an adequate way of doing things with Bulk PreSort Mail, why bother going to the trouble of dealing properly – at *operational* level - with customers who say they have a better way? - to award Australia Post a price increase on the Bulk PreSort Mail product under such circumstances is simply wrong in principle.

4.7.5 At page 14 – para. 4 – this comment shows either that Australia Post either (i) has absolutely no understanding of our suggestions for a better approach to Post-6pm Lodgement processes, or (ii) it has no interest in considering ways and means of improving productivity when the suggestion comes from the customer, or (iii) Letters Group is itself deliberating blocking discussions on the matter with *operational* staff on our proposal which fits within the definition of “meaningful improvement” laid down by then Chairman Nicholls in October 1998 – where is that spirit a decade later?

4.7.6 Whichever of the above three it is, the fact remains that we have a better way – meaningful improvement - of feeding Bulk PreSort Mail into Australia Post to work through with them and we cannot get past the first obstacle of Letters Group

to discuss our proposals with *operational* staff: to award Australia Post a price increase on the Bulk PreSort Mail product under such circumstances is simply wrong in principle.

4.8 **Page 19 – last 2 lines of the AP Response to Public Submissions document** – whether the Bulk PreSort Mail volumes change dramatically or slowly or not at all, the contention by Australia Post that “volume related productivity gains” are not to be expected is presumably to be taken in conjunction with their earlier statement (Page 7, para. 2) that “sustained process improvement” is where future productivity gains will come from. Without canvassing again our main point in detail, we need to emphasise that our Advanced Network Integration (with its attendance e-PreLodgement Advice) was offered for operative commencement on January 2008 but not taken up: to award Australia Post a price increase on the Bulk PreSort Mail product under such circumstances is simply wrong in principle.

4.9 **Page 42 - para. 1 of the AP Response to Public Submissions document** – we stand by our statement: Australia Post is not running a “uniform and national” system (see also our comments above in connection with Page 10 – Para. 3). Next month marks the fourth year of operation of the Bulk Mail Partner Project. It now has 62 sites – each of which has a separate AP Operating Manual instead of there being one single – uniform and national – manual. Again, we point to the disparity of results between States. If “sustained process improvement”, as claimed by Australia Post, is the only way to achieve future productivity gains why is this question not on the agenda? To award Australia Post a price increase on the Bulk PreSort Mail product under such circumstances is simply wrong in principle.

4.10 **Page 42 - para. 2 – last line of the AP Response to Public Submissions document** – Australia Post’s claim that “the most common issues that require correction are declared volumes and category of mail (eg letter size)” is blatantly false. The LQS statistics for April 2008 show that for the six main categories the percentages were – figures for November 2007 are shown in parentheses;

Documentation – 53.1 % - [44.1%]
 Category – 21.5 % - [23%]
 Sorting – 14.0 % - [16.0%]
 Addressing – 5.0 % - [5.8%]
 Volumes – 3.3 % - [4.3%]
 Presentation – 3.1 % - [6.7%]

[Letter] Size falls within the main category of Category – it was 8.3 %. [11.5%].

4.11 The true position as to the “most common issues that require correction” is: (i) Barcode Manifest (a sub-category within the main category of Category) at 22.1% for April 2008 and 15.9% for November 2007, and (ii) the MIL (a sub-category within the main category of Category) at 17.0% for April 2008 and 11.4% for November 2007, and (iii) Sorting at 14.0% for April 2008 and 16.0% for November 2007. A little academic perhaps, but referred to here by us because Australia Post is wrong in its statement and that needs to be corrected.

4.12 If they can be wrong in such a simple extraction of the monthly LQS statistics how can we be sure that their *Most Secret* accounting for Bulk PreSort Mail costings are in fact correct when they are not available for public checking?

4.13 **Page 47 – para. 2 of the AP Response to Public Submissions document** – here is the most outrageous misrepresentation of all!

4.13.1 We will not repeat our comments about the way in which Letters Group and Revenue Collection Group have mishandled and blocked the offer we made for Advanced Network Integration to be available on and from 1 January 2008: sufficient for the day are the points made in our April 2008 comments and elsewhere in this paper.

4.13.2 However, we cannot let pass without comment the following points made by Australia Post seemingly as an excuse for their unwillingness to deal seriously at operational level with our proposals:

(a) “... Not all of the MMUA’s BMP mailing house members have committed to adopting the MMUA’s ANI/ePLA proposals” – true indeed but as the author of those comments knows only too well, well in excess of 65 percent of the total Bulk PreSort Mail lodged on a daily basis is covered by those of our members who have indicated their desire to adopt ANI/ePLA. What commercially sensitive, marketplace orientated, business partner would not be interested in pursuing quickly and properly a proposal by customers representing 65 percent of one of its main products? Is this a genuine slip or is it pure calumny? Whatever the truth, until ANI/ePLA is properly deal with, to award Australia Post a price increase on the Bulk PreSort Mail product under such circumstances is simply wrong in principle.

(b) “... Additionally, of the 38 individual mailing houses that are participating in the BMP Program, 22 are not MMUA members”. Poor Australia Post, if its accounting records are as as rubbery as its counting-on-the-digits process regarding BMP sites then it is no wonder they are treated as Most Secret and unavailable for public examination!

4.13.3 There are currently 61 BMP sites – not 38.
 33 are MMUA member sites.
 28 are non-MMUA member sites.

4.13.4 **It’s lodgements that count in this exercise** – not site numbers – and for November 2007 and April 2008 the snapshot shows the following relativity of MMUA sites and non-MMUA sites:

Month	MMUA Member BMP Sites	Non-MMUA BMP Sites
	LODGEMENTS	LODGEMENTS
November 2007	64 622	8 426
	88.5 percent	11.5 percent
	32 sites	24 sites
April 2008	62 518	8 972
	87.4 percent	12.6 percent
	33 sites	28 sites

4.13.5 As to the statement related to the numbers available to take up ANI, as the author of those comments knows only too well, well in excess of 65 percent of the total Bulk PreSort Mail lodged on a daily basis is covered by those of our members who have indicated their desire to adopt ANI/ePLA.

4.14 What commercially sensitive, marketplace orientated, business partner would not be interested in pursuing quickly and properly a proposal by customers representing 65 percent of one of its main products?

4.15 What does it say about Australia Post that it will only discuss these matters at clerical and administrative staff level and forbid *operational interface* level discussions – and what does it say about the ACCC if it continues down the pathway of the Preliminary View to not object to a Bulk PreSort Mail postage price increase under these circumstances?

4.16 Is this a genuine slip on Australia Post's part to make such misleading statements, is it a cover-up or is it pure calumny? Whatever the truth, until ANI/ePLA is properly deal with, to award Australia Post a price increase on the Bulk PreSort Mail product under such circumstances is simply wrong in principle.

5. THE ACCC AND THE "CONSUMER" FOCUS

5.1 Our position set out in our submission of April 2008 to the ACCC's Issues Paper has not changed with the publication of your Preliminary View paper – our contention, as practical business partners of Australia Post with day-to-day production line expertise in Bulk PreSort Mail matters – is a basic, simple contention that Australia Post still has available to it many opportunities for productivity gains in its Bulk PreSort Mail product.

5.2 Furthermore, having failed abysmally to deal appropriately as a proper business partner with our offer of March 2007 for a system (ANI – Advanced Network Integration) that we said then could be in place by 1 January 2008, we strongly believe that the ACCC now proposes to reward Australia Post's lamentable slap-happy approach to business options by deciding not to object to the Bulk PreSort Mail.

5.3 We are appalled at this lack of focus by the ACCC on the "consumer" element of the ACCC's area of responsibility: if in a monopoly setting, and a monopoly culture of control we, the customers, cannot turn to the ACCC as consumers and be heard with equal status as the monopoly itself then, to whom do we turn?

5.4 Our members are forced to do business with Australia Post because they have an iron clad monopoly power – which over the past three or four years they have exercised with scant regard to the normal business processes of one business partner to another that operate within the Australian marketplace – and now we find that the ACCC is prepared to reward a monopoly power that rides rough-shod over its customers.

6. FOR THE RECORD – ABOUT MAJOR MAIL USERS OF AUSTRALIA LIMITED

6.1 As our name implies, members of Major Mail Users of Australia Limited (MMUA) are companies who are large volume users of Australia Post's (AP) network services and, as well, companies who are suppliers of goods and services to the Australian Mail Industry as a whole.

6.2 As such our members are focussed, for the purpose of this matter, on the Bulk PreSort Mail product and not upon the Domestic Letter product.

6.3 Because the discounting of Bulk PreSort Mail is based on work done from the database through to actual lodgement by the user, thus providing a product that can be

dropped directly from the tray into the conveyor belt of the AP mail centres without further ado, our members are acutely conscious of the mail's processing elements and are uniquely placed to comment on the claim made by AP that future productivity gains are limited and therefore a price increase should be approved.

6.4 Over the past 5-years our Mailing House members in particular have worked with AP to develop an accreditation program – the Bulk Mail Partner Program (BMP) – which has produced extensive productivity gains in the lodgement, processing and delivery areas of the Bulk PreSort Mail product.

6.5 Before that we worked extensively with them on the Barcode Project which preceded the 2002 postage price increase application.

6.6 We believe that there are still (insofar as Bulk PreSort Mail is concerned) unrealised productivity gains to be had from the Barcode Project that led up to the 2002 price increase in the Domestic Letter product and, additionally, there have been proposals put to AP by MMUA for improvements in the BMP processes that will provide excellent productivity gains over the next four or five years.

6.7 Until both of those elements are implemented there should be no increase in the price of the Bulk PreSort Mail product nor in such associated products as Charity Mail and Offset Mail that, for preparatory, lodgement and processing purposes, are the same as Bulk PreSort Mail itself.

6.8 The real economic cost of an increase in the Bulk PreSort Mail postage price is not simply a larger postage account within a customer company but the compounding effect of driving [paper-based] mail users into e.alternative means of non-paper communication with the cascading economic impact on a variety of industries that that will have.

ENDS