core business and responsibilities

Australia Post and postage pricing in the e-Age

SUBMISSION

IN RESPONSE TO THE

ACCC ISSUES PAPER

of April 2010

Australia Post's 2010 Price Notification

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John Gillroy
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Friday 30 April 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 is the third year in a row that Australia Post has asked for a postage price increase – 2008, 2009 and 2010. MMUA's response to the ACCC Issues Paper needs to be seen in the following context:

- We represent the AP customers who day-by-day, each business day of each year, lodge some 86+ percent of all of AP's Bulk Mail letters – our members are both the generators of that mail product and the processors (mailing houses) of it;

- We have consistently since 1994 been available to AP to work through "technical" issues relating to the preparation of mail for lodgement, lodgement processes and development of quality assurance techniques and accreditation processes;

- Since 2006, AP has effectively rebuffed all our endeavours to discuss at a technical level, with relevant AP technical personnel ways and means of bringing about cost-effective changes of processes (see our submissions in 2008 and 2009 for further details);

- Knowing that AP has chosen to ignore technical proposals from its major group of customers to bring about cost savings, we are opposed to their being rewarded with their proposed postage price increase at this time.

In each of the past three AP requests for a price increase, we have canvassed our members for their opinions and more so this year than in the other two years there is a groundswell of opinion that says, in effect, if postage prices increase it will speed up the transferring of *communication* across to the many, many e-alternatives that are present in the 2010 marketplace.

Core Business and Responsibilities

In her 2002 address to the MMUA annual convention, the then chairman of AP, Ms Linda Bardo Nicholls spoke with candour about the "strategic positioning of Australia Post" that would be taking place over the ensuing decade: a positioning that quite clearly had in mind taking full commercial advantage of the developing technologies in a diversification of AP from its traditional *core business* of paper-based mail. The success of that strategic positioning – success for AP that is – is obvious.

What is missing from the equation today is that whilst AP has been successfully repositioning itself in the Australian and global marketplace, there has been no review of the monopoly granted it under the *Australian Postal Corporation Act 1994* – no review of what we would call AP's *core business* and the *core responsibilities* that flow from the monopoly powers it enjoys. We submit that the one cannot be divorced from the other and most especially so when the question of postage pricing arises.

Australia Post no longer sees mail – and from our perspective, Bulk [business] Mail in particular - as its core business and intends, through its recently unveiled *Future Ready* proposals to move into areas in competition with many of its current *mail* customers;

Indeed, the supplementary slogan to *Future Ready* – ie *Australia Post's **Business Renewal** Program* (our emphasis) – clearly indicates AP's thinking in which "letter decline" begets the rationale for spreading commercially into areas outside of the mail monopoly using the network established over the past 200 years by the monopoly powers – as the managing director has been quoted[1] :

> *"It took 200 years to build this physical network capability. Everything we do physically we should be able to do digitally. We've got the brick, I want the click".*

And that raises a question of principle as to Australia Post's responsibility to the core business of mail – and all those involved in it: the *business of mail*, formerly regarded as its core business, remains today and for a long time into the future as an essential element of Australian business and yet, in its pricing increase proposals, nothing is offered by way of improvement, nothing is offered by way of moving from an adequate system to a better system and nothing is offered to show that Australia Post has an understanding of its own *responsibilities* in return for its *core business* monopoly foundation.

Comments on Australia Post's covering letter

In his letter of 1 April 2010 addressed to the chairman of the ACCC, Mr Ahmed Fahour, managing director and chief executive officer of Australia Post, made a number of statements that MMUA wishes to comment on at the beginning of this submission because we believe they are of overriding importance in our response to the ACCC Issues Paper of April 2010, viz:

Changed factors between the AP's unsuccessful 2009 Notification and its April 2010 *Supporting Information* document:

1. Significantly greater decline in letter volumes than anticipated in the 2009 Draft Notification:

   MMUA Comment – we agree with AP's contention and would add that just as important a factor in this element is that not only is there a marked decline (see our further comments below regarding Per Business Day letter lodgements) but the marketplace – the ultimate arbitrator in such matters – not only today has many more e.options to paper-based mail now available than ever before and is obviously using them (in preference to the traditional and more costly paper-based mail) in increasing number.

   From our survey of members in connection with preparing this submission, there is clearly a belief that should the price of postage again – yet again - rise then the

[1] *Australian Financial Review*; Wednesday 21 April 2010; "Post has clicks for bricks plan"

migration from paper-mail to e.communication technologies will be hastened in compensation for the increased postage budget costs.

2. The further decline in letter volumes has led AP to "ramping up [its] efforts in cost reductions;

   MMUA Comment – in our two documents relating to the 2008 Notification (April 2008 and July 2008) we provided detailed comments on productivity gains that we believe in the interface between quality assurance programmed customers and AP can be achieved.

   We stand by those comments still: for reasons best known to itself, AP (due to its unwillingness to allow any discussions between our technical people and [AP's] technical people on *operational interface* matters) has not since 2006 been prepared to work with MMUA at a technical staffing level and thus practical cost reduction opportunities have been and continue to be lost.

   Two further examples can be added to what we referred to in our two 2008 documents:

   - the first from early 2009 is a proposal developed in discussions between AP's Revenue Protection Group and MMUA for an extension of the AP-MMUA developed Bulk Mail Partner Program to add a fourth pillar – PIP-Magazine (Process Improvement Program for Magazines) an extension of the existing PIP-Print Post and

   - the second from earlier this current year was MMUA's suggestion for a review of the matching rates under the NAF-PAS-AMAS packages where surveys amongst our members show that matching rates are in many instances far below the 93+ percent envisaged in the development of the FuturePOST program a matter of no small importance if ever the cost benefits that will come from extending the barcode system down to the as yet untouched mid-1990s foreshadowing of delivery round sequence sorting (by customers within their databases) that is possible from the 67-bar barcode let alone making the system run more effectively through better matching rate performances.

   Both these *technical* cost savings opportunities are currently pigeon-holed or perhaps even buried within the labyrinth depths of the Letters Group. Only a monopoly can afford to treat its major customer group with such obvious disinterest in improving the product being offered – and now they ask, yet again, for a price increase … … !

3. AP has begun a "fundamental review" of its business model to ensure that it is a sustainable business that can continue to meet its Community Service Obligations. AP's says that, following consultation with "the AP Board and other *appropriate* (our emphasis) stakeholders" the review outcomes will be shared with the ACCC "by the end of 2010" although elsewhere it has stated that the new structure will be implemented on 1 July 2010 and in place by October 2010.

   MMUA Comment – this commitment to share with the ACCC has been made in the context of the ACCC's December 2009 View document's comments which, *inter alia*, drew attention to a lack of transparency in AP's costs forecasts and the fact that due to the confidentiality of much of the information provided to the ACCC by AP, third parties were not able to review or take "fully informed" decisions.

Who then are the *appropriate* stakeholders referred to by AP and will they include customers? Are government and department considered to be *stakeholders*? Are the workers *stakeholders* and their trade unions thus included? In a monopoly setting is the public a *stakeholder*?

We ask this question not in the sense of a customers representative body wishing to participate in the proposed Business Model Review but rather because AP's CSOs provides it with an unbreakable monopoly on paper-mail deliveries which impacts on the daily business of a wide group of interests: this is the *core business* to which the title of this submission relates and because that *core business* is of vital importance to all of our members it raises for us the natural flow-on question "what are AP's *responsibilities* that come from the *core* [monopoly] *business*?

The four new Strategic Business Units announced in April (Postal Services; Retail Services; Express Distribution Services and e-Services) and their four Support Groups (Finance; People and Community; Marketing and Strategy, and Corporate Services) clearly show the point we have made in earlier submissions and that is that there ought to be two Australia Posts:

- Australia Post — the Reserved Services monopoly
- Australia Post — the Government Business Enterprise operating in the open marketplace without monopoly law entitlements

and within the first, in the process of the ACCC's examination of the proposed 2010 Business Model Review some telling questions need to be asked (publicly) by the ACCC and the other *stakeholders* (both those of AP's reference above and the wide business community using AP's services) such as, for example:

- the constraints on development of further business caused by the *de facto* monopoly for the Print Post product as a result of the [21st Century and advance of e-technology] marketing techniques and technologies available that have run ahead of the 1989 definitions of the Act;

- the inappropriateness of the definitions for the *de jure* monopoly on the Print Post product in the *Australia Postal Corporation Act 1994* (the Act) – incidentally, AP has been conducting a partial review of the Print Post product for four months or so and will not be producing any report until next month and yet the whole of the Business Model Review will be put into place in a 4-month timeframe;

- the use by (in our terminology) **Australia Post – the Government Business Enterprise (AP-GBE)** of the physical network and assets of **Australia Post – the Monopoly (AP-RS)** in the pursuit of profitable business activities outside of the *core business* of the CSOs – as mentioned above, Mr Fahour was quoted in the *Australian Financial Review* of 21 April 2010 ("Post has clicks for bricks plan") as saying "it took 200 years to build this physical network capability. Everything we do physically we should be able to do digitally. We've got the brick, I want the click." This unambiguous statement of intent simply underlines the point we have made on repeated occasions that AP-GBE has total access to all of the assets of AP-RS built up over the years (including branbd nbame, market recognition and goodwill etc) and, in turn, raises for MMUA the ever-present issue of cross-subsidisation of the secondary business – AP-GBE - by the *core business* network, cashflow, financial infrastructures and all that flows therefrom.

As there has been no ACCC cross-subsidisation report for Financial Year 2009 it is not possible to comment further for the moment on that matter in this setting and we submit that it is inappropriate for the ACCC to agree to the 2010 postage price increase proposal until such time as the 2009 cross-subsidisation process has been completed and reported upon.

- In three of its proposed new Strategic Business Units AP is, effectively, cannibalising the businesses of its existing customers or simply running businesses in competition with others in the Australian marketplace. That may well be acceptable as good business sense in the 21st Century but we challenge the concept of unfettered use of the *core business* network without open, transparent accounting to ensure the level playing field. AP should not enjoy special commercial benefits through its access to the *core business's* assets without paying for them at marketplace pricing. Until this is shown to be done, and public scrutiny applied to the processes, there should be no postage price increase allowed.

- The proposed e-Services Strategic Business Unit should be subjected to special examination by the ACCC as part of this postal price increase. E-services are substantially catered for in the marketplace – in the commercial, non-monopoly protected marketplace – and AP will not be bringing any new technology, nor expertise, not to its major customers and not to the general public in moving into e-Services.

  AP-GBE will, of course, be riding on the coat tails of its AP-RS brand recognition; capitalising on the advantages of using the *core* [monopoly] *services* network's achievements so that its brand recognition in the postal services will be used to influence perceptions and in marketing its e-Services under what is simply the false pretence] of e-Services being part of the postal services brand and that is not so.

  In this postal price increase matter, the payments for such brand use (from AP-GBE to AP-RS) should be taken into consideration and comments on same made by the ACCC.

Members' opposition to postage price increase

This is the fifth document of this nature that MMUA has lodged with the ACCC in the past two years. In the preparation of each of them we have canvassed and met with members and discussed the issues involved. Two constant themes emerged:

- Why should there be a price increase be approved when AP is not willing to enter into proper *technical* discussions with its major customer group on *technical* ways and means of cost reduction that might jointly be achieved – even harder for us to understand in the light of the great achievements of the joint AP-M,MUA working *technical* arrangements for the FuturePost and BMP accreditation programs, and

- Any increase of postage price of the magnitude proposed will simply ensure a migration from paper-mail to e-communication technology that is available in 2010 in ways that never before existed.

As the ACCC is aware, following the lengthy formal processes of the 2008 Notification process MMUA suggested to both ACCC and AP that a simpler and more effective process for all concerned might be achieved if we were to explore possibilities with a view to making a joint suggestion to the federal government for changes to the current process. Australia Post rejected that, both in 2008 and in 2009. The dramatic worldwide changes wrought on the paper-mail industry by the convergence of digital technology, marketing, management, reporting and distribution options to paper-mail are such that the fundamental approach of our members can be summed up in the words of one of our Mail Generator members who replied by commenting:

> *"… really our response [to this proposed postage cost increase] is that it will increase our costs [to communicate/market] and in response we will divert more dollars to e-marketing and e-distribution as a result. Other than that, I don't have anything of real value to add to the MMUA's submission."*

Other than that? An understatement surely? It sums it up beautifully. Five, ten, fifteen years ago mail users had to take price increases on the proverbial chin but today the e-revolution has provided a change that swings across all areas of society and life. We have not seen such a marketplace revolution of its like since the Industrial Revolution shattered the agrarian economy of 200 years ago. Increase the postage price on and from 28 June 2010 as requested by AP and Financial Year 2011 will see a drop in Bulk Mail useage from its [year to date] average of 9,267,000 letters per business day worse than that of the past three financial years (FY.07, 9,615,000 – FY.08, 9,995,000 – FY.09 – 9,267,000)

The downstream impact of a postal price increase is seen by MMUA to be an accentuated downward spiral:

- As the cost of using paper-mail increases, the value proposition for using it diminishes proportionately;

- The comparative benefits of e-communication improve correspondingly and the gap widens;

- Many major mail users will start to impose customer surcharges for the use of paper-mail, making e-alternatives free of charge;

- Inverting the current paradigm, e-communication formats will more rapidly become the default channel and paper the exception;

- Thus exacerbated by marketplace forces – which, after all, rule – the decline in paper-mail will sharpen and the time remaining to transfer the industry will diminish;

- AP will not succeed in saving its *core business* by increasing monopoly product prices. By doing that it will shorten the lifecycle of the paper-mail industry and make its own *core business* more irrelevant …. Sooner.

Comments from our members' survey:

1. — We are opposed to any postal price increase at this time;

2. — As stated above, since 2006 AP has declined to work constructively and *technically* with MMUA on *operational interface* matters – now through its own lack of foresight and preparedness it finds itself in exactly the same position as most, if not all, of its customers who are feeling the impact of maintaining infrastructures and workforces in the face of the most severe transition away from paper-mail ever and it wants to take the easy way of imposing a price increase on its customers — notwithstanding the loss of business it knows it will induce;

3. — we repeat our rejected offers of working with AP on *operational interface* matters at a technical level to explore ways and means of reducing costs based on improvements to the quality assurance based methodologies of the Bulk Mail Partner Program and, at the same, time exploring the suggested price structures based on [cost cutting] quality lodgements previously rejected by AP;

4 — Until AP has carried out a proper cost cutting exercise along the times expressed in our *Addendum* document of 9 November 2009, viz:

a) That it has implemented a major cost reduction program in response to falling profits;

b) That it has either reduced its workforce consistent with the drop in volume or has plans to do so over the next 6 to 12 months;

c) That it has put a freeze on salaries and bonuses;

d) That it has examined whether it can relocate national, state and regional offices and operational sites to lower cost sites;

e) That –in the light of its primary function being to provide the monopoly's Reserved Services for Community Service Obligation purposes - it has examined the financial and other aspects of advantage to the Corporation by such means as:

- Whether or not the Corporation is better off selling its logistics business to a logistics company;

- Whether or not the Corporation is better off outsourcing its mail freight operations;

- Whether or not the Corporation has identified underperforming assets and/or locations and put in place plans to exit.

5 — A most important further element is related to a normal practice in the non-monopoly marketplace and that is that a supplier always works with its customer in times such as this to see if there are ways and means that changes can be made to keep prices under control: That it demonstrate that it has worked with Bulk Mailers to explore all opportunities to reduce costs (and increase productivity) within their processes. Any response to this should be open for further public comment before the [2010] Preliminary Decision is made by the ACCC.

6 — in our 2008 comments we gave detailed comments regarding proposals put to Australia Post for ways and means of introduction what might be loosely term "production line and lodgement" processes that would reduce costs – Australia Post's Letter Group choose to block discussions with other areas of Australia Post (*) and rejected our proposals. Notwithstanding that rejection, those suggested ways of cost reductions remain valid today

and, as we repeated in our 2009 *Submission* and *Addendum* documentation, until they are properly deal with by Australia Post, AP ought to be denied the simple expediency of putting up the postage price to make ends meet;

> (*) in the extensive workings between Australia Post and MMUA in both the development of the FuturePOST and Bulk Mail Partner programs, there were discussions with a host of Australia Post departments other than Letters Group where there were matters of joint interest (Address Management Centre; Recognition and Directory Data Management; Transports; Logistics; ULDs; Bulk Mail Acceptance; eLMS; Revenue Protection etc)

In the matter of the cross-subsidisation intention

When the changes to Australia Post's reporting and monitoring by the ACCC were put into place by federal legislation and regulation, MMUA was a key industry party to the representations, discussions and commentary that took place in Canberra and elsewhere.

The concept of "segment accounting" that applies to Australian publicly listed companies was pushed by MMUA in 2004 as being an appropriate way for AP accounting and financial reporting, a change from the two-line entry of "Reserved Services and Non-Reserved Services" financial reporting up to that time.

We submit at this time, and in the context of this 2010 proposal for a postage price increase, that the intention of the *Principles for the public disclosure of record-keeping rule information provided by Australia Post* and the annual ACCC assessment of "whether or not Australia Post is cross-subsidising from the reserved services to the services it provides in competition with others" was and remains such that until such time as the ACCC's legal commitments (including publication of the annual report) have been met for Australia Post's financial year ended 30 June 2009, it is not proper for the ACCC to approve any reserved services pricing.

Clearly the legal and political intention of ACCC's key roles in postal services regulation is that the three parts are inter-related and over-lapping. In terms of this 2010 notification process, the first of assessing price notifications for Australia Post's reserved services is related to the second of monitoring for cross-subsidy between reserved and non-reserved services.

Until the latter is completed for Financial Year 2009, the former (ie the current price increase proposal) should not be acted upon. If the ACCC acts ahead of completing its FY.2009 legal obligations for cross-subsidisation it raises the obvious question of what then is the purpose of the exercise when it is ignored in the setting of processs?

A short statistical aside … …. every single " business day"

Every business day for the past nine months some 9,267,000 **Bulk Mail** articles were lodged with Australia Post because its monopoly protection ensures that there is no other option to Australians to do otherwise for carriage of their mail.

Similarly, some 6,414,000 **Domestic** mail letters were dropped into red letter boxes across our island continent each business day between 1 July last and 31 March just past: 15,682,000 mail articles on each of the 189 business days in the count.

Clearly, a lot of people and a lot of Australian businesses, rely heavily on Australia Post and despite the drop in useage over the past few years:

Financial Year	*Domestic per Business Day*	*Bulk per B. Day*
2007	7,311,000	9,615,000
2008	7,120,000	9,995,000
2009	6,619,000	9,939,000
2010 (to 31 March)	6,414,000	9,267,000

having the monopoly on letter mail carriage is still a big business enterprise and one for which there ought not to be a simplistic approach adopted on pricing – *responsibility* to all those affected by the price of mail should be an important element in the deliberations.

Comments on Section 3 of the Issues Paper

QUESTION 1

Do you think Australia Post has addressed the issues identified by the ACCC in its December 2009 View document - ie

1.1 - the fact that the ACCC considered that AP had not adequately addressed the linkages between volumes, costs and prices and had not demonstrated that it had fully exhausted cost-based responses to its expectation of declining letter volumes;

> **Answer –** *MMUA has not been privy to the AP-ACCC discussions and as such is not able to comment on same. However, our approach to this question has been covered in our 2008 and 2009 documents wherein we repeatedly have made the point that Australia Post has not been prepared to work at technical staff level on MMUA's various suggestions and proposals in the technical areas of operational interface. Latter day suggestions relating to working together (as we did in the AP-MMUA PAF Users Focus Group during the development of FuturePost's NAF-PAF-AMAS elements) to revisit matching rates (in the light of their not currently being in the 93+ percent levels originally envisaged) have similarly not been taken up at the technical (or, for that matter, any other) level. How many business enterprises working in non-monopoly protected areas can afford the luxury – or exercise arrogant disdain – for offers from customers to see of there are ways and means of reducing costs and improving systems? Based on that, therefore, we would answer this question – "no".*

1.2 - the fact that the ACCC also identified a number of deficiencies with AP's demand and cost forecasts;

> **Answer –** *the fine point detail of AP's accounting processes are withheld from public scrutiny and we are not therefore able to comment.*

1.3 - the fact that the ACCC felt that funding the maintenance of AP's existing cost structure through regular price increases as the letter business declines is not a sustainable strategy.

> **Answer –** *we agree with the ACCC's contention and have commented in detail earlier on matters related to the question.*

QUESTION 2.1- AUSTRALIA POST'S FORECAST RESERVED LETTER VOLUMES - Section 3.1.1 of the Issues Paper
Do you agree with AP's volume forecasts by category of reserved letter service? Are these forecasts reflective of long-term trend of demand for AP's mail services and your expectations of future usage?

> **Answer –** *Our members have indicated that marketforce pressures will affect their use or non-use, as the case may be, of paper-mail. Earlier in this paper we have commented on the e-options now available and the fact that if the postage price is increased our members, AP's major group of Bulk Mail customers, will look for cheaper e-alternatives ways of communication. Thus if the postage price is increased, volume forecasts will have a truly wild card element introduced. None of our members in our survey were prepared to suggest a formulaic approach – all who commented made it abundantly clear that if the price goes up, the move across to e-options will spiral.*

QUESTION 2.2 - AUSTRALIA POST'S FORECAST RESERVED LETTER VOLUMES - Section 3.1.1 of the Issues Paper
Do you consider that AP's forecasts reflect the economic climate and its effect on volumes of AP's reserved letter costs?

> **Answer –** *the answer of 2.1 above applies here equally.*

QUESTION 2.3 - AUSTRALIA POST'S FORECAST RESERVED LETTER VOLUMES - Section 3.1.1 of the Issues Paper
Do you think that the long-term trend toward consolidation, rationalisation and substitution will be affected by any future changes in economic activity?

> **Answer –** *the answer of 2.1 above applies here equally.*

QUESTION 3.1- AUSTRALIA POST'S COSTS - section 3.1.2 of the Issues Paper
What are your views on the efficiency of AP's cost base, in particular its operating costs?

> **Answer –** *In our opinion, the repeated declining by AP to go back to the time of meeting at a technical level to discuss operational interface and other cost savings and quality assurance based matters of improvement makes a mockery of phrases such as "the efficiency of AP's costs". As we said above, How many business enterprises working in non-monopoly protected areas can afford the luxury – or exercise arrogant disdain – for offers from customers to see if there are ways and means of reducing costs and improving systems? Based on that, therefore, we would answer this question – "not complimentary."*

QUESTION 3.2 - AUSTRALIA POST'S COSTS - section 3.1.2 of the Issues Paper
Do you consider that AP's [2010 price increase notification] demonstrates that it has **fully** exhausted cost-based responses to its expectation of declining letter volumes? If you do not consider that AP has fully exhausted cost-based responses, to what extent do you think it has done so?

> **Answer –** *to the first part of the question, the answer is "no". To the second part of the question, we can only say that our comments above clearly show that until AP drops its non-talking policy at technical level, all claims that it has "fully exhausted" cost-based responses are not worth a pinch of salt.*

QUESTION 3.3 - AUSTRALIA POST'S COSTS - section 3.1.2 of the Issues Paper
What are the areas where AP is able to reduce its costs, while still meeting its Community Service Obligations and performance standards?

Answer – *see all of our submissions on Price Notifications for 2008 and 2009.*

QUESTION 4.1 - FUTURE DELIVERY DESIGN PROGRAM - section 3.1.3 of the Issues Paper
Are the key elements of AP's FDD program appropriate? Are there other projects that AP could implement to reduce its costs and improve the efficiency by which it provides reserved letter services?

Answer – We repeat the comments we made in 2009: *Not at all. They lack reference to MMUA's suggestions from March 2007 for a more advanced network integration and use of e-PreLodgement Advice systems, as well as Australia Post's own Alternative Lodgement Solutions (PIP2) project which commenced in March 2007 under the aegis of their Revenue Protection Group. Because of that omission of these two sophisticated proposals for use of modern-day technology the [Appendix 17] FDD Program is incomplete and should be rejected by the ACCC until such time as either MMUA's proposals or those of the Revenue Protection Group are written into it. We also submit that as Australia Post has allocating funding (in the millions of dollars)to the PIP2 Project, appointed consultants (The Litmus Group who were used extensively for the FuturePOST Project), entered into company-specific research with two mailing house companies (whose daily Bulk PreSort Mail lodgements probably run to some 65-75% of the total for each day) and engaged the MMUA through its Mailing House Chapter (Bulk Mail Partners MD/CEOs Peer Group) in meetings and consultation, this current price increase proposal for Bulk PreSort Mail should be deferred for further consideration until such time as the result of the PIP2 Project's investigations are determined and available in a public report.*

QUESTION 4.2 - FUTURE DELIVERY DESIGN PROGRAM - section 3.1.3 of the Issues Paper
Do you consider the pace of AP's current level of implementation of technological change (such as automated letter sequencing) is adequate?

Answer - *no*

QUESTION 4.3 - FUTURE DELIVERY DESIGN PROGRAM - section 3.1.3 of the Issues Paper
Will the FDD be effective in constraining growth in AP's operating expenditure over time?

Answer – *not in isolation*

I should be pleased to elaborate on any of the above points, or to organise for meeting(s)_ with interested members to assist with the ACCC's assessment.

Yours sincerely

John Gillroy
Chief executive officer