

the Newsagents Association of South Australia Limited

Response  
to  
the Preliminary Decision

“ACCC DECISION ON POSTAL PRICES”

**Contact Detail:**

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The Newsagents Association of South Australia (NASA) has set out below some the areas of concern it has with the contents of the Australian Competition and Consumer Commission (ACCC) Preliminary View document dated September 2002.

NASA, in its submission dated 20<sup>th</sup> June 2002, raised three main areas of concern: -

1. the need for a review of the commercial terms under which Australia Post allows access to postage stamps and other postal products to the many retailers offering such products as a service to the community, and to ensure that retailers are offered comparable gross margins on postage stamps and other postal product as presently received by licensed post office operators;
2. that the commercial activities of Australia Post carried on in retail and other markets is not subsidised by the "reserved activities" of Australia Post;
3. that the financial reporting of Australia Post provide a transparent breakdown of their commercial operations at the retail level as opposed to their reserved activities, so that tax payers can see that one is not subsidising the other, while at the same using that leverage to impact on tax payers businesses.

**Response to point 1.**

the need for a review of the commercial terms under which Australia Post allows access to postage stamps and other postal products to the many retailers offering such products as a service to the community, and to ensure that retailers are offered comparable gross margins on postage stamps and other postal product as presently received by licensed post office operators;

Other than oblique references in the Press Release dated 6<sup>th</sup> September 2002, where Professor Allen Fels said: -

*"By increasing the cost of postage stamps, there could be more scope for Australia Post to negotiate distribution agreements with third parties such as newsagents. This would improve the availability of stamps for consumers".*

which relates in some way to point 1. of the NASA submission, NASA sees no substantial commitment on this issue.

Notwithstanding the comments of Professor Fels above, there appears to be no offer or commitment to address the market imbalances raised in our submission, as regards to “comparable gross margins on postage stamps and other postal product as presently received by licensed post office operators”. Furthermore, NASA can see no equivalent reference within the body of the Preliminary View document that echoes Professor Fels comments.

**Response to point 2.**

that the commercial activities of Australia Post carried on in retail and other markets is not subsidised by the “reserved activities” of Australia Post;

The Preliminary View fails to address, in any substantial way, point 2 of the NASA submission.

Notwithstanding the fact that the terms of reference of the Inquiry may not have extended to cover this issue, NASA and other newsagent Associations were encouraged to put forward their concerns.

The approach of the Preliminary View report seems to be to recognise that submissions other than those relating to the direct cost / price of stamps were made, but limit any responses to references of “reserved activities” to those associated with letters and stamps, NOT if the broader issue of the commercial activities of Australia Post, carried on in retail and other markets are not subsidised by the “reserved activities” of Australia Post. Instead of addressing the issue, a great deal of effort has been put into the assessment and costing of the provision of Community Service Obligations (CSO). From this position the issues of cross subsidisation is raised, which links to CSO issues and in turn back to it’s costing.

Other than Professor Fels’ comments no response seems to include the considerable consumer demand that retail newsagents meet every day, to meet the short fall of Australia Post’s CSO. Newsagents and other small retailers are trading earlier and later and over more days per year, all for little or no income!

The concerns raised in the paragraph above do not seem to have been taken into account by Australia Post. How can we be assured that just as outlined in paragraph three of 7.3.1:

The Commission's primary interest is in the level of prices for Australia Post's notified letter services. This does not involve direct investigation of costing and pricing of non-reserved services, but does involve the issue of whether the cost base submitted for reserved services is attributable strictly to those services or whether it includes any costs more properly attributable to non-reserved services.

The argument from NASA and others is that Australia Post has a position of monopoly in some areas and may use that to further their commercial activities in other postal service areas and in particular in their retailing division ("other non-reserved services").

**Response to point 3.**

that the financial reporting of Australia Post provide a transparent breakdown of their commercial operations at the retail level as opposed to their reserved activities, so that tax payers can see that one is not subsidising the other, while at the same using that leverage to impact on tax payers businesses.

NASA is particularly concerned that the ACCC has decided to set aside our concerns raised under point 3 of our original decision, when it says:

Several user submissions raised the issue of separation of accounts. In some other regulated industries such as telecommunications, and some overseas postal services, there are provisions for separation of accounts between regulated and non-regulated parts of the business.

However, such provisions are not in place for Australia Post, and are beyond the scope of the current assessment.

NASA requests that the ACCC advise us how our organisation can begin the process of obtaining changes to legislation, or ACCC authority, to require that Australia Post provide separation of accounts between regulated and non-regulated parts of its business.

This report has been kept brief, however NASA hopes that the concerns that were raised in our original submission and reviewed above, are recognised as being for the most part unresolved by the ACCC's Preliminary View report.

Yours Sincerely,

Christopher Rankin

Executive Officer