

A submission to accompany a presentation made on behalf of: -

the Newsagents Association of South Australia Limited

to

the Australian Competition and Consumer Commission
Public Forum on the proposed changes to the price of postage
stamps, Thursday 20th. June. Adelaide, South Australia.

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The Newsagents Association of South Australia (NASA) represents some 400 retail and territorial distribution newsagent members throughout South Australia.

NASA works through a system of regions to reach newsagents and deal with day-to-day newsagent business issues, acting as a lobby group and represents newsagents in discussions with government, publishers/distributors and other industry suppliers.

The vast majority of retail newsagents in South Australia could be best describe as micro to small businesses, with average sales turnover of less than \$1 million and employing 6, or less, persons (including full time, part time, casual staff and proprietors). In the main these newsagents only operate a retail shop without any connection to distribution of publications to homes, offices and other small businesses.

Retail newsagents operate in a very competitive market, focusing on the sale of publications, greeting cards, stationery, books and gifts. Competitors include multinational chains, supermarket groups and other small retailers. The majority of stock held by newsagents and the sales flowing from this stock, is provided at a common cost price with recommended maximum prices marked on the product.

The Newsagents Association of South Australia accepts that retailing is a vigorous market, however NASA is concerned that some of the retail practices of Australia Post substantially disadvantage newsagents and other retailers.

Of particular concern to retail newsagents is the terms under which Australia Post allows access to postage stamps and other postal products to the many retailers offering the product as a service to the community.

Stamps and other postal products, for which Australia Post has some monopoly to produce as reserved activities, should be available on similar commercial terms to retailers who wish to stock and sell them as they are to Retail Licensed Post Offices and the emerging Franchise Post Offices.

Presently many retailers and most retail newsagents stock stamps to meet the community's needs. In doing so these retailers provide postage stamps as "licensed stamp vendors" and are required to pay for the stamps on a of cash up front purchase, with no margin to the retailer.

There is opportunity for some retailing outlets, as approved by Australia Post, providing they are not in a competitive location, to acquire a Post Point Merchandiser agreement at a significant rental per annum. The rental as we understand it is \$500 per annum, which on the current margin offered in this package would require the retailer to sell in the region of 25,000 standard postal stamps before they even recovered the cost of the annual fee..

what is this³?

As already mentioned, the only alternative for the micro business retailer to service customer demand, is by becoming a "licensed stamp vendor" and purchase stamps for resale at face value without margin.

Retailers would not participate in postage stamp resale if there weren't a considerable customer demand, which is currently not being satisfactorily attended to by existing Australia Post network.

Micro-business retailers participate in resale of postage stamps to provide customer service. Many customers complain about the restricted hours traded in Australia Post outlets, the inconvenient location of those retail points and the inevitable queues of Australia Post. Queues largely brought about by Australia Post's venture into other retailing and bill-pay.

The "reserved activities" of Australia Post, including the retailing of postage stamps, are supposed to be in place as part of their Community Service Obligations, however their restrictions on the product and the failure to provide an adequate trading margin to other retailers – restrains their availability and prejudices the trading profits of retailers who do.

NASA strongly submits that in addition to review of price changes to stamps, there should be an associated review of retailing practices of Australia Post, to ensure that the many retailers who assist in the servicing of postage stamp product to the community, do not continue to do so at a commercial cost to the retailer.

Other concerns of NASA include claims made by other newsagent representatives that there is Cross Subsidisation of Australia Post's retail activities by Reserved Activities and Distribution Practices.

We understand that Australia Post operate central purchasing for most of their retail product and distribute it via their exclusive and reserved practices with mail distribution.

NASA also understands that the postal system allows Australia Post officers to distribute promotional brochures to households, an activity that would normally be a substantial cost to other competitive retailers.

As raised at previous inquiries into Australia Post, serious question must be raised on the manner by which the labour of Australia Post, their operating overheads and costs are apportioned between protected activities and competitive retailing operations?

Before price increases for protected activities are introduced the ACCC should establish whether the Australia Post retail activities are being cross-subsidised and if so how this effects the competitive market of other micro business retailers? This inquiry is particularly relevant as Australia Post move its retail operation away from the current Licensed Post Office arrangement, to a fully Franchised Retail Operation – where franchisees commercial expectations will be heightened to offset franchise costs and as the franchisor (Australia Post) seeks to gouge every cent from its reserved activities.

Finally NASA has raised in the past and will continue to raise the question of whether there is sufficient separation and reporting on the various elements which comprise the activities of Australia Post, to ensure that the cross-subsidisation practices are appropriately revealed.

SUMMARY:

The Newsagents Association of South Australia Limited has raised three key issues in this submission:

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.