



**AUSCRIPT PTY LTD**  
**ABN 76 082 664 220**

**Level 10, MLC Court 15 Adelaide St BRISBANE Qld 4000**  
**(PO Box 38 Roma St Brisbane Qld 4003) Tel:(07)3229-5957**  
**Fax:(07)3229-5996**

**TRANSCRIPT OF PROCEEDINGS**

**AUSTRALIAN COMPETITION**  
**AND CONSUMER COMMISSION**

**MR J. MARTIN, Presiding**

**THE ACCC'S PUBLIC FORUM INTO**  
**AUSTRALIA POST'S PROPOSED PRICE INCREASES**

**BRISBANE**

**9.10 AM, MONDAY, 17 JUNE 2002**

.aupost 17.6.02                      P-1  
Auscript Pty Ltd 2002

COMMISSIONER JOHN MARTIN: Welcome, everyone, to the Australia Post Price Review. My name is John Martin. I am a Commissioner with the Australian Competition and Consumer Commission. As I said, this is a forum on Australia Post's proposed price increases. As you would be aware, Australia Post has advised the ACCC of its intentions to lodge a pricing notification under Prices Surveillance Act 1983. If I refer to that again, I might say the PS Act, although I prefer to use full names rather than acronyms, but sometimes we start to fall into these traps when we're working in agencies, but that's the Prices Surveillance Act, the Act under which our role operates.

Australia Post intends to increase the price of a range of postal services as well as raising the price of a basic postage stamp from 45 cents to 50 cents. Increases are proposed for pre-sorted mail, greeting cards and large letters. The changes are to take effect from 13 January next year as proposed. In addition, Australia Post proposes to introduce a new bulk category, bulk mail category, Clean Mail, priced at a discount to the basic postage rate for unbarcoded bulk mail.

The primary aim of today's forum is to provide an opportunity for consumers, small businesses and other stakeholders to have their say on these changes and any related impacts on their business. The format will proceed as follows: first I will briefly outline the role of ACCC in assessing Australia Post's proposal and the process that ACCC is following in the course of this assessment. Secondly, I will discuss the key features of the draft notification and the arguments Australia Post has put forward in support of the increases. I then get on to the main part of what we're here for, and that's to open the floor for you people to have your say.

I should note that the session is being transcribed, so, please, as you speak, identify yourself for the record when you start speaking, and if we are having some interchange that should be picked up but we might check for the record as we go through. Firstly, on the role of the ACCC, under the Australian Postal Corporation Act 1989, certain postal services are reserved to Australia Post as most of you here will be aware. This means that Australia Post has the exclusive right to provide these services. In particular, Australia Post has an exclusive right to deliver letters within Australia and an exclusive right to issue postage stamps. There are a number of exceptions to the reserved services. Most notably, letters weighing more than 250 grams are not reserved, nor are letters that are carried for a charge of more than four times the basic postage rate.

Since the current rate is 45 cents, this means that letters carried for a fee of \$1.80 or above \$1.80 are not reserved. Australia Post also has a universal service obligation. This means that it must carry and deliver standard letters at a uniform postage rate currently 45 cents to anywhere in Australia. Reserved postal services are declared under the Prices Surveillance Act. This means that Australia Post must notify the ACCC which has the role of assessing the proposed price increases before it can increase the price of their services.

The ACCC can object to or agree with the proposed increase or it can specify prices in between the current level of prices and the higher levels proposed. It is important to note that many services provided by Australia Post are not regulated by the ACCC and so are not covered by the current proposal. For example, services such as parcel delivery, international mail, mail holding or mail redirection, financial services and retail services are not included in this price notification.

In addition to the ACCC's role in assessing any price rises to reserved services, Australia Post is also required by the Australian Postal Corporation Act to give the Minister for Communications, Information Technology and the Arts written notice of any intention to vary the price of a postage stamp. The Minister then has 30 days in which to give Australia Post written notice disapproving it.

In terms of our assessment process, Australia Post submitted its draft notification to the ACCC on 30 April 2002. After discussion with Australia Post, the ACCC agreed to work towards issuing a final decision around the end of September 2002. I'm the Commissioner responsible for matters covered by the Prices Surveillance Act which come before the ACCC, and therefore I'll be taking a direct role, along with staff, in this review. The Prices Surveillance Act requires the ACCC to consider the need to maintain investment and employment and the need to discourage a person who is in a position to substantially influence a market from taking advantage of that power while setting prices.

In practical terms, the ACCC will look at things like the efficiency of Australia Post, in particular examining whether its costs are not excessive, and the reasonableness of the rate of return that Australia Post is seeking. In considering these issues the ACCC also looks at the related issues of service quality; for example, if improved productivity has occurred as a result of lower quality services, then the case for price increases might be weakened. The key milestones in the ACCC's assessment process are as follows: an issues paper was released on 10

May calling for submissions by 10 June. The ACCC is currently in the process of reviewing those submissions which we have received.

In addition to written submissions, the ACCC is now conducting this series of public forums to seek the views of those who may not have provided written submissions or those who are happy to come along and expand on their position. These forums are being held around the country right throughout the last two weeks of June. A further forum on more technical issues raised in submissions will be held in Melbourne in July and the ACCC is working towards releasing a draft decision in late July/early August. Following the release of the draft decision, interested parties will have a further opportunity to make submissions before the ACCC releases its final decision.

In terms of Australia Post's pricing proposal, the key elements of that proposed price increase changes include a 5 cent increase in the basic postage rate from 45 to 50 cents, increases to large letter, local seasonal greetings and prepaid envelope rates to maintain relativities with the new basic postage rates, a variety of changes to the pricing for barcoded bulk mail, and the introduction of a new service, as I mentioned, Clean Mail, for lodgment of 300 or more machine addressed unbarcoded envelopes priced at 45 cents per standard sized envelope. I expect that the changes to bulk mail rates and Clean Mail services are of less interest to those of you attending this forum. However, feel free to comment on these matters should it be relevant to you.

In its draft notification, Australia Post argues that the profitability of providing letter services is declining as a result of falling volume growth and fewer opportunities for improving efficiency. It points to the fact that its Community Service Obligations to provide a reasonably accessible service to all people in Australia imposes a significant annual cost and that the introduction of the GST reduced the amount of revenue that Australia Post received from 45 cent to 40.9 cent per article. Australia Post also argues that there have been improvements to both its delivery performance and productivity gains in recent years. Australia Post believes that these are due, at least in part, to the target setting and accountability provided by Australian Postal Corporation Act; that is, the incentives that are provided by profitability targets, and that's an issue you may wish to comment on.

Australia Post argues that the price increases proposed are necessary in order to secure adequate commercial returns in future. In its draft notification to the ACCC, Australia Post claim that, at 50 cents, Australia Post proposed basic postage rate would still be one of the lowest in the Western world - sorry, in the developed world. Using a

price parity comparison, Australia Post claims that Canada's basic postage stamp costs the equivalent of 53 cents, France 61 cents, Germany 76 cents, Italy 66 cents, Japan 71 cents, New Zealand 36 cents, UK 54 cents and the US 45 cents. The source of these comparisons is an internal Australia Post document and the ACCC has not, at this stage, attempted to verify these figures.

The ACCC has not yet formed a view on whether or not international comparisons are relevant in this matter. Just for your information, copies of Australia Post's full submission, including the details of the price changes and the ACCC's issue paper and submissions from interested parties, can be found on the ACCC's website at [www.accc.gov.au](http://www.accc.gov.au) and transcripts of these public forums will also be available on the website in about a month's time. On that note, I am pleased now to invite your comments on this matter of the price increase, your anticipated - any anticipated mail needs, any other implications relating to the impact of the Australia Post proposed price increases that are likely to occur in relation to your business.

So the idea of our consultation is to keep it as informal as possible. We're just trying to extract views from the community and from businesses so I open it up for any comments you have. I've given a very brief sketch of what is occurring. As I say, the ACCC comes into this review with an open mind and welcome any comments, so would you - - -

MR MURPHY: Commissioner, could I ask at the outset whether you've got a copy of our submission that we put in last week from the Queensland Newsagents Federation and I also understand the Queensland Retail Traders and Shopkeepers Association lodged a submission late last week as well.

CMR MARTIN: Now, sorry. Can you just identify - - -

MR MURPHY: Sorry. Ken Murphy, Queensland Newsagents Federation.

CMR MARTIN: Yes, Ken. No, look, it appears both of those have been received, Ken. The second one was from - - -

MR MURPHY: The Queensland Retail Traders Shopkeepers Association.

CMR MARTIN: Okay. Now, all of you gentlemen are from the Newsagents Association?

MR R. DEAN: Robert Dean. I have been requested to submit on behalf of Charleville Newsagency.

CMR MARTIN: Yes.

MR R. DEAN: Well, a one page submission, which Mr Sheehan has asked me to make some comments on in due course.

CMR MARTIN: Okay.

MR R. DEAN: Thank you very much. I just submit that document.

CMR MARTIN: Okay.

MR R. DEAN: Actually, while we - while I'm speaking, I mean whilst I am a newsagent, as a Federation director and interested party in competition for the last 20 years, I guess it's not strictly only confined to what happens inside of my four walls as a retailer, but I would be coming from the point of view of what I believe could be some savings that the community could make out of postage if there was more competition from small business and the playing field was level rather than what it is now, from a retail perspective which is maybe only part of what you just outlined before. I mean, my interest is not in the carriage of mail or whatever, really, even though in that submission from Charleville, Tim does make some comments as a far western retailer against some of the activities of Australia Post.

CMR MARTIN: So when you say, savings out of postage, you mean savings out of the reserved area.

MR R. DEAN: In fact, Australia Post has some - and you'd have to get the numbers - but at least 10,000 outlets called licensed stamp vendors or whatever, who - I use the word sell in inverted commas - who actually distribute postage stamps for no profit, meeting many of Australia Post's Community Service Obligations obviously, because there's a demand out there in the public, and I think it's high time in the year 2002 that those people should be rewarded. They do a great service to the public, particularly as Australia Post withdraws from more and more high street locations and moves into shopping centres, etcetera.

The demand is still there. And those people basically pay the money up front for stamps, provide the service and I think it's time that there was a commercial return for those. Now, they also could - I believe there's plenty of opportunity in this day and age for those retailers. If

somebody wants to buy a bulk quantity of stamps, well, why aren't we allowed to discount stamps since when, you know, why is it different to any other product in the marketplace. Someone wants to come and buy 1000 stamps off me, why wouldn't I reduce the price? That would be a saving to the public.

I mean, we don't have that opportunity. Australia Post, I guess, use the - the act uses the word "issue". Issue in the terms of the act means that they totally control. They vertically and horizontally totally control from the publication through to the distribution to the retailing to the price setting. And my question to the ACCC would simply be, "Are you convinced that an argument coming from Australia Post's internal economic study, have you got the resources, or is there enough independent study being done to check to see whether those figures are really true in their entirety?" I mean, the cross-subsidisation and all the other things that go on. So where I come from as a retailer is that I think we are playing a role. We're not being rewarded for it. And I guess Australia Post use various excuses, including some that you'll see in the National Competitions paper here, about their right to meet basically their customers' needs, and I'm reading now, and I'll quote:

They are providing services, retail services, eg greeting cards and packaging, stationery and are operated to meet customer needs and/or provide opportunities for maximising the return on network assets.

Well, I'd suggest to the ACCC that Australia Post wanting to have a one stop shop, as they call it in the report here, why wouldn't it be fair for a small retailer to have the same opportunity for those reserved products that Australia Post basically are using to build other networks, financial services and all the other networks? Why isn't this a level playing field for all the rest of us? And for them to suggest that they're building value into their network, which I guess the corollary of that means that they're decreasing the value in businesses like mine and other networks, stationers, etcetera, I think that's their areas and I don't know how the - whether the ACCC has got a role to make some suggestions. You might like to inform me whether you're allowed to actually bring up areas about general competition, or is this strictly - are the guidelines strictly on you saying yes or no to simply only the price rise?

CMR MARTIN: Well, there's - ultimately that's the issue but in reaching that position there will be comments on a whole range of issues. So you mentioned a couple of things there. One was this failure to provide any margin for these 10,000 outlets. Does that - - -

MR R. DEAN: At least 10,000 - - -

CMR MARTIN: Does that - just for our information, does that just include the basic postage stamp, or is that a range of other products?

MR R. DEAN: The licensed - such a thing as this thing called the licensed stamp vendor, which I - once upon a time and the ODs used to hear a lot more of it reported. Basically I don't know whether it even exists now. It was a piece of paper you put on your window that said you could sell stamps which was really a joke because everybody sold them anyway. But I - - -

CMR MARTIN: Is that just the basic stamp or - - -

MR R. DEAN: Yes. That most - well, most of the public, because we would dearly love to have some of the other reserved products that Australia Post have, some of their envelopes, overnight envelopes, and all the other things that no-one else can get involved in. I mean, it's all very well for Australia Post to carry greeting cards, stationery and all the other products they now carry, toys and you name it, batteries the lot. Well, you know, there were already people in the marketplace providing those services. So we live with the competition, have no problem with that.

But why should their reserved products, basically stamps is what the licensed stamp vendors and the rest of us who are selling stamps for nil profit, why should - you know, why shouldn't now, in this day and age, competition mean that we get access. I mean, it's even to the point that in their network of 4-odd thousand, they have many LPOs which are not - which are basically like a franchised operation with respect to the Australia Post part of their business. And I might add that there's probably 6 or 700 newsagents nationally that fit into that category.

But if I go along to one of my colleagues and say, well - who's an LPO and he gets 12 or 13 per cent or whatever as a margin and I say listen, I'll split you, I'm kilometres away from you what about I buy 1000 stamps off you every week or month or whatever; what about we share the commission? No way. Because if his relationship - contractual relationship with Australia Post totally disallows any sharing of profit to the point that there have been some removed as LPOs when they've been caught doing that.

Now, quite frankly, I think to have that sort of level of control is slightly unfair. I mean, what's wrong with me - what difference does it



make to Australia Post if I go out and sell 100 stamps and sell them for what it cost me?

CMR MARTIN: Does - the LPOs have a margin?

MR R. DEAN: They're 12 or 13 per cent, I think, whatever. It's a quite reasonable margin which - what I'm saying is that some of that margin should be available. This is an area that was also commented on the National Competition Council's - they made some suggestions that maybe that margin should be shared between the other retailers. They didn't mention 99 per cent of this report of the National Competition Council's was nothing to do with retail, amazingly, and yet what Australia Post do at retail affects thousands and thousands and thousands of small businesses across this nation, and yet there was like one or two pages in this whole report.

But they made a suggestion and wanted to hear more about the fact that that margin should be shared between those who provide the service. Now, we wouldn't be providing the service if the public weren't wanting the service. And, you know, my concern would be what would happen if all of a sudden 10,000 plus outlets in Australia ceased selling stamps or making them available to their customers? Where would Australia Post be? And I'll leave that question out there in the marketplace, because in fact, many that I know have already ceased doing it.

And as Australia Post has withered into shopping centres in various places and sold off their properties in the streets, it's caused more concern for particularly elderly customers; they're not down at shopping centres every day but they might be in their local newsagent or their local shopping centre just to walk down the road. So what would happen if all of a sudden 10,000 plus outlets stopped making those products available?

MR MURPHY: Commissioner, to come back to what you said before, it is the high demand stance that are carried by those licensed stamp vendors; they mainly carry the ones that the public want, as Bob has been outlining, as a convenience issue and I think it's the demand factor of, you know, not wanting to stand in the queues of Australia Post plus the hour availability that the newsagents and other convenience retailers do trade longer hours than what Australia Post do. So they're - and I think retailers understand that as a convenience they must carry the stamps to assist their customers demand. But as Bob has outlined to you, you know, you question where Australia Post would be if they didn't have those number of retailers.

Now, we've put in our submission that it's 10,000. The last figure that we heard was around about that, I think it was in the Australia Post Report but it could well be quite a number more. In fact, the Queensland Retail Traders and Shopkeepers Association represent something like 2700 retailers in Queensland; that's one of the very strong points they make in their submission, that they believe they are servicing the distribution of stamps for no margin and this has been a practice which has largely assisted Australia Post but retailers have been frustrated that they are not getting any margin whatsoever.

CMR MARTIN: Do these outlets get the opportunity to carry other Australia Post products?

MR MURPHY: There is an arrangement with a post point merchandiser that you can make an arrangement with Australia Post for a fairly significant rental and the rental dissuades many retailers from taking it because it can't - I think it's \$600 per - - -

MR R. DEAN: Per year.

MR MURPHY: Per year for a merchandise - - -

CMR MARTIN: Yes.

MR MURPHY: And that will allow you to carry - - -

CMR MARTIN: That's like a licence fee, is it?

MR MURPHY: It's a rental fee for that display unit.

CMR MARTIN: Okay.

MR MURPHY: Now, you can't - only certain outlets are approved to carry that - Australia Post make the approvals for those.

CMR MARTIN: And that's what sort of thing; what sort of product?

MR MURPHY: Envelopes and stamps and a range of Australia Post product.

CMR MARTIN: And they would have a margin on them?

MR MURPHY: Yes, but most retailers can't afford to carry that rent.

CMR MARTIN: That 600.

MR MURPHY: That 600 rent.

MR R. DEAN: In fact, I think, the margin is as low as something like 5 per cent, I think. There's two sizes of post points, one is a better cheaper rent than the others and I can't remember the figure now but you can calculate - there's something like 20 or 30,000 stamps - 45 cent stamps you've got to make just to pay the rental, so most don't even worry. I can recollect not so many years ago they were free, but as - and I can't give you anything in writing but at the time when the Federation complained about their first edition of an annual fee it was quite clear that the power of the unions, inside Australia Post, the Postal Workers Union, put restrainers on where those outlets could be placed.

Because, I mean, I can understand their point of view - their concern every time an outlet goes out or something else happens in the network it extends the network, there's more jobs lost and all the rest. So I think that would be another question I'd just throw into the ring. I'm not too sure what the ACCC does about the power of the Postal Workers Union but being a newsagent inside of a post office for a dozen years it's interesting just as a casual observer to look about the place. And my suggestion and my comment quite bluntly would be, the level of inefficiency inside of Australia Post in a lot of the things they do was of concern to me as just an individual tax payer.

In fact, I think it's well overdue where some independent - really serious independent review went on with respect to the efficiency levels inside and I guess that affects lots of things more probably the carriage than it does at retail. But certainly, this annual fee is a deterrent. Many small corner businesses just simply find it a lot easier to go up - and they're really complaining now that as Australia Post has got more and more products - non-reserved products, their financial services - and I'll give you - later on I'll leave these with you. I just took a little walk over Australia Post last Friday and to look at the level of services.

Now, as more and more people line up inside of Australia Post trying to buy a few stamps and they're confronted, even in my place where there's 12 tellers, and they're confronted with a line of 5, 10, 20, 50 people in a line and they just want to buy a few stamps, you can understand why it is that they put more and more pressure on their local small business person to carry some stamps, but this can only get worse. I mean, there's more and more things going to be out, there's every bank known to man and everything else. We get people coming out of Australia Post coming to us, they refuse to supply us with stamps at a margin because we're too close, coming out to us with steam coming out of the ears because all they want to buy is a sheet of stamps or

something and they're lined up behind 50 people arguing about bills or whatever. So, you know, I think, quite frankly - - -

CMR MARTIN: So this is something that, in terms of your customers, you're getting quite a lot of feedback.

MR R. DEAN: We've had a dozen years of it.

CMR MARTIN: I mean, this is part of our objective in the consultations and the review is to determine the level of service.

MR R. DEAN: I'll let Bradley handle that, he listens to it all day.

CMR MARTIN: So, Bradley, if you can - - -

MR B. DEAN: Yes, Bradley Dean, from GPO News. I can probably give you a more local perspective. We are literally half a dozen steps from the main postal hall of the GPO and are - I'll use the word inundated, I don't want to sound like I'm overplaying it, but constantly requested for postage stamps because of the issues that now exist in the postal hall. We've been a tenant of the GPOs - Australia Postal Corporation now for I think 11 years and we've continued to grow and develop our business because I think we're good retailers. At the same time, Australia Post has gone from basically selling stamps and delivering mail to now crossing over substantially into major product categories of ours, notably, stationery, greeting cards and now telecommunications products and host of other things.

And I have no problem with that; competition really is the thing that keeps us all vibrant of a morning and makes us want to get better at what we do, but the simple issue is they've done that by generating - by using the customer flow generated from their monopoly access to stamps. And that's the problem we've got; when people are still coming into our store looking - we're talking about buying basic postage stamps, forget about all the other things they might want to do in life, these people want to post a letter, and I can't help them with that. And that's the thing that really starts to annoy us after a while because then we cop the abuse.

We're in the building, they think we're half the problem. So we've sat there and looked at this for the last 11 years and it's become a little frustrating. Having some trouble, I see here, you know, when I read about the right to issue stamps, well, they certainly control that with an iron glove.

CMR MARTIN: So would that also extend to the non-regulated products, like, the night envelopes?

MR B. DEAN: That's the other one. Possibly our location dictates that a bit more, being in the middle of the CBD, people want the Express Post envelopes. It's probably the second major - we get the request for basic postage stamps, the 45 cent ones and the next demand or a combination of someone knows it costs \$2 to post an A4 envelope, you know, give me five 45s or they want the Express Post envelopes which are only sold by Australia Post outlets. And the argument Australia Post have told is that because there is a performance guarantee on that product they control the sale of that product. But in our location we have quite a heavy demand - - -

CMR MARTIN: Sorry, can you just say that last bit again? Because there is a performance - - -

MR B. DEAN: You get - we've had the opportunity to get to know a lot of people that work for Australia Post and we've obviously asked them about the ability to sell the Express Post envelope and the response has been because there's a performance guarantee in that it's listed on the envelope that it's an overnight service to the following postcode - - -

CMR MARTIN: If it's posted before a certain date.

MR B. DEAN: That's correct. If you meet those requirements - - -

CMR MARTIN: People have got to put it in the yellow box.

MR B. DEAN: That's right, by 6 o'clock, but if it - apparently if it doesn't make it by the next day they give you a free envelope, so they're making a delivery guarantee to the customer and because of that they feel that - - -

CMR MARTIN: But what's that got to do with where you buy it?

MR B. DEAN: I've got no idea. That's a good question, but that's what we've been told and in terms of why we - someone like us couldn't sell it, even though the box is only six steps from us, surely I would imagine most consumers would be more than capable of buying it from us and walking to the box as they could from buying it in the postal hall but the postal hall today really has gone from being a postal hall into really - you could almost call it a jumble sale sometimes, and this is the issue that people are - Australia Post has the capacity to warehouse all of

this product to people in many instances who are just buying stamps that people like us don't have the ability to sell, so - - -

CMR MARTIN: If someone had one of these stands, would they include the - they couldn't include these - - -

MR B. DEAN: I don't believe so, no.

CMR MARTIN: No. They don't sell them - they don't let anyone else - - -

MR B. DEAN: No. No, I understand it's only through their registered - I assume that's LPOs. I don't know that.

CMR MARTIN: Yes. We are wandering into the non-regulated area, but I think, Robert, you mentioned cross-subsidisation as an issue that - how did you sort of mean that to be impacting?

MR R. DEAN: And you'll find that's also in the submission and the Newsagent's Federation. I mean, cross-subsidisation or transparency have been issues for many, many years. I mean, the reserve products - the ability for them to over the years to those exclusive reserve products of theirs has allowed them to build all sorts of networks. Now, I'd like to know where did they get the \$100 million they announced publicly when they set up the bill pay service or the \$40 million that they announced publicly to set up their current - which they're promoting on television right at this moment in amongst the World Cup and everything else - their fulfilment services around the nation? Where did that money come from? I mean, you know, like, \$40 million.

And I'm not too sure that \$40 million is right or wrong. Was it cross subsidised from profits they made out of some of their reserve products? I mean, this is part of the problem we've got, as just outsiders, not knowing - without any absolutely very, very tight independent review of Australia Post and even the National Competition Counsel of Inquiry back there all those seven whatever - five years ago, that was a problem they had too; trying to work out whether some of the services were being subsidised by others internally and that's - I mean, this submission that Tim made from Charleville is an interesting one in subsidisation. He makes the comment there - he talks about country areas.

Competing with Australia Post in country areas -

and I quote here -

with bulk stationery is difficult. This can only be substantial. I believe there are obvious in-house arrangements on freight.

Now, what apparently happens, according to our colleague's newsagents, is it's not unheard of to find in Australia Post disgorged pallets of things like copy paper, which there's no real profit margin on. It's one of the traffic generating things in the stationery business - finding Australia Post trucks carrying mail supposedly disgorging stationery. Now, who's paying for that stationery? Is it being costed against something? The price of the item? I mean, because they lob it into places like Cairns and Charleville at nearly Brisbane metropolitan prices.

Now, nobody else can do that. A newsagent in Charleville: if he orders stuff from our warehouse here in Brisbane, he has to pay freight on it. If you're in Cairns and order it, you have to pay freight but apparently, inside of Australia Post, if there's a bit of space or whatever, they carry their own internal things. Now, somebody is subsidising, inside. Another simple one is that Australia Post are, for instance, issuing the current catalogue which, amazingly says, "half yearly stationery savings," and they put that in every GPO box. Well, if I went down and said, "Oh, look, Bill, could you give me a quote," - Bill is the Postal Manager - "Can you give me a quote? How much would it be to stick that in every box?" Well, Bill gives me a fairly substantial quote. I'd be interested to know whether - who pays for Australia Post to put that in the box?

Now, that disadvantages hundreds and hundreds of businesses around this city and if you look inside that catalogue it's very hard to find an Australia Post product; it's everybody else's product. And I mean, once again, that's subsidisation.

CMR MARTIN: They're products that are sold in the Australia Post shops?

MR R. DEAN: Yes, at their retail shops which, in the case of, say, a country agent, they'll be also sold - by the way, that price in Charleville - and this is where Tim makes the point in that submission from the Charleville Newsagency that he's finding it difficult to compete, thousands of kilometres away in Charleville, with metropolitan prices obviously being subsidised internally by things that Australia Post do. And he also - if I might just go on from Charleville's point of view - also makes the point: why isn't a lot of the things that Australia Post carry in the country - why isn't it put out to competition? Why isn't it carried - why isn't the mail going to Cairns? Why has it got to be

carried in an Australia Post truck? Why isn't it carried, going to Charleville, in somebody else's truck, along with various other products?

It mean, it can be in containers or whatever to keep it security or whatever it happens to be but why is it going in stand-alone Australia Post trucks? Now, does that mean the public are paying for that so therefore is that one of the reasons why the rate is going to go up 11 per cent? I mean, 11 per cent - Australia Post, I note in the issues paper, says it's a fairly meagre amount. It's only a couple of bucks to the year to the average household and 30 or \$40 to the average business but I'd suggest, you know, with their every-increasing profits over the last 10 years since the postage rate has been 45 cents, have we been paying too much for postage for the last decade?

CMR MARTIN: Just on that, the issue of course - we have some difficulties where, on the one hand, we say they've got to account separately for the reserve services and you make a good point about, well, why don't they subcontract some of the work? I mean, to some extent, I think Australia Post have contracted out a lot of things, depending upon the situation. But obviously, this issue of accounting separation and where some of these things are done, this is things that the ACCC will look at in terms of the overlap between the reserved and the non-reserved but they're good points you make.

MR B. DEAN: The Australia Post preliminary submission lists the CSO cost at \$86.3 million, I think. Well, what will be the gross revenue gained by a 5 cent increase in stamps because that must then translate across to this subsidisation issue in terms of - well, how are they defining the CSO cost; and that's the Australia Post submission. Obviously, the nature of their castings is confidential so it's not available to people like us; it was all blacked out on the Internet, for obvious reasons. But I just put that forward. And I don't believe it did give the value of the revenue increase through the proposed increase - I'm not sure if I'm right or wrong there, whether you were aware of that or  
- - -

CMR MARTIN: No. I'm not aware of the - you've caught me on a detail but - I mean, it's - all these things - - -

MR B. DEAN: But I just - it's just relevant to the - - -

CMR MARTIN: All these things that you raise, we'll take a look at them, in terms of - you know, from the market side. I'm not - there are some aspects of the detail that we have - we have had to maintain



confidentiality but, given issues raised, we'll take a look at them and welcome anyone in the marketplace that raises these questions.

MR R. DEAN: Robert Dean, again, just briefly. In this post charges book, there is discounts available, up to 17 per cent, when you provide certain sort of pre-sorting - or whatever - services that save Australia Post money. My question would be: well, if it's good enough for Australia Post to offer those sort of discounts when it suits them, why aren't they offering discounts to us retailers when we're saving them an enormous amount of money? It costs us to sell the stamps, go down and - and that's another complaint, I guess, our colleagues have. They don't even get - the fact they sell the stamps, they don't get any preferential treatment. They have to go down and stand in line with 50 or 60 in line, as well, or 10 or 20, whatever it is, to buy the stamps that they then go and - pay for it up front and then go and give it to their customers, meeting Australia Post's Community Service Obligations, for no profit.

In fact, here's Australia Post in their own - and now, they may even offer - I don't know - but I would guess, if I was going down to them saying, "Well, look, I'm about to send 10,000 letters every month or whatever, I'll bet there's a better deal again. I'm sure of that. So they're already cutting the price up to 17 per cent when it suits them and they claim it's saves them - and I guess it saves them money. But I think, you know, they ought to balance that on the other hand - - -

CMR MARTIN: Can I just ask, on that, like - going back to the 10,000 outlets and all - this issue you've got with where they don't provide you with - you're an on-seller, has there ever been, through associations, discussions with Australia Post about why this is so and what - whether they're prepared to look at this?

MR R. DEAN: I participated in one when I was chairman of the ANF in the head office in Melbourne and I can produce that documentation for you in due course if you'd so desire - who the attendees were. There were two or three Australia Post people and there were three from outside: two colleagues with myself. And there were - these issues were all raised and their concern mainly was that this would decrease the value of their network if, all of a sudden, other people were taking profit out of it and they're trying to increase the value of their network and their licensed - their LPOs, their licensed post offices, and their own outlets which I find rather intriguing because the ACCC - and rightly so - didn't really concern itself with the value of my newsagency when you were quite happily - you know, concerning my ability to compete with convenience stores and others.

So why should we be worried about whether the value of something in the Australia Post network is going to decrease. But I could give you that copy. We sat there and went through a lot of these issues and got the answer that you'd expect to get but we were up there trying to - rather than just keep exchanging letters which had gone on for a decade, trying to actually say, "Well, look, we can add some value to what you do. We can cut some of your costs. But you can't expect us to continue to do this and, you know, all the other small businesses, for no return." But it didn't get very far, and here we are 10 years further on; we're still in the same position.

CMR MARTIN: Robert, I might say, from the ACCC's point of view, we're basically - our role is looking at where competitive outcomes or outcomes for both consumers and users is concerned, so we're - that's very much our focus. I mean, you might say that we weren't concerned with some aspect. I mean, we're looking at the overall picture on this. I mean, I think you were coming from a - the newsagents had some sort of regulated aspects and there were - you'd be like Australia Post in that concern.

MR R. DEAN: Well, they've been monopolised since 1788, haven't they, one way or another. If you look back, since the day the first fleet arrived, the postage has been monopolised.

CMR MARTIN: Well, they're probably less monopolised today, but as you say there's still a split there, but, Ken, I think you had a point.

MR MURPHY: Commissioner, Ken Murphy, Queensland Newsagents Federation. I'd like to make some points about the access to product, and I think it needs to be understood that there's two major considerations associated with the problem with access, and one is the change of trading hours in recent years. There's been significant change in trading hour patterns, and I don't think Australia Post has been able to accommodate those considerations and now, you know, we're going to Sunday trading and a lot of 24 hour trading etcetera, so convenience stores are very much getting that demand, and the second consideration is that the face of Australia Post retailing has changed significantly, as Bradley has mentioned to you.

There's now the bill pay demand, there's the queues, and they're into a lot of other retailing practices, which is causing some difficulty of the consumer to access the product. So those two considerations have made the demand on other retailers to provide the Australian postage stamp much stronger.

MR R. DEAN: Could I just follow Ken, there. It's Robert Dean again. We also have a business. Our family has card and gift stores in major shopping centres. In one particular situations there is an Australia Post office 50 metres away from our particular outlet. Now, that post office - and we're selling cards. That post office does not open outside of normal post office hours, so when the Sunday trading comes next month in Queensland I'll be very interested to see whether Australia Post are actually going to open. I mean, who do they expect is going to sell the stamps inside, or make the stamps available to people who shop on Sundays inside of shopping centres, because up until now, even the GPO here in - for all the years we've been there the GPO does - the only GPO that I know in Australia doesn't even open on Saturday morning. It sends them down the road. We've got to give all the instructions because no one can find it - down the road in the middle of the mall, not even open, and people come in looking for basic services like poste restante. Got off a plane on the way to Jakarta or Bali or Auckland or somewhere the next day and get off the plane Friday afternoon, go down to Australia Post and where is it? It's closed until Monday morning. So the very basic service, one of the very basic services that Australia Post does, is not available.

So my interest now will be to see whether Australia Post meet the demand, and I mean, whether we like it or we don't my - the next generation to me, like my son and others, now decide that they're going to shop at 10 o'clock at night and 2 in the morning and all these crazy hours. How do you buy a stamp? Where do you buy a stamp from - there's a myriad of convenience stores that we've got around the nation, at any hours after six o'clock at night till, say, six o'clock the next morning when the newsagent opens, which is a few hours before Australia Post opens?

CMR MARTIN: And is it only - it's not only stamps. It's some of the other Australia Post products.

MR R. DEAN: Yes.

CMR MARTIN: Are the - - -

MR R. DEAN: Our shop at Brookside is the one I'm thinking of - is bombarded, if that's the word, bombarded by late night shopping nights and all because we're only 50 metres away and we sell a massive range of cards and all the other things and stationery, they think, "Oh, well, you'll have stamps." We say, "No, we don't." We don't sell stamps.

CMR MARTIN: So it's sort of a negative thing for your business, too, that people like to buy a package - - -

MR R. DEAN: Yes.

CMR MARTIN: - - - so they want to buy the card or whatever and - - -

MR R. DEAN: In fact, I think if I could make cards - you know, I'd have no problem doing a promotion occasionally making stamps available free or for 20 cents or something or other. I don't think that would worry Australia Post. It might accelerate postage volumes; I don't know. And, you know, that's the sort of thing we can't do. There's no - there's a lack of competition. There's nothing - - -

CMR MARTIN: Is there a sort of a lateral possibility here that on that basis you could make some arrangements with Australia Post? You cited the 17 per cent discount that the mail fulfilment people - - -

MR R. DEAN: Bulk mail, on their - in their - yes.

CMR MARTIN: - - - bulk mail people get. In terms of - you said there were some discussions with Australia Post, but they - - -

MR R. DEAN: With the industry - with the newsagency industry, yes.

CMR MARTIN: - - - didn't really get anywhere. I just wonder whether there's not some lateral way that they could sell you a product that included a stamp or some of this - - -

MR MURPHY: In previous discussions the - Ken Murphy. In previous discussions with Australia Post, the response has always been, "Well, we've got these post point merchandisers. You can - retailers who are interested in accessing the product can take those merchandisers, and -" But most retailers find them very prohibitive. In fact, some retailers have been denied access to the merchandise because of the proximity to Australia Post.

MR R. DEAN: Well, we'd be one of those because of our proximity, as Bradley said before.

CMR MARTIN: And the stand or whatever: what does it include, apart from the basic stamps? What other products?

MR B. DEAN: It's a black plastic unit about that big. You can't hear that on the tape. It's got generally boxes of 45 cent stamps, and I think they might have a pack of 10 of 45s and then for other sized stamps they're done up in packs of four, so the customer buys four 60 cent stamps or whatever it is, and the last time I saw one they had some pre stamped envelopes maybe in a couple of sizes, so there's general - just a general range of stamps available, but that's pretty much it, last time I saw one.

MR R. DEAN: And then there is the second sized one which is about - which is a couple of feet - two or three feet wide and probably a foot deep and a couple of foot high, but, you know, that's the one that they charge the 5 or \$600 a year rent for. The one Bradley is talking about, the smaller one, I think is about half that; \$300 a year, but you've got to sell so much, and I think that's really - - -

MR B. DEAN: There's a bit of a problem with being charged a fee to sell a product too, particularly when there isn't a heavy customer - - -

CMR MARTIN: Where there's no margin. But there's no margin on any of these products.

MR B. DEAN: Yes, there's - - -

MR R. DEAN: You get 5 per cent off - - -

MR B. DEAN: - - - 5 per cent, I think.

CMR MARTIN: Oh, you do get - - -

MR R. DEAN: On that, when you put a post point in, but you give the space - you give up the space, valuable space in your shop. Like in our case, or in cases in shopping centres, agents could be paying \$1000 a metre for space, so you give a metre - let's say the big one is a metre, so you give it a high profile location and then they still charge you five or six hundred dollars a year to rent it, which you think, "Well, hang on a second. So you can" - I know a lot of people said, "Take them back. Get rid of them." This is going back to the time when they first put the fee on it, because initially there were no fees.

So a lot of agents said, you know, "Get rid of them" and, yes, that's a sort of - it's an area, I think, there is large demand from the public and also I guess there's another little thing creeping in. As more and more convenience stores open around the nation, there's a massive trend in Australia for far less, as you'd know in your own local community,

there's far less what we would call the old style corner store than there ever was. So where the people just used to wander up the road and get a stamp or two, that's becoming more and more difficult these days. And with the aging population, this is why agents are fielding lots of negative complaints from, you know, from their customers about just trying to get basic stamps.

CMR MARTIN: Do places like garages - services stations sell stamps?

MR R. DEAN: I don't know. Unless people like in chains like Shell or BP have done deals with them, I really - I've not - the ones I attend I have not seen stamps, I must admit. Brad?

MR B. DEAN: No.

CMR MARTIN: The - these - - -

MR R. DEAN: But then again I might - excuse me one sec.

CMR MARTIN: Yes.

MR R. DEAN: I might just say, you don't go to your garage every day. This is the difference between a garage, in spite of the fact that BPs and Shells think, you know, they have to make more money out of that convenience style of their business because there's too much competition, sadly, isn't there, in oil. That's what they say. You don't enter the garage normally - most people anyway don't enter the garage unless they're doing something with the vehicle. So it might be once or twice a week, whereas your local corner store and newsagent, you quite often can be down there half a dozen - - -

CMR MARTIN: Well - but if they are becoming the convenience store, that sort of goes against your argument. That - - -

MR R. DEAN: They need to have - - -

CMR MARTIN: - - - that , in fact, they are becoming the convenience store. That's what they're fighting for, part of that market. So they're potentially - - -

MR B. DEAN: They should get stamps, too.

MR R. DEAN: Well, they should have stamps at a profit as well. I mean, I'm sort of coming from the small business point of view.

CMR MARTIN: Oh, yes. No. I'm just trying to get some - be interested to hear from them as well what - because they're part of the convenience market, I suppose.

MR R. DEAN: I would have thought the convenience stores would have been here. Or maybe they're going to Sydney and Melbourne.

CMR MARTIN: Yes. I think Sydney and Melbourne is where the main group is.

MR R. DEAN: Yes.

CMR MARTIN: But the Australia Post outlets, the - particulars the LPOs and that, you were saying that there's still the fixed hours. I thought some of them were opening - - -

MR R. DEAN: Some of them do. If they're newsagents they would be. Yes. So the - I mean, one of the things our industry did way back in the 80s was to suggest to Australia Post that their best - best way to move forward would be to have an alliance with the newsagency industry. It was two publicly necessary styles of business that could fit together. Australia Post in their own wisdom saw fit only to, where it suited them, appoint newsagents to do that but didn't want to enter any sort of an alliance. But that was a direction the industry came from way back in the early 80s. Our industry came to Australia Post. I think one can only assume - - -

CMR MARTIN: But that's dictated a bit by territories, isn't it, that they've sort of stood back from letting all newsagents become postal agents because of - if - like you were saying, you're next door the post office and they might allow a newsagent sort of - - -

MR R. DEAN: But why should they have the right to allow anyway. I mean, there's - like you take Australia. There's like 40,000 plus places that sell circulation product. What's wrong with 40,000 places in Australia selling stamps? I don't have a problem with that.

CMR MARTIN: I'm just saying what was perhaps in their mind. I mean, they've obviously licensed some newsagents to be postal agencies as well.

MR B. DEAN: When you've got 10,000 people selling them for no margin, why would you bother cutting a deal with them to sell? That's really the guts of the argument. Why do they want give the margin away?

CMR MARTIN: Yes. Well, I think that's where we started and that seems to be the nub of your issue.

MR R. DEAN: But we were trying to suggest to Australia Post, in those early days, that these were two styles of businesses. Why wouldn't Australia Post enjoy the benefit of our normal store traffic, giving that they didn't have 4300 outlets back in the early '80s? They had far less. Why wouldn't they enjoy the benefits of, say, what a newsagency can bring to sell their products? But they wanted to develop their own network as would be the case as what they've done today. And, of course, now they're even saying that to give - you know, to basically, if I quote here again, to basically give product away, you know, it's affecting the return on their network's assets.

Well, bad luck. Sorry. I mean, like, no-one considered the value of my investment when every man and his dog sells circulation. Such is life. That's competition. You know, we don't mind competing with Australia Post. Let's not get it - let's get it very clear. We don't mind competing with them, but we want to compete with them on a level field, not them standing behind the protection of the Postal Act. That's the thing. That's really where the issues of reserved products and all, you know, this sits.

CMR MARTIN: How about the newsagents who are licensed postal agents? Do you get a feedback - well, there's a couple of things that it raises in my mind. Are there now more outlets where postal services - you know, let's put to one side the 10,000 outlets. But the ones that provide the wider, you know, even more postal products because they're licensed postal agents who are also newsagents, etcetera, etcetera. Are there more outlets than there were, say, 10 years ago. I know a lot of post offices have closed and you've had more - - -

MR R. DEAN: Well, in my - - -

CMR MARTIN: I mean, we'd have to look at the numbers.

MR R. DEAN: And I don't have any figures to suggest that, but in my - say, where I live or where I roam around, no. I think once the network was - so when they closed the post office, I think they had a strategy that they would offer - they might have wanted an outlet there, so in most cases they'd offer the outlet to the outgoing postal manager or whatever, and many of them took the opportunity. If they didn't, then they tendered them or whatever. And there's - like I mean, there's now, if you look at the businesses for sale sections in any of the major



metropolitan dailies, you'll see there's a fairly comfortable arrangement going on selling post offices.

I mean, they - obviously with this sort of protection they've got, they've become, you know, very, very nice businesses to get your hands on because, you know, people perceive that this is going to go on for ever and a day. And I don't see any great increase in post offices once they established the areas. What I see, if anything, is in some places is going away from a better service that they ran themselves to something that's secondary where it's in a little corner store or it's just a post point or something. They've gone out of an area - a couple of areas I know where they've actually not gone to the newsagent or called tenders. They've actually just - they've just made them available in a little post point in that locality. So I don't see any great - I think it's fairly consistent in my - - -

CMR MARTIN: The point of my question was to then go back a bit to the nub of this issue, which is obviously a vexed one for you with getting no margin on - or there being no margin on these basic products, is turning it around from Australia Post's point of view, in that they're got to have all these outlets, including some of your own members who are also providing this range of services, that Australia Post are clearly saying, "Well, look, we'll give you - you can have the stamps, but we're not going to give you a margin but, as a service to your customers, we'll let you have them. But we've got this other network that's providing all the services and there's a sort of a competition issue that they're going to raise because they've got to run a business as well." I mean, is there - I mean clearly that's part of where they're coming from.

MR B. DEAN: Bradley Dean. In Australia Post's preliminary submission they list a number of key performance indicators, if you like, postage rates, blah, blah, blah. The last one is the number of retail outlets, that the requirement was 4000. They've got 4400. It's almost a smoke and mirrors trick, because if you took the 10,000 out of the equation, there's no way in the world they would do it with 4400 outlets. And that's - so that's sort of hidden in behind all of this as well. So it's - I'd throw that into that question that they've asked, Commissioner, as well. And that's the difficulty in the argument. But that straight statistic, if you look at it, it says, "Oh, tick. You've done a great job." But it's not really telling the true story.

CMR MARTIN: A 4000 target was related to what?

MR B. DEAN: Don't know. I don't know what.

MR R. DEAN: But I would expand on what Bradley said. It's Robert here. I would expand on that and say, "Well, I would have thought that a postage stamp, or the basic items like that, should be available far wider than even the average daily newspaper." Now, the average daily newspaper is available nationally at probably 40,000 plus outlets, plus supermarkets, convenience stores and everything else. That being the case, what - and we don't have a problem with that. I mean, we've accepted that and on it goes.

The publishers set down guidelines as to how that product is distributed. The margins are set. It's quite clearly in the open. Everybody shares in the arrangement. That being the case, how come can you only have 4000 outlets selling stamps. I mean, why wouldn't there be 50,000? Why wouldn't every man and his dog be selling stamps? I mean, they're the most basic. If you go overseas, you don't have to go to a post office. They're hard to find in places like Paris. I've just come from there.

But, you know, you can buy stamps anywhere. And they make a profit. They're not just sort of restricted to official outlets or whatever. I mean, it's like - it's like Australia Post are, and hiding behind the Postal Act, they're concerned about this competition bogey is going to - I mean, they're still issuing the stamps. The government is still going to make a profit out of them. I don't - I don't really - the smoke and mirrors about 10,000 outlets. I think it's time somebody took those - all of that into account and say, "Well, why aren't stamps available at butcher shops, if they want to sell them, for that matter?" They would probably lose a few on the way. It would help Australia Post out.

CMR MARTIN: I mean is there any other power - I was trying to think of another area where someone could be, or it could be said, "We can stop it, but we're not going to give you a margin". Is there anything else that you could think of?

MR R. DEAN: We don't intend to try to think.

CMR MARTIN: I mean it sort of would be contrary to your interests, but since you're such practical business people you probably know. But I can't readily think of anything, I - - -

MR R. DEAN: Certainly not - - -

CMR MARTIN: Thinking in your area - say in your business, do you do say faxes for people?

MR R. DEAN: We charge a fee.

CMR MARTIN: Now, what happens there? You charge a fee but you can set the fee?

MR R. DEAN: Yes.

CMR MARTIN: But you can't if like you - - -

MR R. DEAN: It's a lot less than Australia Post too I might add. That's bye the bye.

CMR MARTIN: I'm just trying to think of parallels in a commercial sense where you would say, yes, well, in reserve services this is a practice and there's some sort of sensible argument in its favour. But if we can't, we will obviously scratch our heads in the - - -

MR B. DEAN: You're caught in a bind too. Bradley Dean again. If you are selling stamps for no margin, you're keeping your customers happy. And you might say, well, then, don't sell them, but you're just upsetting your customer base so it - - -

CMR MARTIN: And Australia - - -

MR B. DEAN: - - - goes against everything that you try to do in business, and Australia Post are benefiting from that goodwill of all the people around Australia.

CMR MARTIN: Well, they would perhaps argue you're benefiting too, because when the person comes in the door and buys their Tatts Lotto, maybe sends a fax, buys the newspaper and, you know a card, they'd say, well, you know, you're doing all right out of it too.

MR B. DEAN: It's costing us a few dollars to do that.

MR R. DEAN: I've got to say to - - -

MR B. DEAN: There's a bit of risk involved in business and I don't have other people's money to generate - - -

CMR MARTIN: That's why I'm trying to think of any other example where this is done.

MR R. DEAN: Are there any other examples left in the marketplace, or in the commercial community, that have what Australia Post has got:

this protected monopoly. I can't think of - even like Austel were brought into being to regulate what goes on in the telecommunications. Why isn't there such an animal, for instance, in the postal industry? Why isn't there another body set up that's permanently looking inside of Australia Post because what I see coming forward out of these issues and all is once again the Australia Post point of view. I know you're going to - the ACCC is going to go and have a close look at it - - -

CMR MARTIN: Well, we're looking at it from the consumer and business user's point of view so we're trying then to link that up.

MR R. DEAN: I mean, the issue is to do with their, you know, with their workforce, all these other things. They talk about in the issues there about productivity improvements. There will be less scope in the future. I mean isn't it time someone else totally independent started to look at - well, productivity is all to do about the number of people you've got and all the other things you do. I mean I note last week we had the year old - we see it every year from KPMG - I don't know what guidelines they use to come up - this was in the paper last week - come up with how efficient Australia Post goes and they pat themselves on the back.

Why isn't someone like Austel doing - why are Australia Post - do you know anything about the KPMG report? When did KPMG or somebody independent have a look at the disgruntlement that goes on and the lines at the retail parts of the post office. I mean really I thin, you know, this is a bit, you know, playing to yourself quite frankly. I look at it year after year then I see it there and I think isn't it wonderful. They've 95 per cent there and 90 per cent there and we listen to all these complaints coming.

CMR MARTIN: Well - - -

MR R. DEAN: I just think it's time that some other body independent - even if that was stage 1, somebody else needs to set up to keep an eye on them.

CMR MARTIN: Well, I haven't seen that in detail. I mean, obviously KPMG have a reputation for these assessments and I don't think they'd be cooking the books.

MR R. DEAN: Oh, no, but they might be working under Australia Post guidelines. I've got no idea how it affects the parameters, you know.

CMR MARTIN: Well, they're all inputs that we'll be looking at in terms of what Australia Post are suggesting is the level of efficiency and service. As I said in the outset, they've put a submission to us. As Bradley said, there are some aspects where all the information can't necessarily be out on the table. We'll be looking at that but - - -

MR R. DEAN: Can I just pick up on just one other item. It's Robert again.

CMR MARTIN: Yes.

MR R. DEAN; In their issues paper here, they talk about the profitability of the letter service declining because volume is falling, so we're going to up the price by 11 per cent; that's their solution. I guess that means as a consequence that even less people are going to post letters. So I mean with other countries now deciding that the way to fix that and it's obviously - it's a global problem - is that they're going to reduce the postage prices to increase volumes.

Now, when I went to university and did some economics, I thought there was a relativity between prices and volumes. Where did Australia Post come up with this view that by increasing the prices they're going to fix up the volumes? I mean, I looked at that issue and I thought that is an interesting one. I just find that that one - to me, even as a little old newsagent, I thought that's - I don't see that as a solution, but that's just in - I note that's in your - you know, the little summaries issues paper.

CMR MARTIN: Yes. Well, I mean there's obviously a couple of ways of looking at this and that's something else that we'll have to take into account. But you're saying some countries - what interested me there - some countries are actually reviewing or putting down prices.

MR R. DEAN: In fact, I noticed you made a comment in your earlier remarks too about you're going to go away and think about the international because you quoted some figures of what it cost relatively in various international - - -

CMR MARTIN: Which are Australia Post's figures.

MR R. DEAN: Now, I've just come back from the UK. Now, it's all very well to sit here in Australia and say, yes, it's 2 point - currently the P is worth 39 so it's about 2.5 Australian dollars to the pound so that means we work all that out as 53 or whatever cents it is to post a letter in England; that's not right. You have to actually - why haven't

Australia Post presented what it costs to send a letter in England against some basic unit like a cost of a piece of labour because it's like complaining when you're over there about paying 3 pounds for a cup of coffee or 3 pounds for a beer.

It's terrible from when we sit over here and say it's 8 or 9 dollars. But if you're over there earning their money, it's a completely different exercise, and they're not paying - it's like 18 and 19 p. So if you - I heard what you said that you're going to go away and think about the relativity of that argument, and I think you've got to look at it against the unit of labour.

CMR MARTIN: Exchange rates are supposed to pick all of that up now theoretically. But we recognise what you say; there are lots of nuances in this as opposed to, you know - compare your - tend to be comparing apples with oranges a little bit but - - -

MR R. DEAN: Oranges, yes. And I couldn't find them this morning. I had a detailed look. I cut a lot of things out of the paper. I'm a terrible person for keeping records and things; that's why I turn up with all these documents. But I did see on two or three occasions before I went overseas little comments, snippets in the Fin Review about postage rates in other countries. If I find them in a reasonable period of time, I'll let you know what they were. But there were a number of different countries where the postage rates have actually gone down with the same - quoting the same problem about declining volumes.

CMR MARTIN: Okay. Well - - -

MR MURPHY: Commissioner, could I just make another point? I heard your comment earlier about looking at the benefit to the public. We would contend that because of the fact that you don't get margin on postage stamps, only about probably less than half of newsagents in our organisation would carry postage stamps as a service to the community. And we believe also that many other retailers would retail postage stamps if they were allowed to make a margin I'd say. Therefore, I don't think the public are getting full service. I don't think the community service obligation of Australia Post is being fulfilled.

I know in my local community neighbours they complain that, you know, if they want to send a greeting card at short notice to a relative there's nowhere they can access a postage stamp readily without having to go to Australia Post, because the retailers in our area won't carry it because they can't make any margin on postage stamps. So that is an

issue that I think some of the community service is being denied because of the fact there's no margin.

CMR MARTIN: What sort of margin - like, what do the postal agents get? What sort of margin on the basic stamps? Is it 10 per cent or  
- - -

MR MURPHY: 14, I think it is.

MR R. DEAN: Yes, I think it is - it's in the range of 12 to 14, but I think it also varies in size and what they do; that's something - but I think it's in the range. It's like - it's a reasonable - sufficient that when the National Competition Council did it and when they were suggesting that LPOs should be able to share that margin with other retailers I mean that would be offering say 6 or 7 per cent to each party I guess if that was the arrangement.

CMR MARTIN: Yes. I mean, we could be making a pretty good point here about this volume issue too ,because if historically people in decades gone by everybody seemed to have - if you asked at say - an airport or a railway station or any newsagent seemed to have stamps, and now half of them haven't got them because they're saying, hey, you know, we're in a competitive situation. If we've got a competitive product that no one is going to pay us a margin on, we can't afford to hold it. That could be an issue about this volume, that people just can't get them at the sort of convenient outlets that they historically were able to get them. Now, that could be another aspect that - therefore people don't buy the stamps, don't post the letter, don't send the letter.

MR R. DEAN: Yes, I think - and that may just get - as Ken says that's liable to worsen too, I think.

CMR MARTIN: Do you think that's - a decade or two ago would just about all newsagents have had stamps?

MR MURPHY: A lot more than what they are now. There's a reaction to it because, I think, of the competitive retailing and the demand on newsagents for that product and they believe that - to a large extent I've heard comment at regional meetings, etcetera, by retailing stamps at no margin you're only assisting the Australia Post, so why should we assist their distribution if we can't make a margin on it? So they are getting out of stamps.

CMR MARTIN: Yes, well, because there's a cost in holding anything.

MR MURPHY: That's right. You've got to pay for the product up front and holdings costs, etcetera.

CMR MARTIN: Yes.

MR R. DEAN: I mean, it's - as we move forward - and the National Competition Council report here says lots of places. You know, it's going to be more difficult for people to compete with Australia Post because, I mean, what they have got is now - they have got an infrastructure and a system basically which to become a competitor to them - I don't know what they are worried about opening the whole thing up. I mean, they have got such a network that they have been able, one way or another, to find all these millions and multi-millions of dollars to set up, possibly out of reserved products. I don't know, they have got such a network in there that they are really untouchable, quite frankly.

I can't quite understand why it is that they are still allowed to continue, which makes me ask you the question as the ACCC - and I've seen Professor Fels in recent days defending the ACCC about the predatory activities of major businesses. Usually we're not - I'm going to bring it back to Australia Post in a minute but he's been discussing it out in the marketplace against us poor small retailers that we represent here. That being the case surely, you know, what's going on inside of Australia Post against thousands of small retailers applies.

I mean, is it - are you allowed when you report - are you allowed as the ACCC to either publicly or privately promote to the Government or to the public at large the inappropriateness of this monopoly continuing or are you not - are you basically restricted from what you would normally do in the marketplace to defend, you know, the rights of individuals and small businesses?

CMR MARTIN: We will certainly look closely at this issue you've raised about the link between the reserved and the non-reserved. I mean, we - we can't set policy about where the reserved line is drawn or whether there's a reserve line, but we can look at this other issue about the efficiency in the reserved area, the extent to which there might be something along the lines. You're saying that there is an issue about, you know, that small business has to compete in the non-reserved area, that there's unfair sort of competition going on. I mean, well, we can comment on that, whether it's directly in this review or any time and this review may put the spotlight on that. So - - -



MR R. DEAN: But is it your role in general under the Act - under the Act - - -

CMR MARTIN: Under the Prices Surveillance Act as we're talking about here today it's to - - -

MR R. DEAN: Deal with this - - -

CMR MARTIN: - - - ultimately have a view on this price increase, but we can bring into play a whole range of issues that impact on it.

MR R. DEAN: But then are you entitled outside of - once you've reported it are you entitled then to go and air your views like you've done in other situations, e.g. the newsagency industry in the suitable forums over the last 20 years - are you entitled then to go into the marketplace and say, "Look, as the defender of the public's and the consumer's rights and those rights of small businesses what's going on inside of this particular sphere of business? It can't continue".

CMR MARTIN: Any industry we have a range of roles which one activity can shed light on something else that we might then want to follow up. But, you know, I would have to reserve my - any comments on that until we've had a fair look at it. And we've got to let all parties have their say in it. But even in respect of this review we can make comments upon that because we're talking about a specific part of Australia Post role and if there are implications for the other part and then what happens in terms of competition, well, we could be making comment even through this review. Sorry, Bradley, you - - -

MR B. DEAN: Bradley Dean. You were asked before, looking at it from Australia Post's point of view, about the 10,000 other outlets. One of the easy arguments for them to make would be the cost of service of those outlets. They would say, "If we immediately brought those people into the network it would cost us the earth to service them". And I would have to draw a parallel to the newsagency industry where newsagents across Australia are on supply to something like 25,000 to 30,000 sub-agents and it wouldn't be a difficult thing to introduce that agency or sub-agency relationship through the Australia Post network.

No one is saying that if I want to sell stamps Australia Post have to deliver them to me and account to me individually. Surely it wouldn't be if you've got an - already got an LPO in an area that he then on supplies to me. I wouldn't like to see that - Australia Post quite simply draw a line in the sand about that cost of service issue because it's not - given that stamps are the type of things - you're not going to be going

there and buying them on a daily basis. You would be buying them in some volume to service your business.

In terms of what we do, servicing sub-agents with circulation product, which is a daily - a daily - sometimes a number of times a day thing, far less complex to achieve than the on-supply for the sale of stamps to other retailers.

CMR MARTIN: Yes. But you're saying that the system could work through the LPOs on-selling that?

MR B. DEAN: I believe so. That would just be part of their function - would be to service other retailers.

CMR MARTIN: Yes.

MR B. DEAN: As exists in - well, the newsagency industry is the case in point.

MR R. DEAN: I mean, they have already got a network of 4000 whatever outlets in some way their own, either in-house or attached to them via some sort of a contractual or franchise arrangement. So why couldn't - you know, why isn't there some structure that we can access their products? I mean, I don't know why they are concerned to have them more available. I would have thought that might have helped more postage.

CMR MARTIN: I just wonder whether there's any contractual limitation. I mean, it's something we can look at, but because with these reserved services and in setting up that network that there's not in the agreements with the network that they won't on-sell with margins.

MR R. DEAN: Well, like I said earlier on - it's Robert again. Like I said earlier on, yes, at the moment expulsion if you're caught, as in the arrangement.

CMR MARTIN: Yes, sorry, not - but I mean in terms of - well, you're talking about LPOs who would be keen to do this and interested but there would be others possibly who would see it as not being too

- - -

MR R. DEAN: Yes. Well, like there were newsagents who didn't - like there were newsagents who didn't want to be deregulated and we've still got them out there now but we all have to move on with life. There

are a lot of newsagents out there that don't like what's happened one little bit - - -

CMR MARTIN: Yes.

MR R. DEAN: - - - as you would be aware.

CMR MARTIN: Yes, yes.

MR MURPHY: Commissioner, Ken Murphy. I think what we also need to recognise is that it's going to be a cost to Australia Post to discount stamps to other retailers, obviously, so this is the time for it to be reviewed because there's going to be price increase. Obviously it's a time to re-evaluate the distribution network because to introduce a margin to other retailers is obviously going to be a cost to Australia - significant cost to Australia Post. But if they are getting a price increase we believe that's now the time to re-evaluate the distribution arrangements.

CMR MARTIN: Okay. Well, we've given - that's been very helpful in terms of that issue. Were there any other matters that - - -

MR R. DEAN: Can I just - can I quote you - Robert - - -

CMR MARTIN: He beats you to the punch every time.

MR R. DEAN: Sorry, Brad.

MR B. DEAN: It's like being at home.

MR R. DEAN: I apologise, away you go.

MR B. DEAN: Just going back to the impact on users with respect to - there's some comments made by Australia Post that the increase in basic postage will be very small and average small businesses, they say, around \$35 a year. I don't want to get drawn into the definition of what small businesses are other than to say I think that, you know, we either have small businesses being told that they employ one or two people or various tax office definitions that your turnover is 10 million.

I consider us to be a large small business. There is no way that \$35 increase would be relevant to us. My issue is that the savings that are available in bulk mailing today are if you can barcode, pre-sort, any one of a number of reasonably dramatic functions that businesses like ours aren't - it's not sensible for us to do it. I can't get any access to buying

cheaper stamps in bulk. If I say I'm going to use 1000 stamps in the next 6 weeks, I can't walk into Australia Post and buy stamps any cheaper. To get any saving I've got to be able to perform my mailing function in a quite developed way and it's not relevant to our businesses.

You know, there is a saving to Australia Post if I buy 1000 instead of walking over there everyday and buying 10, it's costing them less to service me, yet we're not seeing any of that type of recognition in the way they sell the basic - I'm talking now about a 45 cent stamp; they sell the basic postage unit. And to businesses like ours that is relevant that we're - it's not recognised in that way.

CMR MARTIN: Does this Clean Mail offer you anything? Like, if you had 300 customers came in or your 300 letters a day where you just said, you know, give us your envelopes, you could then take them to the - and get it at the 45 cents under the new proposed arrangement?

MR B. DEAN: I don't know enough about the arrangement to comment on whether it would. To my knowledge, no.

CMR MARTIN: I just know the Clean Mail is some new one where you - unbarcoded you can - if you've got 300 envelopes you get it at a discounted rate.

MR B. DEAN: Well, maybe it will.

CMR MARTIN: I mean, that could be an opportunity, I don't know. But it may be that they have all got to go to the one sort of postcode or something.

MR B. DEAN: Yes. If that was the case then the answer to your question would be no.

CMR MARTIN: No. I don't know. Is that Clean Mail proposal if anyone comes in with 300 letters - - -

MR STEVENS: That's my understanding and it has to be machine addressed.

CMR MARTIN: Machine addressed?

MR STEVENS: In other words it has to be printed it can't be handwritten.

CMR MARTIN: It can't be handwritten? You're gone.

MR B. DEAN: We're gone. So all I'm saying is - - -

CMR MARTIN: Sorry, about that.

MR B. DEAN: In some capacities if there is up to 17 per cent available you would think that somewhere in that whole scheme, if someone wants to buy a 1000 to I don't know how many stamps there should be some capacity for a discount and there's not. So it seems to be all one way.

MR R. DEAN: Can I just follow - just make a comment. I rang Australia Post up last Friday to ask a couple of questions, right, Dorothy Dixes. If I want to present mail to achieve that discount I have to buy the software from Australia Post's agent, and I don't know what that means, they don't even make the software available. Apparently, every address in Australia has a barcode which is good, great. Wouldn't you think, particularly for small to medium sized businesses that you could access whatever the software is - it helps everybody - but you've actually got to go and buy it. And I said, "Well, how much does it cost?" She said, well, I don't know but in some cases it's hundreds of dollars.

And I thought, that will be terrific, I can imagine how many small businesses are going to access - we do send a - we delivered - I don't know, we probably have a couple of thousand accounts every month we deliver to but it wouldn't - if we're going to pay hundreds of dollars, it just wouldn't be cost effective for us to, you know - why isn't that software, and I would say - and it's not an area I even thought about till just then, but why isn't the software free? Like, I mean, if it helps Australia Post and everybody else; why isn't it free? I mean, it can't be rocket science. And if every business in Australia - we're talking about a market that's, even in 20 million in Australia, fairly large well you would reckon that it should be fairly - if not free nominal any way.

CMR MARTIN: Yes. I think it's a bit the inverse to your argument on the 10,000 outlets and then getting a margin. That nothing is free, it would cost Australia Post to have this and supplied. It's as you say - what rate do they charge and is it a realistic rate, but I mean, I'm not arguing their case it's just putting, obviously, the other side of the coin or the other side of the postage stamp.

MR R. DEAN: Could I make a quote to you from the Hilmer Report?

CMR MARTIN: Yes.

MR R. DEAN: That well know piece of paper and because now he's running Fairfax but - - -

CMR MARTIN: Yes.

MR R. DEAN: Can I just quote you this:

Regulation that confers benefits on particular groups soon builds the constituency with an interest in resisting change and avoiding rigorous and independent re-evaluation of whether the restriction remains justified in the public interest.

And I just read that quote for what it's worth because I believe it applies, quite frankly, to the overall - the global view of what goes on inside the postal business, I think. It really - the time has come, I don't know how much longer it can continue on the way it is.

CMR MARTIN: But do you think that, in terms of making the basic postal service available right throughout Australia, there wouldn't - and given that in overseas practices that there has always been that and that's the sort of tenant of this sort of reserve service that - are you saying that that should be thrown out the window or that it's - despite the changes Australia Post has made there are issues around this - between this reserved and non-reserved which you have got an issue with and - - -

MR R. DEAN: Well, no I intend to - this is Robert again, of course. I tend to agree with what a lot of people have said, that the Australia Post network is such now it's so powerful, it's basically - I don't believe is achievable for another channel to do what Australia Post do. It's, I mean, so strong that in its non-reserved products like banking services, all those financial services and AMEX is about to come on very shortly they have just announced, all those other things that they do ala this bag full of things, quite frankly, now, it's interfering - it's so strong, it's interfering with their reserved services to the level to the public.

And I think Australia Post will continue to make increasing profits, I don't see how they won't, and I think their argument trying to continue with these so-called reserved products and meeting their - whatever number of millions of dollars that - to service some uncompetitive areas, I think those areas, obviously, if they need specific attention in certain areas well, why isn't there allocations of funds or subsidies to fix those areas up. Why try and increase the reserved figure overall, which affects every Australian, given they've got this phenomenal network now

built up which is just going to grow and grow and add value. I think the days of having the reserved services and the cross-subsidisation and all really have gone.

I don't - I think it's a different argument in 2002 to what it even was five years ago let alone 10 years ago. I think as we move forward year by year, just think of the amount of money it would cost. Who can find \$150 million to set up a financial, you know, network that you can, you know, take payments? I mean, it costs a lot of money to do what Australia Post has done. Where they got it from is an interesting question, as we've talked about before, but I think for them to lose their reserved services wouldn't make too much difficulty to them making more profits, personally.

CMR MARTIN: No, but it's the reserved service we're interested in. Are you suggesting then that some other entity would run that and could do it at the same sort of cost and - - -

MR R. DEAN: Well, I don't see why Australia Post, if the exclusivity is taken away, why if they choose they don't want to - if they just want to publish them but not distribute them then I don't see why if they put it out to the marketplace there wouldn't be many people who would be quite happy to distribute their product, as there is in many other products in the market. I mean, at the moment, they've got total control from publishing right through till deciding on what price it's basically going to be, nearly.

So why would it be different to any other product? If they just decided, yes, they're given the power - because there is security reasons, etcetera, that they produce the stamps why wouldn't - like, I mean, I think Ken probably wouldn't mind the challenge of if he could get a margin out of distributing stamps around newsagents in Queensland or whatever; it would be an interesting exercise. I don't see why it's always tied in the one camp, I mean, if Australia Post - why don't they, you know, why isn't that put out to tender? Why aren't there three or four organisations buying the stamps at some rate off Australia Post and distributing them through whoever?

You know, I think some people in Australia Post need to get outside the square a bit and look outside to what other people do. I mean, it's not - in a sophisticated market like we've got operating around the western world now I don't see why a stamp is different to anything else, really. I mean, newspapers - like, if you go to England there's about 8 or 10 wholesalers distribute product. I mean, in Australia we've got half a dozen distributors that distribute product. I mean, plus every publisher

does his own or whatever, I mean, there's all sorts of arrangements it's not - I don't see why it has to be reserved inside of their camp.

CMR MARTIN: No, well, we're dealing with - obviously it's one of the last bastions of highly prized - an esteemed thing. I mean, despite what you have said there are some examples - most examples around the world are that the government ownership and control are still - - -

MR R. DEAN: Oh, sorry, don't get me wrong I'm not suggesting that Australia Post be privatised, that's not an area I've gone in to.

CMR MARTIN: No, no.

MR R. DEAN: Because, quite frankly, I think it shouldn't be, personally, but I think some of the things they do should be out there in the marketplace.

CMR MARTIN: Well, that's been very handy. Was there any more comments? No comments from Ipswich about Australia Post Services or - - -

MR DANIELS: No, we use bulk ..... suppliers.

CMR MARTIN: How's the service of that lot?

MR DANIELS: Over the years we've had some problems. I know that - I have no guarantee that - it not a part of - - -

MR STEVENS: Hence the we.

MR DANIELS: I beg your pardon? Hence the we in there. But we've had an incident where we've lost about 5000 rate notices, plus a lot of concern a few years ago.

CMR MARTIN: All right, well - - -

MR MURPHY: Commissioner, Ken Murphy, again. Not a comment but a question on procedure. You have outlined to us the procedure of having the forums throughout the country and just can you tell me who deliberates on the outcomes; is it yourself alone or is it - - -

CMR MARTIN: No, no. Well, what we do in terms of both the submissions and from the transcript of these discussions we then pick up on the issues, cross-reference them particularly to see the extent to which there is a thread there. We do our own research and investigation



following up on those issues and they will all be fed into what will be our draft decision probably early August I should think.

So you'll see our thinking by then, in terms of the full range of issues and after that, they give us one more bit at the cherry in terms of you coming back to us. So we'll make sure - particularly anyone that comes to the consultations - we'll make sure you get copies, immediately, of the draft decision so that you can - if you feel that we haven't quite picked up on things, don't hesitate to contact me or Angie or other staff at the ACCC. I'm sorry, at the outset - and it's something I should have written in - I should have introduced Angie Austin who is the ACCC staff member accompanying me here in Queensland and she and others will be working on this fairly comprehensively for the next couple of months. They'll know as much about Australia Post as they know about some of the other subjects that we've had to review

If nobody else has got any more comment - nothing Australia Post wants to add? Look, I thank you very much for what was, to me, a very enlightening discussion on the way the operation of the sale of basic postage affects your businesses and the things that you've raised and we'll certainly take them on board and thank you very much for input. It being about 10 to 11, we can all stop and have another coffee and we'll complete the consultation. Thank you.

**FORUM CLOSED**

**[10.45am]**

## INDEX

<b>LIST OF WITNESSES</b>	<b>Page</b>
--------------------------	-------------

<b>EXHIBITS/MFIs</b>	<b>Page</b>
----------------------	-------------

<b>KEY WORDS</b>	<b>Page</b>
------------------	-------------

ACCC's role.....	3
Australian Postal Corporation Act .....	2-4
bulk mail.....	2, 4, 20
Clean Mail.....	2, 4, 36
community service obligation.....	30
Community Service Obligations .....	4, 6, 17
cost.....	4, 9, 16, 29-31, 33, 35, 37, 39
costs.....	3, 5, 13, 17, 18, 30, 32, 39
CSO.....	16
greeting cards .....	2, 7, 8, 12
large letters.....	2
postage stamp .....	2, 3, 5, 8, 18, 26, 30, 37
Postal Corporation Act.....	2-4
pre-sorted mail .....	2
Prices Surveillance Act.....	2, 3, 33
profitability.....	4, 29
PS Act.....	2
service quality.....	3
volume.....	4, 29, 31, 34