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TRANSCRIPT OF PROCEEDINGS

AUSTRALIAN COMPETITION

AND CONSUMER COMMISSION

MR J. MARTIN, Presiding

THE ACCC'S PUBLIC FORUM INTO

AUSTRALIA POST'S PROPOSED PRICE INCREASES

CANBERRA

2.37 PM, FRIDAY, 28 JUNE 2002

Continued from 25.6.02 in Melbourne

COMMISSIONER JOHN MARTIN: Everyone who can hear me, I'd like to welcome you today to what is a three-way forum on Australia Post proposed price increases. My name is John Martin. I'm a Commissioner with the Australian Competition and Consumer Commission. In Canberra I have with us a staff member working on this matter, Angie Austin, and I know people both in Canberra and in Darwin are linked in to this forum. Perhaps just so that we can recognise you from the outset just to check, maybe going first to Darwin, in Darwin can we just have an identification of who is there? I know Linda who is on our regional office staff in Darwin is there. Linda, can you introduce the people who are in Darwin?

MR PODIAS: I'm just here on my own. She's just walked out for a minute. I'm Stel Podias. I'm the Reference Librarian for Darwin Public Libraries.

CMR MARTIN: Okay. Sorry, the name was?

MR PODIAS: Stel Podias.

CMR MARTIN: Okay, Stel. Well, welcome. As you just heard, we are commencing. I'll just get the other people in Canberra to introduce themselves.

MS AUSTIN: Would you like to introduce yourself?

MS BURNS: Wei Burns from Australian Library and Information Association. Can you catch me?

MS AUSTIN: Did you hear that, John?

CMR MARTIN: Yes, we are just not switching at the moment. Can you say that again?

MS BURNS: My name is Wei Burns and I'm from Australian Library and Information Association.

CMR MARTIN: Okay, and your first name. The sound is not real good.

MS BURNS: Okay, Wei, W-e-i.

CMR MARTIN: Okay, Wei. Thank you very much.

MS BURNS: And the surname is Burns

CMR MARTIN: And from Australia Post we have?

MR DOWNIE: It's Drew Downie from Australia Post here, John, once again.

CMR MARTIN: Okay, thanks, thanks very much. As you would be aware, Australia Post has advised the ACCC of its intention to lodge a Pricing Notification under the Prices Surveillance Act. Welcome, I see we have some more people arrived in Canberra, if you can join us. We have just been going around the table introducing ourselves, so if you would like to introduce yourselves before I continue.

MR CASSIN: I'm Adam Cassin. I'm with the Department of Communications.

CMR MARTIN: Okay, Alan, is it?

MR CASSIN: Adam, sorry.

CMR MARTIN: Adam. Okay, Adam. Welcome.

MR CLARK: My name is John Clark. I'm just a private citizen. Clark with no `e'.

CMR MARTIN: Thanks, John. Welcome. We have only just started and I'll introduce myself. I'm John Martin. I'm a Commissioner with the ACCC and I've just introduced the fact that, as you would be aware, Australia Post has advised the ACCC of its intention to lodge a Pricing Notification under the Prices Surveillance Act and that's what we're here today to discuss. 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. Increases are proposed for pre-sorted mail, greeting cards and large letters. The changes would take effect from 13 January next year. In addition, Australia Post proposes to introduce a new bulk mail, Category 3 mail, priced at a discount to the basic postage rate for unbarcoded bulk mail.

The primary aim of today's forum - and I might just let those newcomers to the Canberra part of this know that we're also linked into Darwin. We have some people in Darwin with this consultation as well and the objective of the consultation is to provide an opportunity for consumers, small businesses and other stakeholders to have their say on these changes. And the format that we are following is firstly I will briefly outline the role the ACCC is taking in assessing the notification

and the processes that the ACCC is following in the course of that assessment.

Secondly, I will briefly discuss the key features of the proposals and the arguments that Australia Post has put forward in support of the increases and then the important bit of the forum is to hear any views that you would like to put on the various aspects of what is being proposed. We are having a transcription of the discussion today, so it would be helpful when you make comments at least to be able to identify yourself before you start your comment.

In terms of the role of the ACCC, under the Postal Corporation Act certain postal services are reserved to Australia Post. This means that Australia Post has 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 postage rate is 45 cents, this means that letters carried for more than \$1.80 are not reserved.

Australia Post also has a universal service obligation which means that it must carry and deliver standard letters at 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 these reserved services. The ACCC can object to or agree with the proposed increases, 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 proposals. For example, services such as postal delivery, some parcel delivery, international mail, mail holding and mail redirection, financial services and retail services are not included in the Price Notification.

In addition to the ACCC's role in assessing proposed price rises to reserved services, Australia Post also is required by the Australia Post Corporation Act to give the Minister for Communications, Information, Technology and the Arts written notice of any intention to vary the price of the postage stamp. This is sequentially likely to occur subsequent to the ACCC looking at this. The Minister then has 30 days in which to

give Australia Post written notice if he wished to disapprove the price increase.

In terms of the ACCC's processes, Australia Post submitted its draft notification to the ACCC on 30 April of this year. After discussion with Australia Post the ACCC agreed to work towards issuing a final decision around the end of September 2002. We have a small team in the ACCC working on this issue. I'm the Commissioner with responsibility for matters covered by the Prices Surveillance Act and therefore I will be involved in our investigations of this matter. The Prices Surveillance Act requires the ACCC to consider a range of matters including the need to maintain investment in employment and the need to discourage any business or person in a position to substantially influence the market from taking advantage of that in 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 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 service then the case for price increases might be weakened.

The key milestones in the ACCC's assessment processes are we firstly had an issues paper that was released on 10 May calling for submissions. We've been receiving those during the current month. We're still interested in receiving submissions, but if people are interested in doing that they'd need to be fairly quick. We are currently in the process of reviewing the submissions that we've received. In addition, we are conducting, or have been conducting over the past two weeks, these consultations publicly throughout Australia, as I mentioned before, in particular to seek the views of those who might not be in such a good position to provide written submissions.

We will be holding a further forum on more technical issues raised in submissions and that will be held in Melbourne early in July and we are working towards a draft decision, probably early August. Following the release of the draft decision interested parties will have a further opportunity to make additional or follow-up submissions before the ACCC releases its final decision, as I mentioned, probably mid to late September.

The pricing proposal that Australia Post has made, the key elements include: a five cent increase to the basic postage rate from 45 cents to 50 cents; increases to large letter, local, seasonal greeting and prepaid

envelope rates maintaining relativities with the new basic postage rate; a variety of changes to the pricing for barcoded mail; and the introduction of the new service Clean Mail for lodgement of 300 or more machine addressed un-barcoded envelopes priced at 45 cents for standard sized envelope. We've tended to not have that many comments on the bulk mail rates and Clean Mail rate as we've gone around Australia, but we did have some comments at a couple of centres where people involved in bulk mail usage did provide us with helpful comments.

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 throughout Australia imposes a significant annual cost and that the introduction of the GST reduced the amount that Australia Post receives per basic postage stamp of 45 cents to 40.9 cents per article; that is, Australia Post were required to absorb the cost of the GST, or the imposition of the GST.

Australia Post also argues that there have been improvements to 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 required of it under the Australian Postal Corporation Act; that is, the incentives that are provided by profitability targets. Australia Post argues that price increases for post are necessary in order to secure adequate commercial returns in future.

In its draft notification to the ACCC, Australia Post claims that a 50 cents Australia Post proposed basic postage rate would still be one of the lowest in the developed world. Using a price-parity comparison, Australia Post indicates that Canada's basic stamp costs the equivalent of 53 cents, France 61 cents, Germany 76 cents, Italy 66 cents, Japan 71 cents, New Zealand 36 cents, U.K. 54 cents and the U.S. 45 cents. These comparisons are based on internal Australia Post figures, or their document, and the ACCC has not yet formed a view on how we should treat the international comparisons and their relevance to this matter.

Just finally, I point out that copies of Australia Post's submissions, of their submissions giving full details of the prices changes, the ACCC's own issues paper and the submissions as we are receiving them from interested parties can be found on the ACCC's website which is www.accc.gov.au, and we also are going to be putting up on our website the transcripts from these public forums and they'll be available in due course. So on that note, I welcome you all here today.

What this is really about is hearing comments that you may have on the case of price increases, your anticipated mail needs, comments on the services provided by Australia Post relative to those needs and the impact that Australia Post proposed price increases may be likely to have on you. Because I'm here in Sydney, I'm sorry I'm not there face to face with you. It's a little bit more difficult holding discussions. But for those who want to make some initial points, please do, and we have tended to have a fairly informal discussion then as we go along on particular issues. Is there anyone in Canberra who would like to start off with a comment?

MR CLARK: I don't mind starting off. I'm John Clark. I'm just an ordinary citizen here in Canberra. I want to make two points. The first one is that in order to keep the ordinary letter rate at 45 cents it may be non-profit but it is a splendid service to the public of which Australia Post can be proud. For its other services it is well remunerated and is able to report consistently high profits. I think matters should be left as they are, that is, maintain a non-profit service to the public with ordinary letters at 45 cents and make profits on other services.

My second point is that as a resident of Canberra I'm interested to hear that Australia Post says it has made improvements in delivery service. Our delivery service here is really very poor. What we need is overnight service from Sydney, at least from Sydney, and possibly from the other capital cities. I get two Sydney daily newspapers and they are delivered without fail to my door before dawn, seven days a week - seven days a week. That's all I've got to say at the moment.

CMR MARTIN: John, just in terms of, you'd like to see these basic rates on the reserved services maintained and that Australia Post should rely on making profits in the non-reserved area, but what if, given their charter of both providing this service, but getting a return so that they can pay for it - I mean, are you suggesting that they should make do with the revenue they get at the moment or would you be prepared to see some reduction in the level of service?

MR CLARK: No. I want a better level of service, as I say, especially in delivery from Sydney. I don't think their service is very good at all. I mean, I live in a private house in Canberra and it's just a toss up what time of the day the mail will arrive. It will arrive when it suits Australia Post to deliver it. I've got to go out to the letter box two or three times in the hope that the man might have come. I don't know when he comes. They don't blow a whistle any more. You know, you've just got to take what Australia Post gives you. That's what the situation is.

I've also got a private box. They keep on putting up the cost of the private box pretty well yearly and I don't know why this is so because I think we're really helping the Post Office by having private boxes. They don't need to hand anything to the postman at all. We've got to go and collect our own mail from the private box. This is the sort of thing.

What I'm basically concerned about is why should Australia Post try and make more and more and more profit just like a private enterprise company? Now, the other day I was in Queanbeyan. For many, many years the Post Office in Queanbeyan has been on the main street on a corner and a few years ago they knocked the old building down, which was probably built in about 1880 or something, put up a brand new modern building, the most modern building in Queanbeyan.

The other day I went to Queanbeyan, there's no Post Office there any more. We had to search for the Post Office. It's in a shopping arcade. I said to the girl, "Why aren't you in the main street?" "Oh", she said, "We weren't making enough profit in the main street". Isn't it marvellous. This is a service to the public.

CMR MARTIN: And is your feeling that it was less accessible in the shopping centre?

MR CLARK: Yes, I think it was. The other one was right bang on the main street on a corner; an absolutely choice site. Now it's in a sort of shopping centre. I don't know, I suppose the residents of Queanbeyan get to know where it is, but it's in a sort of a hidden place. It's not the sort of place you'd look for a Post Office at all. Nearly every country town you'll find the Post Office is a prominent building. Nothing prominent about - - -

CMR MARTIN: Except that I think to be fair to Australia Post, it might be that they perceived the majority of, say, Queanbeyan residents would find it more convenient in the shopping centre, possibly.

MR CLARK: That's not what the girl told me. She said they just told us we weren't making enough money. You see, what's happening now, you go into Australia Post, someone said once you can buy everything in a Post Office now except hot pies. You buy everything in there. You can buy computers, you can buy model cars, you can buy all sorts of stuff. You've only got to go into any modern Australia Post and it's just like a great big shop. In fact, they call it Australia Post Shop. They should stick to their last, and stick to efficient mail deliveries. That's what we want.

CMR MARTIN: But, do you think that the other services or other products are getting in the road of them.

MR CLARK: No, not necessarily that, but I think they're making a lot of money. You probably know better than I do. They turn in enormous profits every year. The Commonwealth Government are probably quite happy about that, but I don't really see any point in having a Post Office that's turning in enormous profits. I think they should be there as a service to the public.

CMR MARTIN: Yes, they have prescribed rates of return that they have to meet, which is the aim of the Government requirements, and what they're saying is, in relation to the reserved services, if they're to continue to meet that target, they need to have this price increase. So, you're saying, if I understand you rightly, they should be using the profits from the non-reserved area to cross-subsidise.

MR CLARK: I think they've probably always done that, and I think that's what the Government wants them to do. They've tried several times to put up the price of the ordinary postage stamp and the Government says no, because they're looking after the public.

CMR MARTIN: Look, I'll open this to others. They did absorb the GST.

MR CLARK: Well, I confess I didn't know that. But that's too bad. Let them absorb the GST.

CMR MARTIN: Okay, do we have any comments from the library industry? I think we have a representative in Canberra, and in Darwin.

MS BURNS: Yes, okay. Since the GST actually our membership dropped about 10 per cent because we can't increase the membership fees and then some people they think they still pay \$300, but actually only \$270 or whatever. So membership has dropped about 10 per cent but we still pay postage. And because of the nature of our business, we spend about 11,000 to 12,000 every month. So, even an increase from 45 cents to 50 cents to us, still, you are looking at about 5 per cent increase. So every month we got out-of-pocket another 1000 at least.

CMR MARTIN: Can you explain how your group works?

MS BURNS: Okay. We are a professional organisation. We've got about 8000 members around Australia, so we've got lots of mail to send out, newsletters to send out, lots of cheques to pay, even \$10, \$20,

we've got to spend 45 cents to send it out And we look at about 11,000 to 12,000 every month. I can't work out how many letters there are - - -

CMR MARTIN: But don't you get a bulk rate?

MS BURNS: I think we've got it, but still got to pay that sort of amount of money. I pay the bill every month.

CMR MARTIN: But does a mail house do it for you?

MS BURNS: Mail house do all printing send it out, but we've still got the small ones sent out from our office. Mail house every month sends about 5000. And we, office, about 6000 to 7000. It depends. Still a lot seems to go. Every day we've got two big bags to go out.

CMR MARTIN: Do you use email?

MS BURNS: Yes, email, yes, but still we spend two and a half every month on Telecom's bill, that's including email sort of stuff, but 11,000 to 12,000 just for the Post Office.

CMR MARTIN: But what I'm getting at is how much substitutability is there between say using email and using the post?

MS BURNS: I can't see the difference. I look at the bills for the last three years and at that time I think we pay about two and a half every month for Telecom. That's including email bill in it. Now we still pay two and a half for Telecom bill and Post Office bill still the same but we use email lots, every day. I don't know where they come from. They both increased.

CMR MARTIN: Well, how about the quality of the service then?

MS BURNS: Yes, we're happy with the quality because every morning first thing, we've got a bag delivered to our office so we can do our mail first. And we send about one bag or two bags out every afternoon. About 3 o'clock someone comes to pick up the bag, so that's fine.

CMR MARTIN: I think we have in Darwin - Stel, is it?

MR PODIAS: Okay. Well, my concern is the timing of it, coming up in mid-January which is halfway through the financial year. Our budget has already been set and we budget for postage, and it's making the

budget variation halfway through the year, when we work for a city council, and our budgets have been basically set.

You know, we've basically come to the conclusion that it is going to happen but the timing of it - you know, if it was at the start of the financial year, with a bit of preparation we can make all the necessary adjustments. It's making the adjustments halfway through a financial year which is going to be difficult in our case.

CMR MARTIN: Okay. Well, when these things occur, they've got to occur at some time. I suppose it's a bit difficult to always have them starting on 1 July. How about other aspects? Sorry, maybe you could just repeat your full name for the transcript.

MR PODIAS: Okay. My name is Stelios Podias.

CMR MARTIN: And your organisation, Stelios?

MR PODIAS: Well, I represent the Darwin City Council, but I'm part of the Darwin Library.

CMR MARTIN: So, any other comments on the quality of service, or any other aspect? Are you saying timing is the only real issue for you?

MR PODIAS: Well, basically, throughout the organisation - and it has been a long time since prices have gone up, and we basically come to accept that it's going to go up at some stage, but yes, timing is our major issue, because transferring money across budget lines, working for a city council is not the easiest thing in the world to do.

CMR MARTIN: Do we have anyone else there in Darwin? No one from the newsagents?

MR PODIAS: We've got another lady here, but I'm not sure where she's from.

MS WILSON: I'm representing the Small Business Association in Darwin, Northern Territory.

CMR MARTIN: Can you let us know your name?

MS WILSON: Rose Wilson.

CMR MARTIN: Okay, Rose, and your comments?

MS WILSON: Well, I would like to look into it in depth, but I would also like to know if those transcripts are available in due course.

CMR MARTIN: Yes, on the website, Rose.

MS WILSON: In due course. Is it a month, a week, or - - -

CMR MARTIN: Well, I'm not quite sure. It will probably be at least a couple of weeks.

MS WILSON: Right, yes.

CMR MARTIN: But, they will be putting ones up from other consultations a bit earlier, because we started two weeks ago. We've been right around the country from Brisbane across to Perth, etcetera

MS WILSON: Thank you.

CMR MARTIN: Did you have any comment in terms of small business interests, either in relation to the postal price increases or anything relating to - I know some small businesses make comments about the concern about there being a sort of cross-subsidy from the commercial area or to the commercial area, in fact going in the opposite way to what John Clark was suggesting should be occurring.

MS WILSON: Well, I've only come into this, sort of on the end. So, I'm a bit in the dark but - - -

CMR MARTIN: How about Australia Post's service? Did you have any views about it?

MS WILSON: Well, I do think their service could be improved, especially in Darwin, or the Northern Territory. But the other thing, I had an instance, a couple of weeks ago, I wanted to send a registered article in the mail, and they said it had to go by road post, road freight. Because it was registered it couldn't go by air, which meant three, four, five days delay. I can't see why a registered article can't go by air as it used to in the old days.

CMR MARTIN: Yes. Well, I'm surprised. We do have someone from Australia Post in the Canberra part of the meeting. I'd be rather surprised if that was actually Australia Post's practice, not to send registered articles by air.

MR DOWNIE: John, if I can get that lady's details I'll be able to get back to her, hopefully fairly soon, just to give an answer on that, if that's all right. I'll talk to our parcels people.

CMR MARTIN: Okay. Well, Angie will organise to get the names and get the details at the end of the consultation. Is there anything else from Darwin in terms of what people would like to ask?

MR PODIAS: Not from me.

MS WILSON: At the moment, no.

CMR MARTIN: Okay. Anything else from the Canberra participants?

MR CLARK: Well, I've already said quite a lot, I know, but you've been very good about the question of the increase from 45 to 50 cents. I am very interested to know there are some people here from Australia Post. What is their comment on this idea that we should have overnight service from Sydney to Canberra with mail? I mean, if the Sydney newspapers can get their papers here before dawn - before dawn - no matter what time of the day I get up, I sometimes get up in the dark, the papers are always there, delivered to the door. Why can't Australia Post do that?

CMR MARTIN: John, we're tending with this not to put Australia Post on the spot. I mean, I think the issue with - but they'll be prepared to give you a response on that issue. My understanding is that they don't guarantee overnight, but that a lot of mail does, say from Sydney, come overnight.

MR CLARK: I don't know about that. I don't know why it can't be done. I don't know how the mail comes to Canberra. If it comes by road we've got a four-lane highway, all the way now, between Canberra and Sydney. Four lanes! Plenty of air service. What's the hold up?

CMR MARTIN: Well, we'll certainly get you a response on that. Someone will get back to you, in terms of what the - we don't know what the precise situation is.

MR CLARK: Well, couldn't they tell us? They're here. Couldn't they tell us?

CMR MARTIN: It's only that, look, I think the chap that's here - - -

MR DOWNIE: I actually don't represent our mail and networks part of the business. I am here as an observer just to get a feel for the type of public comment that's made with regard to our services, etcetera. But, I can take it on board. On 11 July, we do have a technical forum in Melbourne, which probably isn't good for you there, Mr Clark, but that is where we'll have a panel of Australia Post technical experts in our letters area, our financial area and, I think, our mail and networks area where those sorts of questions can be answered quite easily on the spot. Like I said, I'm not an expert in that area, but I can take that question away and get back to you as soon as possible, if you're happy with that.

MR CLARK: Thank you.

MR DOWNIE: It's a pleasure.

CMR MARTIN: So, no more comment, John? You're happy with that?

MR CLARK: I - - -

CMR MARTIN: Well, depending upon what the answer is. We'll definitely get you an answer, and they'll get back to you in the next few days. Okay, well, if there's no more comments, as I said, we'll be holding a technical conference in July, and we'll be releasing our draft decision early August. So keep an eye out for that. I've appreciated the comments you've made today and, as I say, the record of this discussion will go up on the website as soon as we can facilitate it. No other comments in Canberra?

MR CLARK: I was - - -

CMR MARTIN: Okay.

MR CLARK: I'll say one more thing.

CMR MARTIN: Yes, John.

MR CLARK: Before the war I worked for a firm of solicitors in London. Believe it or not, we had three deliveries a day, and the postmen would always take away any mail we wanted posted. How about that?

CMR MARTIN: Yes, I think in those days we were totally dependent. We were totally dependent on the mail in those days. Of course, there are a few more options now, with faxes and email.

MR CLARK: They can't get away with it like that, Mr Martin. They're supposed to be running a good mail service.

CMR MARTIN: Well, John, I've appreciated your comments. I think it's an insight into, you know, the fact that many members of the community are still extremely reliant on it, as are the mass mail users, and we'll certainly take into account what you've said.

MR CLARK: Absolutely, mums and dads, pensioners, people that - every penny counts. They want 45 cent mail.

CMR MARTIN: Okay. Well, thanks very much, everyone. I believe that certainly in Canberra, I hope there's tea and coffee there, if you would like to have some. Thank you for all your input. I'll close the consultations and good luck with the rest of the day. Thank you.

FORUM CLOSED

[3.16pm]

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