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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**

**SYDNEY**

**1.44 PM, WEDNESDAY, 19 JUNE 2002**

**Continued from 17.6.02 in Brisbane**

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COMMISSIONER JOHN MARTIN: I am John Martin, Commissioner of ACCC. With me today is Angie Austin, who is a member of the ACCC staff in Melbourne and she is part of the group who are working on the Australia Post price increase proposals and today, as you know, is a forum where we are looking for input from the community around Australia.

We are going to all the capital cities and some of the regional centres and, 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 I want to explain a little bit about that, but before starting, it is very pleasing to see this group here today and I thought we might just - because if later on you do wish to say something it is easier for the record for us to identify you - but we might just go around the table so everybody knows who everybody else is, but at the same time when you do say something later, please identify yourself, at least when you start.

So maybe having introduced us I will start with you.

MS Y. LEE: I am Yolanda Lee. I do wear my National Council of Women of Australia hat today and I am a member of the Small Business Group Advisory Committee.

MS C. NOLA: Hello, my name is Carmel Nola. I represent the Australian Federation of Business and Professional Women of Sydney Club.

MR D. KEE: Hi, I am David Kee from the Australian Direct Marketing Association.

CMR MARTIN: David.

MR P. ROBERTS: I am Phil Roberts, a practising newsagent and representing the Newsagents of New South Wales.

MS C. TREZONA: Cathy Trezona. I am from the Australian Newsagents Federation, dealing with project management.

MR P. WAITE: Paul Waite, also from the Australian Newsagents Federation, CEO.

MR. C. MAYFIELD: Cas Mayfield from the Chatswood Chamber of Commerce.

CMR MARTIN: Now, we also have with us - - -

MS K. MCKENZIE: We work in PR and we would just like to observe the process.

CMR MARTIN: All right, welcome.

MR J. STEPHENS: I am from Australia Post.

CMR MARTIN: We also have John Stephens from Australia Post and I am sure some of you would like to get his card later on if you have issues that you want to follow up but, thanks for that, and as I say will give a brief introduction about the basis for the proposed increases and the implications and the processes that we are following, but then what we are really looking for is input from yourselves in terms of the proposals.

Australia Post has indicated that they intend to increase the price of a range of postal services as well as raising the price of the basic postage stamp from 45 cents to 50 cents. Increases are proposed for pre-sorted mail, greeting cards and large letters. The proposed changes will take effect from 13 January next year.

In addition, Australia Post proposes to introduce a new bulk category, Clean Mail, which will be priced at a discount to the basic postage rate for unbarcoded bulk mail, so there is a fair bit, it is not just the postage stamp that we are talking about, and the primary aim of today's forum is to, as I say, provide an opportunity for consumers, small business and other stakeholders to have their say on these changes.

One of the things since I have started travelling around just this week to commence these consultations, a lot of the media have said: well, gee, we are surprised you are going to so much trouble and do you do this on all your inquiries? Well, we don't. This is a very universal issue in terms of the community. The equivalent that I recall was a couple of years ago when I did a similar round of consultations on the Telstra price cap basket of products where there was a price control on Telstra which required them to reduce their prices annually by 5.5 per cent in an overall basket of products.

So it is that type of issue where it relates to the whole community and when there are major users and there are just residential and household users and this gives everybody a bit of an opportunity to interact with the Commission and it gives us a face out in the community which, at other times we don't have, except for Professor Fels being on the national news or current affairs, so that is to explain the priority that we are placing on this.

I am proposing that the format we will follow will be along these lines: firstly, I will briefly outline what the ACCC will be doing in assessing Australia Post's proposal and the process that we are following in the course of that assessment. Secondly, I will discuss some of the key features of the draft notification and the arguments that Australia Post has put forward in support of the increase and then open the floor for you to have your say and, as I say, if you can identify yourself at the beginning.

You are all going to have different aspects of this that you want to talk about and we will try to keep it in a free-flowing type approach, but obviously if we get on to an issue, let's work that through and then we will go on to other issues.

In terms of the role of the ACCC in this, under the Australia Postal Corporation Act 1989, certain postal services are reserved to Australia Post. That 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 postage rate is 45 cents, this means that letters carried for a fee of over \$1.80 are not reserved, so beyond that level Australia Post competes in the open market for those other products, although we have already had some comments of course about that - sort of the linkage between the two areas and people may feel they wish to comment on that.

Australia Post also has a universal service obligation, this means that it must carry and deliver standard letters at a uniform postage rate, currently the 45 cents that I mentioned, to anywhere in Australia and that is a sort of a fundamental plank of what we call "the universal service obligation".

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 prices of those services. The ACCC can object to, or agree with the proposed price increases, or it can specify prices in between the current level of prices and the higher levels proposed, so they are the options open to the ACCC.

It is important to note that many services provided by Australia Post are not regulated by the ACCC, as I have mentioned, and so are not covered by the current proposal. For example, services such as parcel delivery, international mail, mail holding, or mail re-direction, financial services and retail services are not included in this price notification.

In addition to the ACCC's role in assessing any proposed price increases 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 the postage stamp and the formal process is that once they do that - and that would be probably after they have sort of gleaned where the ACCC are coming from - the Minister then has 30 days in which to give Australia Post written notice disapproving it, or otherwise.

In terms of the ACCC's assessment process of Australia Post, as I said, it has submitted its draft notification, that was on 30 April 2002. After discussion with Australia Post, the ACCC agreed to work towards finalising a decision around the end of September this year and my role in the Commission is in the area of transport and price monitoring and, therefore, I am the Commissioner responsible for these type of issues covered by the Prices Surveillance Act which came before the ACCC.

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 when setting prices. In practical terms, this means that 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 Australia Post is seeking.

In considering these issues, the ACCC also looks at the related issue 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 are as follows: we have issued an issues paper, which we released on 10 May that is on our website and that called for submissions by 10 June. The ACCC is currently in the process of reviewing submissions as they have been received and I know some of you here have been involved in submissions already.

In addition to written submissions, we are conducting these public forums which widen our catch of any views, particularly for those who are not able, or not in a position, to provide written submissions. These

forums, as I said, are being held right throughout the country this week and next week. We will be having one more forum on more technical issues raised in the submissions which will be held in Melbourne. Yes, please come and join us.

MR WROBEL: I am not that important but - - -

CMR MARTIN: Well you had better sit over here.

MR WROBEL: Would it be possible to find out what the profits are for this, how much money they are making on us then?

CMR MARTIN: Well, that is one of the input issues about returns and so forth so we will get to that in a moment.

MR WROBEL: Okay, thanks.

CMR MARTIN: You can raise that as a question when I open it to the floor. What we are doing is working towards a draft decision which we are looking to bring out in late July, early August. So that will be a draft decision by the Commission and following the release of the draft decision, that gives interested parties one further chance or opportunity to make further submissions or input to the ACCC before it releases its final decision.

Now, in terms of Australia Post pricing proposal and if you want to make some points about profits and so forth you might like to listen closely to some of the criteria so that you can put into perspective what sort of thing the Commission will be looking at. The key elements of Australia Post proposed pricing changes include a five cent increase to the basic postage rate from 45 cents to 50 cents. Increases to large letter, local, seasonal greetings and pre-paid envelope rates to maintain the relativities with the new basic postage rates so that is the equivalent changes there.

A variety of changes to the pricing of barcoded bulk mail. I won't go into the details there but I am sure the direct marketing people have an interest in that. Introduction of a new service Clean Mail for lodgement of 300 or more machine addressed - that is machine addressed, we loaded that in Brisbane when we were discussing this, unbarcoded envelopes priced at 45 cents for standard size envelope.

I expect that the changes to bulk mail rates and the Clean Mail services will be more of a specialised interest to groups that are handling that, however, we would welcome discussion on that as well as the other

issues. In its draft notification, Australia Post argues that - this is relevant to your point - argues that the profitability of providing letter services is declining as a result of falling volume growth and fewer opportunities for improving efficiency.

The argument there seems to be that they made a lot of productivity and efficiency improvements over the past years but they are finding it harder and harder to find bases for reducing costs in that area. Their submission points to the fact that the Australia Post 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 cents to 40.9 cents per article.

So what they are saying there is they had to absorb the GST. That just reduced Australia Post's income and therefore presumably returns by that amount which was reasonably significant. 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 the Australian Postal Corporation Act. That is, the incentives that are provided by profitability targets.

Australia Post argues that the price increases proposed are necessary in order to secure adequate commercial returns in the future. In its draft notification to the ACCC Australia Post claims that at 50 cents Australia Post proposed basic postage rate, and that is the rate against all these other equivalents are being adjusted, would still be one of the lowest in the developed world.

Using a price parity comparison, Australia Post claims that Canada's basic stamp cost the equivalent of 53 cents, France 61 cents, Germany 76 cents, Italy 76 cents, Japan 71 cents, New Zealand 36 cents, UK 54 cents and US 45 cents. So they are all Australian cent equivalents so they are obviously pointing to the fact that at 50 cents our basic rate would still be at the lower end and the New Zealand and the US would be less.

The source of these comparisons, as I say, is an internal Australia Post document and the ACCC has not attempted to verify these figures. The ACCC has not yet put the view on whether or not international comparisons are relevant to what we are looking at in terms of the proposed price increase that Australia Post has put on the table. Copies of Australia Post's full submission including the full details of the price changes, the ACCC's issue paper, and all submissions from interested

parties can be found on the ACCC's website, [www.accc.gov.au](http://www.accc.gov.au) and we will also be putting the transcripts from today's discussion on the websites as soon as we can get them available and go through the process.

So on that note, I am pleased to invite your comments on the case for price increases, your anticipated mail needs and the impact of Australia Post's proposed prices on your business or on your lifestyles. I would like to structure the discussion as much as possible, but I think we will just open to the floor initially and see what issues start to bubble up.

I have deliberately tried to make this an informal arrangement. If we make it too formal, people just get into set piece statements and while that is fine, and we want to have a clear articulation of where your group or your interest is coming from. What can be very helpful to the Commission is the fact that we do have people around the table who, with varying degrees of expertise and interests, that sometimes it is good to test it with others as well. As I say, I open to the table. I know that you have all got different aspects you want to bring up. David, did you want to start?

MR KEE: I am basically here to represent the Australian Direct Marketing Association. I am David Kee. We have put a formal submission which is on the website. It has been developed as a consequence of a number of meetings and following briefings by Australia Post as a consequence of the arrangement we have with Australia Post as an organisation.

They have a protocol with ADMAR that requires them to come and consult with us about what changes they want to make and they have done so. That was done on an "in confidence" basis and we made a number of suggestions to them at the time. A few of them they actually took up and changed their original draft position on for which we are grateful.

The basic role that I am playing here today is to get the mood of the meeting to find out who is interested and to gauge the degree of heat etcetera and I don't propose to say much more because most of my constituency or our constituency is fairly technical, as you can imagine, in the bar coding areas etcetera. I should also say that my history is with Australia Post so I come from a fairly strong knowledge background.

CMR MARTIN: Thanks David, I thought it was good to - and we will be having a technical forum in July which no doubt you and your



constituents will be actively involved in what is a more technical aspect. Okay.

MS MAYFIELD: I am Cass Mayfield from the Chamber of Commerce. My questions are relating to small business, people who do a reasonable amount of mail for the size of their business but who do not have the technical expertise to bar code their letters. I am aware that that service exists but there are many small businesses who put out newsletters, regular marketing material for themselves and many community organisations themselves who are not businesses as such who do newsletters to keep in contact with their members.

None of these people have the expertise to bar code. I would like more explanation of what "Clean Mail" is since that seems to be a new thing that I had not heard of and find out what - whether or not Australia Post has done any assessment on the impact on small business.

CMR MARTIN: Okay, well, I think in terms of "Clean Mail" I think it is reasonably clear what it is. I don't know John, did you want to make a comment. It is a little bit hard for me to - I think this is an important area because it is obviously going to be an issue particularly in the supply chain about the role that Clean Mail is going to play and whether it does offer opportunities that weren't there before or whether you know other intermediaries feel that there is an issue which Australia Post, you know, starting to duplicate their services.

MS MAYFIELD: Yes.

CMR MARTIN: You might like to - - -

MR STEPHENS: In essence, the Clean Mail allows people who cannot bar code to have reasonable sized lodgements and that is a minimum of 300 who can machine address. In other words, come off a printer or something like a computer printer or whatever means, not handwritten in other words, to lodge, at a discount to the full postage rate of what would be 50 cents, if this proposal is successful.

MS MAYFIELD: So people say a business with 200 clients that sends out a monthly newsletter cannot qualify for this?

MR STEPHENS: Correct.

MS MAYFIELD: They basically have to pay the extra 5 cents per letter.

CMR MARTIN: Correct. But perhaps they could join somebody else who mails at the same time and find the 300.

MS MAYFIELD: I think you might find that pretty difficult for the average accountant or financial adviser or, you know, business professional who just wants to stay in touch with their clients.

CMR MARTIN: Well, what is the situation at present? What sort of discount can you get?

MS MAYFIELD: Nothing but an extra 5 cents per letter over 200 letters a month is a big impact for a small business.

CMR MARTIN: That is assuming the price goes up?

MS MAYFIELD: That is right, assuming the price goes up.

CMR MARTIN: Is there anything at present, like this is totally new but is 300 the threshold?

MR STEPHENS: Correct.

CMR MARTIN: And what you are implying is that 300 is a - - -

MS MAYFIELD: It is more than the average business would send out on a monthly basis and I'm saying what protection is there for the businesses sending out less than 300 letters a month or 300 letters at a time?

CMR MARTIN: Well, we certainly raise that as, you know, the actual 300 viz-a-vis it being 100 or whatever which is these are the sort of issues that are interesting.

MS MAYFIELD: Yes, I think 300 is unreasonably high for small business.

CMR MARTIN: I mean, ultimately it becomes a business issue for Australia Post, so that is something we will throw into the melting pot.

MS MAYFIELD: Yes.

CMR MARTIN: Does anyone else have a view on that?

MS LEE: Well, yes, I'm Yolanda Lee. I was going to raise the thing basically for non-profit organisations. My organisation is Business and

Professional Women and National Council of Women and none of them would have, particularly the way they are set up, a monthly mail-out of 300. Now voluntary organisations are struggling as it is because their only income is their membership fee which they find more and more difficult to find, etcetera. So a 5 cent increase would definitely impact on their ability to maintain contact and fulfil their role in many ways to their constituents.

So I really feel that some sort of mechanism needs to be looked at and needs to be found in order that non-profit voluntary organisations do not get into a position where they are not able to maintain communication or contact with their membership simply because of costs and simply because of price. At the moment they do have some discounts now in bulk mailing but if that goes as well that will seriously impact on - I keep on saying women - it is not only women but usually women's organisations it is usually women.

CMR MARTIN: But the discounts on bulk mail would be ones that were certainly in this league of the 300 wouldn't it?

MS LEE: No, they would not.

CMR MARTIN: No?

MS LEE: No, no, no, much, much less.

CMR MARTIN: So give me an example.

MS LEE: Well, I think 80 onwards, as long as they are there, they are packaged, you know, they are bound together and if you sort it out according to your postcodes etcetera, you get - - -

CMR MARTIN: But not barcoded?

MS LEE: Not barcoded.

CMR MARTIN: So 80 at present?

MS LEE: Yes, 80, minimum 80.

CMR MARTIN: Okay.

MS LEE: It is somewhere around that sum.

CMR MARTIN: Does that sound right, John?

MR STEPHENS: I would need to confirm it with - - -

MS LEE: No, no, look I'm just - look I'm sort of basically guessing.

CMR MARTIN: But this may, I'm not - presumably that, whatever that is, that is going. You are making an assumption that that is going.

MS LEE: Yes, I am making the assumption it is going because of Clean Mail basically, because if we introduce Clean Mail with a new benchmark, etcetera, that is.

CMR MARTIN: But the one that you are talking about, does that have to be machine addressed?

MS LEE: It is not always machine addressed, no, because volunteers quite often do their newsletters, write it by hand and so on. So that depends entirely on the voluntary organisation. Now, for instance, if you take National Council of Women or even BPW, their set up is that they have autonomy themselves. Now, they may have no more than 40 members. Although the overall membership may be 15,000 the individuals would not have more than 40 and they still meet per month. They are the life blood, they are the ones that basically channel information to the national body and create sort of policy if you like.

The 40 letters would be newsletters that would go out to that particular membership and quite often they are handwritten and quite often, you know, they would certainly be very much disadvantaged with a 50 cent postage. Now, when it comes to state bodies and when it comes to national bodies the 300 for a national body would be acceptable but yet in the little groups that feed into the national bodies and in effect collect information, collect the views, would be the ones who would be very severely handicapped.

CMR MARTIN: Well, what is not clear is that that is going at the moment, whatever they do at the moment.

MS LEE: No. I'm raising the flag.

CMR MARTIN: Yes, and that is good. We can look at that. What interests me is you say that if they say for your 40 you had to pay the 50 cent equivalent, that that would be tragic but how much do things like e-mails and that. Are you now sort of using that as an alternative and this is maybe get to a price point where you take the trouble to get everybody's e-mail address?

MS LEE: No, that comes basically into internal workings because what happens is that at the moment the e-mail goes on the account of the president or the secretary or whoever and it is one of those never recorded, never acknowledged donations. The newsletter which would go out is always a cost. That is something that is acknowledged cost. The group pays for it and they would not expect either the president, the secretary or also the newsletter editor or whoever to come up with. So I don't think the comparison on this one is quite straightforward because as I said e-mail is usually a donation.

CMR MARTIN: Except it is a fixed cost isn't it?

MS LEE: It is. Well, yes, but for instance membership to National Council of Women Sydney is individual membership is \$20. Now, for their \$20 some volunteer compiles the newsletter, all your information goes through that particular newsletter and it then goes out from the office depending on the individual who happens to be the secretary. It is either handwritten or whichever. For their \$20 they get 10 newsletters in addition to bits and pieces.

Now I know 5 cents does not mean much on 40 but out of \$20 it does and I know we are talking about minute amounts and minute figures but it can easily mean the existence or demise of some voluntary groups on that scale.

CMR MARTIN: Okay, thanks for that. Now, the newsagents.

MR ROBERTS: Phil Roberts, Commissioner, John. I come from the angle of the availability of a competitive market to supply postage stamps. You spoke, John, of the exclusive right under the Prices Surveillance Act or the Postal Corporations Act that gave Australia Post that monopoly. Now, we have been subjected as newsagents representing some 4000 throughout Australia in every community you might say throughout Australia that have accessibility of trade for some 12 hours every day, 365 days of the year to offer the community that public benefit of dispensing the postage stamp but we are denied that to a large extent and I just wish to inform you, Commissioner, John, that these are the real facts.

Any one of the colleagues that I mentioned in that 4000 representative group can make application to Australia Post and, John, you will check me out on this and I think the current fee to be able to get postage stamps and sell them in their small business for the public's benefit every day of the week, not just 5 days of the week, by putting up an up front \$500 and then you can get the right to sell the stamps at a small

marginal discount. I place on record for you to do the sums, Commissioner, how many stamps at 50 cents you have got to sell to get back your capital \$500.

CMR MARTIN: And you can supply stamps but no margin?

MR ROBERTS: I can and I do and, I would say for the record, most of our colleagues throughout Australia, do that as practising newsagents to provide that public benefit and we are very mindful of public benefit that your fellow Commissioner imposed upon us in the de-regulation of our industry some years ago ensuring that public benefit was always at the foremost of our conduct with the public.

Might I say from an experience that many of my customers, while I place on the record, say how good it is that: I don't have to wait in the queue to buy just a couple of postage stamps, and it is a service especially to those ageing members of our community that don't want to sort of go to those threatening crowds, long queues, to be able to just buy their sympathy card or whatever and have that on-selling of a postage stamp. I would like the ACCC to take into account, where possible, to open up and take away that exclusive right under whatever Act that was referred to, to make the stamps more available.

CMR MARTIN: That is an exclusive right to actually issue postage stamps. The marketing of them is sort of, in the commercial viewpoint of Australia Post, I think, by and large. I mean, I would be interested in others' views on this. I mean, you make a point about for instance, not being in queues and it is more that, I think we had this discussion in the Brisbane forum, as well about the times that Australia Post outlets are open and I think that that is perhaps a more telling issue because, I must admit I have been in queues in newsagents too, so, where if everybody is wanting to buy Tattslotto tickets and I just want to buy a newspaper.

So it is swings and roundabouts, but there is that issue. I mean do others have a view about this issue, in terms of whether there should be a margin available for any business selling stamps?

MR ROBERTS: I say not only just newsagents, I say any small business in community, a retailer.

CMR MARTIN: Right.

MR ROBERTS: And that could be, you know, 15, 20,000 of them. When you open up the market to provide that service and where I see in

the notes, intending to join, you have a declining market in a few years time. Maybe this is a way, the small business can assist big business improve their market.

CMR MARTIN: I will certainly take that issue on board. Were there, from the newsagents side, were there other issues you wanted to - - -

MR WAITE: We have another issue, Commissioner. Paul Waite from the Australian Newsagents' Federation. We are concerned that there could be some cross-subsidisation between the retail activities of Australia Post and the reserve activities and we would hope that the ACCC would investigate that more fully. I guess it goes hand in hand with what Phil Roberts has just spoken about, from an individual newsagent's point of view.

We would think that each should stand in its own situation and justify its own actions and we would think that then possibly certain price increases may just not be needed, that they might have to look at the way they actually conduct their business and achieve economies of scale in a different way. Now that is purely our view, an outside view. We are not making a statement in that regard but we would just like to see that part investigated.

CMR MARTIN: Well, as you know, the Commission's role in this will be looking at the reserved part and this, to some extent, goes to your issue about how Australia Post chooses to market the stamps that are confined to a certain area. I mean, certainly we will be talking to Australia Post about the accounting side of returns and cost and returns in relation to the reserved area and we, of course, have to be satisfied as to the discrete nature of that and so that issue may come up in our analysis and we certainly had your colleagues in Brisbane, Robert Deane and Bradley Deane, discussing that with us at some length and appreciated those comments because they gave us lots of examples and anything that you would like to raise in terms of where you see cross subsidisation occurring, we would be interested to hear, or if you think it is going to be covered by submissions, we welcome them in terms of written evidence.

Now, you had a comment on profitability? Sorry, we didn't get your name.

MR WROBEL: Fred Wrobel.

CMR MARTIN: Fred, is it?

MR WROBEL: How do you spell your surname?

MR WROBEL: W-r-o-b-e-l. Retired. At 78, I suppose it is okay.

CMR MARTIN: Sounds good to me, Fred.

MR WROBEL: Well, I'm taking interest from the basic point of view. If they are making enough profit, let them reduce the prices of the stamps rather than increase it. As far as our post is concerned, we don't get most letters delivered, we go to post office box for which we pay a hundred dollars which is excessive anyway, because they don't have to deliver, just put it in the box and we collect ourselves so that is using cross .....

CMR MARTIN: Can you move up a little bit closer? We are not quite picking your comments up there. You pay a hundred dollars for your box?

MR WROBEL: Yes.

CMR MARTIN: I only pay 53 for mine.

MR WROBEL: Well, we are in Double Bay so I presume, I don't know what they - - -

CMR MARTIN: No, I think you must have a bigger box.

MR WROBEL: So, you know, small - anyway big enough for our few letters we receive although today we did get a lot. I think I must have 12 letters. We are involved with other activities, arts and so on, so we do get letters and we send some out, but I think it is a basic business proposition. If you are not making enough profit and you need the money, you increase the price.

Now if they can justify it by that, okay, there is no argument but if they are making profit, enough sufficient profit just by their activities, there is no right to increase the price.

CMR MARTIN: It is a very good point and the whole of this inquiry sort of swings around that, that they are indicating in this area where they are, they can only charge a certain amount and to make any changes they have to go through this examination by the ACCC.

MR ROBERTS: That is good, that is good that they are responsible.



CMR MARTIN: We will be looking at those returns and that discrete area and what the profitability in returns are and working that through with Australia Post, so that is the whole nub of this inquiry, if you like, and I think Australia Post and the government have accepted that if they were making lots of money on this service they should put the price down but at this stage the argument is that there is some decline in their returns and we will be looking closely at the numbers.

MR WROBEL: Well, it is quite possible that their capacity is much bigger than what they are handling. If they reduce the price they might get more letters being sent so that would compensate for the smaller - it is more or less quantity rather than quality.

CMR MARTIN: Yes. Do you think that would be the case though, Fred? If they put the price down to 30 cents, say, we would get a 30 per cent increase and everybody would want to write letters?

MR WROBEL: Quite possible, some people with 45 cents, 50 cents is a dream, they can't afford it. Well, they can afford it but not too many letters. So I think price has got always some - - -

CMR MARTIN: I mean, it would be interesting to see in a breakdown of their revenues in that area how much is just household letters and how most of it presumably is fairly mass mail where businesses or people like associations are sending out letters.

MR WROBEL: That's right, it's a form of advertising.

CMR MARTIN: Do you think there would be some response if the price went down?

MR WROBEL: I don't think so, I think some people just write letters on mass, they like writing letters and they, others - for me, writing letters is an effort.

CMR MARTIN: Yes, but David's Association, when they write a letter, his members write it to maybe 100,000 people saying where the -  
- -

MR WROBEL: Yes, that's right, that's right. Well, that's - I still say that's a way of advertising, you advertise something, some activity that you're doing or some product that you are selling or making or whatever, so post office of posting letters is a simple easy way of advertising and possibly not expensive, although once you go into numbers it can come up to a number to a sum that's significant. So I

think the simple principle is this: the cheaper your article, the more you sell.

CMR MARTIN: In terms of, and this is not a question of Fred but more widely, in terms of satisfaction with Australia Post you have got your box, you are happy with your mail deliveries and - - -

MR WROBEL: Yes, oh yes, when I do it daily, although not Saturday and Sunday, but they receive the mail, they put it in the box and I go on the same day, I collect on the same day, if I need it for a week I'll collect it later, so that's my problem, my choice, but otherwise, yes, we don't get any letters delivered. So that's obviously - the postman is not necessary in my case, no wages. So in fact I - my behaviour is creating savings so I object to that because the cost of the box has gone up this year, I think it was 75, but I can't remember, my memory is failing a bit, but now it's \$100, ..... excessive. And rather than take up the five, which I occasionally do I didn't, I let it go.

CMR MARTIN: Okay, are there any other issues that people wish to raise?

MS MAYFIELD: I would like to question what you mean by "adequate commercial return," and Australia Post is a governed agency, it has not been privatised yet. What is an adequate commercial return for a Government Department?

CMR MARTIN: Well, within the Government and its sort of part of trying to create benchmarks and measures by which you can do this the Department of Finance and the Commonwealth Government have set sort of benchmarks which do ensure that there is attention to being efficient and getting a return on the value of the assets and so forth.

MS MAYFIELD: I understand that the need to get return on your capital investment, etcetera, but once you have got that efficiency and you are operating at a profit do you need to increase that profit?

MR WROBEL: Well, what we are looking at here is: there is some indication that in this particular area there is a declining return.

MS MAYFIELD: Is it really valid to look at one area of the business in isolation from every other area of the business, isn't that a convenient form of - I mean, there are very few businesses who can isolate every individual area of their operation, say: this one makes a profit and that one does not?

CMR MARTIN: Well, it is the challenge in - and I'm not talking for Australia Post here but more about the way where Government business enterprises operate and in this case part of it is in this reserve to a declared area that you do try to keep the two areas as separate as you can for the very reason that we are looking at in terms of where, say, the newsagents are putting an argument that there's a cross-subsidy. The other way that in fact you may be unfairly competing in the non declared area with others in the Department place so there's different ways you can look at it.

I mean, your take is one that some people have, the Government and throughout the world, in terms of corporatising Government business enterprises, you try to set ground rules and benchmarks from which you can measure their performance and, I mean, I don't think we would argue that some of the elements of the performance have improved and changed over the decades and that is the whole basis.

MS MAYFIELD: Absolutely, yes.

CMR MARTIN: Now, what you are saying is: does it stop somewhere and this is something the Commission looks at in terms of the arguments Australia Post has put to us? They have put a very big submission. I mean, I would suggest you have a look at their submission in terms of what they are saying, are there returns? I think they are following basically the rules that are set by their owner and that is the - - -

MS MAYFIELD: Are there are any returns based on the entire reserved business of Australia Post or only on those parts of the business in which they are seeking price rises?

CMR MARTIN: Just where they are seeking price rises.

MS MAYFIELD: Then I think that that, sort of, could easily hide the returns they are making on the reserved areas in which they are not seeking price rises?

CMR MARTIN: Well, that is the point, that is a point across the two areas and that is something that the Commission will take a look at but at the moment we are just trying to get people's views on these issues.

MS LEE: If I may divert back to the ..... address?

CMR MARTIN: Yes.

MS LEE: You have heard me spouting this before, the corner store, which is the bulk of the small business, the coffee shop, the restaurant. I mean, newsagents are literate, on the whole Anglo-Saxon and speak the language. The corner store, the coffee shop, many of the restaurants are basically not. Now they are certainly not IT, so what is the rationale in discriminating against a large segment of business simply because they are not mechanised?

I mean, I am just sort of - first we introduce the postcodes because people could not decipher and read the suburbs, so the postcode helped. Now, we are now saying: in order to enable us to be cheaper and more efficient that everybody learnt to type.

MR MARTIN: If they want a volume discount?

MS LEE: Yes, if they want a volume discount. But the people who do not want - who, in effect, although it is more volume, you will be hit by the rise because they haven't got any offset in terms of volume or anything else. It is just a thought.

CMR MARTIN: Yes. Those sort of users though they wouldn't be high users of - - -

MS LEE: They would not be high users but whether you are high or low, nevertheless you in effect pay for your inability to either, as I said, be able to type or maybe your language skills aren't quite up to scratch and then you haven't got the volume anyway and their margins are very, very small so they are working - what we forget is that their returns for their 16-hour day, and believe you me most of them are working 16 hour days, are very small so the small bites at it, do hurt.

CMR MARTIN: Point taken. Okay, was there any other issue? Anything else we should be raising? Angie is putting all this into the computer and in our models over the next month or two and working out all these things.

Well, that is broadly the issues. As I say, we are looking - after we have been all around the country, we are looking to draw on the transcripts from these discussions, pick up the issues that you have raised, as well as the submissions, and we are still getting them coming in. We are hoping to bring out a draft decision which will point to the way we are thinking on the issues where we have jurisdiction, probably early August, I think by the time.

Is there anything else anyone wants to raise? John, did you - nothing.

MS TREZONA: If I could raise a point. Cathy Trezona from the Australian Newsagents Federation.

CMR MARTIN: Yes, Cathy.

MS TREZONA: I guess from the ANFs perspective, Phil and Paul have raised the major issues, which is the access to the postage stamps and the possible cross-subsidisation, but from an association perspective as well, we have got around about 3500 members and as much as we have access to the Clean Mail initiative, a 5 cent increase in postage for us is about \$175 a mail-out as an additional expense. I would be interested to know what Australia Post predicts in terms of its revenue projections.

I think from our perspective, as I say, that sort of additional cost is a dramatic incentive to beef up our website, or really pushed into more electronic means of communicating with our members. I'm wondering whether, as much as I'm not convinced that a price reduction would actually increase the amount of mail, I'm wondering whether a price rise will reduce it.

CMR MARTIN: Yes, I mean, this is a judgment in the end that Australia Post in that part of the market has to make. Clearly, they have got to balance things. I mean, one of the points that is made is that one, they had to absorb the GST so they actually lost considerable revenue through that.

Two, there has not been a price rise for 10 years and, three, I think they are very aware of the competing of the electronic competition and they are sort of getting involved in that themselves anyway, in terms of having a role as part of their own business plan, so these are all things they have to - but what they do have to do is they have to guarantee that when there is a 45 cent, or within that area of reserved service that that is delivered to anywhere in Australia at a level of service that is acceptable to the community. So, to some extent, that is a call they are making and they are looking at, this decline is probably occurring partly through the electronic issue you have bought on.

At the same time we do see - I mean, David, your area - it always seems to me people are mailing out more material all the time, so there is growth in some area, but clearly net-wise the volume is trending down a little bit and, given that they have got to make a certain return in the reserved area, Australia Post are making a call on this 5 cents and that is our job to look at that over the next couple of months. I must say, all your comments have been very helpful.

MR WROBEL: Sir, just one other point I would like to make regarding the GST absorption.

CMR MARTIN: Yes.

MR WROBEL: The Post Office seems to have been able to absorb the GST which would indicate if you want to look at it from a different kind of angle, that their charge was too high to start with, if they could absorb 10 per cent without losing any money. So the same condition seems to be - - -

CMR MARTIN: Well, have a look at their submission, it is on the website, so have a look at it and see what they are saying about that because it is an interesting point you make.

MR WROBEL: No, that is true, it is just simple thinking.

MS LEE: Just ..... great relevance other than ..... it is true that mail is increasing and I know I'm getting inundated but a large percentage of the mail I'm getting, the bulk mail, advertising, etcetera, comes from Holland. A large percentage comes from other countries. Now, I assume that that is a cost factor. It is cheaper, therefore, it is sent out of the country and then it comes back into the country via - mainly from Holland and mainly from the States and various other countries.

CMR MARTIN: Yes.

MS LEE: Now that there is from a pricing point of view may be worth having a look at.

MR KEE: That fact is part of the submission from the Printing Industry Association, that there is a number of multi-national organisations choosing to print the material offshore and mail it offshore into Australia and the price increases would encourage that further.

MS LEE: Yes.

MR KEE: Can I just clarify a point, I don't think Australia Post has yet claimed to have a decline in letters volume. They are predicting a decline in letters but it has not happened yet.

CMR MARTIN: I might not have chosen my words quite right.

MR KEE: That is all right.

CMR MARTIN: That is why I'm saying, I would have been surprised if we had faced a decline at this stage and, I mean, the point that is made is that these sort of changes may hasten, but then again Australia Post has to make the call: is it hastening the inevitable? But that is an interesting point about the overseas one that we will pick up and follow through. I mean, equally, is the bulk mail and direct mailing that we do, some from Australia, that goes to other countries?

MR KEE: Not a lot. There is a mail merging market in south-east Asia that could be mailed from Australia as a developed country into less developed countries but it is not a significant amount at this point in time. Most of it is from other developed countries into Australia and Singapore - countries like that, Singapore and other places have had a fairly significant impact on the printing industry for a number of years. They have been able to hub good quality - high quality lower price printing out of Singapore for a number of years.

CMR MARTIN: This would be where they are not just mailing to Australia, they are mailing to - - -

MR KEE: Some are, some are to the Asia Pacific area, but some companies have - Australian companies have offshoots over there - Salmat for example has an office I believe in Singapore and they can source printing there and mail it in Singapore into Australia. It depends on the economics of the individual mailing as to whether they do that, or mail it here, but the point that I think the Printing Industry Association and a number of printers are making is that an increase in price in Australia would only encourage that practice.

CMR MARTIN: When the GST was absorbed by Australia Post, in other words they didn't put the price up for a business, did that mean that a stamp actually was cheaper?

MR KEE: Yes, the business actually - pre-GST, our business paid 45 cents, no discounts or anything like that involved in this.

CMR MARTIN: Yes.

MR KEE: Hypothetically, they paid 45 cents.

CMR MARTIN: Yes, as an input.

MR KEE: And then when GST came in they could claim that so the nett effect was a 40.9 cent price.

CMR MARTIN: So effectively, this is almost like a - well, it is a bit more than a catch up.

MR KEE: Post claims less than a catch up - less than a full catch up.

CMR MARTIN: Right.

MS MAYFIELD: Because of inflation, I assume.

CMR MARTIN: Well, if we took the - - -

MS MAYFIELD: Well, 5 cents if more than 4.1 cents so it must be inflation.

CMR MARTIN: Yes, anyway, we don't - - -

MR KEE: Without wanting to be quoted on what the actuality is, it is in their submission and they claim it is less than the full 10 per cent - and this is again only on the basic rate, there is a whole lot of traps in talking about the basic postage rate exclusively. They claim that if the basic postage rate had have gone up, according to the CPI over the period - less GST, is it or plus - plus GST.

CMR MARTIN: Yes, yes.

MR KEE: It would be, what, another 3 or 4 per cent higher again, or something.

CMR MARTIN: Yes. No, I talking more about the GST alone.

MR KEE: Yes.

CMR MARTIN: I understand that you haven't increased it for 10 years and the CPI has gone up by 24 per cent or something in that period so, obviously, the postage stamp could be 60-something cents easily.

MS LEE: On the GST business of course it is really true but coming back to my volunteer organisations, they do not get the GST back and this is why I'm suggesting that somehow or other Australia Post may look at some mechanism by which they are not totally disadvantaged because they do not get the GST - most of them are not registered for GST and they do not get the GST.



CMR MARTIN: Okay, well, we will certainly be taking all those points into account and thank you for having your comments and being prepared to put them to us and keep an eye out on our website for - there will be a transcript of this come up in a few weeks time, it takes a bit of time to go through the system and actually get it up there and we will do the same with all the other areas. So thanks very much and I don't know if we've got any more coffee out there but, certainly, I'm glad that we had such an informal gathering and thank you all for coming.

FORUM CLOSED

[2.45pm]

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