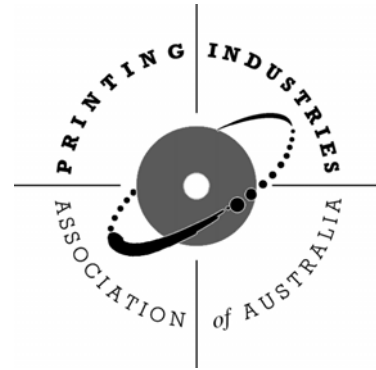


24 April 2008



Ms Margaret Arblaster
General Manager – Transport and Prices Oversight
Australian Competition and Consumer Commission
GPO Box 520
Melbourne VIC 3001

Dear Ms Arblaster,

The Printing Industries Association of Australia (*Printing Industries*) is the peak advocate and support organisation for companies operating in the print, packaging and visual communication industry in Australia.

The Association is an independent member based organisation, representing large, medium and small businesses. The Association's governing and policy-making body is the National Council comprised of representatives of member companies from all States in addition to the National Office Bearers.

The Association has a diverse membership representing some 2000 companies and includes printers, desktop publishers, graphic designers, prepress houses, publishers, mail houses, software and hardware manufacturers and distributors, paper and paper board manufacturers, paper merchants, ink manufacturers, manufacturers and suppliers of printing equipment and consumables, packaging and flexible packaging, paper converting, binding and finishing, communication and media services.

The Association has a network of offices serving all States and Territories. *Printing Industries* is appreciative that the Australian Competition and Consumer Commission (ACCC) is seeking comments on Australia Post's Draft Notification for Postal Pricing Increases.

Printing Industries is interested in this matter as the issue impacts directly on part of its membership providing mail house services as well as indirectly on its core membership which comprises of printing organisations who manufacture the printed matter that is subsequently distributed as direct mail.

As a matter of principle *Printing Industries* is an active promoter of paper based communications mediums. A significant proportion of the industry is affected by the cost structure impost imposed on them by the large public monopolist Australia Post.

Given this background, any action or proposal that has the effect of raising postage prices is fundamentally opposed unless a well advocated case justifying the proposed price increases is presented.

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In discussions that we have held with the Major Mail Users of Australia Limited (MMUA), we have formed the view that the latest proposed price increases for Bulk Pre-Sort Mail being advocated by Australia Post is unnecessary as there are still unrealised productivity gains to be derived from the Barcode Project as well the opportunity to realise strong productivity gains over the next four to five years arising out of the Bulk Mail Partner Program.

Printing Industries recommends that Australia Post seriously consider the proposals that have been submitted by the MMUA which have the potential to deliver further productivity improvements and improve the bottom line.

The ACCC needs to be convinced that not only has Australia Post seriously considered these productivity improvement options submitted by the MMUA but that it has also exhausted all avenues for further improvements in productivity. Unless the ACCC is convinced that this has taken place it should reject any price increases to Bulk Pre-Sort Mail.

The companies that *Printing Industries* represents have been operating in an ultra competitive marketplace for decades characterised by a situation that sees most companies being forced to periodically reduce their prices.

The response to this ultra competitive trading environment has been a drive and commitment to reduce operating costs which are largely achieved by investment in new technology and ongoing improvements to both process and labour productivity.

Printing Industries believes that Australia Post should also be driven by a similar desire to identify productivity improvements and as pointed out by the MMUA significant productivity gains are available to be realised by Australia Post during the next five years.

Given that the opportunities to realise significant productivity gains have not yet been exhausted, *Printing Industries* opposes the Bulk Pre-Sort Mail Postage price from increasing.

Any increases approved by the ACCC will subsequently prove detrimental to the paper-printing-mail house value chain and the compounding effect will result in product substitution with mail users switching to non-mail alternatives such as e-communications at the expense of paper based communication mediums. Under such circumstances employment losses will eventuate amongst the paper-printing-mail house value chain.

Given that Australia Post is a large and influential public monopoly, it should not be allowed to escape the market disciplines that other key sectors of the paper based communication value chain are confronted with on a daily basis.

The printing industry has demonstrated time and time again that improvements in operational efficiency and productivity gains flowing from investments in new technology are possible and this should be the business philosophy that Australia Post should adopt rather than opting for the easier option of raising prices of Bulk Pre-Sort Mail which will have serious negative impacts on the paper-printing-mail-house value chain.

Our opposition to price increases also means that *Printing Industries* does

not support the introduction of an annual change for postage pricing.

Our preference is for the ACCC to continue to have the power and jurisdiction to review all price increase proposals submitted to it by the public monopoly Australia Post and before approving any price increases gives full and proper consideration to the likely economic impact on the paper based communication sectors that Australia Post services.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Philip Andersen". The signature is fluid and cursive, with a large initial "P" and "A".

Philip Andersen
CEO