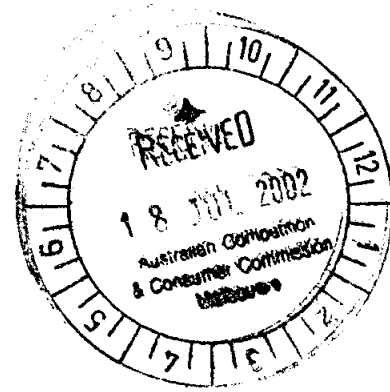


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DMAN	D02/39546



17 July 2002

Commissioner John Martin
 Australian Competition & Consumer Commission
 GPO Box 520J
 MELBOURNE VIC 3001

Dear Commissioner Martin

Thank you for the opportunity to represent our Company and the Printing Industry Association at the Technical Issues Forum on Australia Post Pricing Proposal.

There are a few points I would like to make on behalf of our Company to some of the issues raised during the day. The Printing Industry Association will, no doubt, also follow up to you on the wider industry issues.

1. Australia Post's Financial Support to Direct Marketers

This Company (like many other companies) makes a significant contribution to the 'DM Industry' including:

- Membership ADMA
- Provide print material at no cost to ADMA (last year cost to this group was \$60,000)
- ADMA DM courses – provide technical speakers as support to instructors in Brisbane, Melbourne and Sydney (twice a year). All costs including accommodation and travel are paid for by our Group (last three years).
- Financial support / trade exhibitor at Pan Pacific DM Conference (last 12 years)
- Sponsor of printing and trade exhibitor Australia Post 'Being Direct' DM Day (number of years)
- Sponsor ADMA Awards
- Provide technical speaker, venue, breakfast to Monash DM course (each year for last five years)
- Member of ADMA Postal Issues Committee (last three years). As the only interstate based person on this Committee, this involves our Company in travel and accommodation costs higher than any other company on the Committee.

We believe it is important for our Company to support the DM industry, as it is important for Australia Post. Australia Post seem to be taking some high moral ground with this. Less of our revenue is as a result of direct mail than Australia Post and to be frank, it is our money we are spending, not money from a Government owned, monopoly organisation.

2. Financing Postage Costs

The Newsagency Federation talked of the cost to their members of selling Australia Post products and no return for labour involved or capital outlay.

The printing industry has the same issue. We are not a mail house, therefore we don't aggregate mail. It's fine for Australia Post to say you don't have to pass on the savings to the client but in reality you do, for the following reasons:

- (a) All postage rates are in rate books available from Australia Post, which shows all levels of pricing. Any client doing mailing can read a price book.
- (b) We are not in the business of lying to our clients about the real cost of the postal service and sending out confusing invoices that clients can't understand, so that you can make some margin (unfortunately a process adopted by many mail houses in a desperate attempt to get some return for capital outlay / credit risk). We don't lie to our clients on any other part of our business and we're not about to in regard to postage costs.
- (c) For most DM campaigns, postage is the single biggest cost per item. We try to encourage clients to open their own postage accounts. Australia Post make it very difficult for clients with issues like slow Credit Application approvals, Directors' Guarantees etc. In reality, Australia Post do not want lots of customers. They would rather we take the credit risk and collect the money. However many times we cannot charge our clients for this service. Like the newsagents, this is the only part of our business we do not make a return on, and for us often the dollars involved are very large.

The only reasons that these situations occur is that Australia Post is a Government owned organisation with a monopoly protection for delivery of small / medium sized personalised mail.

As stated at the ACCC Forum, as a manufacturer we view Australia Post as a supplier of a service (delivery) and we supply our clients by many different distribution means. Australia Post is the only supplier we deal with which is monopoly protected by Government Legislation.

The printing industry has always been an unpaid collector of Government revenue in the sales tax days, this has now continued with GST and it would appear that Australia Post believe this should also apply to their service.

3. Restrictions by Australia Post on Direct Marketing

Supplying direct marketing products, some of which are personalised, we believe is important to our business as direct marketing has been a growth area for the printing industry, when other areas of our traditional market (such as stationery) was decreased.

Direct marketers often require innovative design products to get their message to the market place. Australia Post, contrary to what was said at the Forum, know full well that overseas mail services encourage the usage of innovative direct mail and offer a service and prices to encourage marketers to use products. This is good business sense as successful campaigns drive the postal service future revenue.

Australia Post have always been restrictive as to what they will accept. Bar coding has only added to the restrictions. If it wasn't for the efforts of ADMA Postal Issues Committee and MMUA from this month, all companies in Australia would have had to pay full retail large letter prices for any size product in plastic. It is only a few weeks ago, after two years of discussion that Australia Post finally acknowledged that they had a real problem and have reviewed their previous stance, even now this is with restrictions that are still unclear to how Post will interpret them.

We have many samples from overseas of the styles of DM products produced around the World. As previously stated Australia Post have restrictions like no other postal service in the World. A major concern for the Australian printing industry is that potential clients are being driven to either produce off shore and mail into Australia, in which case Australia Post receive much lower revenue and cannot dictate formats or move away from using paper marketing altogether. The example of the recent decision by AOL I gave to the Commission is exactly the sort of decision marketers around Australia will be making, because of the previously approved Adpost removal decision and now this application. The decision by AOL has the potential to reduce mail for this one item alone by around 2 million items per year. The approach by Australia Post in this application and previous assertions is totally wrong and it's interesting that, on the day of the Forum, looking at increasing post prices the Financial Review had a report that the German Government had ordered Deutsche Post to reduce postal charges. As we stated at the Commission, we do not live in an isolated World any more. The Australian print industry has to compete on the World stage for business and so should Australia Post. We would urge the Commission to reconsider the previous decision to allow the scrapping of the Adpost price structure at 1/1/03 (2nd stage) in light of this application for a further price rise in bar coded mail costs until the impact of the July increase on industry can be determined. We have no opposition to the increase to the retail stamp as that would appear to be justified following the introduction of GST by the Government.

Again thank you to the Commission for the opportunity to make our submission.

Yours sincerely
Buscombe Vicprint



per **Chris Day**
National Sales Manager –
Direct Marketing Products

CC: Mr Rob Edwards (Chief Executive Officer, ADMA)
Mr Philip Anderson (National Director – Policy, Printing Industry Association)
Mr Hagop Tchamkertenian (Manager – Industry & Commercial Policy,
Printing Industry Association)