



POAAL

POST OFFICE AGENTS ASSOCIATION LIMITED

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Ms Margaret Arblaster
General Manager
Australian Competition & Consumer Commission
GPO Box 520J
MELBOURNE. VIC. 3001

Dear Ms Arblaster

Australian Postal Corporation Ltd
Draft Price Notification for *Impact Mail*

Thank you for the opportunity to comment on the above price notification.

POAAL's comments are attached. Should you require any clarification, please do not hesitate to contact us.

Yours sincerely

Marie McGrath-Kerr
Chairman



POAAL

Post Office Agents Association Limited

ACN 006 382 314

18 August 2004

Draft Price Notification for *Impact Mail*

Submission from POAAL

The ACCC invited POAAL to comment on the Draft Price Notification for *Impact Mail*, a new service proposed by Australia Post. POAAL's response is based on the Notice Paper provided by the ACCC, the Detailed Explanation supplied by Australia Post, and the feedback from our members on those two papers.

Introduction

The Post Office Agents Association Limited (POAAL) is the recognised independent industry body that represents the interests of Licensees (the owner/operators of Licensed Post Offices) and Mail Contractors (individuals and companies that deliver mail on contract for Australia Post).

POAAL's members have a broad involvement in Australia Post's retail and mail networks, both in metropolitan and rural areas. The expertise of our members in the area of mail handling was drawn upon in the compilation of this submission. Similarly, our members' experience and commercial sense has been a source of comments for this submission.

In principle, POAAL welcomes this initiative from Australia Post to develop a new mail market that could contribute to the continuing financial strength of Australia Post. It would be hoped that any resultant financial success would be filtered down to those people who are an integral part of Australia Post's retail and delivery network: Licensees and Mail Contractors.

Price Structure

It is noted that the price structure for *Impact Mail* follows the pricing divisions for standard mail. POAAL has some concern that Australia Post may have indeed under-priced the service, since it is clear that *Impact Mail* will not benefit from many of the efficiencies that Australia Post has introduced to its mail handling system.

Non-rectangular shaped mail will need to be sorted by hand at the various mail processing points in Australia Post's delivery chain. Australia Post has invested significantly in equipment that automates letter sorting, which has led to greater efficiencies and mail processing capacity and faster point to point delivery. Despite the stipulations of size, thickness and rigidity of lodgement of *Impact Mail* items, POAAL holds concerns that as these items will not fit neatly into Australia Post's sorting infrastructure they will have an adverse impact on the mail stream, including Australia Post's mail delivery KPIs.

Of greater concern to POAAL is that Licensees and Mail Contractors, whose mail processing role is most heavily concentrated at the delivery end of the delivery chain, would find their workload increased with the introduction of non-standard *Impact Mail* items arriving with standard mail, with no compensating payment.

It is immediately obvious that these items would be more difficult to handle, sort, bundle, etc, and would create rumblings of discontent from Licensees and Mail Contractors and subsequent demands for increased payment for handling this mail.

Impact on Users

POAAL notes that Australia Post has briefed the Major Mail Users of Australia (MMUA) and the Australian Direct Marketing Association (ADMA) on *Impact Mail*. It is also noted that the MMUA and the ADMA, who represent the major potential senders of *Impact Mail*, have indicated their support of the proposed service.

Do customers want irregular sized mail? Will customers' mailboxes be able to cope with irregular sized mail? Will more mail have to be carded to the addressee, thus obliging the customer to travel to a post office to collect their mail over the counter?

Impact on Competitors

Given that this is a new service, competitors could be affected by whether or not the service is restricted to addressed mail only or if it is available as an unaddressed service. It is inferred from Australia Post's Detailed Explanation paper that *Impact Mail* is only available for addressed mail.

With the above points in mind, it is difficult to see any major adverse impact on competitors other than the prospect of some advertising budgets being diverted from unaddressed unsolicited mail to *Impact Mail*.

Lodgement issues

Australia Post has proposed that *Impact Mail* may be lodged at any Australia Post office where bulk mail lodgements are accepted. It is stated that any lodgement of *Impact Mail* must be a minimum of 300 articles.

The nature of *Impact Mail* means that it is more attractive to larger companies with significant advertising budgets rather than, for example, the local plumber. POAAL envisages therefore that the majority of lodgements of *Impact Mail* will take place at larger, corporate Australia Post outlets such as Business Centres and other large mail processing centres, rather than at Licensed Post Offices.

In the case of Licensed Post Offices, however, it should be noted that not all LPOs are authorised to accept bulk mail lodgements. These LPOs that are not authorised to accept bulk mail lodgements are very small, and unlikely to have customers wishing to use *Impact Mail*.

Delivery issues

Should the *Impact Mail* delivery items survive the mass-processing performed by Australia Post and make it to a Licensed Post Office or Mail Contractor for delivery undamaged, there could still be some delivery issues to be overcome.

- If the item is constructed of stiffened cardboard, for example, and it were, for whatever reason, unable to be delivered to a mailbox or private box, then the Licensee or Mail Contractor would be forced to “card” the item. In other words, a card would be left in the customer’s mailbox or private box requesting that they collect the item from (in most cases) the local LPO. This is inconvenient for the customer, the Licensee and/or the Mail Contractor.
- POAAL would hope that the requirements for construction, preparation and lodgement of *Impact Mail* articles is stringent enough to ensure that any *Impact Mail* lodged would survive the mail system and not have the potential to get “caught up” with other delivery items.
- Realistically, oversize and oddly shaped items are unlikely to all reach the addressee without being bent or damaged if they are included with regular sized mail items. Mail boxes are designed for regular shaped mail, and most mail larger than DL size can be bent or folded for delivery without damaging the contents.
- If *Impact Mail* items are designed to be delivered without an envelope, difficulties and damage are a distinct possibility, even the item is restricted to one page/sheet/card and the mail is hand sorted. This would be conducive of a large level of customer complaints.
- Any attachments, eg product samples, could damage other mail items in the mail stream or cause mail items to stick together.

Lodgement of liquids and dangerous goods

It should be noted that *Impact Mail* is subject to Australia Post’s restrictions on liquids being lodged in the mail and the ban on dangerous goods in the mail.

Furthermore, while *Impact Mail* items must be designed to survive the rigours of the mail system, the design might not be satisfactory should any wet material be added, eg a dab of jelly or jam.

Conclusion

Whilst supporting new mail initiatives by Australia Post, POAAL has some reservations about the proposed *Impact Mail* service, as detailed above, and these reservations will also be raised directly with Australia Post.

The service itself, if properly implemented, could be a welcome new source of income for Australia Post and offer advertisers a new and innovative advertising medium.