

1 April 2010

Mr Graeme Samuel
Chairman
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Graeme

Notification of Domestic Reserved Letter Service Price Changes

Pursuant to Part VIIA of the Trade Practices Act, 1974, the purpose of this correspondence is to formally notify the Australian Competition and Consumer Commission (ACCC), of price changes to Australia Post's domestic reserved letter service effective 28 June 2010.

The price changes that are the subject of this notification are the same as those originally proposed to take effect from January 2010, as detailed in our draft notification of July 2009. This notification is for a single set of price changes and the financial projections make no assumptions about any further increases.

The major elements of the price changes are:

- a 5 cent increase to the BPR;
- increases to other Ordinary Letter prices (large, seasonal greeting cards etc) to maintain appropriate relativities to the BPR; and
- increases to PreSort Letter prices by an average of 2.8 cents (GST exclusive):
 - o Small PreSort by an average of 2.6 cents (GST exclusive); and
 - o Large PreSort by an average of 5.0 cents (GST exclusive).

The ACCC chose, in its View of December 2009, to object to the proposed prices. Since December 2009 there has been steady dialogue between the ACCC and Australia Post and this has enabled us to better understand and address, in this notification, issues of concern. To enable the ACCC to assess the additional information provided in this notification, Australia Post proposes to extend the applicable period to 14 May 2010.

Furthermore, a number of changed factors make it appropriate for us to submit our formal notification at this time:

- the depth and duration of the decline in letter volumes has been significantly greater than we anticipated at the time of our draft notification, despite the continued growth in the number of delivery points we are required to service;
- while we had begun to respond to the volume declines, with cost reductions, at the time the draft notification was lodged, the further decline in letter volumes has led to us ramping up our efforts in cost reduction; and
- Australia Post is undertaking a fundamental review of its business model to ensure that it is a sustainable business which can continue to meet its Community Service Obligations.

I am committed to concluding this business model review, including consultation with the Australia Post Board and other appropriate stakeholders, by the end of 2010. I further commit to sharing with the ACCC the outcomes of the review and the resultant implementation plans, also by the end of 2010.

The proposed prices represent the third increase to Ordinary Letter prices (including the basic postage rate (BPR)) and only the second general increase to PreSort Letter prices since 1992. Furthermore, Australia Post absorbed the 2000 GST 10% tax to its revenue. Excluding the GST, inflation has risen 58% from 1992 to 2010, while basic stamp prices have only risen 11%. If you include the proposed price rise this would increase our stamp price over this period to 22%.

The primary objective of the price changes is to provide for an appropriate level of revenue from the domestic reserved letter service within the context of market and regulatory expectations. Furthermore, although the price changes will not return the letters business to profitability, we contend that the level of return is appropriate given the global economic environment and the need to avoid large upfront price increases that could lead to demand shocks.

The proposed prices:

- do not fully recover the sum of efficient costs of providing the domestic reserved letter service plus an appropriate rate of return;
- are consistent with our approach to minimise any adverse impact on demand;
- as far as practicable, provide simple and convenient Ordinary Letter prices, by selecting prices in multiples of 5 cents, and in multiples of the BPR for relevant products; and
- better reflect the differences in cost within, and between, Ordinary Letters and PreSort Letters.

Australia Post's formal notification is provided at [Attachment 1](#). Supporting information addressing issues raised by the ACCC in its View of December 2009 is included at [Attachment 2](#) and, for completeness, Australia Post's draft notification of July 2009 is at [Attachment 3](#).

Australia Post wishes to assist the ACCC in its consideration of this notification and toward prompt resolution of any issues that may arise during the course of those considerations. Accordingly, please do not hesitate to contact Mark Pollock, Manager Regulatory Affairs, on 9106 7578 if you have any questions.

Yours sincerely



Ahmed Fahour
Managing Director and
Chief Executive Officer

NOTIFICATION AND DETAILS OF PRICES PROPOSED BY THE AUSTRALIAN POSTAL CORPORATION FOR ITS
DOMESTIC RESERVED LETTER SERVICE

Notification of prices pursuant to section 95Z of the Trade Practices Act, 1974

Name of Declared Person: Australian Postal Corporation (Australia Post)

whose address is: 111 Bourke Street, MELBOURNE VIC 3000

 (Postal address: GPO Box 1777, MELBOURNE VIC 3001)

hereby gives notice that it proposes to supply the goods or services described below at the prices and terms and conditions indicated, effective from 28 June 2010.

Description	Locality, Proposed Prices, Terms and Conditions
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The services, which are the subject of this notification, provide for the carriage by post within Australia, of; Ordinary Letters, Clean Mail, Local Delivery Letters, Reply Paid, Postage Prepaid Envelopes, PreSort Letters (including Charity Mail, Impact Mail and Acquisition Mail) at prices as detailed in Schedule 1 of this Attachment.

Reasons for the proposed price changes:

- in an environment of forecast volume decline, provide price increases that are appropriately balanced across all letter price points to provide, cognisant of the current market environment and circumstances, an appropriate level of revenue from the domestic reserved letter service;
- as far as practicable, provide simple and convenient Ordinary Letter prices, by selecting prices in multiples of 5 cents, and in multiples of the BPR for relevant products; and
- continue to provide appropriate incentives for customers to adopt efficient lodgement and payment channels.

Consideration having regard to section 95G(7) of the Trade Practices Act, 1974

Australia Post asserts that the proposed price changes do not result in revenues in excess of revenues based on efficient costs and a reasonable rate of return and are consistent with the requirements of section 95G(7) of the Trade Practices Act, 1974



Date: 1 April 2010

Signature: Ahmed Fahour
Managing Director and Chief Executive Officer

Schedule 1

Ordinary Letters

		Proposed Prices	
		Current	Amount % Change
Small Letters			
Ordinary - (eg Stamped)	\$ 0.55	\$ 0.60	9.1%
Metered / Imprint	\$ 0.54	\$ 0.58	7.4%
Clean Mail (up to 125g)	\$ 0.48	\$ 0.51	6.3%
Seasonal Greeting Cards	\$ 0.50	\$ 0.55	10.0%
Large Letters			
Seasonal Greeting Cards			
Up to 125g	\$ 1.00	\$ 1.10	10.0%
Ordinary Letters			
Up to 125g	\$ 1.10	\$ 1.20	9.1%
Over 125 up to 250g	\$ 1.65	\$ 1.80	9.1%
Over 250 up to 500g	\$ 2.75	\$ 3.00	9.1%
Metered / Imprint			
Up to 125g	\$ 1.08	\$ 1.16	7.4%
Over 125 up to 250g	\$ 1.62	\$ 1.74	7.4%
Over 250 up to 500g	\$ 2.70	\$ 2.90	7.4%
Clean Mail			
Small Plus Size			
Up to 125g	\$ 0.75	\$ 0.80	6.7%

Notes/Comments: Ordinary Letters

Small, 55c to 60c; Large in multiples of 60c

Metered / Imprint from 54c to 58c, with Large rounded to multiples of 58c

Seasonal Greeting Card prices available during November and December

Local Delivery (only available in specified postcodes)

		Proposed Prices			
		Current	Amount	% Change	
Small Letters					
Up to 125g	\$	0.51	\$	0.56	9.8%
Medium Letters					
Up to 125g	\$	0.70	\$	0.80	14.3%
Over 125 up to 250g	\$	0.95	\$	1.10	15.8%
Large Letters					
Up to 125 g	\$	0.90	\$	1.00	11.1%
Over 125 up to 250g	\$	1.30	\$	1.45	11.5%
Over 250 up to 500g	\$	1.45	\$	1.60	10.3%

Reply Paid

		Proposed Prices	
	Current	Amount	% Change
Small			
Barcoded	\$ 0.42	\$ 0.43	2.4%
Unbarcoded	\$ 0.63	\$ 0.65	3.2%
Annual Fee	\$ 65.00	\$ 65.00	0.0%
Large			
Up to 125g	\$ 1.20	\$ 1.30	8.3%
Over 125 up to 250g	\$ 1.75	\$ 1.90	8.6%
Over 250 up to 500g	\$ 2.85	\$ 3.10	8.8%

PrePaid Envelopes

	Current Prices			Proposed Prices			% Change		
	Single	1-4 Packs of 10	5+ Packs of 10	Single	1-4 Packs of 10	5+ Packs of 10	Single	1-4 Packs of 10	5+ Packs of 10
Plain Envelopes									
Small (DL and C6)	\$ 0.65	\$ 6.34	\$ 6.18	\$ 0.70	\$ 6.83	\$ 6.65	7.7%	7.7%	7.7%
C5 Size	\$ 1.30	\$ 12.68	\$ 12.35	\$ 1.40	\$ 13.65	\$ 13.30	7.7%	7.7%	7.7%
C4 Size	\$ 2.50	\$ 24.38	\$ 23.75	\$ 2.70	\$ 26.33	\$ 25.65	8.0%	8.0%	8.0%
B4 Size	\$ 2.90	\$ 28.28	\$ 27.55	\$ 3.20	\$ 31.20	\$ 30.40	10.3%	10.3%	10.3%
One Rate to the World Postcard	\$ 1.50	NA	NA	\$ 1.60	NA	NA	6.7%	NA	NA
Window Faced									
Small (DL and C6)	NA	Pk of 50 \$ 32.20	Bx of 500 \$ 309.50	NA	Pk of 50 \$ 34.70	Bx of 500 \$ 333.50	NA	7.8%	7.8%

Notes/Comments:

Non-reserved products (over 250g or more than four times the BPR) are shaded

All prices are GST Inclusive, except for External Territories where they are as stated but GST free.

PreSort Letters

Note: all prices are GST Inclusive, except for External Territories where they are as stated but GST free.

Regular Delivery	Same State BDT			Other State BDT			Residue			Unbarcoded Residue		
	Current	Proposed Price		Current	Proposed Price		Current	Proposed Price		Current	Proposed Price	
		Amount	% Var		Amount	% Var		Amount	% Var		Amount	% Var
Size / Weight												
Small Letters												
Up to 125g	\$ 0.399	\$ 0.427	7.0%	\$ 0.410	\$ 0.438	6.8%	\$ 0.449	\$ 0.477	6.2%	\$ 0.480	\$ 0.510	6.3%
Charity Mail	\$ 0.344	\$ 0.372	8.1%	\$ 0.355	\$ 0.383	7.9%	\$ 0.394	\$ 0.422	7.1%	\$ 0.480	\$ 0.510	6.3%
Small Plus												
Up to 125g	\$ 0.509	\$ 0.550	8.1%	\$ 0.531	\$ 0.572	7.7%	\$ 0.619	\$ 0.660	6.6%	\$ 0.750	\$ 0.800	6.7%
Medium												
Up to 125g	\$ 0.630	\$ 0.693	10.0%	\$ 0.674	\$ 0.737	9.3%	\$ 0.768	\$ 0.831	8.2%	\$ 0.905	\$ 0.968	7.0%
Over 125 up to 250g	\$ 0.823	\$ 0.913	10.9%	\$ 0.911	\$ 1.001	9.9%	\$ 1.015	\$ 1.106	9.0%	\$ 1.158	\$ 1.249	7.9%
Large												
Up to 125g	\$ 0.773	\$ 0.825	6.7%	\$ 0.817	\$ 0.869	6.4%	\$ 0.938	\$ 0.990	5.5%	\$ 0.982	\$ 1.034	5.3%
Over 125 up to 250g	\$ 1.103	\$ 1.155	4.7%	\$ 1.191	\$ 1.243	4.4%	\$ 1.323	\$ 1.375	3.9%	\$ 1.433	\$ 1.485	3.6%
Over 250 up to 500g	\$ 1.543	\$ 1.595	3.4%	\$ 1.675	\$ 1.727	3.1%	\$ 1.763	\$ 1.815	2.9%	\$ 1.983	\$ 2.035	2.6%
Off Peak Delivery												
Size / Weight												
Small Letters												
Up to 125g	\$ 0.388	\$ 0.416	7.2%	\$ 0.399	\$ 0.427	7.0%	\$ 0.432	\$ 0.465	7.6%	\$ 0.465	\$ 0.505	8.6%
Charity Mail	\$ 0.328	\$ 0.356	8.5%	\$ 0.339	\$ 0.367	8.3%	\$ 0.372	\$ 0.405	8.9%	\$ 0.465	\$ 0.505	8.6%
Small Plus												
Up to 125g	\$ 0.498	\$ 0.539	8.2%	\$ 0.520	\$ 0.561	7.9%	\$ 0.608	\$ 0.649	6.7%	\$ 0.720	\$ 0.795	10.4%
Medium												
Up to 125g	\$ 0.597	\$ 0.671	12.4%	\$ 0.630	\$ 0.704	11.7%	\$ 0.729	\$ 0.820	12.5%	\$ 0.850	\$ 0.963	13.3%
Over 125 up to 250g	\$ 0.757	\$ 0.875	15.6%	\$ 0.801	\$ 0.919	14.7%	\$ 0.949	\$ 1.084	14.2%	\$ 1.059	\$ 1.238	16.9%
Large												
Up to 125g	\$ 0.751	\$ 0.803	6.9%	\$ 0.784	\$ 0.836	6.6%	\$ 0.905	\$ 0.979	8.2%	\$ 0.960	\$ 1.029	7.2%
Over 125 up to 250g	\$ 1.026	\$ 1.089	6.1%	\$ 1.092	\$ 1.155	5.8%	\$ 1.235	\$ 1.331	7.8%	\$ 1.334	\$ 1.474	10.5%
Over 250 up to 500g	\$ 1.301	\$ 1.375	5.7%	\$ 1.389	\$ 1.463	5.3%	\$ 1.521	\$ 1.650	8.5%	\$ 1.741	\$ 1.925	10.6%

Impact Mail	Postcode Direct Tray			Area Tray			Residue		
	Current	Proposed Price		Current	Proposed Price		Current	Proposed Price	
		Amount	% Var		Amount	% Var		Amount	% Var
Small - up to 125g									
Same State	\$ 0.600	\$ 0.640	6.7%	\$ 0.640	\$ 0.680	6.3%	\$ 0.700	\$ 0.740	5.7%
Other State	\$ 0.610	\$ 0.650	6.6%	\$ 0.650	\$ 0.690	6.2%	\$ 0.710	\$ 0.750	5.6%
Small Plus - up to 125g									
Same State	\$ 0.850	\$ 0.900	5.9%	\$ 0.900	\$ 0.950	5.6%	\$ 1.000	\$ 1.050	5.0%
Other State	\$ 0.860	\$ 0.910	5.8%	\$ 0.910	\$ 0.960	5.5%	\$ 1.010	\$ 1.060	5.0%

Acquisition Mail	Same State BDT			Other State BDT			Residue			Unbarcoded Residue		
	Current	Proposed Price		Current	Proposed Price		Current	Proposed Price		Current	Proposed Price	
		Amount	% Var		Amount	% Var		Amount	% Var		Amount	% Var
Off Peak Delivery												
Small - up to 125g	\$ 0.280	\$ 0.300	7.1%	\$ 0.300	\$ 0.320	6.7%	\$ 0.432	\$ 0.465	7.6%	\$ 0.465	\$ 0.505	8.6%
Small Plus - up to 125g	\$ 0.390	\$ 0.415	6.4%	\$ 0.410	\$ 0.435	6.1%	\$ 0.608	\$ 0.649	6.7%	\$ 0.720	\$ 0.795	10.4%

Notes/Comments - PreSort Letters

Small PreSort

Charity Mail prices for Barcoded items set at a specific cent reduction from "non-charity" small PreSort (Regular 5.5c and Off Peak 6c)

Non-reserved products (over 250g or more than four times the BPR) are shaded