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# RESPONSE - ACCC call for views on Australia Post's Proposed Price Increases

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## OVERVIEW

To the Australian Competition and Consumer Commission;

This response is in relation to the ACCC call for views relating to the proposed Australia Post price increases in stamp prices.

My name is Matthew Cummins. I worked directly in online retail for most of the last decade for a small to medium sized business, with 6 figure annual spend with Australia Post. Recently I left my previous role, and now run my own small business, working in the areas of e-commerce coaching, business consulting and website development, for online retailers and other SMEs.

In addition to the above, I am Administrator of the “**eBay Sellers Australia**” Facebook group, an online community of over 8400 members. Group members include small to medium sized e-commerce businesses selling on eBay and other online platforms, as well as individuals selling their own personal items on eBay as “consumer to consumer” sales.

For the sake of clarity, I do **not** represent eBay Commerce Australia Pty Ltd and I am not authorised to speak for them in any capacity. Nor do I officially present the below on behalf of the other members of my Facebook group, and represent only myself and my own small business. That said, I have put together this response as a summary of the significant discussion among many small business owners in the online retail space, including eBay sellers in the above mentioned Facebook group. Such groups often have a more active membership and are often involved in more robust discussions than more traditional membership based organisations.

The reason I have prepared this response is that after a thorough review of the Australia Post proposal and its potential ramifications, I wish to express my concerns with the increase itself, to present evidence that challenges the justifications provided by Australia Post, to provide suggestions to more appropriate next steps for both investigation and action.

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## 1. BACKGROUND AND CONTEXT

Australia Post's recent proposal is to increase stamp prices from \$1.20 to \$1.50. This warrants scrutiny, especially in light of the fact that this is more than a 100% increase over 8 years (far in advance of the increase Australia Post mentions by using a carefully selected timeframe for their figures) - as the price 8 years ago was only 70c.

Australia Post has produced an extensive submission of around 350 pages over several documents, including multiple documents created at what is at I assume is significant expense by external consulting and accounting firms. People like myself do not have the time or resources to address each point raised in these extensive documents one by one, however I believe it's imperative to address the core issues and potential consequences of this proposal for Australian consumers and businesses alike, which is what this response attempts to achieve. Significantly, while Australia Post's lengthy response could drown out any dissenting views through the sheer volume of documentation presented, it includes a number of figures and information that does not paint a true and complete picture of the past increases nor the impact on business.

I have a particular interest in the use and cost of "Large Letters" as these are often used by smaller online retailers and individuals selling online. As some background, a small letter uses one stamp, and is a maximum of DL size, must be flexible, and must be 5mm thick or less. Large letters can be up to 20mm thick, have a maximum size a little over A4 size, and can contain rigid items if in appropriate packaging. They do not include tracking. Up to 125gms requires 2 stamps, 126gms to 250gms requires 3 stamps, and 251gms to 500gms requires 5 stamps. I do note in the proposal by Australia Post that it mentions the increase will apply to the two smaller of these sizes, I could see no mention of over 250gm letters, so it is unknown if they chose to ignore and exclude this product from the document for some reason, or if they plan to remove the ability to send large letters between 251gms or 500gms. This is cause for concern, and has not been addressed in the documents, to the best of my knowledge.

These "large letters" are widely used to send small cheap items (e.g. DVDs, Phone Charger Cables etc) as they are for many the only way they are able to compete with the subsidised freight that Australia Post provides to competitors posting from China and some other overseas countries. Colloquially it is believed that Australia is one of the highest users of "Letters" (and thus stamps) for non-documents - such things are almost unheard of in places like the USA. There are two reasons for this. Firstly, the price of the smallest/cheapest parcel option for very small items is so much higher than in other countries, so alternatives are sought. And secondly, because the volume of cheap items being shipped cheaply from China is so significant with so few protections, many Australian Small Businesses have few other options to remain competitive.

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## 2. FINANCIAL INCONSISTENCIES AND TRANSPARENCY

### Discrepancies in Financial Reporting

There are substantial concerns about the financial transparency of Australia Post, especially concerning their claim of losses in the letter division. When analysing their assertions, it's pivotal to consider the dual role of letter carriers ("Posties") who not only deliver letters but also handle small parcels. The revenue from these parcel deliveries substantially benefits the parcel division, but it appears that the associated costs are disproportionately attributed to the letter division. To put it simply, Posties often deliver parcels. The parcels division receives the income, the letter division in many cases will bear the cost of some of these deliveries. This skewed allocation might lead to an overstated loss in the letter division.

This is not only my view; Immediate former CEO of Australia Post Christine Holgate shares this view, that *"a significant proportion of the parcel delivery costs are subsidised by the letter infrastructure"* which *"if proportioned commercially, would indicate the letter infrastructure is not loss-making"* (*"Australia Post bid for \$1.50 stamps 'a plot to kill letters'; Australian Financial Review, 5/9/2023*).

### Parcel Revenue Growth vs. Letter Loss

Australia Post has been showcasing impressive revenue growth, primarily attributed to the surge in parcel deliveries. Yet, their concurrent reporting of letter division losses seems paradoxical. The ACCC must ensure that these financial claims are based on accurate and transparent data, not influenced by any artful accounting practices.

Additionally, it is noted that Australia Post has overall posted a loss in recent years on increased volumes, including for the parcel division. Australia Post delivers parcels from outside Australia under various arrangements (UPU, other individual deals).

While Australia Post continues to "cry poor" by posting losses while not being transparent about the revenue and costs from these different categories of customers (Australian individuals, small businesses, larger businesses, Universal Postal Union letters and parcels from offshore, other private deals with international freight companies etc), it is impossible to claim that their data is accurate and transparent. It is my opinion that the bulk of the negative impact on their profit is from parcels sent into Australia from overseas, while the majority of the pain of price increases is borne by Australian consumers and small businesses. But, it is impossible to know to what extent I am correct or not, while Australia Post continues to be opaque in their reporting.

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### 3. SERVICE QUALITY VS. PRICE

Australia Post transitioned to a slower, 2nd-day delivery model in numerous regions over a period from 2014 to 2016. This was coupled with the introduction of priority stamps to access previous service levels. This is indicative of a decline in basic service quality. Despite this reduction, consumers and businesses now face the prospect of bearing even higher costs. Such price hikes seem not only unwarranted but also unjust, given the diminished service levels.

In 2013-2014 which was 10 years ago, the basic postage rate was \$0.70. Under this proposal, the equivalent service would require a stamp of \$1.50, plus a priority label at an increased cost of \$0.70. This means that in 10 years the increase in price of the equivalent service is from \$0.70 to \$2.20. This is actually a 214% increase in price over 10 years. Total inflation over the same period of 2013 to 2023 is around 26%. So Australia Post's price increase has been 8 times the rate of inflation for the equivalent service.

### 4. INTERNATIONAL COMPARISONS: CHALLENGING SELECTIVE DATA

Australia Post's citation of other countries increasing stamp prices offers a skewed picture. Page 15 of their main proposal document contains table 5.2, which states that *"Australia's increases to the basic postage rate have been modest"*. This is a very deceptive table, for three reasons:

1. The postage price increases from 2018 to 2023 are given with a comparison of the CURRENT rates, not the proposed rate. Given this is a proposed rate document, the relevant comparison must be to the proposed rate, unless there is evidence (which they have not provided) that all other countries in the table have proposed or scheduled additional price increases.

Saying "we haven't increased prices as much as others to date" may be true, but it's deceptive data when they actually are proposing to increase the prices right now, by a significant proportion. In fact, their current figures showing previous increases from \$1.00 to \$1.20 places them at a 20% increase, near the bottom of their own table. However, using their proposed figure of \$1.50, this provides them a figure of 50% increase since 2018. Their table suggests that their increase are only the 17th highest out of their 20 selected comparison countries. However, at a 50% increase (their proposed level vs 2018), this will place them with the equal third highest percentage increase among the selected countries, below only Slovakia and Finland, and equal with Poland in percentage increase. Placing them as one of the highest increases, not one of the lowest.

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2. There is no information about why only 20 of 38 OECD countries have been selected for the chart, just that there are “other OECD countries”. I do not have data for all 38 countries, but given that Slovak Republic (with the highest increase) is not a country that would normally be compared to as an equivalent economy to Australia, I am concerned there may be possible “selective data” being used.
  3. It is a fact that the prices of stamps and of posting domestic letters is increasing around the world, albeit not as significantly as Australia has in many cases. However, this only looks at small letters in isolation. In many cases overseas, large letter prices and/or small parcel prices are far lower than Australia, and in some cases have even been decreased.

While I understand that the ACCC and government only has veto authority for stamp prices and not parcel prices, Australia Post has opened the door in their submission to discussion of the postage costs as a whole. In many other comparative economies stamp prices have increased in recent years as volumes have decreased. Concurrently as their parcel volumes have increased, parcel shipping prices remain fair or have even decreased, due to the increases in volume.

Not so in Australia, where there have been multiple continual increases in parcel prices for both retail and small business customers with the standard rate for even a tiny item weighing a few grams (but over 2cm thick, so it cannot be sent by a letter) is now \$10.60. Additionally, just this week Australia Post has sent out letters to some businesses suggesting that they will as of next year begin to apply surcharges to business customers in peak periods, which is utterly unreasonable.

Other countries are closing the gap in pricing between letters and parcels to reflect the fact that the true cost difference between delivering a letter or a very small parcel is not that different. Australia Post on the other hand isn't closing this gap, they are just increasing the price of every product they offer with impunity.

## **Comparisons with the UK:**

Australia Post themselves have offered the UK pricing as one example of why they believe their pricing increases are justified.

The UK has increased stamp prices between 2018 and 2023 of their Second Class service from the equivalent of \$1.26 to \$1.63, a 29% increase, According to Australia Post's own data. This is clearly a smaller percentage increase but a higher final price than the \$1.50 proposed by Australia Post.

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However, when we look at the overall offering in more detail, we see a few interesting comparisons which show that when you look beyond a small letter with a single stamp, Australia Post's offering is not good value. Refer <https://www.postoffice.co.uk/mail/uk-1st-and-2nd-class>

- The UK Post Office has a large letter size that is 2.5cm thick, superior and more versatile than our 2cm thick option for a large letter.
- A 100gm large letter (second class, which is an equivalent service) is £1.15 which is roughly \$2.20AUD. Australia's proposed rate of \$3.00 for an up to 125gm large letter. Note that their price bracket is 25gm lighter maximum, but also 0.5cm thicker, but it's basically equivalent. So Australia Post's proposed price is 36% higher.
- A 250gm large letter £1.85 is roughly equivalent to \$3.54AUD. This compares to the proposed level from Australia post of "3 stamps" which would be \$4.50. So for a 250gm large letter, Australia Post's proposed price is 27% higher than the equivalent price in the UK, and in the UK senders have an extra 5mm thickness, allowing use with a wider range of items.
- For 500gms the UK second class price is £2.40 which is roughly equivalent to \$4.59AUD. It is unclear under the new proposal as to if Australia Post will even continue to offer 251gm to 500gm large letters, which the ACCC should confirm with Australia Post - as this is a component of the Letter Rate pricing in Australia. But, assuming that the rate will be 5 stamps as before, this would now cost \$7.50 up from \$6.00. This new expected price of \$7.50 is 63% higher than the equivalent UK price. As I'm sure those reading will be able to see, the more we go up in size, the worse it gets for Australia Post's customers. Again, there is also an extra 5mm offered in thickness to UK customers.
- The UK also offers a 750gm large letter size. The price of this is £2.70, or equivalent to \$5.17AUD. Australia Post has no equivalent letter size option available at all. In Australia for a letter rate item of say 600gms, we would at best be able to pay \$10.90 for a small flat rate satchel, if the item fitted. Or, if sent in a parcel with "own packaging", the cost would be \$14.50 for between 500gms and 1kg. So, for an up to 750gm letter size item in Australia vs the UK, there is either an 110% increase over the UK price for Australian customers, or an 180% increase over UK prices if the item/document was not sent in a small satchel and was instead sent by weight.
- Parcel rates in the UK are also far more economical than in Australia, including tracking, which means that UK based online retailers can better compete with offshore competitors in China and elsewhere.
  - For example a small parcel in the UK is up to 2kgs, 45cm long, 35cm wide and 16cm deep. The cost for this (2nd class) is £3.69 which equates to \$7.05AUD. In Australia, a 500gm parcel \$10.60 using your own packaging. Obviously 500gms is

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less than 2kgs, but still worth comparing as it's the smallest parcel size for both. Our price of \$10.60 is roughly 50% higher than the price paid in the UK.

- Now sizes/weights closer to the UK maximum for a small parcel, the picture gets worse. A 2kg parcel that was quite small would still be the equivalent of \$7.05 in the UK. In Australia, this would be \$18.25. So our cost for a small parcel of 2kg at \$18.25 is 158% more than in the UK.
- Finally, if we compare the full maximum size of this parcel in the UK, again at \$7.05AUD. In Australia, an item that is as large as 45x35x16cm would be “cubed” and charged at a figure known as “cubic weight”. For a parcel at the maximum size for a small parcel in the UK in Australia, the cost to an Australian consumer would be \$25.65. That's 263% higher in Australia vs the price paid in the UK.
- Almost every other category and size of parcel will also be significantly less expensive in the UK. I could give more examples, but I feel my point has been well made.
- In recent times (3rd April 2023) stamp prices increased in the UK, which are already reflected in the figures provided by Australia Post in their submission. However it is worth noting that at the same time as their price increase on stamps, Royal Mail **reduced** their parcel prices. A small parcel rates mentioned above were prior to April 2023 £3.95, and the price was then **reduced** to £3.69, a 6.5% decrease for their smallest parcel size. A couple months later, Australia Post **increased** the price of their smallest parcel size (which has a maximum size and weight well below UK limits) from \$9.70 to \$10.60, a 9.27% increase. The increase in pricing on a 1kg parcel by Australia Post was even worse, from \$11.95 to \$14.50, a 21.34% increase.

<https://channelx.world/2023/03/april-2023-royal-mail-stamp-price-rises/>

Australia Post themselves had a page on their website detailing their July 2023 price increase at the following address, however at the time of writing the page seems to have been recently removed from the Australia Post website, with no record of the previous pricing.

<https://auspost.com.au/service-updates/pricing-updates/price-changes>

Australian retailers and consumers are forced to use large letter rate items more often for small items due to the high minimum prices charged by Australia Post for small parcels, when compared to similar economies. I recognise Australia is a larger physical country than the UK and there are many unique challenges. Regardless, the level of pricing charged by Australia Post is a major challenge to the success of Australian businesses including online retailers. In the distant past there was a reasonably priced 250gm package offered by Australia Post, but this has not been available for many years. If this was offered at a reasonable price (with tracking) a large number of the senders of large letters for small/flat items would use these instead.

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Additionally, and I am aware that this is outside the scope of current postage stamp scope, the UK has very cheap prices for international parcel freight to Australia, whereas Australian freight rates to the UK are much higher. Additionally, the UK customs service levies a 20% VAT on all imports plus commonly levies duty as well. This makes it prohibitive for Australian businesses to export in small volumes to the UK, both because of tax/duty and the high postage costs, which are much higher than in the reverse direction. On the other hand, many UK based online retailers export in multi million dollar volumes to Australia, and can sell at prices that are often lower than local retailers could even come close to. In effect, the high prices in general of Australian Postage is causing severe damage to the the competitiveness of Australian small businesses, both within Australia itself and internationally.

## Comparisons with the USA

For the sake of brevity and time I won't provide the level of detail in comparison between Australia and the USA, but did want to make a couple of points.

- According to Australia Post's own figures, postage in the USA is equivalent to \$0.91 AUD. This is 39% lower than Australia Post's proposed rates for a basic postage stamp.
- The USA via USPS has a service called Media Mail that we do not have in Australia - this is valid for books, films, tapes, albums, DVDs, VDs, loose leaf binders etc. Large Letter rates in Australia are often used for these purposes. USPS prices for Media Mail start from US\$3.92 for a tracked service for up to 1lb (approx 500gms). This equates to AUD\$6.15, which is less money than Australia Post is projecting to charge for a 251-500gm letter (\$7.50, much less than the cheapest parcel rate in Australia (\$10.60) and cheaper than Tracked Letters which are also planned to rise. And the US service includes tracking!
- For regular parcels, these start from US\$4.75 for 1lb (approx 500gms). This equates to \$7.45. So at \$10.60 an Australian consumer is paying 23% more for a small 500gm parcel vs the equivalent size in the USA.
- Both a lack of a Media Mail option and generally more expensive parcels are yet another demonstration of why Australians use Large Letters (with stamps) in many cases for small low cost items, rather than parcels. It is also another example of how uncompetitive our postage rates are vs other large international economies.
- In the USA, both Fedex and UPS provide much stronger competition vs the government owned USPS, when compared to the freight situation in Australia.



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## 5. IMPACT ON E-COMMERCE AND BUSINESS OPERATIONS

### China Parcels And The UPU Agreement

An area that is poorly understood by many and rarely discussed outside of Online Retail circles (and almost never by Government in Australia) is the Universal Postal Union, the behaviour of China within this Union, and other associated matters. It is my assertion that the combination of this agreement and Australia Post's management of it is not only the primary cause of their unprofitability, but is one of the largest factors that is influencing the competitiveness of Australian businesses within our own country, both online and traditional retailers.

This agreement is also highly relevant to this proposal, given that the UPU was originally set up to ensure that letters sent between countries using stamps would be able to be delivered successfully without a separate charge being made to the receiver. It is in essence a reciprocal arrangement, whereby letters and small parcels (up to 2kgs) can be sent by a national carrier to any country, and that countries national carrier is obliged to deliver the parcels at no charge, other than a small amount of what is known as Terminal Dues, which are an insignificant amount.

What this in effect means is that a significant proportion of Australia Post's resources are used delivering small packages from China, while likely being paid \$1 or less to do so. Australian Retailers to post the same package would have to pay \$10.60 (less any corporate discounts, which for small businesses are less than 10% for most parcels). This puts Australian Business at significant disadvantage to a China based seller, even when selling to consumers in your own country.

Part of the problem relates to the fact that terminal dues are not consistent between countries. China is still classified as a "Developing Country" under UPU guidelines, despite being the second largest economy in the world. This means that not only are parcels being sent in a one-way flow based on an international system that was developed over 100 years ago when the main consideration was delivery of documents in letters, but Australian business is in effect subsidising Chinese businesses.

To put it in simple terms, I'm sure the reader at the ACCC or elsewhere has seen advertisements online (and has perhaps made some purchases) from places like Alibiba, Temu, or even eBay or Amazon, where the total price of the item INCLUDING postage is lets say \$5. And, I would hope, has at least wondered how that's possible, how do they make money. The answer is that their postage into Australia might cost them for argument's sake \$1, maybe \$2, whereas an Australian business to post the same item would be paying around \$8-\$18. This results in cheap items for consumers, but significantly damages competition within Australia and for those consumers who wish to support Australian businesses, due to the high cost of postage here in Australia.

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One way Australian businesses can compete on some (but certainly not all) items is to use large letter rates. This doesn't suit all items because a) It doesn't have tracking, unlike the service Australia Post provides to items sent from China under UPU agreements, and b) Most items do not fit within the 2cm height. So it's a minor pushback, but for those sellers who rely on large letter rates to at least have a chance against Chinese based competitors, this increase in postage for large letter rates may be the "nail in the coffin", as they have few if any other competitive options to rely upon.

Now, being this is an international agreement, one would think the chance of fixing this problem would be minimal. However, there is a clear and recent example of another western country doing so. I understand that former President Donald Trump is a divisive figure (and do not wish to discuss politics as such), however it is my strong belief that one good thing he did was to challenge the unfair and unbalanced arrangements, when in 2018 he threatened to withdraw the USA from the Universal Postal Union if China did not pay more fair rates to USPS. He succeeded in this, obtaining what is likely many billions of dollars in extra revenue for USPS, plus ensuring that US based retailers had a better chance of competing for customers within their own country. I had hoped Australia would get a better deal at this time also, but it's unclear if we have even tried. You can find more information on this at the following link, and it was widely reported in the US media between 2018-2020.

<https://www.parcelandpostaltechnologyinternational.com/opinion/trumps-reform-of-upu-looks-set-to-stay.html>

In summary, parcels weighing up to 2kg sent from China are classified as letters under these agreements, presenting a substantial differential in cost structures. It's a stark contrast to what Australian businesses face, placing them at a competitive disadvantage and potentially driving up costs for Australia Post. The ACCC needs to consider the international dynamics that could be affecting local cost structures and service provision.

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## Private Deals Between Australia Post And Chinese Distribution Companies

In what I suspect is an attempt to partially offset the cost of these above UPU agreements, where Australia Post receives what is likely less than \$1 to deliver a parcel that an Australian business would have to pay upwards of \$10 for, Australia Post has also entered into a number of private agreements with Chinese based distribution companies to deliver mail.

An example of one of these agreements is with the large Chinese distribution company UBI Smartparcel. The following link used to have much more information about the arrangement, but they have “sanitised” it over time, and will I suspect remove the information if it becomes to widely known in this context. <https://en.ubismartparcel.com/service-au.html>

You will note that it mentions “direct injection” into the Australian Mail system, which in essence means that small parcels (which would be classified the same as letters under UPU arrangements) as well as larger parcels are shipped to Australia then entered into the Australian Mail system, as if they had originated from Australia, which deceives Australian consumers. Now, of course if this company was simply shipping the parcels to Australia in bulk and then posting them here at similar rates to Australian businesses would pay, this would be fairly legitimate. But they are clearly not, as evidenced by the prices of products including postage that items travel by their services use.

I do not know how many other similar deals Australia Post has, because it’s not published by Australia Post, at least not that I have been able to locate. I also do not know how much they are paid to deliver these parcels, because it’s not been published by Australia Post. In fact, they barely acknowledge the existence of such arrangements. My suspicion is that parcels sent under UPU arrangements Australia Post receives under \$1. Those sent under these private agreements, Australia Post receives maybe \$1.50 or \$2.00. The exact figures are unknown, but it is abundantly clear that Australian businesses are subsidising these parcels.

Logically the next question would be, why would Australia Post enter into loss making private agreements? The answer is likely that someone has made this decision in the belief that it’s better to make a couple dollars on a parcel than under a dollar. Either way you lose money every time, but this way they “lose less” than if the items were sent via China Post.

So why would Chinese sellers use a service that’s more expensive than China Post? Because the service is also far superior to China Post, and much faster. So in essence, under UPU arrangements, Chinese retailers are charged a fraction of the price of Australian businesses, but at least Australian businesses had the advantage of service and speed of delivery, and of showing customers they are a local business with local support. By entering into these private

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arrangements, Australia Post has minimised the opportunity for Australian small businesses to compete, through offering Chinese sellers an equivalent service to what we receive (vs a lower quality one under UPU arrangements), and without the end customer knowing in many cases. Organisations like UBI Smartparcel are allowed to use the same labels that Australian businesses would use, with a return address in Australia (possibly an on-forwarding service also provided to them by Australia Post), and with tracking on the Australia Post website that hides all tracking events prior to the parcel arriving in Australia, deceiving Australian consumers into thinking the parcel originated here. This late point was very easy to prove up until a year or so ago, using third-party tracking websites, however this ability has now been blocked by UBI Smartparcel, likely due to unwanted scrutiny.

The number and value of these arrangements has not been reported to the best of my knowledge by Australia Post, but must be considered as part of this consideration of whether stamp prices (particularly large letter rates should go up). Because again, the primary justification provided by Australia Post is that they aren't profitable at current rates. When, it is my suggestion, it is likely that a more significant reason for the lack of profitability lies in areas such as these that they do not make publicly available. Before any agreement to allow this price increase, Australia Post should be asked to provide full and detailed information on both the UPU and these further private arrangements, including their volumes and cost impacts, particularly given that the Letter division employees ("Posties") are delivering most of these little parcels.

## **Amplified Cost Of Multiple Stamps On Single Items**

Returning to more general impacts on eCommerce of this stamp price rise, Another issue is the amplified cost of multiple stamps on single items. The proposed 30c increase, when viewed in isolation, might seem modest. However, its impact is magnified for items that require multiple stamps. For instance, a large letter (126gms to 250gms) that necessitates three stamps would witness a 90c increase, for example, which is substantial and can be burdensome for businesses and individuals alike.

It should not simply be a "given" that this system of multiples should follow, whereby if a small letter requiring one stamp goes up in price, large letter rates must follow. The Australian System is more simple than those overseas, and using multiple stamps rather than a separate rate structure is likely convenient for many consumers. However it is not a universal practice in other countries, which have unique price points for different sizes of letter, and which do not scale up as sharply as the system in Australia.

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## Decline In Service Quality Despite Price Hikes

The concerns of small businesses are not just about the price but also the value offered. Over the past 8 years, not only have consumers witnessed a price increase, but they've also had to contend with a drop in service quality. What was once a standard service level now requires an additional Priority label, priced at 70c (up from its previous 55c). This means that for customers to avail of the same service quality they enjoyed 8 years ago, they now have to pay significantly more, well beyond the simple price hike for standard letters.

## 6. ADDRESSING REVENUE LEAKS - COUNTERFEIT STAMPS

Stamps are the main revenue of Australia Post's letter division, so any attempts to counterfeit or forge stamps are alarming. It's not just a potential source of revenue loss for Australia Post, but it also threatens the integrity of the entire postal system.

Stamp counterfeiting is widespread enough to be of concern to many small online retailers as well as those in the philatelic community. Here I'm referring to stamps being counterfeited for postage purposes, not collecting. Attempts have been made by myself and others to notify Australia Post, both directly and indirectly through industry channels, as to the presence of proliferation of sales of counterfeit stamps both on online marketplaces as well as on direct websites. I have examples I can share including one very obvious website I believe is a large source of these counterfeit items. I won't share this here as I do not want anyone to use the information in bad faith, but can provide it on request.

So far, there has been little evidence of any action on such matters by either Australia Post or the Australian Federal Police. In fact there are only two cases that have been in the media (that I'm aware of) in more than a decade of any prosecutions for stamp forgery. Whereas the volume of forged stamps being sold appears to be significant. The apparent lack of proactive measures from Australia Post to curb this issue indicates a potential oversight that might be contributing to their reported losses and thus attempted justification for these proposed price rises. The ACCC's intervention is crucial to ensure that Australia Post addresses this problem head-on, safeguarding its revenues and, by extension, consumer interests, before any price increase is allowed to proceed. In fact, any potential benefit to Australia Post in increasing prices will not equate to solving the problem if significant volumes of forged stamps remain in the market, and price increases may even encourage more users of stamps to seek out "cheaper options", and may result in increased sales of forged stamps, mostly inadvertently (I do not believe the average purchaser of these forged stamps is even aware they are not legitimate).

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## **7. AUSTRALIA POST'S RESPONSIBILITY**

As a government owned business that is Australia's designated "National Postal Carrier", Australia Post carries a solemn duty to serve the Australian public. This responsibility is not limited to ensuring efficient delivery but also extends to keeping postal services affordable. In an era where the very nature of communication is rapidly evolving, it's paramount that Australia Post aligns its pricing strategies with the broader public interest, rather than narrow financial objectives.

As the sole shareholder of Australia Post, the Australian Government must also consider the overall financial impact to the Australian economy of the pricing structures of Australia Post. It is my submission that Australia Post has failed to consider the impact on the economy and Australian businesses of all sizes in considering its pricing structures, and seems to have no more creative solutions to solving profitability issues than to simply continually raise prices in both their letter and parcel divisions. It's simply not good enough.

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## CONCLUSION

Australia Post's proposal to increase stamp prices, viewed in light of past increases and amidst concerns of service quality, demands rigorous scrutiny. I urge the ACCC to consider the multifaceted implications of this proposal, bearing in mind the broader interests of the Australian public and businesses. A robust and thriving postal system is not just a matter of convenience but a cornerstone of a well-connected and prosperous society.

Half a billion parcels were delivered by Australia Post across the country in 2021-22, and volume has grown significantly over time.

One of the most pressing concerns is the potential subsidisation of deliveries from international sources, notably China. Australia Post's documents indicate they deliver approximately half a billion parcels annually. Yet, there's a conspicuous lack of clarity on:

- The exact origin of these parcels – How many of these originate within Australia, and how many are incoming from international locations, specifically China?
- The pricing structure for these deliveries – What percentage of these deliveries are billed at standard commercial rates vs. UPU rates or other international deals? And more critically, how do these rates compare with what Australian businesses are charged for equivalent services?
- The economic impact of this disparity – If there's a significant disparity in pricing for international vs. local deliveries, this could have profound implications for Australian businesses. Such practices could potentially undercut local businesses, making them less competitive, leading to economic disparities.

**A call for transparency:** While I respect the confidentiality of business agreements, it is crucial for Australia Post, a government-backed entity, to provide transparent insights into its pricing structures, especially when it concerns the economic viability of Australian businesses.

A clearer breakdown of Australia Post's delivery metrics, including origins and pricing tiers, will provide Australian businesses with the necessary insights to understand the market better and make informed decisions.

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## RECOMMENDATIONS

Rather than making general recommendations about decreasing letter deliveries or increasing prices by X% instead of the proposed rates, I urge the ACCC to delve deeper into the intricacies of Australia Post's incoming international small parcel deliveries, which are often delivered by the same "Posties" whose cost centre is the supposedly loss making letter division. Investigating whether Australian businesses are indirectly subsidising these deliveries is not just about economic fairness, but also about ensuring the longevity and competitiveness of Australian businesses in a global marketplace.

I also urge the ACCC, Australian Government, and indirectly the APF to take seriously the issue of stamp forgery and to hold off any increase in stamp prices until the impact of this can be both understood and then mitigated. It may only be a very small part of the reason that Australia Post's letter division is unprofitable (at least on paper), but this cannot be known while the problem is effectively ignored.

I also urge the ACCC and Australian Government to not only consider the profitability of Australia Post in isolation, but also the impact of price changes on the Australian economy. Australia Post's position is that the impact is minimal, and perhaps the impact of these particular stamp price increases will be minimal to most businesses, other than those who rely significantly on sending items by "large letter". But when seen as part of the broader issues of postage in Australia, which are relied upon as evidence by Australia Post in this submission, it is of significant importance and concern that Australia Post is actually contributing to significant damage of our national economy, by significantly impeding the the ability of Australian businesses to complete against those located overseas, even within our own local market.

Finally, I implore the ACCC and the Parliament of Australia to take these issues seriously. It would be very easy to simply think "It's 30c, it's no big deal" and rubber stamp this, however that would be a most regrettable outcome.

Yours sincerely,

Matthew Cummins

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