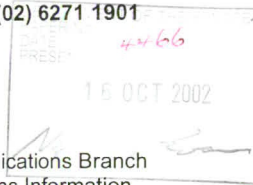


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Document 5

Mr Brenton Thomas
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Tabled
18.8.02

CORPORATE SECRETARY

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3 June 2002

Dear Mr Thomas

WORLD TRADE ORGANISATION (WTO)
INDUSTRY CONSULTATION - POSTAL AND COURIER SERVICES

I am responding to your letter of 15 January 2002, soliciting our inputs to Australia's negotiating position in the forthcoming World Trade Organisation (WTO) services negotiations.

I apologise for the lateness of this reply and trust that it can still be taken up by the Department of Foreign Affairs and Trade in regard to preparing for the forthcoming negotiating round.

As you would also appreciate, the relationship between the Universal Postal Union (UPU) and the WTO is a current and expanding issue within the UPU, since Australia and the United States both highlighted the importance of fair trading principles in postal relationships at the Beijing Congress.

In the attached Appendix, I have included Australia Post's advice, incorporating brief responses to the questions raised in the original position paper prepared by DoCITA.

Australia Post would welcome ongoing and close collaboration with the Department as the Australian position on this sector is evolved, to ensure that there is no threat to the current arrangements for universal and community service obligations.

Yours sincerely

A handwritten signature in black ink, appearing to read 'M. McCloskey'.

M. McCloskey

**WORLD TRADE ORGANISATION (WTO)
INDUSTRY CONSULTATION - POSTAL AND COURIER SERVICES
AUSTRALIA POST'S ADVICE**

Background

Today, Australia Post is one of Australia's top-ranking companies. It handles more than 4.7 billion articles of mail per year, and services the one million customers who visit a Post retail outlet each business day. Post's primary objective is to provide a high-quality, on-time, affordable and reliable mail service to all Australians, regardless of their location, while operating commercially and profitably.

In 2000/01 Australia Post's revenue was \$3.73 billion (less than 50% of Post's revenue comes from reserved services).

Under its enabling legislation, Australia Post has a range of Community Service Obligations (CSOs) associated primarily with the provision within Australia of an accessible standard letter service at a single uniform rate. For 2000/01, calculated on the avoidable cost methodology, CSO costs were estimated to be of the order of \$92 million.

Australia Post has also been extending and adapting its services beyond the realms of mail in order to meet its customers' needs, including the provision of first-class logistics, retail and financial services. As a progressive and commercial government business enterprise, Post is committed to making the best use of its assets and earning profits to reinvest in its business, to continue to meet both statutory requirements and changing customer needs.

In 2000/01 Australia Post achieved a record net profit of \$274.5 million with 94.1% of standard domestic letters delivered on time. The 45¢ basic standard domestic letter rate was held into the tenth year, while fully absorbing the impact of the GST.

Advice for next Negotiating Round

In preparing this advice, Australia Post has noted relevant positions and proposals already presented to Special Sessions of the WTO's Council for Trade in Services on the postal and courier sectors¹.

In regard to the next negotiating round, Australia Post would wish to see the Australian Government pursue, as a fundamental issue, an overall approach of fair trading in the postal/courier world market and the application of the General Agreement on Trade in Services (GATS) principles to this sector.

Australia Post would not support the listing of the reserved service as an offer in the schedules. The reason for this is that, while the majority of postal administrations of GATS members maintain a monopoly position to protect their community and universal service obligations, any offer in this area would place Australia Post at a financial disadvantage and ultimately threaten the current arrangements for Australia Post's universal and community service obligations.

¹ See Attachment 1

Universal service obligations received prominent attention in a recent European Council directive² in regard to postal services. This directive provides for gradual deregulation of domestic services with a target of complete deregulation in 2009, and the deregulation of outbound services in 2003 subject to universal service tests. These tests would allow some administrations to retain protective measures for outbound postal services where this was necessary to fund their universal service obligations.

Australia Post considers that it would be beneficial for the Australian Government to support a set of clear definitions for the sector. Currently, the word "postal" is often interpreted as the work done by postal administrations but we would wish to see this restricted to the reserved service which is in general, but not always currently limited to letterclass mail up to 350 grams (the European Council directive mentioned above provides for lower thresholds as from 1 January 2003). Most other mail handled by postal administrations is already in the competitive market, including that above this limit but within the letterclass mail definition (2 kilograms) of the Universal Postal Union.

We note the European definitional and market-opening proposals³ and would not have a problem with these in their current form. We note that the European proposal for commitments in the sector does not go as far as listing the reserved services. The proposal only suggests a gradual market opening and national treatment for:

- handling of addressed written communications
- handling of items as registered and insured.

A clearer set of definitions will provide greater precision to the discussions designed for a gradual opening of the "postal" market and make more transparent any arrangements which are currently applied differently throughout the sector. Of themselves, they do not provide for liberalisation in the market.

Australia Post, through the Australian Government, made a reservation at the Beijing Conference to the effect that we would apply the Beijing Acts in accordance with our rights and obligations under GATS. This was designed to specifically address the "non-*Most Favoured Nation*" (MFN) compliant terminal dues system approved at the Beijing Congress. The effect of that decision was to introduce different access prices for countries depending on their listing as industrialised or developing countries. Naturally, this has led to arbitrage and displacement of normal mail flows and put Australia Post, among a small number of industrialised posts, at a specific financial disadvantage.

Consequently, Australia Post would wish the Australian Government to use these negotiations to support the application of MFN to regulated mail whether or not it is listed as a commitment in the schedules.

² Amended Directive 97/67/EC (2002/C110E/04)

³ See Attachment S/CSS/W/61

Australia Post understands that the European Community had proposed a need for these negotiations to clarify the relationship between the UPU Treaty and GATS as it applies to terminal dues. Australia Post would urge that the Australian Government also pursue this matter ensuring that the arrangements made by majority vote in the UPU do not negate the principles of the GATS. Our position is that the general obligation of MFN described in Article II, Part II of Annex 1B of GATS should apply.

An application of MFN to the postal sector could eliminate the perceived and real discrimination with Extra-territorial Offices of Exchange (ETOEs).

A brief response to questions raised in the DoCITA discussion paper is also attached⁴.

In summary, noting the reasonable proposal advanced by Switzerland⁵, Australia Post recommends that the Australian Government should, in its discussion of postal and courier services with WTO members, pursue:

- (i) a discussion and agreement of a new classification scheme;
- (ii) fair trading in the postal and courier markets and the application of GATS principles to these sectors;
- (iii) full market access and national treatment and commitments for non-reserved services;
- (iv) the application of MFN to regulated mail (whether it is listed or not as a commitment in the schedules); and
- (v) clarification of the relationship of the UPU Treaty and GATS as it applies to terminal dues.

3 June 2002

⁴ See Attachment 2

⁵ See Attachment S/CSS/W/73

WTO SOURCE DOCUMENTS
COUNCIL FOR TRADE IN SERVICES

1. S/C/W/39 *"Postal and Courier Services"*, Background Note by the Secretariat, 12 June 1998
2. S/C/W/79 *"Express Delivery Services"*, Communication from the United States, 8 December 1998
3. S/CSS/W/61 *"GATS 2000: Postal/Courier Services"*, Communication from the European Communities and Member States, 23 March 2001
4. S/CSS/W/68 *"Logistics and Related Services"*, Communication from Hong Kong, China, 28 March 2001
5. S/CSS/W/73 *"GATS 2000: Postal and Courier Services"*, Communication from Switzerland, 4 May 2001
6. S/CSS/W/108 *"Postal Services"*, Communication from Mercosur and Bolivia, 26 September 2001
7. S/CSS/W/115 *"Negotiating Proposal for Postal/Courier Services"*, Communication from New Zealand, 6 November 2001