

Senate Standing Committee on Environment and Communications
Answers to Senate Estimates Questions on Notice
Supplementary Budget Estimates Hearings October 2016
Communications Portfolio
Australian Postal Corporation

Question No: 92

Australia Post

Hansard Ref: Page 53-54, 18/10/2016

Topic: Business Letters

Senator Leyonhjelm, David asked:

Senator LEYONHJELM: In 1988 there was a competition policy review which recommended removal of the monopoly of Australia Post with respect to business letters and a limit of the remaining monopoly by allowing private operators, provided they charge at least double what Australia Post charge. Now, this is asking you to speculate a little bit but how would implementation of such a recommendation affect your business model?

Mr Fahour: I am testing the history because obviously I joined in 2010 and I am not familiar with that.

Senator LEYONHJELM: I have some more questions relating to business mail, so that is where I am heading with this.

Mr Fahour: Maybe if I could take that on notice if you do not mind.

Senator LEYONHJELM: It might not be necessary to come back to it. What I am interested in is to what extent does Australia Post rely on the revenue from business mail relative to other sources of revenue?

Mr Fahour: I will say this. Our total letters business, the reserved services letters business in totality, now is just under 28 per cent of our total revenue, so what you can see is versus 1988, when the whole business was all about letters basically, today letters is a smaller part of our business and we are essentially a parcels e-commerce company. Secondly, within that the business mail is the majority of the letters that are sent because the majority of mail for us is bills and statements that we send under the reserved services business. Social mail, as we call it, is only three per cent of our letters.

Senator LEYONHJELM: Understood. In 2011 the requirement for ACCC approval of increases in prices was limited to ordinary letter services, not business mail, so you could increase your letter services on business mail without requiring ACCC approval. So since 2011 have prices for business letters increased faster than the prices for ordinary letters?

Mr Fahour: The price of business letters today versus ordinary letters today—and I will get you the exact mathematics of it—but there is no question that we have been trying to reduce the losses, because the majority of the mail is business mail by definition and we lose money. We have lost money every year since 2009 on letters. So the reality is that business customers have been getting a fairly substantial discount on the efficient cost, which is what the ACCC reviews, and what they are saying is that our efficient cost, the prices that we are getting from business customers gives them too big a discount for us to comply with the requirements of making a commercial rate of return. We are not making a commercial rate of return and still do not make a commercial rate of return. We do not even make a profit on that business mail. So, in effect, what has been going on in the last five years is that the taxpayer has been cross-subsidising businesses through us to send mail at a discounted price.

Senator LEYONHJELM: I understand what you are saying. I am just trying to gather a bit of

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information here rather than suggest that you have not done anything appropriate so far. I interpret that to say the prices for business letters have increased faster than the prices for ordinary letters. Would that be right?

Mr Fahour: No. I said I would come back to exactly the calculations.

Senator LEYONHJELM: You will let me know. So, are you able to answer in respect of costs of business letters? Have they increased faster than the costs associated with ordinary letters?

Mr Fahour: I am not prepared with the exact mathematics of that but, of course, I will take that on notice and I will provide you with the answer to that question.

Answer:

For Australia Post's letters business, in 2015-16 around 97 per cent of domestic letter volume and 96 per cent of revenue was generated by business senders.

Since October 2011 (when the *Price Notification Declaration (Australia Post Letter Services) (No.2) 2011* came into effect), business letter prices have not increased at a higher rate than ordinary letter prices.