
INQUIRY INTO THE POSTAL SERVICES LEGISLATION AMENDMENT BILL 2000

AUSTRALIAN DEMOCRATS' REPORT

The *Postal Services Legislation Amendment Bill 2000* appears to be a purely ideological exercise that reflects the Government's fascination with applying competition principles in all circumstances, regardless of any demonstrable merit.

There is a great deal that might be lost through further deregulation of the postal services industry and very little, if anything, that might be gained.

In this light, the Australian Democrats reject the Committee's recommendation that the Bill be accepted.

The Government has never demonstrated that tangible benefits to the Australian community will flow from the proposed deregulation. They have at best asserted that increased competition will increase the efficiency of the postal services industry. Indeed, even the Financial Impact statement contained in the *Explanatory Memorandum* to the Bill, which might be expected to suggest some benefit emerging from the policy, states only that "[i]t is not possible to quantify the costs and benefits to participants in the postal industry from the reduction in the reserved services and the postal services access regime."¹

In fact, Australia Post is already one of the most efficient postal services in the world. It provides an excellent level of service at a uniform rate to Australians regardless of the breadth of their dispersal across a continental landmass. Its level of customer satisfaction is among the highest of Australian companies. As numerous submissions to this inquiry have indicated, this level of service is potentially threatened by the proposals contained in this Bill.

Australia Post maintains a network of more than 4,400 postal outlets throughout Australia,² ensuring that 98% of households receive mail deliveries five days each week, and that 99.7% of rural and remote households receive mail deliveries at least twice a week.³ It provides a letter service throughout Australia at a uniform rate that has remained fixed since 1992. It maintains a competitive parcel service and provides financial and other services through many of its postal outlets. In areas with dubious telephone reception and closed banks, the postal service remains.

¹ Postal Services Legislation Bill 2000, *Explanatory Memorandum*, p.3.

² *Australia Post Annual Report 1998-1999*, p.61.

³ *Australia Post Annual Report 1998-1999*, p.63.

Australians have come to expect and rely upon these services, which are built upon a principle of equitable access to communications. It must be a fundamental principle of any legislation affecting postal services in Australia that they not be jeopardised.

In the case of the current legislation, we have only the bald assertions of the Minister and heavily qualified assurances from Australia Post that there will be no decline in services or closures of postal outlets.

Instead, the strongest evidence presented to the inquiry tended to suggest that there are no guarantees that postal services will be unaffected. This is of particular concern to Australians living in rural, regional and remote areas whose access to the postal network is cross-subsidised by the high volume metropolitan mail routes. Indeed, Australia Post's assurances sat uncomfortably with much of their testimony, and under questioning they acknowledged significant uncertainties about the effects of the various aspects of the proposed deregulation on their revenues, and consequently on their ability to maintain service levels.

At the heart of the Bill are two key changes, both of which have the potential to undermine the viability of Australia Post and thus its services: the substantial deregulation of Australia Post's reserve services; and the introduction of an ACCC-administered regime to provide competitors with access to Australia Post's network.

The proposed reduction of Australia Post's reserved services will permit price competition from alternative carriers on letters over 50g and permit competitors to carry letters weighing less than 50g so long as they charge the same rate as Australia Post. Additionally, competitors will be able to carry inbound international mail.

While these changes would appear to preserve the reserved services through which Australia Post funds its Community Service Obligations (CSO), they are in fact open to a number of circumvention techniques. For example, it was demonstrated that the insertion of a small quantity of additional advertising material into a standard letter would an envelope to be "bulked up" to more than 50g, placing it in the realms of open price competition.⁴ Moreover, while the additional material would increase the cost of the letter, it seems plausible that the ability to extract cheaper delivery prices by bulking up might act as an incentive to major mail users to actively sell access to space in their envelopes to other advertisers as a means of covering the costs of the bulking up.

Similarly, the deregulation of incoming international mail opens up the possibility of "re-mailing", where mail is generated cheaply off-shore and delivered cheaply as incoming international mail.⁵ While the Bill contains provisions to prevent this practice, the Committee heard evidence that those provisions place the onus on Australia Post to prove wrong-doing, and are thus likely to be largely ineffective. We acknowledge that the Committee's second recommendation, which deals with the off-shore mailing of domestic mail, attempts to address this problem within the framework of the proposed legislation.

⁴ Mr Bob Ludlow, *Proof Committee Hansard*, pp.52-53.

⁵ *Proof Committee Hansard*, p.21 and pp.51-52.

The second threat to Australia Post's ability to effectively fund its CSO flows from the introduction of an ACCC-administered access regime. As Australia Post indicated, the impact of this regime on their revenue is an area of uncertainty, as it is entirely dependent upon the precise price reduction imposed upon them by the ACCC. However, it has the potential to impact substantially upon them, as a one cent reduction in their bulk mail rate is expected to translate into an annual revenue loss of between \$25 million and \$30 million.⁶ Under direct questioning, Australia Post were not willing to express any confidence that the ACCC would impose conditions that would not significantly disadvantage them.⁷ Further, the Communications Electrical Plumbing Union (CEPU) pointed to evidence from Sweden that the introduction on an access regime of this kind led to substantial confusion and problems administering aspects of the postal delivery system.⁸ The Committee's seventh amendment attempts to address the problems of the access regime, but does not remove the capacity of the ACCC to force upon Australia Post prices that fail to sufficiently account for their CSO.

In its inquiry, the Committee payed particular attention to the details of Australia Post's CSO. Currently, the CSO extends only to a letter service. Witnesses from groups including the National Farmers Federation, The Country Women's Association and the Isolated Children's Parents Association suggested that it should be expanded to cover small parcel services, the delivery of educational materials to remote areas and some banking and financial services. The Australian Democrats have called for such an expansion of the CSO in the past, and we find it both interesting and heartening that the Committee's report recommends the adoption or consideration of such suggestions. Expansions to Australia Post's CSO of this kind should be introduced into legislation. It is unfortunate that this flawed Bill is not the appropriate vehicle for doing so.

The Australian Democrats note that the Committee's fourth recommendation is for the inclusion of rural and remote licensed post offices within the Government's Rural Transaction Centres Scheme. We are at a total loss to understand why the Government is proceeding with this scheme, which is attempting to erect a new rural services network, when the Australia Post network already exists. Rather than committing funds to duplicating the services of the postal network, it would substantially more sensible, not to mention cost-effective, for the Government to expand the scope of the postal network's services.

⁶ Mr Cordell Short, *Proof Committee Hansard*, p.50.

⁷ Senator Tchen and Mr G. Ryan, *Proof Committee Hansard*, p.60.

⁸ Mr Jim Claven. *Proof Committee Hansard*, p.18.

The Bill seeks to convert Australia Post to a Corporations Law company with 400 shares. The Australian Democrats have long maintained that the deregulation contained within this legislation represents a form of stealthy privatisation. This provision does little reassure us, as it would appear only to serve the purpose of putting in place the necessary administrative steps for the later sale of some or all of those shares.

Finally, we note the evidence given by AUSDOC that the business mail market has already begun to decline as the result of electronic mail. While Australia Post stated that they were operating on an assumption of a growing mail market, they also acknowledged that it is simply a matter of time before the explosive popularity of email begins to eat into consumer mail markets. It strikes the Australian Democrats as particularly foolish to attempt to dilute the mail market at a point in history when physical mail's decline is already visible on the horizon.

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