
Pricing

Australia Post to delay price increases

Recently Australia Post notified the Commission of a number of changes it wished to make to its new price structures being introduced in October 1999. The new structures, for bar coding in particular, were first notified to the Commission in 1997, to come into effect in October this year.

Under the Prices Surveillance Act, Australia Post is required to notify the Commission of any price increases for letter items within the 'reserved services'. Reserved services are defined as those areas where Australia Post has a legislated monopoly.

Most of the changes will favour users. The existing Bulk PreSort arrangements will remain in place for an additional two years, the discount for metering is to be increased and the threshold number for eligibility for a bulk discount is to be lowered from 2500 to 300 letters.

The proposed adjustment in prices will result in an overall reduction of bulk letter prices of 9 per cent from current prices and 1.1 per cent from those previously notified to the Commission.

But some price increases were proposed for some Ad Post services. Although the price changes are relatively small, for some companies that use Ad Post in direct marketing there would be a considerable increase in their postage.

Australia Post argued that customers were offered the option of avoiding the price increases through the use of the newly introduced discount structure offered when meters and/or bar coding are used.

The Commission asked that the price increase for Ad Post services be delayed until October

2000. Business should then be more able to make informed decisions about whether a move to bar coding or metering would mitigate the effect of the price increases. Currently, there is considerable user concern about the costs involved to users for both these new technologies.

Australia Post considered that the proposed October implementation date would be difficult as it would have wider implications for the movement to bar coding and would also impact upon Australia Post's commercial partners developing support technology.

Instead, it negotiated with users to delay the price increase until April 2000. In addition, and to mitigate Commission concerns, Australia Post has planned an information campaign to alert Ad Post users to costing and other information about bar coding and metering.

The basic 45 cent postal rate is unaffected by these changes.



Photography by Arthur Mostead

Glass containers monitoring report

The Commission has issued its second monitoring report for glass containers. The report confirms the finding of the first monitoring report in December 1997 that ACI

Glass Packaging has not taken advantage of the changed regulatory arrangements to raise prices.

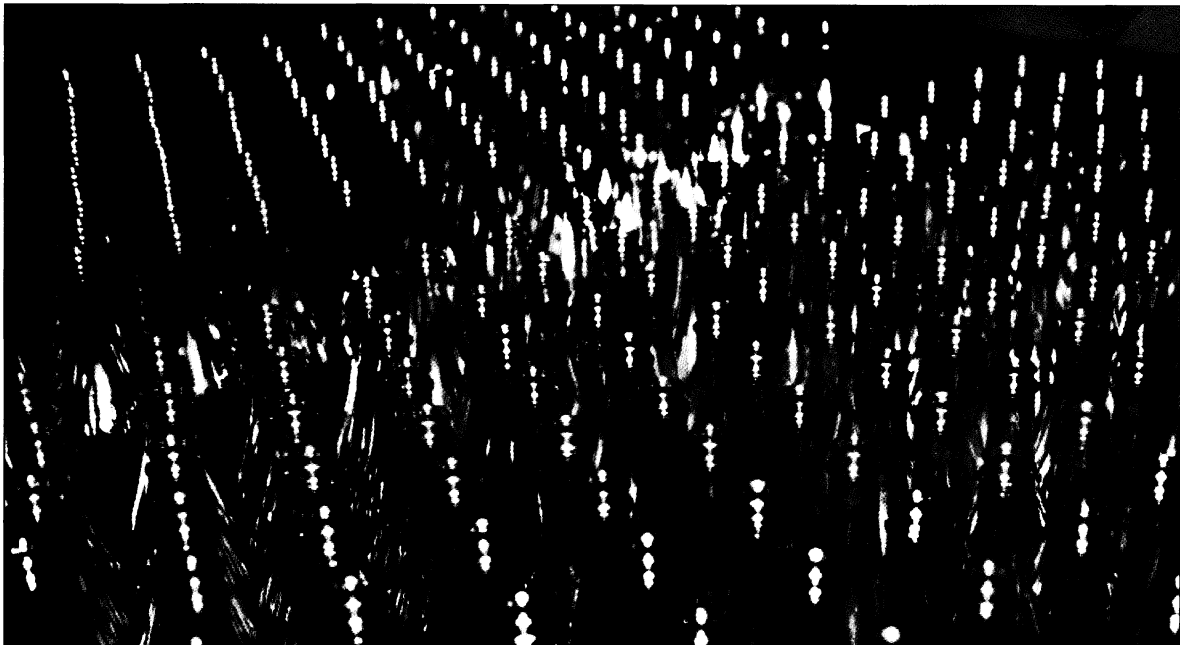
The report concluded that some price reductions have occurred and that the wine industry in particular had benefited through significant reductions in the prices of standard wine bottles.

The report found that, while ACI customers generally consider glass container prices are still too high, perceptions about prices and discounts have improved since the first report. The gap between ACI and overseas prices has narrowed.

However, it found that there is a belief within the food industry that ACI could do more to foster exporting for those products dependent upon the use of glass packaging.

The report noted an increased competitive pressure in the glass container market, particularly as a result of increased international contacts and availability of competitively priced imports. There had been a significant increase in the number of agents for imported glass operating in Australia offering products from a range of sources. PET is also an increasingly attractive substitute for some packaging purposes.

Nevertheless, while ACI is under increased competitive pressure, profits continue to be at high levels. The Commission was not satisfied with the cost data provided to it and has consequently asked ACI to provide additional cost data for the third monitoring report to be released later this year.



Photography by Arthur Mostead