

What price the Australia Post monopoly?

The Industry Commission reports on mail, courier and parcel services

The Commission's Report, released December 1992, says unequivocally that the Commonwealth Government should consider replacing the uniform postage rate for standard letters within Australia (now 45 cents) with a maximum affordable charge. On this basis, no one would have to pay more than the maximum charge, which could be set initially at 45 cents. But many people would pay less, especially in the capital cities, as prices for lower-cost services fell in response to competition.

Other principal recommendations in the report on mail, courier and parcel services are as follows:

- if the Government introduces a maximum charge, it should also end Australia Post's monopoly over the letter service from 1 January 1995. The monopoly is stifling the development of innovative, low-cost ways for businesses and individuals to communicate;
- the Government could introduce a maximum charge while maintaining its social objective of a reasonably accessible letter service for all people in Australia. Australia Post should continue to provide the necessary non-commercial services, but be funded directly by the Government for doing so;
- where roadside delivery is now only once a week it should be increased to at least twice a week. The mail service is vital in rural and remote areas, particularly for educating children by correspondence;
- The Government, in conjunction with Australia Post, should urgent-

ly assess the need for a mail delivery service for people who do not presently receive any at all;

- Australia Post's exclusive right to carry international letters should be withdrawn.

If the maximum charge objective were not immediately acceptable and the uniform charge were maintained, there would still be benefits to the community in increasing the competitive pressure on Australia Post by:

- reducing the minimum amount which other providers must charge to carry a letter to \$1.20 from 1 January 1994, and then by 10 cents each year for 5 years. There should be a review in 1997 to determine the system to apply from 1 January 2000;
- reducing the weight limit for letters from 500 to 250 grams, above which others may compete on equal terms with Australia Post; and
- expanding the present exceptions to the letter monopoly to include the operation of document exchanges, the transfer of mail within an organisation, and advertising material.

Australia Post has claimed that removing its letter monopoly, or even reducing it as outlined above, would have massive adverse impacts on its profitability and would force it to retrench a large number of staff in order to restore its profitability. The Commission considers that these claims lack credibility.

The claims also ignore the wider benefits to the community. Letters not carried by Australia Post would be carried by other providers, at a

lower cost or at a higher standard (e.g., faster) for the same price. It is wrong to equate lower Australia Post profits with a loss to the community.

The basic issue in postal reform is the total cost of providing a letter service which meets customer needs. If the cost can be reduced by others providing letter services that were previously supplied by Australia Post, the Australian community as a whole would benefit.

The Commission welcomes recent improvements in Australia Post's performance. Delivery performance is better, as are productivity and financial results. Nevertheless, the Commission considers there is scope to provide services more cost effectively without compromising their quality, and to improve the pricing of some services.

Australia is not alone in considering ways of improving mail, courier and parcel services. The United Kingdom, Sweden, Canada, New Zealand and the European Community are doing so too. For example, in Sweden the Government has introduced legislation to abolish Sweden Post's sole right to distribute letters as from 1 January 1993.

Alas, even if these recommendations are adopted, none of this is likely to affect the burning issue for *inCite*, of how great an increase it faces in postal rates as a result of progressive moves in the last two years from a Registered Publication to a Publications Agreement and now to Print Post. It seems that we shall have to put the first issue of *inCite* through the system to find out what the bottom line will be in 1993. ■

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