



INDUSTRY COALITION

AUSTRALASIAN CATALOGUE ASSOCIATION
AUSTRALASIAN PAPER INDUSTRY ASSOCIATION
TSA LIMITED

Request for change to Australia Post Pricing Policy

September 2018



1.0 Industry Coalition – Australia Post Pricing Policy change

1. Meaningful consultation

The Industry Coalition is calling on Australia Post to provide greater consultation with Industry on all matters that impact the industry across mail, print and distribution.

Despite numerous attempts to engage in a meaningful manner the Industry Coalition has found Australia Post has been dismissive and lacking real understanding of the commercial realities the Industry Coalition members operate within.

It would be fair to say in regards to pricing not once since the Reform has Australia Post listened and conceded to industry concerns. Australia Post argues that they 'consult with industry', however this is a misleading position. In fact, Australia Post communicate their increases, industry responds with due argument, Australia Post proceed with their original proposal. It is not a consultation process if one body does not listen, understand and respond with whom they are consulting with.

The Industry Coalition is calling for an independent mediation forum for Industry and Australia Post to consult, communicate and work through matters of concern.

2. Commercial Budgeting in line with financial year

Australia Post, despite many requests from the Industry Coalition, continues to implement pricing with no connection to financial budgets or calendar timings. Pricing increases are ad-hoc and leaves Industry Coalition members little, if any, time to budget, prepare or develop solutions to counter-balance the price increases.

This approach leaves no solution for commercial companies other than to simply reduce mail volumes which accelerates an already distressed sector.

The Industry Coalition is calling for a commitment from Australia Post for once only annual price advice in March of each year with any price and product amendments to be implemented on the 1st of July.

3. Price Calculator and transparency

Australia Post has indicated to the paid Executive of the Industry Coalition, Kellie Northwood, that they have clear levers which trigger price increases. With this modelling available there would be significant benefit to the members of the Industry Coalition to understand this modeling and review with a three to five-year forecast. This will assist Industry Coalition members to determine appropriate investment within the industry and capital expenditure ROI consideration.



The Industry Coalition is requesting Australia Post develop a Pricing Calculator which provides insights to pricing inputs/outputs and offers forecast modelling for Industry Coalition members to review and plan for three to five-year financial planning and industry investment.

4. Weighted Averages

Australia Post report pricing increases based on ‘weighted averages’. The Industry Coalition rejects this approach as ‘weighted averages’ are often misleading. The current ‘weighted average’ price increase is being communicated by Australia Post as 1.2% increase, however Print Post, the product that Industry Coalition members are most impacted by, is in fact a 6% increase.

‘Weighted average’ reporting has long been criticized by industry, however Australia Post continue to practice this form of reporting which leads to a misunderstanding across all sectors of the price increase impact. Customers are not clear of the full price increase impact until it is implemented and the customer receives their postal invoice. At this time the price increase cannot be amended and this can lead to further budgetary pressures which leads to further volume reductions to accommodate already established financial budgets.

The Industry Coalition is requesting a review of how Australia Post communicates pricing and to cease communicating as ‘weighted averages’ which is misleading to industry and other stakeholders.

5. Strategic Mail Partnership

Since the 2014 Reform, Industry Coalition members have continued to feel frustrated and dismissed by Australia Post. Given Australia Post operates within a Government supported monopoly, it is difficult to seek competitive services and industry has been left in an untenable position.

- Industry has attempted to develop competitive solutions to the unreserved sector and each time Australia Post has responded with private agreements direct to customers,
- Industry has attempted to establish working coalitions to lobby Government and Australia Post has offered financial solutions to split the coalition,
- Industry has attempted to work directly with Australia Post executives and those executives offer conflicting communications and further barriers to escalate to more senior executives for more commercially sensitive solutions.

Despite the above, the Industry Coalition has continued to attempt to find solutions. In 2016 and 2017 the Industry Coalition reviewed international solutions across the United States and the United Kingdom. In the United Kingdom a program was led by industry in partnership with Royal Mail – the Strategic Mail Partnership. The Industry Coalition paid Executive, Kellie Northwood, has worked with the SMP – UK Chair and explored the approach, strategy and deliverables. These were then redeveloped to suit the Australian



market. Following this the Industry Coalition put forward a submission to Australia Post to implement this solution as a mediation and consultative conduit for Australia Post and Industry Coalition members. Despite this solution being endorsed by industry, having a proven track record internationally and welcomed within the initial conversations with Australia Post executives, no formal response from Australia Post has been provided. This proposal was submitted some eight months ago.

The Industry Coalition is seeking the implementation and support from Australia Post of the SMP in Australia. The SMP will provide an independent, consultative forum for industry and Australia Post to consult and work together in a meaningful manner.

6. Auditor General's review and Australia Post auditing process

Currently the industry is not engaged when assessing Australia Post's performance, however it is the industry that is the hardest working and largest impacted sector should Australia Post not meet its commitments.

Collectively, industry and Australia Post employ ~246,000 Australians from paper to print to mail and distribution. It would be fair to say this sector, with digital disruption, is a distressed sector (Ibisworld, 2017) and experiencing significant change as print and mail volumes decline. However, it is the Industry Coalition's position that Australia Post's approach to mail product pricing is accelerating volume declines of the letters sector.

Further, the Industry Coalition understands that Australia Post postal workers are delivering parcels with any latent capacity from the letters business and the Industry Coalition is calling on any and all audits to include a review of this latent capacity to understand a more holistic view of the pricing mechanisms across parcels, letters and other business units within Australia Post.

The Industry Coalition is requesting engagement and participation within the auditing of Australia Post. This will ensure Government, and other stakeholders, have a more accurate view of the broader landscape Australia Post sits within. This will also ensure a deeper understanding, to both Government and industry, of the impact any strategic directions Australia Post determines in particular regard to pricing, will have on the largest manufacturing employer in the country.



2.0 About the Industry Coalition

The Australasian Catalogue Association (ACA), Australasian Paper Industry Association (APIA) and TSA Limited (TSA), referred throughout as the 'Industry Coalition', are managed under a common senior executive team with Board member and Commercial member synergies. As such, the three organisations with a collective history within the graphic communications sector of some 50 years in both Australian and New Zealand markets, work in partnership across many initiatives.

AUSTRALASIAN CATALOGUE ASSOCIATION (ACA)

The ACA was founded in 1992. The ACA represents the users, producers, and distributors of catalogues (printed and digital) and is the industry body representing letterbox distribution across addressed and unaddressed sector. The ACA provides a forum for the promotion of catalogues and letterbox marketing as an effective advertising medium on its own merits or part of effective multi-channel communication campaigning. To support and promote the effectiveness of catalogues and letterbox marketing as an effective media channel, the ACA measures and builds metrics across Audience Reach, Circulation, Market Segmentation, Value, Effectiveness and Path to Purchase.

Executive Officers:

Chairman - Kevin Slaven, Chief Executive Officer, PMP Limited
Deputy Chairman - Matt Aitken, Chief Operating Officer, IVE Group
Treasurer - Rebecca Lowde, Chief Executive Officer, Salmat

AUSTRALASIAN PAPER INDUSTRY ASSOCIATION (APIA)

APIA is the industry association representing the interests of the Australasian Paper Industry. The membership includes paper manufacturers, paper importers (including mill agents) and paper merchants.

APIA's main activities include: Industry representation, Government relations, Industry information and Networking. In 2012, APIA provided the Association infrastructure to launch Two Sides Australia, in 2013 this was relinquished, as Two Sides Australia Limited was formed as an independent industry representative body. In 2017, APIA approached TSA Limited to partner and for TSA Limited to run as the Secretariat for the Association. This relationship remains today.

Executive Officers:

Chairman - John Walker, Managing Director, SAPPI
Deputy Chairman - Marcus Lindh, Managing Director, UPM
Treasurer – Simon Doggett, Managing Director, Ball & Doggett



TSA Limited (TSA)

Two Sides Australia Limited was formed in 2013 following the establishment of the Two Sides campaign under APIA in 2012. In 2014, with the launch of the Value of Paper and Print campaign (VoPP), Two Sides Australia began trading as TSA Limited. In 2016, Keep Me Posted an advocacy campaign lobbying Government to ban paper fees for bills and statements was launched. Two Sides, the environmental, VoPP, the effectiveness and Keep Me Posted, the advocacy, campaigns all continue to run today.

In 2017 APIA and TSA commenced a more formal arrangement in that TSA became the Secretariat and accepted Directorship of the Association. TSA also agreed in 2017 to expand the VoPP charter to include Packaging and Large Format, whilst also developing a fourth campaign which will be launched in 2018, promoting the power of Direct Mail. This will be in partnership with Australia Post, a Board member company.

Executive Officers:

Chairman - Craig Dunsford, EGM – NSW, PMP Limited

Deputy Chairperson - Karen Goldsmith, Executive Director, Visual Connections

Treasurer - Simon Doggett, Managing Director, Ball & Doggett

WHY ARE WE WORKING AS A COALITION?

The three Associations by the nature of their commonality – commitment to achieve growth in the graphic communication industry from supply to design to production to delivery – have alignment in projects and vision for our industry. Further, with common executive management via a shared paid Executive, Management team and Board member synergies, working together assists in a united approach and a commitment to respond to the industry's requirements to protect and promote. Across the Board and Member companies of all three organisations we represent \$5.4B of our \$7.5B industry (these figures exclude Australia Post and Fairfax Media). Collectively the industry, across paper, ink, print, mail and distribution employs over 246,000 Australians across full-time, part-time and contractor arrangements with mixed skilled and unskilled labour supply.

With all of the above in mind the three organisations are reviewing the power of consolidation, either formally or informally, to deliver optimal member and industry benefits.

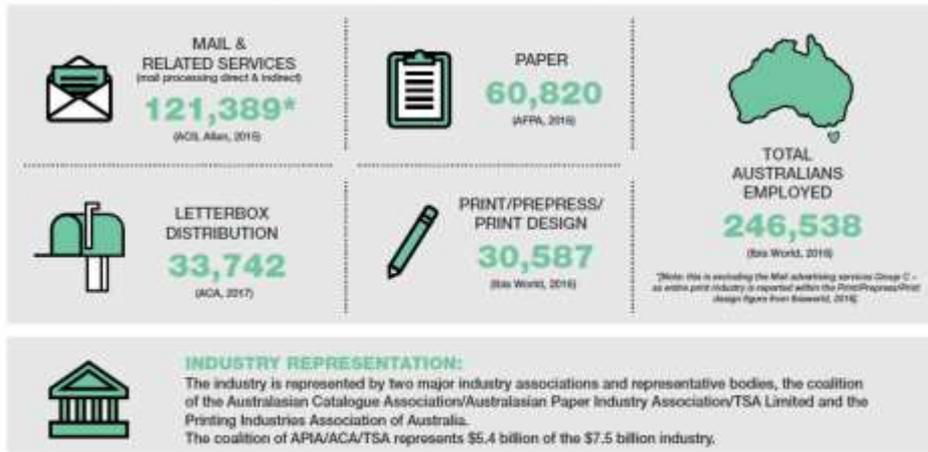
3.0 The Industry Snapshot

AUSTRALIAN PAPER, PRINT & MAIL INDUSTRY SNAPSHOT

KEY FIGURES



PULP, PAPER, PRINT AND DISTRIBUTION INDUSTRY EMPLOYMENT BREAKDOWN BY SECTOR



Sources:
Market Research Report: Printing Industry: Bis World, 2015; Economic contribution of the Australian printing industry
Acl Allen, 2015; National Pulp and Paper Sustainability Report, Dec 16, 2015



4.0 Coalition Members

Industry Coalition Members

Association Partners:

Australasian Catalogue Association
 Australasian Paper Industry Association
 PrintNZ
 Sierra Delta
 SWUG AUS
 TSA Limited
 Visual Connections
 We Print

Abbott Printers and Stationers
 Absolute Colour Printing
 Advance Press Pty Ltd.
 Allprint Graphics
 April International Marketing
 ArjoWiggins Fine Papers
 Arrow Print
Australian Paper
Australia Post
 Axis IQ
Ball and Doggett
 Bambo Press
 Böttcher Systems
 Bright Print Group
Candida Stationery
Central National Australia
 Chem International
 CMVHub
 Complete Colour
 Colemans Printing
 Connect Paper Plus
 Creall
Currie Group
 DIC Australia
 Digitalpress
 Direct Paper
 Dolphinworks
 Domain Paper
 Eckersley Print Group
 ecoDesign ecoPrint
 Eli
 Etof Hansson
 Fairfax Media
 Finbury Green
 Flint Group
 Franklin WEB (an IVC business)
Fuji Xerox

Geppland Trade Printers
 Glide Print
 Hearsey's Performers in Print
Heidelberg Graphic Equipment
 Homesglen Institute
HP PPS Australia Pty Ltd
 Images On Paper
 Immi Pty Ltd
 Incredible (Graphic Design)
 Inkwell NZ
 Intartype
IVE Group
 Jackaroo
 Joosimo
 Kirby International
Konica Minolta
 Kwik Kopy
 Leigh Alexander
 Letterbox Media
 Lithocraft
 Malaga Print & Copy
 Marketing Mechanics
 Mark Media
 Media Super
 Melbourne Mailing
 Melbourne Mail Management
 Netsa Board Australia & NZ
 Minulentan Press Melbourne CBD
 Monash Printing Works (Glenhurst Printing)
 Nonstone Art Print
 Morgan Printing
 Mystique Pty Ltd
 Nec
Neopost
Norske Skog Australasia Pty Ltd
 Nulab Group

Océ
 Pinnacle Print Group
Pitney Bowes
 Platypus Graphics
PMP Limited
 PMP Limited NZ
 PRD Print
 Print System Australia
 Reachmedia
Ricoh Australia
 Römel Paperworks
Salmat
 Same Day Printing
Sapli Trading Australia
Snap Franchising Limited
Spicers Australia
 Spot Productions
Starleaton
 Stockman Paper
Stora Enso
 The Print Group
 The Works Printing Group
 Unprint
UPM Kymmene Pty Ltd
 Virid Pty
 Waikato Print
 Webster NZ
 Westminster Printing
 Whirlwind Print
 Woolf Media
 WorldWide Printing Solutions
 XMPA
 Yoohee McPhee

Note: Paper and Printing Members listed in **bold**