

7th June 2013

Mark Roberts
General Manager, Mail Products
Australia Post Headquarters



Dear Mark,

The Fundraising Institute Australia would like to make the following submission in regards to the Proposal to Change Business Letter Prices.

1. ABOUT FUNDRAISING INSTITUTE AUSTRALIA (FIA)

Established in 1968, FIA's purpose is to make the world a better place by advancing professional fundraising through the promotion of standards, professional development pathways and measurable credentials so that our members achieve best practice.

In order to achieve its mission, FIA conducts the following activities:

- Promotes and encourages research into fundraising and philanthropic giving.
- Promotes and enhances education, training and professional development of fundraisers.
- Promotes and enhances fundraising as a profession.
- Provides resources of fundraising information.
- Supports and promotes certification of fundraisers.

The FIA has developed the Principles & Standards of Fundraising Practice as the professional fundraiser's guide to ethical, accountable and transparent fundraising. The Principles & Standards are vital to how the fundraising profession is viewed by donors, government, the community and fundraisers.

FIA has 1500 members from across the spectrum of the charity and Not-for-Profit sector. Our members are some of the largest users of the Charity Mail component of the Business Mail category.

2. THIS SUBMISSION

2.1 Background

For the charity sector, unlike many others, mail continues to remain the most successful medium for donor acquisition and retention. However unlike the business sector, charities are unable to pass on any price increases to their donors.

According to Pareto Fundraising's latest benchmarking study, direct mail acquired more donors last year than any other form of donor recruitment. The study of 54 charities also found that since 2009 the number of new donors acquired by mail increased by a 100% and the number of people who made a donation for the first time after receiving direct mail has grown from 57% to 69% in the same period.

In the current economic environment, the charitable sector is under increasing pressure to provide for the welfare of the disadvantaged and incapacitated in our community; the majority of which rely upon the generosity of the public via donations to fund their activities.

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While charities operate in a businesslike manner in order to provide sustainable services, charities are unable to recover any cost imposts via increased cost for their services, which are often provided free of charge.

With Governments nationally exiting the provision of community services and relying upon the charitable sector to fill the gap, the demand for the services they provide is increasing each year. However the funding provided by Governments falls well short of the end cost of service provision. Fundraising is a vital component that fills the gap.

2.2 The effect of price increases

While it is acknowledged that the demand for charity post is relatively inelastic (with price increases imposed in recent years not resulting in significant decreases in volumes), the question needs to be asked if this is a sustainable position for the sector in the future? Clearly mail is the most effective option, with any substitution being unlikely to bring the same result and diminution of vital funds.

Therefore the charitable sector is caught in a pincer movement. Charities are unable to switch to another channel without risk and are therefore subject to price increases imposed by Australia Post as a result of decreasing mail volumes generated from other sectors.

FIA submits that the 6.1% increase proposed is untenable on top of the price impost already absorbed by the sector just three months ago. Australia Post's position as the sole supplier without ease of substitution, brings with it considerable responsibility to ensure that any pre-emptive move to increase margins does not have the unintended consequences of diminishing the availability of funds to the charitable sector. FIA would point to Australia Post's role in providing and supporting net community benefit.

2.3 The value of an effective and efficient mail chain.

FIA recognises that the rapid reduction of and the future outlook for mail volumes in a network that by its nature has very high fixed cost of delivery, has considerable implication. For the charity sector, unlike many others, mail continues to remain the most successful medium used in donor acquisition and retention. However, unlike the business sector, charities are unable to pass on any price increases to their donors. However to use the blunt instrument of price alone to increase profitability and therefore sustain the viability of the service is a short term proposition.

FIA further understands that in order to gain worthwhile and lasting cost efficiencies across the network there would need to be structural changes. This will take some time and deft management of the various stakeholders including community expectations in respect to mail delivery, quite aside from the political ramifications in doing so.

Given that this will take some time perhaps it's opportune to look at different ways that the mail service can be used by this sector in respect to delivery methods and timeframes within the current legislative framework. FIA is confident that any steps taken to review products will be welcomed by this and other users of business mail, all of whom have an interest in a viable and efficient postal service.

3 . RESPONSES TO SPECIFIC QUESTIONS.

3.1 General use of mail services.

FIA's position in respect to the effect of price on the use of mail services is explained in the foregoing.

3.2 Metered Mail

No comment.

3.3 Charity and Acquisition Mail

Q: Does the maintenance of existing price relativities between these services and comparative PreSort services continue to be appropriate?

No. FIA submits that at its inception the Charity Mail discount represented a 20% discount on Bulk Pre-Sort prices. Since that time there has been a steady degradation of that discount to the current rate of 10.6%. A restoration of that margin would greatly assist charities and encourage further uptake of the mail.

3.4 PreSort

Q: Will the maintenance of the current differentials between Regular and Surface mail prices continue to provide appropriate incentives for using Surface Mail?


The current differential should provide an incentive, however the inconsistency in delivery, especially to further destinations, makes Surface Mail an unpredictable service where gearing up for response management is required.

Surface Mail needs to be more reliable and predicable for it to be a viable alternative to Regular Mail.

I would be happy to discuss or amplify our position further should the need arise and I trust Australia Post is able to take into account the unique needs of this sector in its price determination.

With kind regards,

Yours sincerely,



Rob Edwards
Chief Executive Officer

