

D&D MAILING SERVICES

A.B.N.32 611 049 879



Mr Dennis Atacador,
General Manager Commercial Sales
Australia Post
GPO BOX 1777
MELBOURNE VIC 3000

9TH March 2011,

Dear Dennis,

We are in receipt of your letter dated 28th February 2011 advising us of the impending changes to the Print Post service effective 1st April 2011.

As you would be aware D&D Mailing Services has been very actively involved with Australia Post since August 2010 when the changes were first tabled, as a result we convened a workshop meeting in Sydney with our customers (publishers) and Australia Post staff.

As a direct result of our meeting we received a confirmation letter acknowledging our customers contribution and the Print Post changes were fine tuned accordingly all of the changes were set out in your letter, we were also supplied with the new pricing structure in accordance with the new weight breaks.

At no stage since August 2010 were we advised that there would be any changes to the minimum bundle sizes.

As a result of the information supplied by Australia Post our customers were very anxious for us to analyse their databases so that they could be aware of any pricing changes for budgetary purposes.

Because additional weight breaks were included then we had no alternative but to amend our Print Post Consolidation lodgement software, we then analysed all of our customers databases and provided them with pricing effective April 2011.

The general consensus from our customers was positive, namely for two reasons, the first because they were given the opportunity to meet with Australia Post in November 2010 and table their concerns and secondly because the new structure provided some pricing relief within certain weigh breaks. Our customers were further impressed by our initiative but more importantly the willingness of the Australia Post staff to acknowledge their individual input as publishers.

At our meeting our customers did make it very clear that given the current economic circumstances magazine subscriptions could simply not afford any substantial increase and if this did occur then circulation numbers would have to be “culled”.



Your letter dated 28th February 2011 confirmed all of the above, but with one exception the change of the minimum direct bundle size within the 125 to 175 gram and 176 to 250 gram weight breaks from a minimum of 10 articles to a minimum of 15 articles.

At no stage whether it be the pricing analysis conducted by Australia Post or D&D Mailing services was the change to the minimum direct bundle size a consideration, and the weighted average increase for the Print Post product was calculated to be 3.1% over all weight breaks.

If the change to the bundle size had been a consideration then the weighted average increase would have been higher.

Since receiving your letter dated the 28th February 2011 and on noting the change to the minimum direct bundle we changed our Print Post software and re-analysed some of our customer's databases what follows is a simplified analysis of that exercise:

Based on our previous analysis of the pricing changes and the new weight breaks alone the 126 to 175g weight break has a significant saving to customers of an average of -3.7%.

Based on our previous analysis of the pricing changes and the new weight breaks alone the 176 to 250g weight break has an average increase of 6.04%.

However, when we take into consideration the new minimum bundle requirements (As detailed in your letter) the analysis changes dramatically:

Based on our analysis of the current pricing compared to the new April pricing as well as the change to the min bundle requirements the 126 to 175g weight break now has an 0.07% average increase. (-3.7% previously advised).

Based on our analysis of the current pricing compared to the new April pricing as well as the change to the min bundle requirements the 176 to 250g weight break now has an 10.35% average increase. (6.04% previously advised).

This last minute bundle change to these 2 weight breaks will have a huge pricing impact and all magazines that lodge in these 2 weight breaks need to be re quoted.

We are of the opinion that the change to the minimum direct bundle size has been promulgated in error and our reasoning is based on the weighted average price increase calculated both by Australia Post and D&D Mailing Services to be 3.1% effective 1st April 2011. Please note that both exercises were done independently and were done prior to the date of your letter 28th February 2011.

From an operational view point increasing the minimum direct bundles size will create a situation whereby more residual article bundles will now be created meaning extra handling for Australia Post as compared to a direct bundle.

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The staff at D&D Mailing Services and Australia Post has collectively worked on these impending changes since August 2010, it has been an exhaustive exercise especially with the additional weight breaks and their inclusion into our Print Post consolidation software.

D&D Mailing Services has been the catalyst in bringing the publishers and Australia Post together which has demonstrated good positive results, accordingly we request that the change to the minimum direct bundle size be rescinded and perhaps tabled as a future change which would hopefully follow the same consultative approach by D&D Mailing Services, The Publishers and more importantly Australia Post.

We would like to escalate your decision and response so that we are in a position no later than the 15th March 2011 as we will require time to re-analyse our customer's databases and inform them accordingly.

In the meantime, please do not hesitate in contacting me should you require any clarification of the above or any additional supporting information.

Yours Sincerely,

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