

AUSTRALIA POST UNDER REVIEW



Australia Post

Public Review

The Federal government is calling for submissions from the public as it undertakes a sweeping review of Australia Post's business model.

Australia Post, which is entirely government-owned, works under strict community service obligations to provide near universal letter deliveries to Australian homes five days a week and to operate post offices close to homes.

Australia Post is expected to run at a loss for the first time since 2015 and those losses are expected to grow in the years ahead. The company's financial woes can largely be attributed to letters, with that side of the business delivering a record \$190 million loss in the first half of this financial year.

The digitisation of the economy has severely undermined the viability of Australia Post's letter delivery operations so that it is no longer profitable or relevant to the majority of Australians.



Australia Post

Australia Post is obliged to deliver letters to 98 per cent of Australian homes every weekday and 99.7 per cent at least twice a week. Australia Post temporarily shifted to alternate day letter deliveries in metro areas during parts of 2020 and 2021 due to the pandemic.

The cost of letters is also regulated with a small letter able to be sent anywhere within Australia for \$1.20. The sending of letters peaked in 2007-08 with volume since falling 66%, a decline of more than 3 billion letters each year. Households now receive, on average, 2.4 letters a week and that is forecast to halve again in the next five years.

Australia Post is required to have a post office within 2.5 kilometres of 90 per cent of homes in metro areas and 7.5 kilometres of 85 per cent of homes in regional areas. Revenue from sales within post offices has been declining, with transactions down 39 per cent since 2013-14 and forecast to keep falling.

Growing Parcel Boom

As letters have declined, parcels have boomed with half a billion parcels delivered by Australia Post across the country in 2021-22.

Unlike letters, Australia Post is not under any obligations as to how it runs its parcels business, but unlike letters it faces significant competition from private companies. The parcel delivery business should therefore be run independent of the letters business and not subsidise the letters operations.



Australia Post

Options for Change

The government wants to consult on how the rules governing Australia Post might be changed to help the business survive and return to profitability. It has ruled out any privatisation of the business.

The Boston Consulting Group review of Australia Post, delivered to the former Morrison government in 2020, suggested options like a shift to a

three day a week service in metro areas or even a shift to a nationwide alternate day delivery model. It also suggested looking at privatising some or all of the profitable parcels business.

Here are some thoughts on how to improve Australia Post's profitability without the huge fees charged by Boston Consulting, or the huge salary of \$7.5M paid to a former CEO who oversaw this decline.

- Site post offices to service an area of 5 - 10kms radius in metropolitan areas and a post office in every town with a minimum population greater than 4,000 in regional areas.
- Post boxes should be removed from residential streets and only located in commercial areas with more than 5 shops.
- Post boxes be cleared only two or three times per week.
- Mail deliveries to be made only two or three times per week in metropolitan areas and weekly in regional areas.
- Letter boxes be provided at regional post offices for people who live more than 25kms from the nearest post office.
- Scrap the sale of irrelevant merchandise in post offices.
- Negotiate a new deal with the banks to improve the services offered and obtain a better return.
- Reduce the management bureaucracy.

Associated legislation concerning delivery times for legal purposes would need to be amended.

Have Your Say

- Visit the [Department of Infrastructure, Transport, Regional Development, Communications and the Arts website](#) and add a comment in the "short comment" box.
- Upload a submission to the website or emailing it to postalconsultation@infrastructure.gov.au.
- Write to: Department of Infrastructure, Transport, Regional Development, Communications and the Arts
GPO Box 594
Canberra ACT 2601
Attn: Director, Postal Policy — Communications Services and Consumer Division

Submissions close on 27 April 2023