

Postal Services Modernisation Discussion Paper 27.04.23

This company has been an Australia Post A/C holder for almost 50 years. We are a B2B and B2C enterprise, that ships to Australian and International addresses. We sell directly and through marketplaces like eBay. Below is our opinion on ways to improve Australia Post Services and reduce operating costs.

1. **Reduction in Frequency of Letter Drops.** A major cost reduction for Australia Post could be the change from every day to every second business day or even twice a week only. However this would create a conflict with Priority Services, such as Express Post, the delivery standard of which is overnight or the following day.
2. Do **not privatise** Australia Post. Must remain in public ownership
3. **Introduce a SMALL PARCEL Service**, which at one time was called a '**Packet**'. As a shipper of small electronic Items to consumers, we have a big dilemma with Australia Post's Parcel options. If a product fits in a Jiffy Bag that measures no more than **20x260x360mm @ 500g**, it can go under the 'Large Letter' category for only **\$3.60**. This is good for small items valued at \$10-40. However, whilst width of 260mm & length of 360mm are generous, the thickness of 20mm is restrictive. So restrictive in fact, that a product such as a small Phonograph Stylus, packaged in a small plastic case, **measuring only 18x45x55 mm and weighting 25grams**, can exceed 20mm in height once placed inside a Jiffy Bag. Which then attracts the full parcel rate of **\$9.70**, that for a \$25 item is PROHIBITIVE. So whilst this particular product is miniscule in terms of allowable width and length, as soon as height exceeds 20mm by say 5mm, shipping cost jumps from **\$3.60 to almost \$10!!** Although the product itself may only be 12-18mm in height, it does need protection and so when placed inside a Jiffy or Bubble Bag, it can easily reach 22-30mm in thickness. **If we have one gripe with Australia Post, this is it!** Rather than enhancing E-Commerce, it is hindering it.

A large number of TV Remote Controls are sold on-line and marketplaces such as eBay have pushed vendors to offer free postage. Many vendors offer these for \$20-30. How can such a vendor, without breaking the rules, make money, when Australia Post charges ~\$10?? These products, also have a small footprint of 30x100x270mm @ 160g.

I have sought to bring this to the attention of Australia Post on numerous occasions, but for lack of the right contacts, my appeals have not travelled far enough in the organization. I believe that SENDLE has introduced such a small, tracked parcel category + for around \$5. Ironically overseas parcels do not have cubic limitations. As an organization, we prefer to work with one service provider and hope that AusPost will introduce a ~\$5 small parcel option.

So - clearly there is a gap in your Service Options. There should be the introduction of a new category. Say **30x150x300mm @ 250g**.

To exacerbate this whole situation, when a Package travels through your new CUBING MACHINES, it can experience deformation in transit and consequently bulge upwards due to side impact, creating air-space. Thus a package that started its journey as a 18mm semi-flat object, may go through the gate no longer flat, but 25mm in thickness, upon which Australia Post sends you an unwelcome letter asking for the shortfall of \$9.70, plus an admin. fee. Clearly this is wrong and rather than having spent millions on these confounded machines, Australia Post would have been better to be a little more lenient with limits. After all, I am convinced that the aggregate total of your parcel volume is not cubic, but that dead weight overall, exceeds cubic weights. Put another way, while some parcels' cubic weight is higher than their deadweight, the majority of parcels' deadweight would be higher than their cubic weight, therefore nullifying the need for cubing.

This phenomenon of cubing freight started in the airfreight sector some 10-20 years ago. This was never challenged. The truth is, this has been and still is a profit-driven measure, as on an aggregate basis, freight is not cubic. Most freight is in the deadweight category. So whilst some parcels' volumetric weight exceeds their deadweight, this is offset by the number of parcels of which deadweight exceeds cubic weight.

It is therefore disappointing that Australia Post has jumped on the same bandwagon and spent taxpayer's money on these unnecessary cubing machines.

4. An alternative to the above requested 'SMALL PARCEL' option, would be to introduce a new, smaller **pre-paid 'Red Bag'** option, half the size of the current 'small' one and rated at 250g instead of 500g. To cite the example of Styluses and Remote Controls, the smallest current Red Bag could fit 100 Styles and several

Remote Controls!! It's overkill. So such a half-size Red Bag at ~\$5 would solve the problem and be a sure hit with Businesses.

5. The introduction of such small parcels or packets could have cost-benefits for Australia Post as well. With the dilemma of lost letter volume and the looming crisis in delivery frequency, these small parcels could be carried by Posties, especially those using the new motorcycles with canopies and storage boxes. I presume the number of these transports will increase? Delivery by Posties instead of Vans could save Australia post money and compensate for the reduction in letter volumes. Put simply, there might be less need to reduce delivery frequency, because Posties are given back lost volume.
6. Communication with the Business Community could be better. The above matter re small parcels was something that could not be escalated. In years past, as an account holder, we had an allocated, local Australia Post Sales Rep., that used to call on us twice a year, at which time one could talk face-to-face and air concerns one had.
7. An example of Australia Post being out of touch, is the new design (now 2years) of the Red and Yellow Express Post pre-paid Bags, as well as the TB1 Tough Bags. All require signatures - as before. However on the new versions the signature field is placed in such a position, that when an Invoice-Enclosed pouch is attached, the signature field is covered up! This is an absurd oversight and should never have occurred. There was no need for a re-design. Re-Designs cost money. Taxpayer's money. But if you are going to re-design, consult with your customers first.
8. The above raises another question. With all this upgrading and investment, how much is really necessary and how much isn't? It is my observation over the years that freight companies, especially the multinationals like TNT, FedEx, DHL & UPS, tend to 'gold-plate' their freight networks. But then ask their customers to pay for it, when customers were never consulted. They do it because they can. I am not sure that electrification is cost-effective and environmentally friendly. What is never taken into account is the environmental impact of new production and disposal of that which is being replaced. A Diesel Van clocking 500,000km is a far more environmentally friendly proposition than an electric one, whose batteries need to be scrapped and replaced every 5-10 years, causing environmental damage through Lithium Mining and waste disposal. A well-kept secret is that for many products, 80% of the total life-time energy consumption of that item, is consumed by the production process itself. So good maintenance of your existing fleet is probably a better option than this penchant for upgrading & updating. It's glamorous, but not necessarily cost-effective.
9. As a business, we are disappointed that the Posting deadline of 6pm from metropolitan posting boxes, has been reduced to 5pm and then to 4pm. Whilst this may have been necessary during Covid, it has not been brought back to 6pm or 5pm. This restricts business from dispatching orders the same day. Marketplaces like eBay encourage sellers to dispatch same day. How is this possible, when around 2pm one must have a cut-off time for new incoming orders, to allow for processing? Posting deadlines should return to 6pm.
10. As to the question of what the value of the 'regulated priority letter service' is to us, the answer is in the affirmative: that yes - it is important. So is the standard letter service. Advertising, alongside the digital channel, is supplemented via print. There is no substitute for a shiny hard-copy delivered to your door.
11. Not sure whether increasing standard letter prices to \$2 is the right thing to do. The higher the price, the lower the volume and the lower the volume, the higher price. It's a vicious circle...
12. I believe that Australia Post's future will rely more heavily on it's small parcel delivery business and it is hoped that the revenues from this will eclipse the losses incurred from the declining Letter Service.

Best
Regards