

1 April 2023

Director, Postal Policy
Communications Services and Consumer Division
Department of Infrastructure, Transport, Regional
Development, Communications and the Arts

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Attention:

CC: The Hon Michelle Rowland MP – Minister for Communications VIA EMAIL

Delivering a modernised postal service

Director Postal Policy,

Freight & Trade Alliance (FTA) is pleased to make this submission following a previous contribution to the *Senate Inquiry on the future of Australia Post's service delivery* and in response to correspondence received from the Minister for Communications, dated 2 March 2023, seeking additional views.

By way of background, FTA represents:

- a membership of 490 businesses including Australia's largest international trade logistics service providers and major shippers (importers and exporters);
- several industry associations in a policy and operational support capacity including a dedicated secretariat role for the Australian Peak Shippers Australia (APSA) – the peak body for Australia's containerised exporters and importers designated under Part X of the Competition and Consumer Act 2010 and by the Federal Minister of Infrastructure and Transport; and
- several working groups including the **E-Commerce Reference Group (ECRG)** comprising of Alibaba, e-Bay and Amazon.

As outlined in its previous submissions and Ministerial engagement, FTA acknowledges that the future of Australia Post's service delivery is critical in terms of impacts on its workforce, businesses customers and support to the Australian community. Australia Post needs flexibility in any associated regulatory framework to evolve with the needs of all customers along with a pragmatic and financially viable business model.

The following commentary has been structured in response to the seventeen (17) questions in the *Postal Services Modernisation Discussion Paper* (Discussion Paper), released by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts in March 2023.

We trust that this assists the Australian Government in its deliberations to ensure Australia Post remains financially viable and continues to provide valuable services to its diverse customer base.

For further detail, please contact me direct on [REDACTED]

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General Manager, Trade Policy & Operations – FTA / APSA
Secretariat, E-Commerce Reference Group (ECRG)

PART 1: POSTAL SERVICES AND MODERNISATION BENEFITS

1. What services provided by Australia Post are most important to you?

For both consumers and business, a reliable and cost-effective parcel delivery service is essential across both metropolitan, regional and remote locations across Australia. For eCommerce specifically, parcel services to these locations are critical.

2. What does Australia need in a modern postal service?

During the pandemic, key sectors of the economy played a vital role is safeguarding the health of Australian consumers and business. Over this time, e-commerce has rapidly evolved from being a convenient way to buy, sell and transport goods to becoming an important way of ensuring businesses could maintain operations while safely meeting the needs of millions of Australians needs during extensive periods of 'self-isolation'.

While demand has moderated, there has been an ongoing step change in what services are needed from a modern postal service. Its clear that the trend away from letters is continuing and that demand for parcel services is growing. Its appropriate that Australia Post has the framework in place to effectively respond to these changes in demand.

Beyond this, although the spread of COVID-19 placed many constraints and challenges on logistics and trade, it has also generated potential new opportunities for Australian exporters which should be considered alongside the modernisation of postal services.

The World Trade Organization (WTO)[1] has looked at measures introduced by governments to facilitate e-commerce. Governments have worked to increase network capacity, encourage the provision of expanded data services at little or no cost, and lowered or scrapped transaction costs on digital payments and mobile money transfers. The WTO report titled *E-commerce, Trade and the COVID-19 Pandemic* sees that the Trade Facilitation Agreement (TFA), to which Australia is a signatory, could address some of the challenges brought to the fore by the COVID-19 pandemic.

Australia Post could enhance support for e-commerce businesses, especially SMEs, by facilitating their access to global markets through global e-commerce platforms. A modern postal service should cater to the needs of e-commerce businesses across various platforms.

3. Do you agree with the potential benefits? Are there additional benefits from your perspective?

Aligned to the TFA, simple and practical steps can be implemented to assist Australian business gain access to an increasing global e-commerce market.

The FTA experience is that logistics is one of the key barriers to first time exporters and sees an ongoing role for Australia Post to educate Small and Medium Businesses (SMBs) to provide skills and solutions to understand freight and logistics when exporting in addition to the services and education provided by marketplaces and industry.

By way of example and to demonstrate the potential, more than 2,000 Australian brands currently sell via Alibaba Group's Tmall and Tmall Global marketplaces to consumers in China. Taking these steps will help additional SMBs take advantage of the opportunities created under Australia's many free trade agreements.

[1] World trade Organization "E-commerce, Trade and the COVID-19 Pandemic"

PART 2: DELIVERY SERVICES

4. How important is the ability to send or receive a letter and what would be the impact of further increases in postage rates to allow Australia Post to fully recover the full efficient cost of providing the letters service?

The ability to both send and receive a letter remains an important part of operations for business. However with the emergence of email, text and other forms of electronic communication its relative importance as a form of communication has diminished. This is reflected strongly in the ongoing decline of letter volume identified in the discussion paper and by Australia Post in its annual reports.

Its appropriate to consider how postage rates for letters can be adjusted to better reflect cost to serve.

With that said letters, and parcels, are not mutually exclusive activities. Rather, both benefit one another, as revenue from delivery of goods has helped Australia Post sustain its nationwide network and maintain its letter delivery business. With continued investment and growth in the parcel business, Australia Post will not only be able to better perform as an essential last-mile delivery service, but it will also be better positioned to serve the community as a letter carrier. In addition supported efficiency gains from reducing letter delivery frequency should be used to moderate any price increase.

5. Do you expect usage of Australia Post's letter services to change in the next 5 years and why?

'Digital disruption' has changed the traditional core business of Australia Post, particularly in terms of the declining use of letters. To illustrate this, the quantum of addressed letters sent in Australia in 2019 was just 44.9% of the volume handled back in 2007/08. Meanwhile, population growth has added an extra 1.7 million delivery points to the network over the past 11 years, translating to Australia Post now servicing 12.1 million delivery points.

6. What do individuals, businesses and charities take into consideration in deciding whether to send a letter — for example, price, delivery speed and features (such as tracking), or digital alternatives?

Letters, distribution of magazines and promotional material still have a demand as a 'differentiator' from online content and delivery. Online delivery of such materials will no doubt increasingly dominate in the years ahead with analytics, and artificial intelligence deployed to maximise benefits of this media. Price of letters and similar items will have a significant influence on the speed and frequency of uptake digital alternatives.

7. What is the value of the regulated priority letter service to you?

Whilst acknowledging a broader community and business need, from an FTA perspective, there is no reliance on this specific stand-alone service.

8. Should the current letters service speed or frequency of delivery requirements change in line with the expected decline in the number of letters being delivered?

Yes. Managing a logistics or delivery process is often a process of managing competing priorities. Although sending and receiving letters remains important there are many different avenues for consumers and business to engage with each other (at lower or zero cost).

As noted above, efficiency gains should be realised by reducing the frequency of delivery requirements for letters. With business and consumers clearly moving away from letters, the value of high frequency letter delivery has diminished, especially with alternate digital options broadly available.

PART 3: PARCELS AND ECOMMERCE

9. How important are parcel delivery services to your business?

For our online marketplace members and the thousands of Australian small businesses that utilise these platforms as a channel to market, parcel delivery services provided by Australia Post are absolutely critical.

Improving parcel services needs to be at the forefront of any modernisation effort for Australia post.

As the pandemic demonstrated, the current regulatory constraints placed on Australia Post are ill equipped to deal with periods of peak eCommerce demand.

While eCommerce demand has moderated since periods of lockdown, parcel volume continues to grow. In addition, peak shopping periods (Black Friday, Christmas) continue to place heavy demands on Australia Post and this needs to be better reflected how it is able to operate to meet these demands.

FTA sees merit in making permanent the changes the Federal Government introduced in April 2020 allowing Australia Post to focus on parcel deliveries.

We appreciate that such a change would require consultation with unions and note the collaboration that occurred during the pandemic to facilitate this happening. At that time Australia Post and the CEPU signed a memorandum of understanding (MoU) [1] to protect employee conditions under EBA2017 to help manage the ongoing uncertainty caused by the COVID-19 pandemic – this provided security to more than 33,000 postal employees.

“This MoU will protect jobs and take-home pay as Australia Post implements the Alternating Delivery Model (ADM) from next month in metropolitan areas. This will see letter delivery occur every second day with some Posties redeployed to deliver and process parcels.”

In a time of extreme need, the above approach was a pragmatic solution and an appropriate policy outcome. In the event of future similar events, an efficient parcel delivery service will be crucial to maintaining retail business, delivery of essential goods, and to the extent possible, a normal way of life.

Although we do not face the immediate threat of shelter in place requirements, its clear that the long term sustainability and viability of Australia Post does require a more permanent focus to be placed on its parcel delivery service.

Australia Post should focus on improving parcel delivery services by emphasizing cost efficiency, reliability, and expanding its parcel delivery capacity, enhancing delivery speed, tracking, and offering additional pickup/drop-off locations for customers.

[1] Public statement on the Australia Post Enterprise Agreement

10. For businesses that send parcels — what parcel service features matter most to your business?

Providing up to date, accurate and clear tracking information to consumers is critical in ensuring good customer experience when selling online. Capturing this information and sharing it with others across the supply chain is essential to building a positive experience.

Empowering consumers with the capacity to make clear decisions on how, where and when they might receive their parcel is similarly invaluable.

It's important that parcel services and product offerings are available that best support business and the items they are looking to ship.

FTA members have however reported that there is a current gap in offering with the lack of a 250g parcel solution. While there is a tracked letter product that may similarly solve for this gap, this is a prepaid mail product only and is not integrated into Australia Post's API (utilised by online marketplaces to offer postal solutions). Ensuring access to such a product is critical to building great delivery experience.

The all point capacity of Australia Post with its delivery footprint across regional and remote areas of Australia is also critically important. FTA notes in the Discussion Paper refer to Australia Post as the largest business to consumer delivery entity, estimated to deliver more than 70 per cent of B2C parcels.

"The limited availability of alternatives for the fast and reliable delivery of parcels between regional and remote areas means that for many businesses outside of metropolitan cities, Australia Post's delivery infrastructure is essential for maintaining a high-quality experience for customers..."

FTA notes that many other global jurisdictions have been significantly more ambitious in introducing and promoting competition in the markets for postal and parcel delivery services. Accordingly, FTA is of the view that rural communities would be best served by providing access to last mile delivery infrastructure to third party logistics providers. [AL1]

11. As someone that receives parcels — what features of parcel services do you value most — for example, speed of delivery, time of delivery, convenience of collection, ability to track the item and ease of returns policy?

FTA notes that receivers of parcels value all characteristics outlined above, contributing the substantial increase in e-commerce transactions.

12. What environmental sustainability factors matter most to you in relation to parcel delivery services?

The inability for third party logistics entities to leverage the Australia Post network has negative implications for emissions reduction. Carbon emissions are likely to duplicate Australia's delivery routes by third parties in regional and rural areas, with a significant capacity underutilisation.

In addition, while it is acknowledged that Australia Post will need to invest to renew and update its transport fleet to meet its sustainability objectives, as delivery and logistics present some of the heaviest scope 3 emissions for e-commerce businesses, more information should be provided to signal to both business and consumers the relative carbon impact of different delivery options.

We note the Treasury is currently consulting on the Financial Disclosure of Climate Risks[1]. As a corporate commonwealth entity, Australia Post should be a leader in demonstrating its sustainability commitments including by sharing the climate related impacts of various modes of delivery to enable business and consumers to assess these options effectively.

Australia Post should explore environmentally sustainable practices in parcel delivery services, such as adopting electric vehicles or promoting reusable packaging. Collaborating with global ecommerce companies such as Alibaba Group could help share best practices and experiences in implementing sustainable initiatives in the logistics network.

PART 4: ACCESSIBILITY OF SERVICES – POINTS OF PRESENCE

13. How important is the Post Office to individuals, business and communities, including which Post Office services are most valued?

To ensure access to both postal and other services, particularly in regional and rural communities, post offices remain important. We note the “red carpet” service offered to businesses sending higher volumes of parcels and believe this is an important area of support.

While post offices should remain an important part of the postal network, we encourage modernisation efforts to reimagine what a postal service looks like. Parcel lockers and services provided by other retailers (for example service stations) may also prove to be effective.

14. Are other facilities, such as parcel lockers, vending machines, payment terminals or mobile Post Offices, helpful to serve community needs?

Post Offices and the other referenced facilities are critical to facilitate secure parcel delivery.

Support the modernization of Post Offices and the integration of alternative facilities like parcel lockers for customers. These services can enhance customer convenience and create new opportunities for e-commerce businesses (whether local or global).

15. Are there other services Australia Post could provide to better support the community?

FTA sees merit in Australia Post taking a prominent role in any disaster recovery activity (refer response to question17).

Australia Post should collaborate with various e-commerce platforms to provide educational resources and services for SMEs. This can help them better understand freight and logistics when exporting and taking advantage of free trade agreements in both B2B and B2C markets, including international destinations.

16. For Post Office licensees and agents — tell us the challenges and opportunities from your perspective

FTA sees merit in initiatives to incentivise Post Office licensees and agents to maintain safe and accessible parcel collection points.

Advocate for maintaining a strong presence in regional and remote areas, ensuring that these communities have access to essential postal services. This will help e-commerce businesses reach a wider customer base and provide better access to international markets for regional exporters, and also broaden the consumer choice for residents.

PART 5: SUPPORT FOR AUSTRALIANS WITH DIVERSE NEEDS

17. How can Australia Post best support the community?

As a part of the Australian planning for the ‘lockdown’ in response to the out-break of COVID-19, a Transport and Infrastructure Council Communiqué (Communiqué) was released by Federal, State and Territory Ministers on 25 March 2020 affirming the critical role the trade and logistics sector play in providing essential supplies of food, medicine or other goods.

“Our freight and logistics sector starts at the border via our maritime and aviation routes. We then use rail and trucks to move substantial quantities of goods throughout the country, from ports and airports to the doors of individuals, businesses, and service providers.

This includes recognition of the importance of all members of the freight distribution chain, from drivers, pilots, engineers and others who support them, including those in the back office working out rostering and logistics.”

FTA provided a formal submission to the Chairman of the National Covid-19 Coordination Commission on 27 March 2020, supporting the position outlined in the Communiqué with the following additional commentary highlighting the essential nature of ‘last-mile’ deliveries.

“In an environment whereby the policy intent is for the majority of our population to self-isolate, ‘last-mile’ deliveries by carriers and Australia Post, facilitated through e-commerce, will play an essential role. To ensure that freight and logistics can continue to operate effectively, all steps along the supply chain need to remain operational. Warehousing, as well as fulfilment at retail sites (where those sites may be closed to consumers), will be critical to ensuring goods are delivered and businesses can remain viable.”

[1] See <https://treasury.gov.au/consultation/c2022-314397>