



A.C.N. 006 382 314

Postal Services Modernisation

April 2023

Post Office Agents Association Limited

Mail: PO Box 645
CARLTON SOUTH VIC 3053

Email: membership@poaal.com.au

Phone: 03 96544533

Web: www.poaal.com.au

ACN: 006 382 314

Table of contents

INTRODUCTION	3
POAAL, LICENSED POST OFFICES, AND MAIL CONTRACTS.....	4
1. About POAAL	4
2. About Licensed Post Offices and the LPO Agreement	4
3. About Mail Contracts.....	5
LETTERS	7
4. Falling letter volumes	7
5. Funding Community Service Obligations in letters	7
6. Letter pricing	8
Cost recovery.....	8
Cross-subsiding letters from other parts of Australia Post’s business.....	8
The BPR price freeze	9
Cost reduction strategies	9
Varying letter delivery schedules	10
7. Impact of falling letter volumes on LPOs.....	11
8. PO Boxes	11
9. Express Post	11
10. Non-delivery areas.....	12
11. Other comments.....	12
PARCELS.....	13
12. Australia Post’s parcel business.....	13
13. Weekend parcel deliveries	13
14. Control over where and when a parcel is delivered	14
15. Parcel lockers	14
16. Same-day parcel delivery	15
17. Overweight and oversize parcels.....	15
18. Other comments on parcels	15

POST OFFICES.....	16
19. Points of presence	16
20. Automated postal solutions	16
21. Customer service and “refreshing” post offices	17
22. Post offices serving local small businesses.....	17
23. New store formats	18
24. Corporate post offices	18
25. Balancing the network	18
OTHER MATTERS	19
26. Australia Post management	19
27. Supporting the community	19
28. Sustainability and zero emissions.....	20
29. Investment in IT security	20
30. Other issues.....	20

Introduction

In March 2023, the Federal Government released a discussion paper entitled “Postal services modernisation,” and invited public comment.

POAAL’s long-held position is that Australia Post must be self-sustaining, and able to serve Australia without requiring ongoing public subsidy. Moreover, our members, who own and operate Licensed Post Offices and who hold Mail Contracts, should be able to operate profitable businesses as part of the Australia Post network.

It is therefore in our members’ best interests that Australia Post is profitable and prepared for the continuing changes affecting the core delivery business.

This current consultation comes during the latest crisis in the ongoing viability of the letters service.

Digitisation has had a profound impact on Australia Post’s operations and has been portrayed as an existential threat to letters. But change is not a new concept for Australia Post. The modern Australia Post bears no resemblance to its operations in, say, the 1980s, or indeed the Postmaster General’s Department.

Some people may hold nostalgic views of postal services, but the days of posties delivering letters with a blast on their whistles are long gone.

As the only truly national delivery company – and 100% Australian owned – it is vital that Australia Post continues to invest in its delivery and retail networks, and that it realises the benefit (on behalf of Australia Post’s owners, the Australian people) of those investments, either in the form of improved service or dividends to the Federal Government.

Looking forward, Australia Post needs to review its delivery and retail networks on a regular basis, say every two years, to meet Australians’ changing needs.

POAAL, Licensed Post Offices, and Mail Contracts

1. About POAAL

- 1.1. The Post Office Agents Association Limited (POAAL) is the national, independent, professional, and experienced association for small business owners in the postal sector.
- 1.2. POAAL was formed in 1939 to assist the owner/operators of privately owned post offices. There are around 2900 Licensed Post Offices across Australia, comprising about 80% of the Australia Post retail network. In addition, there are about 780 Community Postal Agents and about 50 Community Mail Agents operating agencies in small mostly rural and remote communities.
- 1.3. Our members are also drawn from the operators of the approximately 4000 mail contracts, delivering mail and parcels for Australia Post and Star Track to customers across the country.
- 1.4. POAAL also has a category of membership for courier owner/drivers who operate either as independent couriers or on contract to larger courier firms. They are not connected in any way to Australia Post.

2. About Licensed Post Offices and the LPO Agreement

- 2.1. LPOs are operated under the Licensed Post Office Agreement. The basic LPO Agreement has an indefinite term agreement with no territory.
- 2.2. Each individual LPO Agreement can be customised via Special Conditions.
- 2.3. There is no franchise fee paid to Australia Post by the Licensee when taking over or selling a Licensed Post Office. Australia Post charges the incoming Licensee a training fee for the mandatory post office training course.
- 2.4. LPOs are considered franchises under the *Franchising Code of Conduct* (FCC).
- 2.5. POAAL contributed extensively to the formation of the *Franchising Code of Conduct* and in particular its dispute resolution code. The LPO Agreement was a ground-breaking agreement, and POAAL drew upon the lessons learned from the Agreement's negotiation and implementation for contributions to the FCC.
- 2.6. POAAL led the push to overhaul the post office network in the late 1980s and early 1990s. POAAL and Australia Post began discussions under the auspices of "Retail Post", a programme to modernise and revitalise the entire post office network, which resulted in the landmark LPO Agreement.

- 2.7. The new operating environment liberated post office owners, empowering them to become entrepreneurs serving their local communities, and unlocked incredible value in the LPO network.
- 2.8. The underpinning principle of Licensed Post Offices under Retail Post was that privately-owned post offices would no longer be dependent upon Australia Post for their total income.
- 2.9. Under LPO arrangements, LPOs would no longer be “standalone”. All LPOs would have some sort of other business, whether an in-conjunction business such as a newsagency or general store, or simply stocking a range of non-Australia Post products and services, such as photocopying services or greeting cards.
- 2.10. With the introduction of LPO arrangements, the new LPO Payment Scheme was founded on the principle of mutual benefit, that is, when Licensees make money, Australia Post makes money.
- 2.11. LPOs are owned by the Licensee. The postal system is owned by Australia Post, not the post office.
- 2.12. Where LPOs operate in conjunction with a host business that has a substantially larger income than the Australia Post part of the business, those Licensees can be understandably reluctant to invest more financially on the postal business for little return.
- 2.13. Licensees are small business owners. Selecting and training motivated and skilled small business owners to own and operate Licensed Post Offices is important not only to the financial success of the LPO but to the delivery of local postal services.

3. About Mail Contracts

- 3.1. There are different kinds of Australia Post Mail Contracts, including:
 - 3.1.1. Street mail contracts – delivering letters (and some small packets) usually to outer metropolitan areas, regional centres, and country towns
 - 3.1.2. Parcel contracts – delivering parcels, usually to metropolitan areas
 - 3.1.3. RSD (roadside delivery) or rural mail contracts – delivering a mix of letters and parcels to rural communities, farms, and remote areas;
 - 3.1.4. Depot bag contracts – transporting bags of mail to pickup points for street delivery
 - 3.1.5. Line haul contracts – transporting large consignments of mail from point to point
- 3.2. Mail Contracts are usually awarded after a competitive tendering process.
- 3.3. Mail Contracts are awarded for a fixed term, usually five years.

- 3.4. Most contracts are for five-days-per-week delivery, while in some country areas contracts might be for only two or three days per week.
- 3.5. Contractors are responsible for all their operating expenses, including vehicles, fuel, staff costs (if applicable), insurance, WHS plans, and other compliance costs.
- 3.6. Some contracts are paid via a unit rate. Parcel Contractors, for example, are paid per parcel.
- 3.7. Contract fees can be reviewed to take into account variations in fuel price, increases to the number of delivery points, or increasing mail volumes.
- 3.8. Star Track Couriers also operate via a contract with Australia Post's Star Track subsidiary.
- 3.9. Licensees can also hold Mail Contracts. Typically, this is in rural areas, where the Licensee might also operate a mail service based at the LPO.
- 3.10. In rural areas, it is common for Mail Contractors to be based at LPOs. That is, the mail (including letters and parcels) for that mail service are delivered to the LPO, where the Mail Contractor sorts their mail before setting off to deliver.
- 3.11. Outside of metropolitan areas, Mail Contractors typically deliver letters and parcels.

Letters

4. Falling letter volumes

- 4.1. Australia Post's letter volumes are in long-term decline, and Australia Post reports significant ongoing financial losses in its letters business.
- 4.2. There are a limited number of responses to losses caused by falling letter volumes. Typically, postal operators employ one or more of the following strategies:
- Increase letter price
 - Diminish service (that is, slow down the letters service)
 - Reduce the number of letter delivery days per week
 - Seek cost reductions (usually via automation)
- 4.3. It seems highly unlikely that letter volumes will recover.
- 4.4. Letter volume trends in Australia resemble those in Europe, where letter post volumes decreased by 7% per year on average between 2017 and 2021.¹ While domestic letter volumes per capita vary substantially between countries, the trend has been similar across Europe: volumes declined in all countries between 2017 and 2021.²
- 4.5. The steepest fall in letter volumes in Europe has been observed in Denmark. In Denmark, it is mandatory for public institutions to communicate digitally, meaning that letter volumes from public authorities have been slashed. Letter volumes in Denmark declined on average by 19% annually between 2013 and 2017.³

5. Funding Community Service Obligations in letters

- 5.1. In its 2022 draft pricing notification to the ACCC, Australia Post noted that its Community Service Obligations have traditionally been funded by an internal cross-subsidy from within Australia Post's reserved letter service, and that this has become increasingly difficult since letter volumes peaked.⁴
- 5.2. POAAL has previously noted that the continued decline in letter volumes – due in no small part due to e-substitution – suggests that the community's need for postal services has changed and Australia Post's CSO and Performance Standards should be considered for review.

¹ European Commission / Copenhagen Economics, *Main developments in the postal sector (2017-2021)*, p38

² Ibid, p39

³ Ibid, p44

⁴ Australia Post, *Draft Notification*, August 2022, p10

5.3. Australia Post faces the triple challenge of:

- a. Earning a commercial rate of return, working towards an agreed financial target and dividend policy;
- b. Meeting the requirements of its CSO; and
- c. Providing an affordable BPR.⁵

6. Letter pricing

Cost recovery

- 6.1. One of the principles of the basic postal rate is that the letters service is self-funding and not reliant on any other financial support, either from the Government or via internal cross-subsidy. In a previous draft notification, Australia Post noted that the “Regular letter service is a ‘safety net’ service priced to recover the efficient cost of providing the service.”⁶
- 6.2. Under the principle of cost recovery, Australia Post must set the price of the BPR such that the costs of delivering the basic letter service are covered.
- 6.3. Under the *Australian Postal Corporation Act*, Australia Post must make the letter service available at a single uniform rate for standard letters posted within Australia.⁷
- 6.4. By mandating delivery of standard letters at a single uniform rate to any address anywhere in Australia, Australia Post:
 - 6.4.1. Allows businesses and government to communicate with people in any part of the country at the same cost – regardless of how remote the recipient’s location may be; and
 - 6.4.2. Reduces the isolation of communities that otherwise might be disconnected from the rest of the nation.

Cross-subsiding letters from other parts of Australia Post’s business

- 6.5. Australia Post should not be compelled to use revenues from other parts of its operations (such as parcels) to subsidise the letters service.
- 6.6. Australia Post’s revenues from parcels have grown while letter volumes have fallen, however the parcel delivery sector is subject to intense and growing competition on price.
- 6.7. Unlike most other delivery companies, Australia Post delivers parcels to regional, rural, and remote Australia.

⁵ Australia Post, *Draft Notification*, August 2022, p10

⁶ Ibid, p12

⁷ *Australian Postal Corporation Act 1989*, s 27 (3)

- 6.8. If Australia Post were forced to permanently cross-subsidise the letters service using profits from other business streams such as parcels, then over time the prices of those other services would become uncompetitive.

The BPR price freeze

- 6.9. During the 1990s, the then Federal Government imposed an artificial price freeze on the BPR. This froze significant parts of post office Licensees' income during this period. It also destroyed any chance of small, justified increases to the BPR over an extended period.

Cost reduction strategies

- 6.10. POAAL supports the principle of reducing costs in delivery by using automation in sorting centres where possible. Australia Post may yet be able to gain further efficiencies from greater use of deep sorting (that is, sorting letters into delivery sequence), but these savings might be incremental and insufficient to offset plummeting letter revenues and the costs of delivering to Australia's growing number of households.
- 6.11. One of Australia Post's cost drivers is the growing number of delivery points. While most delivery points are in urban areas, reflecting the population's move from regional areas to the more densely populated areas on the coast, there remain significant costs associated with regional and rural mail delivery. Road infrastructure problems and low population densities in these areas create an expensive service format. Delivery point density also has a material impact on productivity. While delivery point density continues to be low, fuel costs continue to rise, which has a major impact on delivery costs.
- 6.12. Australia Post previously noted that efforts to integrate its letter and parcel delivery networks resulted in increased network efficiency and savings.⁸ It has been common for letters and parcels to be delivered by the same Mail Contractor in rural and remote towns and farm areas. The decline in smaller (typically under 2kg) inbound international parcels has "significantly reduced the volume of small parcels suitable for delivery by motorcycle, pushbike and walker postal delivery officers."⁹
- 6.13. There are opportunities for Australia Post to further outsource its mail carriage operations, including mail pickup, line haul, and delivery. Australia Post has used Mail Contractors to perform letter and parcel delivery for decades. Mail Contractors are usually owner/drivers. In rural areas, many post office Licensees also hold the local mail contract. Contracts are awarded following a competitive tender process. Urban and suburban delivery in major metropolitan and regional centres could be further outsourced to Contractors.

⁸ Australia Post, *Draft Notification*, August 2019, pp 46-47, 49

⁹ Australia Post, *Draft Notification*, August 2022, p50

- 6.14. In rural and remote areas, some Contractors gain only part of their income from Australia Post, effectively cross-subsidising Australia Post's CSOs by carrying newspapers, groceries, and other goods to rural customers.

Varying letter delivery schedules

- 6.15. Other postal administrations have examined means of varying delivery schedules where mail volumes don't merit five-days-per-week delivery (either permanently or seasonally).
- 6.16. Changes to NZ Post's letter delivery schedule obligations came into effect in 2015:¹⁰
- 6.16.1. Prior to 1 July 2015, NZ Post was obliged to deliver letters six days per week to over 95% of delivery points.
- 6.16.2. Since 1 July 2015, NZ Post's obligation has been relaxed, with the post mandated to deliver letters not less than three days per week to 99.98% of delivery points. The remainder receive letter delivery one day per week.
- 6.16.3. Letter delivery frequency to rural delivery points remained at five days per week (except where delivery frequency was less than five days per week prior to 1 July 2015).
- 6.16.4. Similarly, letter delivery frequency to PO Boxes and Private Bags remained at five days per week (except where delivery frequency was less than five days per week prior to 1 July 2015).
- 6.17. Denmark is the most extreme example of reduced delivery days, where ordinary letters are delivered one day per week.
- 6.18. Implementation of such reforms is to some extent dependent on the Government and Australia Post managing the community's current service expectations and the conservative attitudes of the community around changes to postal delivery and access to postal services. This is especially the case in regional and rural areas where Australia Post's service obligations are greatest and where changes driven by financial considerations alone would have the most deleterious effect.
- 6.19. In some country and isolated areas, internet and phone connectivity is poor, meaning that the mail is of extra importance to those communities. Reducing the number of delivery days per week in rural and remote areas would have an adverse impact on those communities.
- 6.20. Any move to alternate-day letter delivery should not compromise daily clearing of mail from LPOs or street posting boxes.

¹⁰ 2013 Deed of Understanding (Deed of Amendment and Restatement), Clause 4

7. Impact of falling letter volumes on LPOs

- 7.1. The continuing fall in addressed letter volumes is reflected in declining stamp sales at LPOs.
- 7.2. Bulk mail volumes lodged at LPOs have also fallen, for example being replaced by marketing emails direct to customers.
- 7.3. Licensees have been compelled to adjust their business plans to take into account the decline in stamp sales, the reduction in bulk mail volumes, and variations in foot traffic.

8. PO Boxes

- 8.1. If the letters service is reviewed, then letters must continue to be delivered daily to PO Boxes.
- 8.2. PO Boxes are safe, secure, and are accessible outside of standard post office opening hours.
- 8.3. Early and reliable delivery of letters is one of the key selling points of PO Boxes.
- 8.4. PO Box customers pay an annual rental fee, which can vary according to the size of the box and the location.

9. Express Post

- 9.1. Express Post is one of the best services Australia Post has launched in over 30 years, offering affordable, fast delivery across Australia.
- 9.2. Business and private customers value the service because it is easy to access (lodging in Australia Post's "gold" street posting boxes or at the post office counter) and it offers next-day delivery between major population centres.
- 9.3. Whatever happens with the letter delivery service, Express Post must continue to be delivered every weekday. Express Post is a premium service, valued by Australians, and it would lose its status if it ceased to be delivered at its current frequency.

10. Non-delivery areas

- 10.1. There are some parts of Australia, typically in rural and remote areas, where Australia Post does not offer a letter delivery service.
- 10.2. In these non-delivery areas, locals collect their mail from the local post office – either over the counter or at a PO Box.
- 10.3. In the event that letter delivery schedules are changed, letter delivery service frequency in these non-delivery areas should be maintained.

11. Other comments

- 11.1. The discussion paper makes comparisons with stamp pricing in other countries¹¹. National posts in these countries operate in significantly different environments, including factors such as:
 - a. Population density;
 - b. Delivery point density;
 - c. Ownership;
 - d. Competition;
 - e. Industrial relations and wage costs;
 - f. Universal Service Obligation; and
 - g. Regulation.

¹¹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Postal Services Modernisation Discussion Paper*, p16

Parcels

12. Australia Post's parcel business

- 12.1. Australia Post offers excellent parcel delivery reliability. This can be attributed to a number of factors, including:
 - 12.1.1. Hardworking Parcel Contractors
 - 12.1.2. Improved track-and-trace capability
 - 12.1.3. Investments in sorting facilities
- 12.2. That is not to say that reliability cannot be improved. POAAL's members have observed problems with parcels being mis-routed, which leads to longer delivery times, unhappy customers, and additional cost for Australia Post.
- 12.3. Demand for online shopping is forecast to grow, but the past three years have shown how volatile demand can be. "You don't build a church for Easter Sunday" is a phrase often used in delivery circles when discussing preparations for the huge demands on delivery capacity during peak season.

13. Weekend parcel deliveries

- 13.1. Generally, Parcel Contractors deliver five days per week.
- 13.2. During the pre-Christmas peak season, Parcel Contractors will often deliver in metropolitan areas over the weekend.
- 13.3. Weekend parcel deliveries can be costly. To deliver every day of the week, year-round, would require hiring staff or subcontractors to work on weekends. Weekend labour rates are not cheap, and can make it unviable to deliver parcels on the weekend. Contractors also find it difficult to hire and retain quality staff or sub contractors.
- 13.4. Parcel Contractors work hard; it is a physically demanding job. They need the time off over the weekend to rest and recuperate, not to mention maintain their delivery vehicles.
- 13.5. If Australia Post moved to a seven-day-a-week parcel delivery service, parcel contracts would need to be renegotiated to take into account the significantly higher costs involved in weekend delivery.

14. Control over where and when a parcel is delivered

- 14.1. Consumer research has shown that customers want choice about how, where and when their e-commerce purchases are delivered.
- 14.2. This starts at checkout, when customers should be given various delivery options, including:
 - Delivery location (home, post office, parcel locker)
 - Speed (Standard or Express Post)
 - Signature on delivery or Safe Drop
 - Cost
- 14.3. It is the e-commerce retailer's responsibility to offer these options at checkout.
- 14.4. Once the parcel is in the Australia Post delivery network, customers can exert some control over their deliveries, such as redirecting the parcel to a local post office for collection.
- 14.5. The Australia Post mobile app is central to the success of Australia Post's delivery. Customers can track their deliveries through a central point. Australia Post should continue to promote its mobile app to consumers to help improve parcel deliveries.

15. Parcel lockers

- 15.1. Australia Post has a network of about 700 parcel lockers, in locations including:
 - 15.1.1. Post offices – both LPOs and corporate post offices
 - 15.1.2. Petrol station forecourts
 - 15.1.3. Car parks
 - 15.1.4. Supermarkets
- 15.2. Most of these lockers are accessible 24 hours a day, seven days per week.
- 15.3. In some instances, Licensees load parcels into Australia Post parcel lockers located at or near their LPOs. These parcels can be parcels addressed to consumers care of the parcel locker or failed first-time deliveries (also known as "carded parcels").

16. Same-day parcel delivery

- 16.1. Same-day parcel delivery can be costly. The Australia Post delivery network is not set up for same-day delivery. Australia Post previously trialled a cross-city same-day parcel delivery service, where customers could drop off parcels at the post office for collection and delivery same-day.
- 16.2. The US Postal Service is currently trialling same-day delivery in some population centres. Called “USPS Connect Local,” the service offers local same-day delivery for letters and parcels. Consignments must be dropped off at the USPS facility early in the morning for delivery that day. The USPS delivery network is structured differently to Australia Post’s network, meaning that a service modelled on Connect Local would be difficult to implement in Australia.

17. Overweight and oversize parcels

- 17.1. It is unacceptable for Australia Post to demand that Licensees, LPO staff, and Delivery Contractors handle parcels that are outside Australia Post’s maximum permissible weight and dimensions.
- 17.2. The risk in manually handling overweight and oversize parcels is disproportionately borne by Mail Contractors and Licensees, in particular Licensees and Contractors in rural areas where Australia Post is the only active delivery company.
- 17.3. Sometimes overweight parcels are not labelled “two person lift”, or in some cases the declared weight is significantly less than the actual weight. This means that Licensees and Mail Contractors risk injury handling these parcels.
- 17.4. Parcels that exceed Australia Post’s maximum weight and size limits are freight, and should not be processed via the mail network. Some of these items are so big and heavy that a forklift is required. Some Licensees are expected to buy specialised heavy lifting equipment such as forklifts. This is unrealistic and unreasonable.

18. Other comments on parcels

- 18.1. Delivering parcels to multistorey apartment complexes can be very difficult. It may be that installing parcel lockers at the entrance to apartment complexes can help improve first-time delivery rates and delivery efficiency.
- 18.2. There are difficulties delivering parcels to addresses located on clearway zones.

Post offices

19. Points of presence

- 19.1. The Government discussion paper suggests that Australia Post's network should adapt "to consumer behaviour and demand by increasing points of presence nationally."¹² Increasing points of presence is easier said than done.
- 19.2. Australia Post has tried to add parcel collection points in third party retailers. The retailer serves as a pick-up-drop-off (PUDO) location for Australia Post parcels.
- 19.3. In the past, allowing any non-post office retailer to offer any sort of Australia Post products or services would have been interpreted as a retailer creating a de facto post office. As e-commerce parcel volumes continue to rise however, Australia Post is faced with a capacity issue in some areas.
- 19.4. There is also competition to create the widest PUDO footprint. PUDO networks are aggressively seeking new retail partners to offer PUDO services.

20. Automated postal solutions

- 20.1. Automated postal solutions, such as self-service vending machines and parcel lockers, are not a new technology, but notably self-service machines have failed to gain any traction to this point.
- 20.2. In part this can be attributed to the cost of self-service solutions compared to a staffed serving position. Another factor has been the continuing digitisation of transactions such as bill payments.
- 20.3. Stamp vending machines are as old as Methuselah. Vending machines offering envelopes and packaging have been in the Australia Post network for decades, more recently in 24-hour self-service zones attached to corporate post offices in some major cities. These self-service zones often include PO Boxes and parcel lockers alongside an automated vending machine.
- 20.4. Any automated postal solutions must be tested thoroughly under real-world operating conditions before being rolled out to the wider Australia Post network.

¹² Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Postal Services Modernisation Discussion Paper*, p10

20.5. Across the Tasman, limits have been placed on how extensively NZ Post can implement self-service kiosks in lieu of post offices. The conversion of rural post offices to self-service alternatives cannot occur at a rate that is disproportionate to the rate of conversion throughout the rest of New Zealand.¹³

21. Customer service and “refreshing” post offices

21.1. The discussion paper mentions “experimenting with the benefits of refreshing existing Post Offices to enable faster customer service times and a more appealing in-store experience.”¹⁴

21.2. Since the LPO model was introduced in the early 1990s, Australia Post’s post office fit-out has been “refreshed” a number of times.

21.3. While updating the interior of a post office might make the business more visually appealing, it doesn’t change the post office business.

21.4. Customer service times cannot necessarily be improved by “refreshing existing Post Offices”. Service time is influenced by factors such as:

- Complexity of transactions
- Preparedness of customers
- Information provided to customers in advance of them coming to the office
- Handling customer complaints
- Processing “carded parcels” at peak customer times
- State and Federal government requirements
- Customs requirements on international parcels
- Language and communication barriers
- Aggressive customers

22. Post offices serving local small businesses

22.1. Licensees highly value their small business customers.

22.2. For many years, Licensees have nurtured small online sellers, helping them find suitable mailing and packaging solutions, and handling parcels lodged for posting. Licensees are delighted when these customers achieve business success.

22.3. Unfortunately, Australia Post has a track record of unilaterally transferring these customers away from the LPO to lodge directly with Australia Post, denying Licensees a source of income.

¹³ 2013 Deed of Understanding (Deed of Amendment and Restatement), Clause 13

¹⁴ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Postal Services Modernisation Discussion Paper*, p10

- 22.4. Australia Post has introduced a payment to Licensees in instances where the customer is transferred to deal directly with Australia Post, but at times Australia Post drags its heels when it comes to paying Licensees their entitlements.

23. New store formats

- 23.1. Australia Post has trialled new post office concepts over the past 20-plus years, including:
- 23.1.1. Franchised post shops
 - 23.1.2. Super stores
 - 23.1.3. Store-in-store concept
 - 23.1.4. Concierges and floorwalkers
- 23.2. Licensees can customise the layout and product mix of their LPOs to meet their local communities' needs.
- 23.3. LPOs are often already centres where local artisans can sell their goods.
- 23.4. Licensees whose LPOs are in leased premises can encounter problems with landlords over issues such as refits, extensions, or managing disabled access.

24. Corporate post offices

- 24.1. Australia Post may be able to drive efficiencies in its post office network by converting corporate post offices to LPO operations.
- 24.2. Overseas postal operators such as Deutsche Post and Post Office Limited (UK) own very few post offices out of their entire extensive post office networks.

25. Balancing the network

- 25.1. Licensees want to operate profitable businesses, located in premises that are convenient for their customers.
- 25.2. Sometimes external factors impact on the suitability of LPO locations. For example, when clearways are imposed by local councils on roads where LPOs are located, customers can find it difficult to access the LPO because of the lack of parking.
- 25.3. Many LPOs are located in leased premises. Licensees face similar issues to many other small businesses when it comes to finding suitable premises, negotiating affordable leases, and managing the relationship with their landlords.

- 25.4. There may be opportunities for Australia Post to rebalance its post office network. A balance needs to be struck between providing adequate access to customers and maintaining a network of profitable and viable LPOs.
- 25.5. During the Retail Post project in the early 1990s, many small and unviable post offices were identified – some in suburbs that were over-serviced and others in very small towns with dwindling populations. Australia Post negotiated with POAAL to offer a cessation package to the owner/operators of these post offices.

Other matters

26. Australia Post management

- 26.1. Australia Post should be led by people with industry experience, whether they work in Australia Post's delivery and logistics networks, or in the post office network.
- 26.2. Managers with "hands on" experience, at a National and State level, are often a rarity at Australia Post.
- 26.3. New managers – in particular at senior levels – appointed from outside the postal or delivery sector take time to learn the Australia Post business. This sometimes creates frustration and resentment on the part of experienced staff, as well as Licensees and Contractors.
- 26.4. The appointment of managers from outside the sector is not a situation unique to Australia Post, however Australia Post is a critical part of Australia's infrastructure and should be run by experienced professionals.
- 26.5. Some areas of Australia Post suffer from a tremendous lack of corporate memory. This can and does result in Australia Post "reinventing the wheel" from time to time.
- 26.6. From time to time, Australia Post shows a lack of internal communication or consultation, particularly between Retail and Delivery. There is also a disconnect between Australia Post's management at headquarters and its State administrations. Some people query the need for State administrations, considering that Australia Post is a national organisation.

27. Supporting the community

- 27.1. Licensees and Mail Contractors have long been significant contributors to their local communities, especially in country Australia, where the post office is a prominent local business.

27.2. The “community hub” role of post offices isn’t codified or legislated. It’s in some respects traditional, for example the existence of a public noticeboard at the post office for community use. In other respects, it’s a reflection of the community-mindedness of the people who take on postal businesses.

27.3. While LPOs are undoubtedly businesses, the ubiquity of post offices makes them a recognisable and durable part of Australia’s social fabric.

28. Sustainability and zero emissions

28.1. Australia Post has published its 2025 Sustainability Roadmap, which includes targets of net zero emissions by 2050, and sourcing 100% of its electricity from sustainable sources by 2025.

28.2. Reducing emissions in the delivery network will play a key role in helping Australia Post achieve its targets.

28.3. Some Mail Contractors operate mail services that are longer than the range of current electric vehicles. Improvements in range or in recharging infrastructure will need to occur before electric vehicles can be used on those longer delivery routes.

28.4. Concerns about range and charging infrastructure also apply for Australia Post’s contracted line haul / trucking services.

28.5. Contractors have also expressed their concerns about the purchase costs of electric vehicles and the charging infrastructure. Contractors who live in high density housing for example might have no access to their own charging facilities.

29. Investment in IT security

29.1. As more and more Australia Post services have an online component, such as online lodgement of delivery documentation, start online – finish in-store transactions, it is vital that Australia Post continues to invest in IT security.

29.2. The recent ransomware attack that crippled Royal Mail’s international shipping service drives home the point that postal operators must invest in IT security.

30. Other issues

30.1. There has been some talk of potentially creating a “postal bank”. To this point, POAAL has seen no compelling commercial case for creating a postal bank.

30.2. As more and more public services are digitised, there needs to be clear Government policy on how the Australia Post network can contribute. These changes can have a material impact on the profitability of LPOs.