

27 April 2023

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

By email: postalconsultation@infrastructure.gov.au

Re: Sendle's submission re Postal Services Modernisation - Consultation

Contents

- [Executive summary](#)
- [Opening up its PO box network](#)
- [Opening up its national delivery infrastructure as a platform for enterprises](#)
- [Opening up via worksharing with third parties](#)
- [Conclusion](#)

Executive summary

Sendle welcomes the opportunity to provide a submission to the Government's *Postal Services Modernisation* discussion paper and consultation process to help inform the modernisation and future direction of Australia Post as a public enterprise. Sendle appreciates the drivers behind the review to ensure that postal and parcel services in Australia meet the needs of the Australian community both now and into the future.

Sendle started in 2014 in Australia with an ambitious vision to level the playing field for small businesses through shipping that's good for the world. We are Australia's first 100% carbon neutral delivery service, and also the nation's first technology B Corp. Since our launch, Sendle has seen tremendous growth to become Australia's highest-rated door-to-door delivery service, providing small business shipping that's simple, affordable and reliable, and we have since expanded our services to the United States and Canada.

Sendle unlocks the power of big business logistics for small business owners looking to grow. Sendle's business model is digital-first and centres on the circular economy concept that businesses can use existing resources a lot more efficiently. Our technology taps into the networks of partner couriers and utilises any excess capacity that they have to offer simple, flat-rate deliveries and ensure each trip is maximised.

Small businesses are the heart of our economy and the soul of our community. There are [over 2.5 million](#) small businesses in Australia today, making small business Australia's biggest employer, and every day they provide essential products and services to millions of Australians around the country. It is therefore a national priority to provide them with the modern infrastructure and tools they need to deliver and grow.

However, the entrenched functional monopoly that Australia Post holds over Australia's post and parcel delivery market has stifled competition and innovation, and led to less choice for small businesses and consumers. For more than 200 years, Australia Post has effectively functioned as a gatekeeper; cutting out competing delivery companies and imposing high and varied fees on small business sellers. Australia Post is even encroaching on small business sellers by launching competing products, for example [its gift hampers](#).

If Australia Post as it is currently run - with its significant advantages as a legislated letter monopoly and as the largest parcel delivery operator in the country - cannot compete **profitably and fairly**, then the rationale for enforcing the de facto monopoly falls away. For Australia Post to function as efficiently as possible and to serve the needs of all Australians, it needs to operate profitably in a **more open, competitive market**.

This submission explores the opportunity of opening up the vast national infrastructure and network of Australia Post, particularly in rural and regional areas, to private enterprise. Not only are there economic

benefits to be realised by Australia Post, but it will also lead to more customised delivery solutions and innovations, and ultimately a **better and fairer experience** for Australian businesses and consumers.

This submission presents three approaches for opening up Australia Post:

- Opening up its PO box network
- Opening up its national delivery infrastructure as a platform for enterprises
- Opening up via worksharing with third parties

We provide more detail on our views on these approaches below.

Opening up its PO box network

Greater access to Post Office (PO) boxes in Australia could help to improve delivery options for consumers and businesses, particularly those in regional and rural areas who rely on PO boxes for package deliveries, while removing a structural competitive barrier to all Australian carriers that stifles competitiveness.

The restricted access to Australia Post's post office and PO box network has been a contentious issue, and is a key barrier to creating a more open and competitive delivery market. In 2015, Sendle raised the issue through a submission to the Australian Competition and Consumer Commission (ACCC) and launched [an online petition](#) through the change.org website which received almost 7,000 supporters in Australia.

In 2018, the ACCC investigated the matter and found that Australia Post had engaged in anti-competitive behaviour by refusing to allow its competitors to use its PO box network. In response, Australia Post agreed to allow other courier companies to access its network on a non-discriminatory basis, but only when a customer paid an additional fee (noting that customers already pay a fee for the use of the PO Box). Moreover the type of PO Box would change, adding a further barrier to adoption.

We submit that opening up Australia Post's PO Box network to **all** courier delivery partners would not only increase the utility of these PO Boxes and increase the viability of the local post offices that host them, but would also remove a key structural barrier that is reducing competition in Australia. This could lead to a wide range of economic and industry benefits.

Firstly, it could help to increase competition in the postal services market which would lead to improved service quality and lower prices for consumers. [A 2019 report by the Productivity Commission](#) found that competition played a role in driving down the price of parcel deliveries in Australia. Allowing other courier and delivery services companies to use Australia Post's PO box network could lead to similar benefits.

By allowing other carrier services to use its PO box network, Australia Post could also improve the efficiency of its own operations. This could lead to cost savings and other benefits for the company, which in turn could be passed on to the consumers. For example, if other courier companies were able to use Australia Post's PO box network to make deliveries, it could reduce the number of trips required to deliver packages to individual addresses, which could result in cost savings and reduced greenhouse gas emissions.

Opening up its national delivery infrastructure as a platform for enterprises

In his recent address to the American Chamber of Commerce in Melbourne, Australia Post Group CEO and Managing Director [Paul Graham described Australia Post](#) as "an essential community service - like water or gas." In other words, Australia Post's national network infrastructure is a public utility. Sendle believes that opening up Australia Post as a utility through public-private partnerships could lead to significant benefits for consumers and small businesses, as well as help to modernise Australia Post and keep it competitive.

Australia Post has a vast network across Australia, including rural, regional and remote Australia, which encompasses post offices, delivery trucks, parcel lockers and more. The [Postal Services Modernisation](#) discussion paper states that Australia Post has approximately 60 percent of its retail outlets in rural, regional and remote areas of Australia. A [2020 Deloitte Access Economics report](#) also indicates that Australia Post supports a \$10.6 billion regional e-commerce market through its delivery and PO networks.

Australia's population is geographically dispersed; around 28% of the Australian population live in remote or rural areas. Over the decades, there has been significant investment in the Australia Post network to better serve Australians in hard to reach rural and remote areas and the Australian Government is committed to "maintaining appropriate coverage of the Post Office network, particularly in regional and rural areas."

Australia Post will continue to play an important role in serving customers in regional, rural and remote Australia. However, there are significant opportunities to better utilise Australia Post's national delivery infrastructure to provide more essential delivery services and help Australia communities thrive in a digital economy. For example, by partnering with Australia Post, other carriers and courier companies can improve the efficiency of the last mile delivery operations and expand their reach to customers in areas that are traditionally too difficult or expensive to access, while helping Australia Post generate new revenue streams.

In other countries around the world, such as the United States, the public postal service has opened up its national infrastructure at fair cost recovery rates to third parties, see for example the [US Postal Service Connect eCommerce Program](#). This has greatly benefited both organisations through increasing the density of delivery to these locations and the ability to bring volume into the postal service. But more importantly, it has allowed an entire ecosystem of businesses to thrive, using the Postal Service as a core platform.

Opening up Australia Post's national, rural, regional and remote delivery infrastructure will require a multi-faceted approach that involves cooperation between the Government, Australia Post, other courier companies and industry stakeholders, as well as small businesses and communities to identify their specific delivery needs. If done in a considered and collaborative way, it has the potential to deliver significant economic benefits to Australia and create an entirely new business ecosystem.

Case study: National Broadband Network (NBN)

The National Broadband Network (NBN) is an excellent example of the Australian Government opening up infrastructure to private enterprise to encourage business innovation and growth, and better services for consumers and businesses. Rather than one monopoly provider, the Government has taken the approach to see the NBN as a platform, resulting in better services for customers and more competition.

The NBN is a government-owned broadband network that was established to provide high-speed internet access to homes and businesses across Australia. The NBN infrastructure is open to a range of internet service providers (ISPs), who can use the network to deliver broadband services to customers.

By opening up the NBN to private enterprise, the government has created a more competitive and innovative market for broadband services in Australia. ISPs are able to compete on price, speed, and quality of service, which has led to greater choice for consumers and better services overall. Similarly, by opening up Australia Post as a utility to private enterprise, there is the potential to create a more competitive and efficient market. Private enterprises can leverage Australia Post's delivery network to provide more innovative and cost-effective services, which can ultimately benefit consumers and businesses.

Additionally, just as the NBN has helped to bridge the digital divide by providing high-speed internet access to regional, rural and remote areas, opening up Australia Post as a utility to private enterprise can help to improve access to delivery services in these areas. By doing so, both infrastructure assets have the potential to benefit consumers and businesses, and drive economic growth and development.

Opening up via worksharing with third parties

Sendle believes an effective option to boost the long term viability of Australia Post while better serving the greater business community and consumers is by implementing worksharing.

The approach, which has been successfully adopted by postal administrations around the world, can provide more affordable postal services for customers and significant cost reductions for Australia Post, through working with private sector partners.

Put simply, worksharing unbundles the postal value chain, by giving third party partners the ability to perform certain functions of the Postal Service and access to its delivery network in exchange for reduced rates. These services can include collecting, sorting and transporting parcels closer to its ultimate destination. This is in contrast to the current model, in which Australia Post manages the end-to-end delivery of all letters and parcels. The benefits of the workshare model lies in its ability to deliver a superior experience for customers, while reducing costs for Post.

For example, under a workshare program, private sector partners would have the ability to handle the collection, sorting and transportation of parcels and inject these parcels directly into Australia Post's network through its sorting and distribution centres. From there, Australia Post would manage the last mile delivery – transporting the parcels from its distribution centres to its final destination. By leveraging private sector partners, who may be able to transport parcels on certain routes more effectively, Australia Post can achieve greater efficiencies in the delivery of parcels from sender to receiver than it otherwise can using its own fleet and infrastructure.

The workshare approach marries the strengths of the private sector – specialisations in services – with the density of the postal network to deliver better outcomes for all. For Australia Post, collaborating with private sector partners that can deliver specialised services or products more efficiently and affordably will reduce overall costs for the organisation and improve viability of the business model. It also enables Post to offer more customised solutions and innovations to better meet customer needs.

For consumers and businesses, a postal workshare approach will result in improved services and a superior customer experience, as innovations from the private sector are adopted by Australia Post. Greater efficiencies gained in the delivery network will also translate into reduced rate increases and ultimately, a more affordable service for Australian businesses and consumers.

Case study: United States Postal Service (USPS)

The USPS introduced its worksharing program almost 50 years ago following a boom in the volume of mail in the 1960s, and has since grown rapidly to become the largest and most sophisticated in the world.

According to a [report by the USPS Office of the Inspector General](#) (USPS OIG 2010), worksharing grew to cover over 80 per cent of total mail volume by 2008. Workshare discounts for companies that presorted or drop-shipped mail provided \$15 billion worth of discounts to partners for \$14.8 billion in cost savings to the Postal Service in 2008.

Today, the worksharing program is fundamental to USPS operations and has been credited as being a driver of change for the Postal Service. It supports the USPS' ability to provide affordable postal services to all Americans by generating revenue that is used to maintain the Postal Service's vast infrastructure and delivery network. And while the USPS remains the most economical choice for last mile delivery in the United States, major private carriers including Amazon, DHL and UPS are all significant workshare partners that access and leverage the USPS network – a prime example of public-private collaboration.

Conclusion

Thank you for the opportunity to make this submission. We look forward to ongoing engagement with the Department. Please do not hesitate to contact us if you require further input or clarification.

Sincerely,

James Chin Moody,
Founder and Chief Executive Officer
Sendle

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