

LPO Information Bulletin



To: All Licensed Post Offices in Victoria

May 2002

THE SENATE

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TABLED PAPER

POSTshop Franchising

I refer to our earlier Information Bulletin on this important issue, distributed to all Licensees in March this year.

Australia Post has received a number of representations from Licensees expressing a range of concerns about its proposed PostShop franchising system. We are very concerned that some information that has been distributed has caused unnecessary worry for some Licensees, and wish to provide further assurances to you about this important issue.

- The PostShop Franchise system has been designed principally for metropolitan locations where a full PostShop is warranted. This means that the introduction of franchising will be of relevance to only a relatively few licensees, and only those who indicate an interest in becoming part of the franchised PostShop network.
- There will be no compulsory buy-backs of licenses; any buy-back will occur on a **strictly voluntary** basis and under mutually agreed commercial terms;
- There is no basis for concern that the introduction of franchising will impact adversely on the value of LPO licenses because of very clear differences between LPO and franchising arrangements; and
- The introduction of franchising will strengthen Post's overall brand, image and market place attractiveness. These are outcomes that will benefit Licensees and Franchisees alike.

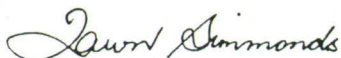
Consultation between Post and POAAL has been underway for over twelve months and is continuing. It is not appropriate - and in fact would be contrary to the consultative agreement that exists between Post and POAAL - for Post to communicate the detail of the concept until such time as the consultation process has reached the appropriate stage. When that occurs, we will communicate fully with Licensees on this issue.

In the meantime, in response to some specific queries about the franchising concept, and to correct some confusion that exists, we wish to advise the following:

- The term of a PostShop franchise will be for a fixed period of ten years. It is a common feature of many successful franchising systems around the world to have a fixed term.
- The PostShop Franchise system will require franchisees to comply with various standards and operational requirements. This is not dissimilar to what currently occurs under the LPO Agreement, although the operation of a PostShop does require compliance with a greater range of standards and operational practices.
- Post will be making a considerable investment to establish franchised PostShops. At the end of the term, the value of the franchise will be calculated and independently certified. This value will be shared equally between the outgoing franchisee and Post. This shared value arrangement reflects the commitment of both Post and the franchisee to maintaining the value of the franchise. The initial franchise licence fee established by Post for individual sites will take account of the commercial value of the 10 year term and the franchisee's share of the licence value at expiry.

Finally, I would like to again reassure all Licensees of Post's continuing commitment to our licensed post office network, and that the introduction of franchising will in no way diminish the support provided to our Licensees, who represent a strategic and highly important part of our total network. Indeed, we have commissioned a review of the consultative process between Post and Licensees with a view to identifying the most mutually beneficial arrangement to meet our future needs.

Once the consultation process with POAAL has reached the appropriate stage, we will be providing you with more detailed information about this exciting development within our Retail network.



Dawn Simmonds
State Manager
Consumer & Small Business