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Submission to Senate Standing Committee on Environment and Communications

Licensed Post Offices

By

Communications Electrical Plumbing Union
(NSW Postal and Communications Branch)

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Connecting
our community

We thank the committee for the opportunity to make a short submission to the Senate Inquiry into Postal Services on behalf of our membership employed at Australia Post or at Licensed Post Offices (LPOs) throughout NSW/ACT.

This submission is extremely broad but we would take the opportunity to provide a more detailed submission if requested.

There are three types of post office outlets that provide for a limited to a full range of postal services, being, Community Postal Agents (CPAs), (LPOs) and Corporate Outlets (COs). LPOs being a privately owned outlet under specific licenced conditions have been part of the overall mix of postal outlets for many decades.

Originally known as Post Office Agents (POA) they were converted to LPO after the Corporatisation of Australia Post. Further, it was only COs and under strict criteria, in areas that did not justify the continuation of a CO that were converted to LPO or closed altogether. This meant that under the criteria only COs have been converted to LPO. Over time the underpinning reason for the establishment of LPOs changed. Whilst many of the traditional LPOs remained, Australia Post began to offer new licenses for the establishment of additional LPO outlets under the mechanism of the Licensed Post Office Agreement with the Post Office Agents Association Limited (POAAL).

We now have a situation in some circumstances where LPOs compete with COs. In many cases the LPOs were created in new shopping complexes that automatically attracted a huge swathe of business. This also meant that the establishment and location of some LPOs led to the cherry picking of business away from established COs. The danger with this approach is that the full gambit of postal services may suffer given the inflexible “stand alone” and individualistic style of an LPO taking all the business from the CO then lobbying to have services, standards and regulation dropped or eased to ensure increased profitability. However, if a CO was located at a major shopping centre instead of an LPO, it would provide the flexibility between the two outlets where both outlets would survive economically without compromising services, standards and regulation.

With this and the terms of reference of the Inquiry into Postal Services in mind we submit the following:

- a. *The overall performance of Australia Post, importance and role of Australia Post in Australian Communities, and the challenges it faces in the immediate and long term.*

We submit that the overall performance of Australia Post is exceptional. Despite a decline in traditional mail the business flourishes with the increase in parcel volume. The retail section of Australia Post is regularly reformed and reviewed through standing mutual agreements with the CEPU and its members, ensuring resources at each outlet are commensurate with the business activity for that particular outlet.

Australia Post is the last multi-purpose regulated retail outlet which over many years has filled the void in providing trusted services during significant changes within our economy. They have acted as a safety net when financial institutions moved on. It is our view that, in many areas, Australia Post have been the underpinning reason for the survival of local economies. Australia Post face multiple challenges in the immediate and long term. Of these challenges, includes the reduction of tradition mail. This challenge is being addressed with increased parcel

volumes up to 2kgs are now carried and delivered by the traditional Postal Delivery Officer. The increase parcel volume has a secondary impact on LPOs. As LPOs were set up as smaller type outlets, parcels obviously take up an inordinate amount of space and clearly the traditional offices will not suffice without modification. The increase in volume and manual handling of parcels will continue to be a challenge for LPOs in terms of the serviceability, due to inflexible business modelling.

An additional challenge faced by Australia Post is the threat of privatisation and/or outsourcing of its services. Privatisation will, overnight, remove the need for services to be maintained. Despite contractual arrangements and regulation, postal services that do not make a profit will be left behind. Even subsidised postal services in particular the regulated mail delivery service will diminish or eventually be lost altogether in high operational cost areas like regional and remote areas of Australia .

The largest impact privatisation will have is on business and the community. Customers will pay a higher price per unit to send mail and parcels. In the current economy we believe this will be devastating considering Australia Post's role in the new economy. Despite calls for privatisation from many sectors, with respect, a completely competitive and deregulated postal market will see standards slide because of cost pressures due to a miss-match of operators and creating a standard market price well beyond the regulated cost to business.

Customers of LPOs already pay higher handling costs for redirected parcels.

b. The operations of Australia Post in relation to Licensed Post Offices (LPOs), with particular reference to:

- i. The importance and role of the LPO network in the Australian postal system, with particular reference to regional and remote areas,*
- ii. The licensing and trading conditions applicable to LPOs, including the community service obligations, and any effects these may have on operating an LPO business, and*
- iii. Marketing, retail and trading arrangements between Australia Post and LPOs and other entities;*
- iv. Any related matters.*

There is no doubt that LPOs in regional and remote areas serve as a hub for these local economies. It is our view that LPOs located in regional and remote areas are not only necessary but vital in providing a sustainable community. But pitted against each other there will be winners and losers. It is our view that unless there is a robust community service obligation - such outlets will disappear.

Community Service obligations are already relaxed for regional areas due to the vast areas of delivery. It is our view that lowering the standard for delivery would put these LPOs at risk as it is these standards that manage to keep contractual obligations between the parties viable. The community is served well by the current LPO arrangement in small areas but the growth of larger outlets is obviously putting pressure on proprietors who struggle to meet the demand around contractual arrangements. It is our strongly held view that once an LPO reaches a certain size it must be fazed back into the corporate area of Australia Post.

Further, we believe it is not in the community interest to offer an LPO If Australia Post continue to allow LPOs to serve larger areas with increased volumes of service then this will lower standards with a reduction in regulation due to the limited resources of a single outlet. Corporate Post Offices have the ability to share resources and have the ultimate in flexibility allowing business models to be amended to meet customer expectation and demand. LPOs, by their nature, do not have the same flexibility and the recent South Australian experience supports this view.

We support:

1. Reasonable and sustainable stamp increases to offset rising fixed network and operational costs.
2. Australia Post review the LPO model and cease issuing any further LPO licences for new sites.
3. A commitment that Australia Post will ensure that the essential community services currently provided by LPOs will transfer back to a CO if the LPO becomes unviable.
4. Recognising the important role Australia Post provides in sustaining local economies.
5. Where an LPO is in place it should not be able to charge (currently \$5.00) to a customer for the redirection of a parcel to the closest outlet of where the customer resides.
6. Robust consultative provisions to be undertaken by Australia Post with key stakeholders on postal service changes irrespective of CSOs being met. (Current mail sorting changes presently being undertaken that are directly affecting mail delivery standards within regional areas of NSW and Victoria)

JIM METCHER
Secretary