

SUBMISSION TO SENATE STANDING COMMITTEE ON ENVIRONMENT AND COMMUNICATIONS – BICHENO LICENSED POST OFFICE NOVEMBER 2013

This submission to the inquiry details the following concerns we have regarding our current relationship and financial partnership with Australia Post

- The important role our LPO plays in the community is jeopardised by the increasing demands put on us by Australia Post without commensurate payments
- The culture of Australia Post that treats LPOs with little respect and little or no understanding of our important role in representing Australia Post to the community
- Underpayments and disproportionate increases in payments for services delivered
- Unfair and disproportionate low payments for servicing PO Boxes
- No payment for processing the delivery of parcels to street addresses
- Underpayments for managing mail when linked to the Basic Postage Rate
- Concern that Australia Post will not pay appropriate compensation for the compulsory delivery of their services because they are more powerful than LPOs and the Licensing Agreement significantly advantages Australia Post

My partner and I have been licensees of a post office in Bicheno, on the East Coast of Tasmania, for nearly three years. We bought and invested in this business because we were keen to work in partnership with what we believed to be a great organisation, Australia Post. We were looking forward to being the face of and representing Australia Post to the public, as we believed they provided a great service and played an important role in the community.

After paying \$3000 for our own training that is compulsory by Australia Post, we spent \$270,000 to get into the business, had a business plan that included value adding to the business by changing the look and presentation to provide an even more pleasant interface with the public.

We invested in the purchase of new PO Boxes at a cost of \$30,000 as the old ones were rusted and still had CofA embossed on them. We believe that the new look and professional customer service has meant that the reputation of and turnover for Australia Post has been enhanced.

Unfortunately, we have since realised that even though Australia Post has great marketing, customer service and PR sections and, (we are constantly amazed at how the millions of letters and parcels actually get to their destination), the treatment and relationship with licensed Post Offices is nothing short of atrocious and often unprofessional.

The ongoing support and assistance promised at our initial training sessions has been non existent and the relationship has proven to be disappointing and frustrating.

Nevertheless we have carried on and focussed on providing the best service and shopfront for the people of Bicheno and beyond. The operation of the post office and the provision of services required by Australia Post has not given us a liveable income by any stretch of the imagination and unfortunately we have realised that as Australia Post requires us to do more and more with less and less (without commensurate compensation and payment), we have had to spend our time seeking additional income from elsewhere.

One of the major issues raised through the Licensed Post Office Group is that many of the fees and commissions paid to LPOs is linked to the Basic Postage Rate (BPR) which has not increased for 3

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years and before that for a number of years. This means that our income for these tasks has not increased commensurate with CPI. It is an unfair link to have as our costs have increased every year.

A key example of where Australia Post has not passed on their increased income proportionally to LPOs is regarding Private PO Boxes. LPOs buy outright the PO Boxes at a substantial cost. The boxes are then rented out by Australia Post at an ever increasing annual rate, \$65 to \$104 since 2005, an increase of 46%. The payment to LPOs over the same period has increased by only 16% from \$61.12 to \$73.34. LPOs carry out all the work involved in servicing the boxes so it is unfair that we have not received a proportionate increase in our fee to do so.

These are a few examples of how the income of LPOs is decreasing as the profit for Australia Post is increasing. The net effect of this is that LPOs are slowly being bled dry and going broke as Australia Post is lauded for achieving ever-increasing profits.

We are not asking for Australia Post to give up their profit, merely to have them achieve a profit with integrity where it is not made off the bank accounts of those struggling to make a living in LPOs providing services on behalf of Australia Post. Without the LPOs Australia Post would not have a service.

TERMS OF REFERENCE:

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

We are a Licensed Post Office located in Bicheno, a small seaside town on the east coast of Tasmania with a population of about 800. We deal with an influx of visitors over summer taking the seasonal population to the vicinity of 3000-4000 people. The closest Corporate or Australia Post owned post office is 1 hour to the north or over 2 hours to the South.

As well as having a licence from Australia Post to operate a post office we have a mail contract to deliver street mail to residents of Bicheno, a total of about 600 delivery points. This mail contract excludes the delivery of parcels so all parcels in Bicheno that cannot be carried on a motorbike are carded and processed through the post office. On average we deal with around 1500 letters and 100 parcels a day to be delivered to either PO Boxes or people with street delivery points.

We (2 of us) are owner/operators in this micro business with 3 casual/part time employees. Our core business is postal services that we provide in accordance with our Agreement with Australia Post. There is no doubt that we play a key role within our rural and remote town by both providing the services and being the “face” of Australia Post where Australia Post is unable to do so.

Since many banks, government services and offices have moved from the regional areas and centralized in the cities, rural post offices have become key for the provision of banking, bill paying, financial transactions, communications and general business services within small towns.

People generally see post offices as important places to seek information about all sorts of things from location of services to how does my mobile phone work! The local post office in the country continues to be an important conduit for the local community.

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The challenge for Australia Post is to ensure local country post offices remain viable and continue to play these important roles within the community while continuing to provide Australia Post with the goodwill they currently do.

So, the performance, importance and role of Australia Post in our community is crucial and very positive, but only because it is provided by the licensed post office that has a commitment to being the best that we can in our business. We, however are struggling with the relationship with Australia Post and finding that their ever increasing demands to do more for no more pay, means we have to financially subsidise the business from our personal income.

We believe we do a great job on behalf of Australia Post. The community feedback is always positive. We get no support or constructive help from Australia Post, so we do it well without them. When we have suggested that the fees and commissions or payments for delivery of parcels are inadequate or non-existent, they have suggested we sell confectionery as that has assisted other businesses when they are struggling. This suggestion demonstrates a concerning lack of knowledge, care and understanding about the actual problems facing LPOs and therefore the looming impact on Australia Post if and when a vast majority of LPOs end up broke and closing down. This is the longer term challenge for Australia Post.

The Operations of Australia Post in relation to LPOs in particular to:

The importance and role of the LPO network in the Australian postal system, particularly in regional and remote areas:

Very few Australia Post owned Corporate Post offices are located within rural and remote areas – they are primarily LPOs. Therefore the LPO network is crucial in the provision of services as well as ensuring that Australia Post delivers its commitment to a community service obligation as required by Government Enterprises.

Since many banks, government services and offices have left regional areas and centralized in cities, rural post offices have become essential for the provision of banking, bill paying, financial transactions, communications and general business services within small towns.

People generally see post offices as key places to seek information about all sorts of things from location of services to how does my mobile phone work! The local post office in the country continues to be an important conduit for the local community.

The challenge for Australia Post is how to ensure these local post offices remain viable to continue to play these important roles within the community and to continue to provide Australia Post with the goodwill that they currently do.

So, the performance, importance and role of Australia Post in our community is very positive and plays a crucial role, but only because it is provided by the licensed post office and we have a commitment to being the best that we can in our business. We, however are struggling with the relationship with Australia Post and finding that their ever increasing demands to do more for no more pay, means we have to financially subsidise the business from our personal income.

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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 marketing, retail and trading arrangements between Australia Post and LPOs and other entities:

We respectfully contend that Australia Post is underpaying or not paying a fair price for many of the required tasks to be undertaken by LPOs.

In our LPO we do not get the well reported 22cents per parcel, because we are apparently not eligible for the so called carded article payment. The volume of parcels is increasing and the impact on our LPO has been significant. All parcels received at the Bicheno LPO are carded whether they are street delivery or PO Box delivery. Bicheno does not have a parcel delivery contract in place. On average we receive and card between 250 and 350 parcels per week, meaning around 1200 to 1300 parcels per month. When we approached Australia Post to seek payment for this work we eventually were able to negotiate a token set payment per month that could be removed at the whim of the State Manager at any time as it is titled a “special negotiated payment” that is meant to be temporary. We call it our “silence” money as they don’t want us to raise the topic again. We also don’t want to lose it so hopefully this submission will not be used as a catalyst for that happening.

Many of the fees and commissions paid to LPOs are based on the Basic Postage Rate (BPR) which has not increased for 3 years and before that for a number of years. This means that our income in the areas based on this link has not increased commensurate with CPI. It is an unfair link to have as our costs have increased every year.

Another example of where Australia Post has not passed on their increased income is that relating to Private PO Boxes. LPOs have to buy outright the PO Boxes at a substantial cost. The boxes are then rented out by Australia Post at an ever increasing rate, \$65 to \$104 since 2005 an increase of 46%. The payment to LPOs over the same period has increased by 16% from \$61.12 to \$73.34. It is the LPOs who carry out all the work involved in servicing the boxes so it is unfair that we have not received an appropriate fee to do so. Also, Australia Post has just introduced a new \$15.00 admin fee when taking a new lease on a box. The LPO has received no increase in our commission for the box even though the majority of the work undertaken in relation to PO Boxes is done by the LPO. Another example of how Australia Post continues to increase their take from the work undertaken by LPOs.

Redirections is another area where Australia Post has increased the cost to the customer for doing a redirection at a greater rate than any increase in the fee paid to LPOs for doing most of the work.

We, as an LPO, have had to manage a range of difficulties we have with Australia Post systems, which often causes hardship to us personally and financially. The recently introduced new computer system named CE-POS has not performed as promised and is often 3 or 4 times slower than the previous system. This means that we are unable to perform as many transactions and therefore run the risk of incurring less income by way of fees and commissions. Not to say the increasing frustration from customers about the time delays and the very sophisticated skills we need to utilise to reassure the customer that Australia Post is still worth supporting!

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One more example of the hardship caused by Australia Post systems occurred in April this year when all prepaid products (satchels, envelopes etc) changed to incorporate tracking capability. LPOs were required to buy all the product up front to be ready to sell on 8 April when the old product that we had already bought had to be removed from the shelves and returned for refund. The problem for us was that the refund was delayed by a month and we had to fork out in the vicinity of \$7000, which was no mean feat for us. We subsidised the business at this point from our personal savings as well as negotiated a delayed payment plan with Australia Post – much to our own embarrassment as we pride ourselves on operating a good viable business. This was a difficult time for us caused wholly by Australia Post deciding to change their product and not deliver the promised credit for returned stock in the same month new stock was paid for. We felt that they really didn't give much support to LPOs at this time.

In the last couple of years the date for the payment of stock to be direct debited from our account changed to the 24th of the month, whilst the fees and commissions (LIPOMS) to be paid to us remained at the last day of the month. This means that every month we have a window of 6 or 7 days where our outgoings are way above our incomings. It sounds petty but once again it is Australia Post that is advantaged by this process in relation to interest earned on monies that should be paid out.

Any related matters:

We as an LPO are asking that we be treated in a fair and reasonable manner by Australia Post. We are asking for no more and no less than a fair and reasonable pay for work carried out as required by Australia Post. We are asking for Australia Post to be required to ensure the viability of the LPO Network in order to save these services for the rural, regional and remote areas of Australia.

Australia Post is deficient in effectively addressing the real issues in the small business world and does not understand or seem to respect the work LPO does for Australia Post, the income/dividend LPO provide to AP and most importantly that LPO are a significant and important business partner of AP. It is of significant concern that the biggest franchisor in Australia knowingly, willingly and systematically goes about damaging, underpaying and destroying its franchisees or even worse willingly impairs community service obligations by ignoring to identify the problems LPO franchisees face and remedy the failure of the relationship.

We are still excited and proud to represent Australia Post in our area and deliver services on its behalf. We simply seek a culture from AP that is respectful of our role and understanding and fair with respect to our financial needs as their working business partner.

Helen Bain and Subi Mead
Licensees Bicheno LPO