



CEPU SUBMISSION

FEDERAL PARLIAMENTARY INQUIRY INTO

ENTERPRISING AUSTRALIA Planning, Preparing And Profiting From Trade And Investment

March 2001

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EXECUTIVE SUMMARY - RECOMMENDATIONS

ECONOMIC DEVELOPMENT BOARDS

Recommendation: Economic Development Boards

That this Inquiry endorses the establishment of economic development boards on the basis that they are directed at stimulating local employment and not merely as a means to facilitate foreign ownership, expand training and retraining opportunities for the local workforce, include trade union representation at both a policy and operational level through direct representation on the bodies concerned and support and promote the Australian cooperative industrial relations system. It rejects the strategy of reducing living standards and workers rights as a means of attracting foreign investment.

INFRASTRUCTURE ISSUES

Recommendation: Infrastructure

That this Inquiry recognizes the importance of communications and electricity infrastructure to the attraction of overseas investment. In this regard, it is vital that Australia's communications infrastructure be maintained and expanded in terms of affordability and accessibility. This inquiry recognizes the important and continuing role played by government ownership and responsibility in the provision of communications infrastructure. Specifically, this Inquiry rejects any further sell-off of Telstra and deregulation of Australia Post as there being in conflict with the communications infrastructure needs of Australia. With regard to the electricity industry, the government will need to consider how it will regulate to ensure the integrity of the National Grid and associated infrastructure.

CREATING A SKILLED WORKFORCE

Recommendation: A Balanced and Well-Resourced Commitment to A Skilled Workforce

This Inquiry recommends to government that adequately resourced education and training are vital to the future of Australia's economic growth. That the future education and training policy should be based on a recognition of the central role of public education and a re-newed funding commitment by government and employers to provide additional educational and training opportunities (including apprenticeship training). This new direction in education and training should encompass a central role for cooperation and involvement by the social partners to be involved in the provision and planning for future needs. The Inquiry recommends that future education and training policy be based on a long term and politically bi-partisan approach.

E-COMMERCE ISSUES

Recommendation: E- Commerce

This Inquiry supports the development of E-Commerce initiatives as an important aspect of both Australia's modernization but also as a key element of national communications, transport and delivery infrastructure. However these initiatives should only be pursued in conjunction with workforce consultation, training and consideration of the employment and job security impacts of these changes.

COOPERATIVE INDUSTRIAL RELATIONS ENVIRONMENT

Recommendation: Social Partners to be represented in Economic Development Agency

That this Inquiry recommend that any future economic development strategy be based on the involvement and cooperation of the social partners -that is, government, employers and trade unions. The social partners are recommended to be represented in any future economic development agency as a basis for this on-going cooperation.

Recommendation: Cooperative Industrial Relations Key to Economic Development Strategy

That this inquiry notes the importance of creating and sustaining a cooperative and balanced approach to industrial relations as a necessary pre-condition to the adoption of a long term economic growth strategy. To this end, this Inquiry recommends to government that cooperation between the social partners be pursued as a consistent and bipartisan policy approach, based on the continuing access to and independent industrial tribunal, that is the AIRC. The promotion of this aspect of Australia's industrial environment should be a key element of government economic development policy.

CONSISTENT POLICY AGENDA

Recommendation: Consistent Policy Agenda

That this inquiry recommends that any future overseas investment strategy be developed on a bipartisan political basis and emphasize a long-term approach to government policy.

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1. BACKGROUND

The CEPU is the principal trade union representing Australian workers employed in the communications, electoral, electronics, information technology and plumbing sectors of the Australian economy.

The CEPU currently represent approximately 150,000 workers employed across these sectors. The Australian Bureau of Statistics data reveals that there are nearly 400,000 workers engaged in these sectors of the Australian economy.

The industrial sectors represented by the CEPU are vital to the performance of the Australian economy and many are key components of Australia's economic involvement in the new economy. In this regard, the CEPU membership is vital to the future economic development of Australia.

2. THE SUBMISSION

The current inquiry seeks to investigate and make recommendation to the Australian Federal Parliament regarding a range of issues relevant to the future economic development of Australia. In particular, the Inquiry seeks to investigate and report on increasing Australia's trade and investment through various initiatives for economic expansion, in particular:

- the role of economic development agencies in economic expansion (such as the Industrial Development Agency in Ireland and the Economic Development Board in Singapore), the reasons for success or otherwise of these agencies in establishing countries and regional areas as economic leaders and the comparative role of such development agencies to those existing agencies in Australia;
- incentives and impediments to foreign investment in Australia such as transport systems, taxation, telecommunications infrastructure, production costs, industrial relations structures, legal systems, federal systems of government and research and development initiatives;
- the adequacy of a skilled workforce in Australia particularly in new growth areas such as, though not limited to, financial services, information technology, E-Business, education, pharmaceuticals and health care, and the competitiveness of the workforce; and,
- opportunities for encouraging inward investment and promoting export sales.

The CEPU has sought to provide comment and input to the review with respect of a number of key areas of the Inquiry. These are:

- The role of economic development agencies;
- Communications and other infrastructure aspects of trade and investment;
- E-Commerce Issues; and,
- Workforce Skills.

This should not be considered an exhaustive list. Due to various pressures, the CEPU has been unable to comment on all areas of investigation that may impinge on the Inquiries deliberations. However the CEPU is willing to provide further comment should the opportunity arise.

In preparing its submission, the CEPU has sought input from various overseas trade unions and other bodies, such as the Union Network International, the Singapore Telecommunications Union, the Irish Communications Workers Union and the Communications Workers Union (UK).

3. ECONOMIC DEVELOPMENT AGENCIES

The CEPU has reviewed the operation of a number of economic development agencies relevant to the consideration of the current inquiry. Two examples have been reviewed in some detail - the Singapore Economic Development Board and UK Regional Development Agencies. While the former has been cited in the terms of reference of the Inquiry, it is clear from this investigation that the recent experience of the latter is directly relevant to the Inquiry.

3.1 The Singapore Economic Development Board

The Economic Development Board (EDB) was established in 1961. Its mission was, and continues to be, to attract the foreign investments needed to realize the Singaporean government's strategies for economic growth and development. The government's priority has been to ensure that Singapore remains a highly attractive location for business. The EDB's role is to attract both foreign and local investments and nurture promising local enterprises. It is argued that investments will flow in if Singapore has strong capabilities, first rate infrastructure and is cost competitive.

Recently the EDB has stepped up its investment promotion efforts. It is meeting with investors more frequently, to advance specific project interests and to assure them of the economic health of Singapore. At the same time, it is pressing on with capability building in Singapore. It is working with companies to identify growth industries of the future and to develop the necessary manpower and infrastructure to support new and high growth industries.

Offering a stable location for long term investment, with consistent pro-investment policies and a sound financial system, the EDB actively targets both manufacturing and export industries. It encourages investors to think strategically, to establish a presence in Singapore and to position themselves for the predicted regional recovery.

The CEPU has reviewed four examples of specific initiatives of the Singapore Economic Development Board as part of its program to attract foreign investors:

- The International Business Hub (IBH) program aims to make Singapore the Asia-Pacific strategic gateway, "bringing the world to the region and the region to the world". The program complements the manufacturing program by developing total business capabilities in Singapore. Key clusters in the IBH program are Regional Headquarters (RHQ) and Logistics;
- The RHQ program encourages companies to use Singapore as the location to manage their operations in Asia-Pacific. Over the last decade, more than 100 companies, of which at least 40% are Fortune 500 companies, have joined our stable of Overseas Headquarters (OHQs) and Business Headquarters (BHQs);
- The strategic intent in the Logistics program is to develop Singapore into an integrated logistics hub to improve our competitiveness for manufacturers. More Multi-National Corporations (MNCs) are responding to the need for shorter order cycles, and are setting up more regional distribution centres in Asia; and,
- Under the Co-investment program, the EDB will co-invest in risk-sharing ventures in strategic projects, in Singapore and the region, to strengthen partnerships with MNCs and local enterprises.

The Singapore experience identifies three major challenges for government in attracting and retaining foreign investments. These are:

Education and Training

While the EDB is not the primary government agency responsible for education, skills development and training, a key priority has been to meet the manpower needs of investors and industries that it attracts to locate in Singapore. The EDB has promoted cooperation with training/tertiary institutions, and other agencies, joint industrial training centres, corporate training institutes, joint training programs with MNCs and foreign governments, research & development in future skills needs and workforce training, as well as attracting skilled workers and professionals from overseas. Manufacturing growth in the future will be more innovation-driven than cost-driven. The employment profile will skew towards more knowledge and skilled workers. For the projects that the EDB promoted in the last couple of years, two out of every three jobs require a post-secondary education.

The Singapore government's policy has been to transform Singapore into a knowledge-based economy and this is transforming manpower development. Pre-employment education and training is considered important but is not seen as sufficient to provide the workforce with the necessary capabilities for the future. The main need is to create and constantly improve in-employment education and training framework to continually enhance the knowledge and skills of workers. There is also a need to facilitate the deployment of re-skilled workers from old jobs to new jobs as the economy matures and new industries emerge.

Singapore has defined a national manpower development strategy, known as Manpower 21, to develop human talent, our most valuable asset. Six key strategies have been identified: - Integrated manpower planning, Lifelong learning, Augmenting the talent pool, Transforming the work environment, Developing the manpower industry and Strengthening partnerships with stakeholders at national, industry and community levels. While the Ministry of Manpower is now the driving agency, the EDB is a key partner, directly involved in several of the manpower development and assistance initiatives. The EDB is also a partner in a national Skill Redevelopment Program which was initiated by the National Trades Union Congress (NTUC) in December 1996 to provide workers, especially older and less skilled workers, with national skills certification aimed at improving their employability. It is reported that the labour movement is concerned that workers may not be able to keep up with the pace of change and the increasing demand for higher knowledge and skills needed by new investors. In response, the labour movement is keen to ensure that workers have access to and are willing to take up training and retraining, so as to increase their capabilities, earnings and earning potential.

Cost-Competitiveness

The Singapore government aims to ensure that they are internationally competitive to maximize the opportunity for Singapore to be an investment location of choice, particularly for high value-added capital and knowledge intensive industries. To achieve this they emphasize that Singapore is strategically located with strong infrastructure such as in telecommunications and logistics. An essential element of this is the quality services that are available and their cost-competitiveness. The EDB's approach is to view cost competitiveness holistically. It aims to offer MNCs not so much cost savings in individual cost items but, as a whole, to make operating in Singapore a viable and highly competitive option (i.e. the total landed cost perspective). However the labour movement remains concerned that the income gap will widen with downward pressure on low skilled work and upward pressure on high-skilled jobs in the global labour market. The priority of the Singapore labour movement is therefore to ensure all workers have access to affordable training, continuing education, and better job opportunities.

Trade Unions as Stakeholder and Strategic Partner

The EDB and other government agencies have recognised that a stable industrial relations climate has been a critical enabling factor in attracting and retaining foreign investments. This has been possible because trade unions have been accepted as a key stakeholder in national development. From the Singapore unions' perspective, the efforts of the EDB to attract and retain foreign investors has ensured sustainable economic development, creating jobs for workers in progressively higher value-added industries, and thus prospects for increasing wages and earning potential. The challenge has been and will continue to be to gain and retain foreign investors' acceptance of trade unions as a strategic partner, and to ensure the protection and advancement of workers' interests and needs. Our ultimate aim is to increase the standard of living and quality of life for all workers and their families.

3.2 UK Regional Development Agencies.

Regional Development Agencies (RDA's) were formally established in the UK in April 1999. They have developed in response to evidence that Britain has the biggest gap between richest and poorest regions in the European Union as well as inequality within regions being glaring. They aim to coordinate regional economic development and regeneration throughout the regions of England enabling them to improve the relative competitiveness of their local economy and reduce the imbalances that exist within and between regions. In this regard, they complement the governmental devolution initiatives introduced in Scotland, Wales and Northern Ireland.

The statutory purposes of the RDA's are:

- to promote economic development and regeneration;
- to promote business efficiency, investment and competitiveness;
- to promote employment;
- to enhance development and application of skills relevant to employment; and,
- to contribute to sustainable development.

To achieve this, the RDA's have the following functions and responsibilities:

- the formulation of a regional strategy in relation to their purposes;
- regional regeneration, through taking the lead on regional inward investment;
- taking forward the national government's competitiveness agenda in the regions;
- developing strategies to improve the performance of key industrial sectors, involving Training and Enterprise Council (TEC), Chambers of Commerce, Training and Enterprise (CCTE's) and National Training Organizations (NTO);
- developing a regional Skills Action Plan (SAP) to ensure skills training matches the needs of the labour market; and,
- a leading role on European funding, including encouraging better coherence between the funding streams which support investment in people such as European Structural Funds (ESF) and Single Regeneration Budget.

In structure the RDA's bring together government offices, local authorities (4 representatives on each board), trade union and employer groups. As national authorities, they report to Ministers and the Parliament.

The RDA strategy aims to bring together skills planning and employment generation at the regional level as part of a national skills training and employment agenda. In this regard, the RDA's have been complemented by the establishment of a National Skills Task Force (NTSF) and the skills and enterprise functions of Training and Enterprise Council (TEC) and Chambers of Commerce, Training and Enterprise (CCTE's) have been reviewed.

With regard to the RDA's skills training role they are directed to develop a regional response to recent report of the (NTSF). The UK government has developed its National Skills Agenda based on the recommendations of the NTSF. The NSTF identified a number of reasons that were responsible for recruitment difficulties requiring further investigation by the RDA's:

- skills shortfalls (especially in the Information technology, engineering and construction industries),
- skill gaps (where industry have lower skills than necessary to meet their business objectives;
- other factors (such as poor pay, conditions and image of industries and sectors, inadequate recruitment practices and mismatches between the unemployed and vacancies); and,
- lack of labour market and skill needs information.

With respect to skills development, the RDA's are directed to contribute to the development of a National Skills Strategy and incorporating skills strategies in regional economic strategies. The SAP's are to provide an analysis of the skill requirements and shortfalls/gaps of key industries and technologies in the regional labour market, set priorities for action, ensure union involvement in the process of identifying these shortfalls/gaps and priorities and ensure social partnership is actively encouraged in bidding for projects in the SAP. The RDA should ensure that the SAP recognizes and builds on the workforce development work done by unions through the Regional TUC/TEC's Bargaining for Skills projects, ESF Objective 4 projects and the DFEE Union Learning Fund projects. The SAPs are also required to identify the role of each partner to meet the priorities set and provide a timetable for action.

Where the Regional Economic Strategy is anticipated to cover a 5-10 year period, the SAP's are intended to look 3 years ahead as well as identify longer term skills issues.

Funding for RDA administrative costs and their skills development activities is provided by government through its national Skills Development Fund. This Fund is used to fund education and training infrastructure projects and establish centres of excellence in response to labour market needs. However it can also be used to respond to specific retraining needs. For example, the Fund has been used to retrain Royal Doulton and Stoke Potteries workers in order to seek employment in alternative industries. Funding for RDA's is planned to rise to £1.7 billion by 2003-4.

Social Partnership and Union Involvement

The importance of social partnership is stressed throughout the RDA initiative. This is based on the view that no one institution can deliver the government's agenda to tackle social exclusion, increasing workforce skills and promoting lifelong learning. Therefore RDA's are to promote maximum ownership of vocational education and training by employers, unions and the education service.

Needless to say, trade unions in the UK, backed by the TUC, have embraced involvement in the work of these RDA's. They are seen by the TUC as providing important opportunities to develop a common agenda for jobs, skills and economic regeneration. The TUC has been successful in having a trade union nominee appointed to each RDA. The TUC has also established a RDA union network to coordinate involvement, discuss key objectives and priorities and to liaise with government. Evidence would suggest that the trade unions have played a constructive and essential role in the establishment and on-going work of the RDA's.

The UK experience with regard to Regional Development Boards is in many ways similar to the role played by regional development boards in other countries at a national level. The key lessons for their experience are:

- Investment with a Local Focus. Aim to attract investment on the basis of local employment and skill needs;
- Skills Training. A strong skills training focus, which brings together the social partners and all other relevant bodies (such as educational bodies) to identify skills shortages and retraining needs on the basis of an overall economic strategy, and to plan and timetable for a coordinate response by the social partners; and,
- Social Partnership The involvement of the social partners (and especially the trade unions) at the planning, decision-making and operational levels of the RDA's work.

3.3 Export Processing Zones

The CEPU has also reviewed the experience of Export Processing Zones. These Zones exhibit important lessons for the Inquiry in terms of the sort of investment attracting strategy that must be avoided.

These Zones have been established throughout the developing world, including the Asia Pacific region. They aim to be the focus for attracting foreign investment and trade, offering a “free trade” environment for multinational investors. However one of the key bases of their strategy is the promotion of a low wage culture and the limits placed on domestic trade union activity. The ICFTU has reported that the various developing countries concerned promote their Export Processing Zones as sources of cheap, mainly female labour where unions are severely restricted. In many cases, the workforce has a large migrant component.

A recent ICFTU study identifies various examples of this approach to attracting foreign investment, including the Asia-Pacific, Central American and Central and Eastern European areas. In Malaysia for example, the ICFTU pointed out that 83% of workers in these Free Trade Zones were female, with an average age of 21.7 years. The electronics industry is a key export industry promoted by Malaysia as part of its export attracting strategy. Yet this industry which accounts for 40% of Malaysian exports has a predominately female labour force and has been denied the right to organise a national union since the 1970's. Workers in another key export sector - the textile and footwear sector - are 29% migrant and are required to work up to 54 hours non-stop in unsafe workplaces.

The ICFTU argue that rather than global trade and investment being the well-spring for the improvement of living and working conditions through the resources provided by higher exports, it is often the source of misery as governments actually reduce workers rights out of their belief that minimizing labour costs is the best way to attract foreign investment and compete successfully with other countries, such as China.

While this “beggar my neighbour” strategy will mainly affect those developing countries who are mostly vulnerable at the margin to being forced out of the world market, industrialized countries and their workforces are also affected by this downward pressure on living standards.

It is important to reflect that a recent OECD study found that countries that suppressed trade union rights did not improve their economic performance in the long term. The OECD concluded that countries should be able to enforce core labour standards without risking negative repercussions on foreign direct investment flows.

3.4 Conclusion

The CEPU recognizes the need for the Australian economy to achieve productivity improvements and be based on a growth strategy. The CEPU also recognises the potentially valuable contribution that foreign-base investment can play in stimulating and assisting economic growth.

From our review of the overseas experience, it would appear that economic development boards have played an important role in coordinating government policy and action to attract overseas investment. While the attraction of foreign investment can play an important role in increasing job, skill and income improvement opportunities, it is vital that the interests of the workforce are advanced by the operation of economic development boards. There is need to ensure that foreign investors' accept trade unions as strategic partners and that all workers have access to affordable training, continuing education, and better job opportunities to ensure that the vast majority of workers are able to benefit from overseas investment. Conversely, the CEPU any investment attraction strategy that is based on reducing domestic living standards and workers rights is opposed.

The key elements of a successful approach to Economic Development Boards are:

- Aim to establish a whole of industry response to issues critical to industrial development, especially skills development and training, infrastructure planning and provision and investment promotion;
- A strong skills training focus, which brings together the social partners and all other relevant bodies (such as educational bodies) to identify skills shortages and retraining needs on the basis of an overall economic strategy, and to plan and timetable for a coordinate response by the social partners;
- Consultation with all industry players (including government, employers, and trade unions) in their development and cooperation;
- The active involvement of trade unions, at board or executive level; and,
- A commitment to ensure that all workers have access to affordable training, continuing education, and better job opportunities to ensure that the vast majority of workers are able to benefit from overseas investment.

In conclusion, the CEPU support the development of Economic Development Boards in Australia provided that they are established on the basis of the successful overseas experience identified above. In this regard, the CEPU supports economic development boards in Australia on the basis that they:

- are directed at stimulating local employment and not merely as a means to facilitate foreign ownership;
- include trade union representation at both a policy level and operational through direct representation on the bodies concerned;
- aim to enhance the local workforces access to affordable training, retraining, continuing education and better job opportunities; and,
- support and promote the Australian cooperative industrial relations system.

Recommendation: Economic Development Boards

That this Inquiry endorses the establishment of economic development boards on the basis that they are directed at stimulating local employment and not merely as a means to facilitate foreign ownership, expand training and retraining opportunities for the local workforce, include trade union representation at both a policy and operational level through direct representation on the bodies concerned and support and promote the Australian cooperative industrial relations system. It rejects the strategy of reducing living standards and workers rights as a means of attracting foreign investment.

4. INFRASTRUCTURE ISSUES

The CEPU argue that the provision of affordable and accessible infrastructure is a key component in attracting overseas investment (or domestic development for that matter).

Two of the key infrastructure sectors for which the CEPU has particular knowledge is telecommunications and postal services. These services are crucial to modern and emerging business practices, in terms of information technology and E-Commerce for example.

4.1 Postal Infrastructure Issues

In respect of these sectors, Australia has enjoyed state-of-the-art and innovative nationwide communications services. With respect to postal services, Australia Post maintains a nationwide network of delivery and counter services. This network is the largest postal or counter operation in Australia. In terms of service standards and performance postal services are a vital component of Australia's communications network. Australia Post, as the national postal carrier with its universal and community service obligations, is the major deliverer of these services. Australia Post has achieved world-class performance in a range of areas including productivity, financial performance and service indicators. This performance is such that the Australian postal service is regarded as one of the best postal services in the world. The World Bank, in a major international review of postal services, has come to this conclusion.

The CEPU believes that the provision of an efficient and affordable postal communications service operating throughout Australia is a basic necessity of life for the vast majority of ordinary Australians as well as to our national economic development. These services are essential to the provision of this link across our vast continent with its widely dispersed population. Australia Post has clearly demonstrated its ability to provide such a service. The importance of Australia Post's provision of basic postal communications services to the well being of ordinary Australians is seen by:

- the nature and spread of its network;
- the affordability of its charges; and,
- The various indicators of postal usage and public support.

In addition, it is argued that Australia Post has demonstrated the efficiency of its operations in terms of its outstanding performance against a range of national and international performance indicators. These have ensured that this vital service has been provided by Australia Post to the benefit of Australia's postal users. This section seeks to demonstrate the vital importance of postal services to Australia and its national economy.

Australia Post's Network - Universal Service.

As at June 1999, this network comprises 4,425 postal outlets (consisting of 905 corporate offices, 2,998 licensed post offices or agencies and 522 community postal agencies). These outlets comprise traditional Post Offices, Retail Post Shops, Business Centres, Licensed Post Offices or Post Office Agencies and Community Mail Agencies (CMA). The number and nature of post offices in the Australia Post network are detailed in Table 1.

86.4% of all households are within 2.5 kms of their nearest Australia Post retail outlet, with 95.5% within 7.5 kms.¹ It should be noted that for rural and remote Australians access is somewhat reduced and there has been a continuous decline in recent years in the number of Corporate and Licensed Post Offices, with a consequent increase in the number of CMA, the lowest level of service provider in the network. See Table 1 for details of this change.

It delivers to over 8.5 million delivery points across the country, including over 7.7 million households and over 838,000 businesses. Australia Post's delivery system comprises a transport fleet of more than 10,200 vehicles and around 20,000 employees and contractors engaged in the collection, sorting and delivery of mail.

Australia Post currently employs a total of approximately 35,000 staff directly and almost 45,000 when one includes contractors. Tables 11 and 12 detail the employment breakdown for Australia Post staff. The vast majority of staff are employed pursuant to a Federal Industrial Award and associated industrial agreements. Senior management, mail delivery contractors, licensed post office operators and post office agents are engaged by Australia Post on individual employment agreements or specific contracts of employment.

Increasingly important components of Australia Post's business are financial transactions. There are two types of Australia Post financial services - giroPost and Billpay. GiroPost currently provides electronic banking transactions over post office counters on behalf of 11 banks and financial institutions. This service is offered in over 2,700 of Australia Post's outlets, with over half of these (1,394) located in rural and remote areas which service nearly 30% of Australia's population. This network compares favourably to that of the major banks (see Tables 11 and 12). Australia Post is also the leader in the third-party bill payment market in Australia. Billpay enables customers to pay accounts for 340 organisations, the largest range of bill payment transactions available from any single network in Australia.

Rural And Regional Services

Consistent with its universal and community service obligation services to rural and regional Australia is a vital component of Australia Post's network. Over 2,500 of its outlets are located in rural and remote areas. It is significant to note that Australia Post's rural outlets compare favourably with that of the banking sector (see Tables 13 and 14).

Over 2.2 million of its delivery points are located in rural areas and a further 240,900 in remote areas of Australia. In terms of delivery frequency, in rural and remote areas, 94% of delivery points receive 5 or more deliveries per week, with a further 5.7% receiving between two and four deliveries per week.

The distribution of Australia Post's outlets and posting facilities also reflects its commitment to providing services to all Australians. Outlets per 10,000 residents increase from 4.9 in metropolitan areas to 13.2 in rural to 16.9 in remote areas. Posting facilities per 10,000 residents increase from 10 in metropolitan areas to 16.5 in rural to 24.7 in remote areas. In addition, between 68.3 of rural households are within 2.5 kms of a postal outlet (58.1% in remote areas). 87.2% of rural households are within 7.5 kms of a postal outlet (71.3% in remote areas).

¹ The following references to Australia Post's network and financial performance are sourced from Australia Post, *Annual Report, 1999*

Reduced Rural And Remote Access To Postal Outlets In Recent Years

It is however important to appreciate that this spread of Australia Post facilities has been subject to a slow decline in recent years as increased competition has placed financial pressure on Australia Post to maintain these high cost, low profit facilities and services. It has been reported that while that the distance residents in remote areas have to travel to find their closest postal outlet has fallen from 30 km's to 26.8 km's between 1996 and 1998, that for rural residents has actually increased from 7.5 to 8.5 km's.² In this context, it is important to note that in its latest annual report (1999), Australia Post have altered its reporting methodology for rural and remote access to postal outlets such that it is no longer possible to compare this access against previous years. It is disappointing that Australia Post has altered its statistical format for measuring average household distance from outlets in this way. This makes it impossible to compare current results with previous figures. Cynics would argue that this has been done because the previous comparative statistics revealed that this distance has been increasing in recent years.

Postal Services Affordability.

A key element in the provision of essential community services is affordability as well as accessibility. As has been shown, the spread of Australia Post's network reveals one of the most comprehensive customer service networks of any corporation or public service in Australia. Yet Australia Post has also been able to ensure that the cost of maintaining such a vast network of services has not compromised affordability.

In this regard, Australia Post has been able to maintain the price of basic postal services since 1992, resulting in a consequent cost saving in terms of CPI to all postal users. With respect to price, Australia Post has been able to maintain its 45c standard letter rate for the past six and a half years and is committed to retaining this price until at least 2003. Compared to movements in the CPI, this has delivered an almost \$800 million savings for postal users since 1992. The progressive savings achieved for the community is set out in Table 15.

A recent comparison with other OECD countries (based on Purchasing Power Parity) reveals that Australia Post's standard letter rate of 45c is the fourth cheapest across the OECD's 26 countries, behind only New Zealand (36c), Spain (37c) and the USA (44c). While these rates are nominally cheaper than Australia's 45c rate, the postal administrations in New Zealand, Spain and the USA don't have to carry the costs of delivering mail to a huge area with a sparse population, like Australia. Conversely, 22 of the world's leading postal administrations charge more than Australia Post for basic postage – for example, Greece (58c), Japan (63c), Ireland (64c), Italy (65c), Germany (73c) and Turkey (\$1.46c). The latter rate is four times the Australian rate.³ These recent comparisons confirm reports in 1997 that Australia's standard letter rate is also only 80% of the average OECD standard postage rate of 56 cents - despite Australia's low population density.⁴

It is important to remember that an important element to the affordability of these postal services is the uniform pricing provisions of Australia Post's community service obligation. This is in recognition of both the immense geographic size of Australia and the dispersal of its population. In this way, Australia Post's capping of its basic postage rate brings enormous benefits for all Australians due to the fact that this price is uniform for standard letters sent throughout Australia.

² Wendy Craik (National Farmers Federation) in a radio interview, *ABC Radio National Countrywide*, 2.07 pm, 25th June 1998

³ Australia Post, *Post Journal*, March 2000 (253), p. 14, and Australia Post, *Opening Submission to the National Competition Council Inquiry into the Australian Postal Corporation Act 1989 and Associated Regulatory and Institutional Arrangements*, August 1997 p. 49. This reference is referred to below as *Australia Post Submission*.

⁴ Davidson, K., "One big problem in selling Australia Post", *The Age (Melbourne)*, 6th October 1997.

Postal Services Usage.

Australia Post handled over 4.5 billion mail articles in 1999 - or 370 million items every month or 18 million articles each working day. This represents a 3.6% increase on 1998. The domestic mail component of this business (articles posted within Australia for delivery in Australia) comprised over 4.1 billion articles. International mail comprised 172,100 articles posted in Australia for delivery overseas and 164,200 posted overseas for delivery in Australia. In terms of frequency of service, over 98% of all delivery points receive 5 or more day's delivery per week.⁵

Concerning the use of Australia Post's *giroPost* and Billpay services, 1999 saw this network process more than 25.5 million *giroPost* transactions and 165 million bill payments throughout its retail outlets. Finally, the accessibility and necessity of Australia Post's network is demonstrated by the fact that over 800,000 Australians visit Australia Post's outlets on every one day.⁶

As has been pointed out above, this usage of postal services will continue to perform a vital role in the future of Australia's communications market. As has been stated, Australia Post estimate that, despite a continuing expansion of electronic messaging, hard copy mails communications volumes will expand by 50% by 2004. In this context it is important to appreciate the continuing importance of hard copy mail communications for the millions of Australians who have less access to the range of electronic messaging alternatives (such as e-mail and Internet) due to either geographic, availability or financial cost considerations.

Public Support For Australia Post And Its Services.

As the volumes of mail processed and the over 800,000 visits per day to Australia Post offices show, Australia Post is well used by millions of Australians. This is re-inforced by various indicators of public support for Australia Post and its services amongst both business and residential customers. Independent nationwide customer surveys (of over 2,400 small and medium sized business and 2,400 private customers) conducted over the past 6 years for Australia Post, indicate increased satisfaction in areas such as on-time delivery, prices and good value for money, knowledge and customer focused staff and easy to use products. The overwhelming majority of these satisfaction rates are in the 80-90% percentile range.

These attitudes are particularly reflective of Australia Post's improved performance over time. Over the period 1992 to 1998, private customers have found staff friendly and knowledgeable (83% up from 74%), with business customers recording even greater satisfaction rates (94% up from 63%). Products and services have been seen as easy to use by 97% of private customers and 98% of business customers (up from 85% and 90% respectively). Australia Post is seen as caring about its customers by 83% of private customers and 89% of business customers (up from 74% and 63% respectively). 75% of private customers and 86% of business customers report consistent on-time delivery (up from 66% for both). Australia Post is seen as providing value for money by 88% of private customers and 92% of business customers (up from 70% for both). It is also seen as having improved its overall performance by 77% of private customers and 81% of business customers (up from 66% and 71% respectively). These statistics re-inforce the real improvements achieved by Australia Post and its employees.⁷ Table 16 outlines the key results of these customer surveys in 1998. Finally, a recent Yellow Pages Small Business Survey revealed that 61% of those surveyed are opposed to the privatisation of Australia Post.⁸

⁵ Australia Post, *Annual Report*, 1999.

⁶ *Ibid.*

⁷ Australia Post *Annual Report*, 1998.

⁸ Walker, D., "Support drops for coalition policies", *The Age (Melbourne)*, 26th August 1998.

Australia Post - An Efficient And Outstanding Provider.

Australia Post and its employees comprise one of the most successful corporations in Australia and unarguably one of the most efficient postal services in the world. This is the result of a co-operative organisational culture, which has enabled change and reform to be considered and negotiated with the active involvement of Australia Post's employees and the CEPU. This has resulted in massive improvements in various key performance indicators.

In addition to the affordability of its basic postal charges (detailed above), Australia Post has achieved substantial rises in profitability and return on investment. Profit (before tax and abnormals) has increased by approximately 400% since 1989/90 to a healthy \$373 million in 1999, a \$38 million increase in one year. This represents a 13.8% return on average assets. This good financial performance has enabled Australia Post to continue to freeze postage rates for the reserved service.

With respect to dividends to government, these have improved substantially reflecting improved profit growth and the demands of government. However while the dividend was \$148.7 million in 1999, receipts to government (all other taxes and charges) totaled \$476.3 million in 1999.⁹ The Commonwealth government has therefore received substantial financial returns. Between 1989 and 1999, dividends and capital repayments amounting to over \$1.5 billion to the Commonwealth and other government taxes and charges amounted over \$2.2 billion.¹⁰ As a result of this effort, Australia Post receives no government subsidy¹¹ and in fact is a good government investment, contributing substantially to government revenues. This profitability is comparable to the best performing businesses in Australia.¹²

Australia Post and its workforce have also been able to achieve substantial productivity improvements in recent years. This is in the context of the industry having a relatively high in-built labour cost due to its activities being labour intensive. Between 1989 and 1999 the Corporation's cumulative labour productivity growth was 54.8% ,well in excess of the inflation rate over this period.¹³ This is based on Australia Post's workforce having accommodated significant growth in business volumes, in terms of articles handled, delivery points serviced and counter financial transactions, whilst employment has decreased. Over the period 1988 to 1997, labour usage has fallen by 7.8% whilst mail volumes rose by 32.3%, delivery points risen by 18% and financial transactions almost tripled from 40 million in 1989 to nearly 120 million in 1997.¹⁴ This is an impressive performance with respect to corporate Australia in that since 1989 Australia Post's productivity has improved at almost double the national average for the same period.¹⁵

Letter delivery performance has dramatically improved since 1989. On the basis of external monitoring, Australia Post on-time delivery has improved from 88% in 1989 to 94.4% in 1999. This improvement is all the more significant due to the fact that this has been achieved despite a 36.3% increase in mail volumes and staffing reductions.¹⁶

Australia Post - Internationally Competitive

⁹ Australia Post, *Opening Submission to the National Competition Council Inquiry into the Australian Postal Corporation Act 1989 and Associated Regulatory and Institutional Arrangements*, August 1997.

¹⁰ *Ibid.*, Table 7.2, pp. 55-56, and Australia Post, *Annual Report*, 1999.

¹¹ A fact recognised by community organisations such as the Country Women's Association. See *Country Women's Association of Victoria (inc.) Submission to the NCC Review*, no date (1997), p.1.

¹² Australia Post, *Opening Submission to the National Competition Council Inquiry into the Australian Postal Corporation Act 1989 and Associated Regulatory and Institutional Arrangements*, August 1997, p. 42.

¹³ *Ibid.*, p. 38, and Australia Post, *Annual Reports*, 1997, 1998, 1999.

¹⁴ *Ibid.*, Tables 6.4 and 6.5, p. 40.

¹⁵ *Ibid.*, Table 6.3, p. 39 and Australia Post, *Annual Report*, 1999.

¹⁶ *Australia Post Submission*, p. 41, Australia Post, *Annual Reports*, 1997, p. 6, and 1998, p. 2.

International benchmarking with 6 other leading post office administrations confirms that Australia Post is amongst the world's best in domestic letter costs, customer satisfaction and overhead performance.¹⁷ This is in the context of Australia Post having one of the world's lowest levels of protection (as defined by the reserved service), ranking second in terms of the rate of return on operating assets and sales and despite Australia's vast distances and sparse population.¹⁸

On the international level, Australia Post compares extremely favourably in terms of overall performance. This has been demonstrated over a range of key performance indicators and has been such that, in August 1996, a major study into the global postal industry conducted on behalf of the World Bank and the Universal Postal Union concluded that Australia Post was "now ranked among the world's better performing postal enterprises."¹⁹

These key achievements are listed below.

- Australia Post is amongst the world's best in domestic letter costs. A recent comparison with other OECD countries (based on Purchasing Power Parity) reveals that Australia Post's standard letter rate of 45c is the fourth cheapest across the OECD's 26 countries, behind only New Zealand (36c), Spain (37c) and the USA (44c). While these rates are nominally cheaper than Australia's 45c rate, the postal administrations in New Zealand, Spain and the USA don't have to carry the costs of delivering mail to a huge area with a sparse population, like Australia. Conversely, 22 of the world's leading postal administrations charge more than Australia Post for basic postage – for example, Greece (58c), Japan (63c), Ireland (64c), Italy (65c), Germany (73c) and Turkey (\$1.46c). The latter rate is four times the Australian rate.²⁰
- Delivery Standards. An international comparison of postal delivery standards reveals that Australia Post's are among the most exacting in the world – with the exception of the UK, which covers much smaller delivery distances relative to Australia. This was demonstrated in Australia Post's submission to the NCC review, which compared Australia's delivery standards with that of New Zealand, Canada, the UK and the USA.²¹
- General Service Standards. One of the key factors affecting Australia Post's services to the Australian community is the size of the country and size and distribution of its population. The tyranny of distance in Australia and the sparse spread of its population make Australia Post's task one of the hardest in the world. This is vitally important in assessing international comparisons of service provision and performance. For example, drawing on current Universal Postal Union statistics a comparison of the average area covered by an Australian postal outlet compared to a European or US postal outlet reveals that whereas an Australia Post outlet covers 1,966 squ.kms, the Germany equivalent is 25 squ.kms and the US equivalent is 245 squ.kms. The UK equivalent is just 13 squ.kms. An indication of Australia Post's excellent performance despite these constraints is found in comparing the number of people who are serviced by each postal outlet on average. While 4,780 Australians are serviced by each postal outlet, outlets in the US service 7,090 people, in the Netherlands its 6,573 and in Germany 5,656. Only the UK has a lower number of people serviced per postal outlet (3,126) - but this is in the context of the very small country compared to Australia.

¹⁷ *Australia Post Submission*, pp. 49-50.

¹⁸ *Australia Post Submission*, p. 130 and 133, and *Australia Post, Annual Report*, 1998, p. 11.

¹⁹ Ranganathan, K., *Redirecting Mail: Postal Sector Reform - World Bank in collaboration with the Universal Postal Union*, August 1996.

²⁰ *Australia Post, Post Journal*, March 2000 (253), p. 14, and *Australia Post Submission*, p. 49.

²¹ *Australia Post Submission*, p. 132-133.

- Customer Satisfaction Levels. Australia Post's international benchmarking study with six other leading postal administrations, that is referred to in Australia Post's submission to the NCC review, reveals that Australia Post is amongst the top ranking of postal administrations in the world in terms of customer satisfaction processes.²²
- Financial Performance. An international comparison of Australia Post's financial performance in terms of returns on operating assets (pre-tax operating profits/assets) and return on sales (pre-tax operating profit/revenue) placed Australia Post second. This was revealed in Australia Post's submission to the NCC review, which compared Australia Post's financial performance with the national postal administrations of Finland, New Zealand, the Netherlands, Denmark, Sweden, France and the UK²³
- Overhead Performance. Australia Post's international benchmarking study with six other leading postal administrations also reveals that Australia Post's overhead performance compares favourably in world postal terms.²⁴
- Protection Levels. Australia Post currently enjoys the second lowest level of reserved service in comparison to a other larger post offices. The only postal service with a lower level of protection is New Zealand. This was demonstrated in Australia Post's submission to the NCC review, which compared Australia's reserved service with that of New Zealand, Canada, the Netherlands, Finland, the UK, Denmark, Germany, Belgium, the USA, Italy and France. The government's bill will be likely to make Australia Post the least supported national postal administration in the world. This is incomprehensible in the context of Australia Post's huge geography and widely dispersed or sparse population compared to other countries.²⁵
- Creating an Un-level Postal Playing Field. It is sobering to note that should the government's deregulation legislation be implemented, Australia Post will have one of the lowest levels of reserved service in the world. In this context Australia Post will now have to compete, based on its low level of reserved service, against competitors such as the new Royal Mail-TNT/Dutch Post-Singapore Post global operation, who enjoy far higher reserved services in their home countries. The government is therefore seeking to create an un-level playing field, with Australia Post the disadvantaged party.

Postal Services and the Current Government Deregulation Proposals

The Inquiry should be aware that the Federal Government is currently proposing to introduce a massive deregulation of Australia's postal sector. The CEPU believe that the outcome of this debate is extremely relevant to the deliberations of the current Inquiry.

The CEPU argue that should the government proposals be successful Australia's current extensive and efficient postal communications network will be seriously undermined. This will we believe have seriously implications for Australia's economic and social development and has the potential to impede overseas investment opportunities due to the importance of postal communications to economic development.

The following discussion outlines the CEPU's key concerns with these government postal deregulation proposals. These concerns have been raised directly with government and the Federal Parliament as part of the National Competition Council Review into Australia's postal services and

²² Australia Post, *Post Journal*, March 2000 (253), p. 15.

²³ *Australia Post Submission*, p. 50.

²⁴ *Australia Post Submission*, p. 131.

²⁵ *Australia Post Submission*, p. 50.

to the Senate Legislative Review of the government's Postal Services Legislation Amendment Bill 2000.

The CEPU believe that the government's deregulation proposals should not be adopted or supported because they:

- will have overwhelmingly negative impacts on Australia's postal service,
- ignore the real nature of the industry to Australia Post's peril; and,
- ignore the fact that the existing postal regulatory regime is sufficient to provide appropriate levels of competition, secure existing services and to provide the platform for the delivery of improved services in the future.

The Overwhelming Negative Impacts Of The Proposed Bill

The CEPU argue that these government proposals will adversely impact on Australia Post's operations such that it will be unable to maintain current service levels and service spread, thereby undermining the affordability and accessibility of ordinary Australians to postal services. Some of these impacts will:

- Financially undermine Australia Post. This will occur through the loss of market share due to the reduction in the reserved service and the full deregulation of international mail, as well as undermining the remaining reserved services through a proposed access regime which will give preferential treatment to Australia post competitors and a regime which will encourage re-mail of domestic mail through overseas operators;
- Reduced Services and Increased Charges. A whole range of services (including parcels, financial and bill paying services) will be threatened as a consequence of Australia Post's reduced financial situation. Not covered by Australia Post's community service obligations, Australia Post will be in a position to discontinue these services for "commercial reasons" as its new *Services Charter* provides or to seek compensating price rises. Existing vulnerability's are that 400 post offices are currently in excess of the Australia Post's *Service Charter* (with nearly 700 Licensed Post Offices currently subsidized by Australia Post to keep them open) and a whole range of other non-standard letter services will also be exposed by these government proposals to a massive cost saving exercise by Australia Post. These include letters above 50gms, parcels and financial services. These are particularly important for rural and regional areas, where Australia Post is generally the only provider. These services are excluded from the government's much vaunted "service guarantee". Irrespective of Government guarantees, differential pricing could be introduced for a range of postal charges as Australia Post is forced to recover its costs, putting postal services to the bush beyond the reach of millions of Australians;
- Employment Losses. The CEPU estimate that up to 17,000 Australia Post jobs will be put at risk by these government proposals, depending on the extent of market share lost by Australia Post. Any increase in employment in the private sector will not be comparable in terms of employment, with these positions expected to be casual, part-time and with limited opportunities for skill development. in addition, as a result of the deregulation of international mail the occurrence of "re-mail" will further jeopardize employment in Australia Post (by exposing the remaining reserved service to "illegal" competition) as well as employment in the private sector mail management and production industries; and,
- Ordinary Australians will not Benefit. It is clear from our reading of these government proposals that it has been prepared to satisfy the financial interests of a distinct aspect of Australia's postal

market, specifically Australia Post's competitors and its major mail user customers. Ordinary customers will not benefit from these government proposals.

The Deregulation Proposals Ignore the Real Nature of the Postal Industry

While the government has asserted in the Explanatory Memorandum that Australia Post will be able to retain a satisfactory level of market share, this is not documented with any degree of accuracy. The CEPU believe that this argument cannot be supported due to the impact of the following operations of these government proposals:

- Postal services are generally marginal in profit terms. This situation arises due to the considerable community service obligations of postal administrations as well as fixed labour cost requirements of physical delivery. In addition, Australia Post has a particular "handicap" due to the geographic spread of Australia's population. It is all the more remarkable then that Australia Post is one of the few postal services in the world that have consistently made a profit;
- Cream-skimming operations of competitors. By deregulating a further 38% of the postal market – and 80% of the standard letter market – and at the same time requiring Australia Post to maintain its universal service obligations, these government proposals will create a huge opportunity for cream-skimming in the Australian postal market. The most lucrative component of this market is the high volume, low cost metropolitan mail market. Conversely, non-metropolitan services are high cost and low volume, resulting in low profits if at all. Australia Post's competitors will be free to concentrate their cost cutting activities in the former market, while Australia Post will be required (and thereby financially constrained) to operate in both markets;
- Community Service Obligation (and Universal Service) requirements. The unique combination of Australia's geographical size and the spread of its population place sensitive parameters on the extent of deregulation that is suited to the Australian postal market. It is imperative that Australia Post achieve financial success (via a sufficiently defined reserved service) if its vital community service obligations and universal service requirements are to be met;
- Negative Impact of Other Government Decisions. The introduction of the Federal Government's new Goods and Service Tax initiative will impact adversely on Australia Post's financial situation. This is estimated to amount to a net increase in Australia Post's taxes and costs of between \$50 and \$374 million in the first year of operation, with an on-going annual impost of between \$100 and \$324 million. this could represent as high as a 44% reduction in Australia Post's profit levels. In addition, the Federal Government's Rural Transaction Centre program has the potential to replace existing Australia Post outlets with services that could eventually be fee-for-service; and,
- The Impact of Globalisation of the Market. It is also strongly stressed by the CEPU that the Federal Government appears to have embarked on this deregulation agenda without regard to the international developments in the postal market. Recent years have seen an increase in the number of strategic alliances and mergers by some of the largest postal administrations. This is having the effect of creating in effect an increasingly small number of multi-national operators which for the first time are effectively competing beyond their domestic markets. Three major administrations - Dutch-owned TNT, Royal Mail and Singapore Post - have recently formed just such an alliance in the Asia-Pacific region. These provide Australia's national postal carrier with an impending serious threat to its domestic and international mail markets. These developments pose questions for Australia's national sovereignty in the postal market.

Existing Postal Regulatory Regime Appropriate

In addition, the CEPU argues that the current postal regulatory regime in Australia is appropriate to delivering the best possible outcomes for Australia. In particular we would draw the Inquiries attention to the following:

- The Existing Level of Competition is Sufficient. The current extensive competition in the postal services market - with the sole exception of direct competition to the reserved service - has sufficiently maximized the possible gains from competition in the postal service industry to satisfy the dual objectives of government - community and universal service provisions and appropriate levels of competition. To reduce or remove this sole area of monopoly will seriously threaten Australia Post's ability to provide universal service at a uniform price, undermine the provision of a range of Australia Post's other services to Australians (such as counter and financial services) and potentially threaten the financial viability of Australia Post;
- Secures Existing Services. There are two aspects to securing Australia Post's existing service levels. Firstly, there should be no further deregulation or reduction in the definition of the existing reserved service. This will ensure that, while standard mail products will continue to decline in the future, revenues flows from high-volume, low cost reserved service mail is not lost. Secondly, the existing service standards and services, including the number of post offices and other outlets as well as delivery standards, should be enshrined within legislation. While to some extent these are contained within Australia Post's new *Service Charter*, public scrutiny would be assisted by their inclusion in legislation;
- Australia Post's Outstanding Performance. Australia Post has demonstrated its capacity to achieve outstanding performance as a fully-publicly owned corporation both in terms of financial operations and service standards. This is reflected in its various financial and service standard indicators that have been referred to above, and is particularly reflected in the fact that it is one of the few postal administrations in the world to consistently return a profit, freezing basic postal charges and improving affordability, with ever improving service standards and record-breaking productivity improvements. It has deserved its accolade from the World Bank that it is one of the best postal services in the world;
- Australia Post's Capacity. Australia Post's financial performance and service record position it well as a major vehicle to respond to this community concern. The massive public investment in Australia Post's existing extensive retail network provides a vital mechanism for the delivery of basic communications services but also a range of additional enhanced services. Australia Post has demonstrated the financial capacity to extend its electronic financial services to all postal outlets (an additional \$26.6 million in capital costs and a further \$13.5 million in recurrent expenditure)²⁶ and willingness to embrace new and emergent technologies, consistent with overseas developments; and,
- Potential to Provide Additional Services. The legislative CSO's of Australia Post need to be brought into alignment with community expectations, specifically with respect to delivery frequencies, and the availability counter services and other new communications services. Any adequate review of Australia's postal needs must ensure that all Australians not only continue to receive a standard letter service at uniform price throughout Australia but an expanded CSO that meets the changing needs of the community, including access to parcel and counter services, and existing electronic financial services and new communications services (such as e-commerce, the Internet and electronic communications services) as they become available. Australia Post should be required to incorporate new communications options into Australia Post's CSO as they

²⁶ See Australia Post evidence cited in the National Competition Council, *Review of the Australian Postal Corporation Act, Final Report, Volume Two*, (Canberra, AGPS, 1998, p. 168.

become established so that universal public access is available through its counter and delivery networks.

Conclusion

It should be noted by the Inquiry that the above threat to the existing network of postal services in Australia has been rejected by an all-party Senate Legislative Inquiry into the government's proposals.²⁷ While the proposals are still before the Federal Parliament, it is anticipated that these proposals will be rejected. It is important that this Inquiry is made aware of these developments and supports the rejection of these proposals on the basis of their potential impact on Australia's communications infrastructure.

4.2 Telecommunications Infrastructure Issues

With respect of telecommunications services, Telstra (and most importantly its prior administrative incarnations such as Telecom) has historically been responsible for maintaining and upgrading telecommunications throughout Australia. It has also been a world leader in the development of key telecommunications technologies. The role of government ownership has been a key component in ensuring that a national and forward thinking approach has been at the centre of telecommunications service provision in Australia.

The progressive deregulation of the telecommunications market, together with the partial privatisation of Telstra, has undermined Telstra's ability to act as a vehicle for such forward planning and indeed to fund its continuing legislative obligations (the Universal Service Obligation). The question of funding infrastructure modernization, especially in those areas of Australia that produce low returns (or losses), is now one of the chief dilemmas of communications policy.

The availability of advanced communications services is widely recognised as a condition for prosperity in a modern economy. Electronic transactions, conducted via the public telecommunications network, will increasingly underpin all aspects of economic activity, including trade. If sections of the country are left behind in the move towards an "information economy", it is likely that the whole national economy will suffer.

As noted by the Besley report into Australia's telecommunications services, some 60% of Australia's total exports come from the rural and mining sectors - sectors operating in those very areas which are most likely to suffer telecommunications disadvantage. Companies (and communities) located in rural and remote areas can expect, for instance, to pay more for mobile and data services than do their urban counterparts. Over and above the questions of social equity that this emerging pattern of development raises, it is scarcely in the national economic interest.

The present network.

Australia's achievements in developing its telecommunications infrastructure over the last century have been impressive, especially given the geographic and demographic challenges involved. Public monopoly, together with a judicious pricing policy, allowed the progressive extension of the network and near universal take-up of standard services. Australia's rate of household penetration (96.8%) is still higher than that of the UK and the USA. In some states of America, penetration rates are as low as 86%.

²⁷ Federal Parliament, *Report of the Senate Environment, Communications, Information Technology and the Arts Legislation Committee into the Postal Services Legislation Amendment Bill 2000*, June 2000.

Deregulation has, however, reduced Telstra's ability to fund the provision of services through cross-subsidy, while partial privatisation has exposed the company to the short-term demands of financial markets for profit maximization. The result has been increasing pressure on service standards, especially in rural and remote areas, the result of cut backs of both capital and labour spending. The problems facing both business and householders in these areas have recently been documented in the Besley Report.

As the Report confirms, Australian generally continues to enjoy a reliable, modern telecommunications infrastructure such as is necessary if we are to participate in global economic development. A competitive market structure has, however, led to patterns of investment which, it might be argued, have not maximized the effectiveness of available resources.

Capital has been poured into trunk networks connecting the major east coast urban centres and into fibre rings within the capital cities. The result is over-capacity in the national backbone network. The National Bandwidth Inquiry Report released last year found that potential backbone capacity (i.e. trunk capacity that can quickly be brought into service) currently exceeds installed capacity (i.e. that which is actually being used) by between 100 and 100,000 times. Even given the anticipated growth in demand for broadband services in the coming years, capacity appears set to remain well in excess of demand for the foreseeable future, especially in light of the ongoing expansion of the technological capabilities of optic fibre. In the meantime, firms will attempt to pass the cost of these inefficiencies on to their customers in the form of high prices.

At the same time, the copper Customer Access Network (CAN) continues to suffer from the effects of long-term under-investment. Recent Telstra programs (CAN Renewal) have had the aim of reducing the fault rate in this area of the network. However this spending has not been able to address more fundamental CAN deficiencies such as the relatively low rate of sparing (the number of extra lines allocated to each household at the time of network construction) and the widespread use of technological short-cuts (pair-gain systems) to provide extra capacity. These features of the CAN now threaten to retard delivery of high speed data services over this section of the network.

While this problem may not affect large business customers with direct access to fibre, it will certainly have an impact on the thousands of small to medium businesses which access the national network via the CAN and indeed on all customers living outside major metropolitan centres. It should be noted that the technical problems involved in using the CAN for the delivery of high speed data services are greater in these non-metropolitan areas due to longer line lengths. At the same time, lower population densities means that the provision of services may not be economic.

Funding Modernization

Availability of high speed data services is obviously a central issue for both economic and social policy as is the pricing of these services. For Australia to attract investment and to participate to advantage in global economic activity, its citizens need access to modern communications capabilities at competitive prices. Regulatory mechanisms exist to address these issues (the universal service obligation, price caps) but these are increasingly at odds with the dynamics of the market and the actual attitudes and behaviour of firms.

The industry has, for instance, resisted suggestions that the universal service obligation be upgraded to mandate increased network capabilities - at least where this might mean increased costs to the carriers. Changes to the USO regime have resulted in ISDN being made universally available, but, as the service is not subject to price controls, there is no regulatory obligation for the national provider (Telstra) to supply the service at a loss and consequently no cross-subsidy to be shared between members of the industry.

The consequences of this approach, which severed availability from affordability, are apparent in current ISDN take-up figures. Despite being, in effect, universally available, only just over a million such services were in operation at the end of the last financial year. Over half of these are used by corporate and government customers. Residential and small business users account for less than 1% of demand.

In the face of industry resistance to any regulatory approach which would increase companies' costs, the Government has adopted a policy of "targeted funding" to address deficiencies in service quality and availability, especially in rural and remote areas. Hence the flow of moneys through the Networking the Nation program, funded from the sale of the first and second tranche of Telstra. Since 1997, Government has relied largely on this mechanism to address policy trouble spots such as the unavailability of un-timed local calls in remote areas or lack of continuous mobile coverage along trunk roads. Yet, irrespective of the merits of particular "social bonus" projects, the obvious objection to this funding strategy is that it is not sustainable.

The CEPU believes that Government must develop a long-term strategy for achieving investment levels throughout the national network sufficient to ensure that

- all citizens have access to modern telecommunications services at affordable prices; and,
- businesses operating in rural and remote areas are able to participate fully in the on-line economy.

Such a strategy must acknowledge the changed circumstances in which Telstra now operates. Nevertheless the CEPU believes that the company will continue to play a central role in the development of our national telecommunications capabilities. While Telstra remains in majority public ownership, it can more readily act as a vehicle for achieving such objectives. It will also continue to provide a dividend to Government (set to be around \$1 billion this financial year) which can be available for funding special infrastructure programs.

4.3 Electrical Industry Infrastructure Issues

The Electricity Industry infrastructure in Australia is critical to the implementation of national competition policy within the Commonwealth. If the National Electricity Grid Network is to succeed and provide the economic benefits of competition, then it must guarantee continuity of energy supply to consumers. The reticulation of extra high voltage electricity across state borders and the distribution of high voltage electricity within state boundaries must be maintained to a high integrity standard.

To delivery this guarantee of continuity to major consumers of electrical energy, there must be collective State and Commonwealth intervention to ensure high maintenance of National Grid and State Domestic infrastructure. The privatisation of public electricity assets and utilities has led to a downgrading of programs of infrastructure renewal and maintenance. This is reflected in the dramatic increase in blackouts and brownouts in customer areas serviced in Australia by private utilities. Because of the large capital outlay to purchase these utilities, capital investment in key infrastructure renewal and maintenance has been left waiting.

The Government needs to consider how it will regulate to ensure the integrity of the National Grid and associated infrastructure.

4.3 Conclusion

The CEPU believe that government responsibility is vital to the maintenance of these infrastructures. The unique geographical situation of Australia, with its population spread, requires government

involvement and oversight. Services to many regions of Australia are not economically viable in themselves. However commerce and community needs require a national communications network. It is only through the direct involvement of government that such outcomes can be guaranteed.

Recommendation: Infrastructure

That this Inquiry recognizes the importance of communications and electricity infrastructure to the attraction of overseas investment. In this regard, it is vital that Australia's communications infrastructure be maintained and expanded in terms of affordability and accessibility. This inquiry recognizes the important and continuing role played by government ownership and responsibility in the provision of communications infrastructure. Specifically, this Inquiry rejects any further sell-off of Telstra and deregulation of Australia Post as there being in conflict with the communications infrastructure needs of Australia. With regard to the electricity industry, the government will need to consider how it will regulate to ensure the integrity of the National Grid and associated infrastructure.

5. CREATING A SKILLED WORKFORCE

The CEPU is of the strong belief that education and training are key underpinnings to the future economic development of Australia. The on-going transformation in the Australian work environment, with the increasing globalisation of markets, the introduction of increasing levels of new technology and new industries, place extraordinary demands on both industry and the workforce. For example, the demands of the so-called “new economy” are transforming a whole range of sectors but especially the communications and services sectors of the economy.

As the principal trade union representing Australia’s communications industry workforce, the CEPU is keenly aware of the demands that this transformation places on the Australian workforce. In the communications sector, advances in information technology, telecommunications systems and the Internet are transforming the nature of employment in the sector. The massive increase in call centres, new mail sorting technologies, the potential of electronic communications and E-Commerce are changing the nature of work throughout the sector.

The CEPU recognizes the importance of economic and industrial modernization. Our commitment to cooperate and take part in consultations regarding these issues is demonstrated by our industrial record and performance. For example, with respect to the postal sector the CEPU has cooperated in the introduction of major technological improvements with massive workforce implications. The resulting productivity improvements achieved by CEPU members in the postal sector has been demonstrated.

However a key pre-condition for economic and industrial modernization is an adequately skilled workforce. In this respect, government has a major and continuing role to play in creating and sustaining this educational and training environment.

At the primary, secondary and tertiary education levels, government must ensure that resourcing and direction are adequate to serve the requirements of Australia’s current and more importantly future workforce. The education system must be recognised as a vital component in Australia’s economic performance. With regard to workplace and specific industrial training (such as apprenticeship and traineeship-based training), government must ensure that employers play their role in investing in the Australian workforce by providing sufficient educational and training opportunities. These two broad streams of education and training are vital to ensuring that Australia’s workforce is ready for the challenges of the new economy.

It is the CEPU’s belief that there has been a marked decline in government and employer commitments to education and training in recent years. This has been associated with ideologically driven attacks on the public sector through under-resourcing at all levels of education. With regard to workplace and industrial training, the CEPU is concerned at the reduced commitment of employers to this level of training. This is particularly evident in the reduction in trade training opportunities. In addition, there has been a concerted move to eliminate a cooperative approach to planning in the education and training sector. This has been evidenced in the reduction in trade union participation in training bodies throughout Australia.

The CEPU argue that to create and sustain a skilled Australian workforce that will be able to meet the challenges of the future economy a number of major changes to policy direction are required. Firstly government must re-new its commitment to enhance education and training opportunities in Australia. This must be based on a recognition of the vital role of public education. Secondly, government must take action to encourage employers to expand the number of workplace training opportunities provided (such as apprenticeships). Thirdly, the social partners must be brought together as key stakeholders in the provision and planning of education and training policy. This

could be commenced by restoring the trade union representation on industry training boards or authorities. Fourthly, a future education and training policy should be developed through consultation with the social partners, and be both long-term in scope and politically bi-partisan. The CEPU argue that this approach will maximize the opportunity for the Australian workforce to be given the necessary skills to meet the demands of the future.

5.1 Sector Specific Issues - Telecommunications Industry

Some of the impacts of policy changes on the telecommunications industry over the last decade have been discussed above. Deregulation and privatisation have had a profound impact on industry behaviour and structures. The training area is no exception.

Historically, Telstra carried the responsibility for creating and maintaining the skills pool which served the Australian telecommunications industry. Over the last decade, market pressures have led to a steady diminishing of this activity within Telstra. The company now no longer sees training as part of its “core business” and its in-house training capabilities have been reduced accordingly.

The same broad changes which have led to this cut back in Telstra’s investment in training have also allowed the rest of the industry to avoid, to date, any large scale commitment in this area. Full deregulation of the industry in 1997 coincided with the first wave of privatisation of Telstra and the massive job losses this produced. By and large, industry has been able to survive on this supply of Telstra-trained labour to meet its skill needs. Skill shortages have been identified over this period in specific areas (e.g. cable jointing, radio-communications), but the industry only now appears to be recognizing the extent of the broader skill formation problem.

Moreover, such training as is actually being conducted in the industry tends to be driven by short-term market needs rather than by any longer-term skill formation strategy. Contractors to whom Telstra has out-sourced network maintenance and construction work in recent years will skill up their workforce for a specific contract, but will not usually offer structured training through to higher skill levels. Within Telstra itself, such training as is occurring is similarly needs-based, rather than ensuring progression through a full schedule up to (say) AQF 4 level. Industry training bodies have argued that this pattern of activity will soon result in shortages of skilled telecommunications technicians in the growth areas of mobile equipment, data and voice communication through the Internet Protocol (IP) and in network interworking²⁸

Such structured training as does still occur within the telecommunications industry is confined largely to the communications cabling sector. Regulation continues to require proof of competency to perform a range of cabling tasks where cabling is intended for connection to carrier networks. Even in this area, however, the trend to deregulation has led to a diminution of mandatory training requirements. Training is no longer required by regulation for the installation of structured cabling, irrespective of its level of complexity, except to the extent that work practices may affect occupational health and safety or network integrity. This minimalist approach is likely, in the CEPU’s view, to lead to a decline in investment in training by the cabling sector and a consequent erosion of the skills base in the industry.

The CEPU believes that while the industry is beginning to acknowledge longer-term skill formation issues, it has to date lacked a co-ordinated approach to this problem. Moreover, such public recognition as there has been of looming skill shortages has tended to focus on the more high profile issue of IT skills rather than on the full range of telecommunications industry skill needs. We consider that Government needs to play a more active role in this area by promoting and providing

²⁸ Western Australian Information, Electrotechnology and Utilities Training Council, *Telecommunications Training and Skills in Western Australia*, January 2001, p.1

incentives for structured training (apprenticeships, higher level traineeships, diploma level programs) in the industry.

5.2 Sector Specific Issues - Electrical Industry

Critical to the concept of a clever country is the adequate supply of skilled workers to meet domestic and export industry needs. The broad electrotechnology industry, which comprehends all aspects electrical, communications and information technical skills, is a classic example of an industry which will give Australia entry into international markets for value added goods and services. However, this sector is suffering and will continue to suffer chronic skill shortfalls (see Skills Shortages in Electrotechnology DETYA). Unless there is remedial action by Government to reverse this trend, Australia's trade future in this key technology sector will be severely disadvantaged.

Over the past ten years, ASCO listed that electrotechnical occupations have grown in demand by 13%. While in other engineering technical trade areas there has been a decline in demand. It is projected in labour market forecasts that electrotechnical occupational demand will rise from an average of 1.3% per annum to 2.5%. At the same time apprenticeship training intakes in electrotechnical occupations have remained at levels which were inadequate to industry needs of the early 1990's. Recent attempts to stimulate training in electrotechnical skill have been unsuccessful. It is now time to consider a system that rewards those who train for the industry and penalise those who do not.

Recommendation: A Balanced and Well-Resourced Commitment to A Skilled Workforce

This Inquiry recommends to government that adequately resourced education and training are vital to the future of Australia's economic growth. That the future education and training policy should be based on a recognition of the central role of public education and a re-newed funding commitment by government and employers to provide additional educational and training opportunities (including apprenticeship training). This new direction in education and training should encompass a central role for cooperation and involvement by the social partners to be involved in the provision and planning for future needs. The Inquiry recommends that future education and training policy be based on a long term and politically bi-partisan approach.

6. E-COMMERCE ISSUES

6.1 E-Commerce in Australia - Background

This section of the submission seeks to identify the extent of the operation of E-Commerce and its related technologies throughout Australia, both with respect to business and residential users.

While the actual number of Internet subscribers in Australia can not be verified at this stage, the number of Australians accessing the Internet is expanding at a rapid rate, with an estimated 1.7 million Australian households accessing the Internet. Commercial access to the Internet in Australia reveals that 43% of all businesses are currently on-line, however only 6% operate their own websites or home pages.

Household Access

The Australian Bureau of Statistics (ABS) reported on 1 March 2000 (see Attachment 1 & 2) that half of all Australian households (3.5 million households had a home computer and one quarter (1.7 million households had home internet access in November 1999. This represents an increase since November 1998 from 47% of households (3.2 million) with a home computer, while 19% (1.3 million) had internet access. This 40% increase in the number of households with home internet access (476,000) was more than double the increase in the number of households with home computers (229,000) over the 12 months to November 1999. It should be note that a further 704,000 households with a computer reported intending to acquire home Internet access in the next 12 months.

This ABS survey also revealed that nearly 6% of Australian adults (803,000) used the internet to purchase or order goods or services for their own private use in the 12 months to November 1999. This is a significant rise from 2% of adults (286,000) in the previous twelve months.

With regard to overall Internet access in Australia, the ABS reported in the same survey that an estimated 6 million adults (or 44% of Australia's adult population) accessed the Internet at some time during the 12 months to November 1999. In comparison, nearly 4.2 million adults (or 31% of Australia's adult population) accessed the internet at some time during the 12 months to November 1998. With regard to places of Internet access, the ABS study reported:

- 2.8 million adults access the Internet from home;
- 2.8 million adults access the Internet from work;
- 2.1 million access the Internet from a friends or neighbors house;
- 1.2 million access the Internet from TAFE's or tertiary institutions;
- 0.8 million access the Internet from public libraries;
- 0.3 million access the Internet from shops, stores and telecafes
- 0.2 million access the Internet from schools; and,
- 0.2 million access the Internet from government agencies or departments.

Commercial Access

With regard to commercial access to the Internet, the ABS reported in October 1999 that this has been rapidly expanding (Attachment 3 & 4). At June 1999, 43% of Australian employing businesses had access to the Internet and 6% had a website or home page. This Internet access has expanded from only 16% in 1997.

Internet Service Providers

The Australian Telecommunications Industry Ombudsman's Office - a Federal government agency with industry representation - has reported that there are currently approximately 700 Internet Service Providers (ISP) registered and operative in Australia. This is a massive increase since June 1997 when the ABS reported in its survey of Telecommunications Services that there were at that time only 306 Internet Service Providers.

It should be noted that the TIO has reported that the ABS will be conducting a comprehensive quarterly survey of the Australian ISP Industry commencing in June 2000. This will provide data on Internet usage, particularly by businesses. It will include supply aspects, such as geographic coverage, and information on subscriber demand such as types and numbers of subscribers, churn rate, volumes of transactions and type of access.

With respect of ISP's, the ABS Telecommunications Services survey also revealed that as at June 1997 the reported 306 ISP's operating in Australia employed 1,646 (up from 1,058 in 1996), of which 1,355 were full-time and 291 were part-time. While this data is relatively old, it reveals a significant increase in employment by ISP's year to year, an over 55% increase.

The Scale of E-Commerce Transactions

The best current estimate of the scale of e-commerce transactions is AUD\$920 million (or US\$598 million). However this figure is only an estimate, with estimates being affected by the definition of e-commerce and the rapidly changing nature of the market.

While a survey of 1,200 consumers by Sydney-based social forecaster Pophouse suggests there is going to be plenty of business on offer, with more than 80% expecting to buy CD's and books on-line in the future, estimates from analysts www.consult reveal that only 7% of Australians will shop on-line this year, generating AUD\$920 million worth of sales (or approximately US\$598 million).

The ABS study cited above reveals that of the 803,000 Internet shoppers, 19% spent up to AUD\$50 on Internet purchases in the last 12 months, 14% spent \$51-100, 23% spent \$101-250, 9% spent \$251-500 and 34% spent more than \$500. The ABS Telecommunications Services survey also revealed that as at June 1997 (almost three years ago) Internet services generated \$183.5 million in revenue for the various services providers (i.e. carriers).

The ABS study cited above reveals that nearly 6% of Australia adults (803,000) used the Internet to purchase or order goods or services for their own private use in the 12 months to November 1999, compared to only 2.7% (286,000) in the 12 months to November 1998. 74% of Internet shoppers in the 12 months to November 1999 paid for their purchases on-line. With regard to frequency, the ABS study cited above revealed that of the 803,000 Internet shoppers, 36% made one purchase or order via the Internet, 14% made two, 13% made three, 10% made four and 24% made five or more.

In 1998 Andersen Consulting conducted its Australian People Metre Study of 150 CEO's of large corporations, 60 representatives of the Information Technology industry 40 policy makers, 20 heads of government departments. While this major study does not detail the value of e-commerce transactions (current or anticipated), it seeks to assess business and policy maker perceptions regarding the future role and importance of e-commerce in Australia. The results were:

- 42% strongly agreed that e-commerce would revolutionize Australian business; (with a further 38% slightly agreeing);
- 87% agreed that e-commerce is inevitable;
- 64% agreed that e-commerce would offer a real competitive advantage to business;

- 14% of companies surveyed had developed an e-commerce plan for their business, 64% were developing a plan and 22% were not;
- of the 14% with an e-commerce plan, only 19% sought to lead the market and 59% considered their plan an experiment;
- 67% of CEO's stated that they would delay entry to e-commerce until customer demand for it increased;
- Most CEO's considered security (71%) and privacy (67%) issues were limiting consumer acceptance of e-commerce. 66% stated the lack of an e-commerce business culture and 57% lack of customer knowledge;
- 74% wanted government to develop a vision for e-commerce in Australia;
- 92% believed that Australia already has the telecommunications infrastructure to support e-commerce;
- with regard to investment, 14% stated their willingness to invest and lead, 41% experiment and selectively invest, 7% would watch other businesses, 12% limited exposure and 26% no response; and,
- A national comparison was made on a scale comparing four major factors to assess the national potential for e-commerce take-up (the size of the domestic market and the use of technology, educational standards, the business e-commerce environment, venture capital market, research and development spending, government, legal and regulatory framework and information and communications infrastructure). Overall, this comparison placed Australia fifth. On the consumer scale Australia came fourth after the United States, Japan and Norway, with Australia ahead of the United Kingdom, Singapore, Malaysia and Thailand. On the business environment scale, Australia was sixth, following the US, Sweden, Norway, Japan and the UK. On the government, legal and regulatory factor, Australia came fifth, ahead of the US but behind Malaysia, Sweden, the UK and Norway. On the infrastructure factor, Australia was fourth, behind the US, Norway and Sweden;

Comparisons with similar studies conducted in Europe and the United States, reveals that Australian business are more enthusiastic regarding participating in E-Commerce.

Australian E-Commerce Examples

With respect to the broader market, the ABS survey cited above reveals that for the estimated 803,000 Australian internet shoppers, books or magazines and computer software or equipment were the two most common (27% and 19% respectively) types of goods or services purchased for private use in the 12 months to November 1999. It reveals that of the 803,000 Internet shoppers, 27% reported purchasing books or magazines, 19% reported purchasing computer software or equipment, 14% reported purchasing clothing or shoes, 13% reported purchasing music, 12% reported purchasing tickets to entertainment events, 9% reported purchasing sporting equipment, 7% reported purchasing holidays and 7% reported purchasing alcohol.

With regard to financial transactions, in the three months to November 1999, 4% of adults (503,000) used the Internet to pay bills or transfer funds, 2% (227,000) used an electronic information kiosk to pay bills, 41% (5.6 million) used a telephone to pay bills. 62% (8.5 million) used electronic funds transfer facilities or EFTPOS and 72% of all adults (9.8 million) used an ATM. With regard to the source of goods, the ABS study cited above reveals that nearly 70% of Internet shoppers (559,000) purchased or ordered via the Internet from home. 54% of Internet shoppers made their purchases only from Australia, 33% made them only from overseas and 13% from both Australia and overseas.

With regard to commercial use of the Internet, the ABS report that business use of the Internet for e-commerce purposes remains relatively low. This report reveals that as at June 1998, only:

- 16% of businesses with Internet access (at that stage only 29% of all businesses) used the technology for placing orders;
- 10% of businesses with Internet access using it for placing sales orders;
- 8% of businesses with Internet access use it to make payments and 2% to receive payments;
- 92% of businesses with Internet access used it for e-mail purposes;
- 23% of businesses with Internet access used it for promotional and marketing activities;
- Of those businesses with computers but no Internet access, 60% identified that the Internet was not suited to the nature of their business.

The Pophouse survey cited above revealed that of those 1,200 consumers surveyed:

- 82% agree they will buy CD's on-line in the future;
- 80% expect to be buying books over the Internet;
- 83% agree they will consume more products over the Internet in two years; and,
- 76% agree somewhat and 24% strongly that they will be buying a large proportion of items via E-commerce by 2010.

6.2 E-commerce, Postal Services and Australia Post

The explosion of new communications media in recent years has expanded the options available to potential customers of the physical mail market. Since 1960 the letter market share of the total Australian communications market has declined from 50% to 19% in 1999. This is anticipated to accelerate as consumers increasingly take up alternative electronic communications mediums (such as the Internet) to meet their needs.

However it is also true that physical mail continues to grow. In 1999 the amount of articles rose by 3.6% to over 4.5 billion items delivered. Australia Post reports growth in all mail sectors, especially letters and parcels. With respect to parcels Australia Post remains the market leader in the home market, small parcel delivery and business to home delivery market. Australia Post believe that this demonstrates that mail continues to underpin business and social communications.

Nevertheless, we would expect that Australia Post will need to expand its operations into the e-commerce market, as well as improve the efficiency of its technology if it is to continue to be the market leader in communications into the future.

Australia Post, with the active support and involvement of the CEPU, has introduced a major revamp of its mail sorting technology, encompassing bar-coding on mail, state of the art optical readers (MLOCR) and a computer-driven load forecasting, handling, control and operating systems in two new major facilities. They have also introduced VSORT (or vertical sorting frames) into the delivery area to improve delivery rates. These measures are principally directed at reducing mail costs, while ensuring an improved capacity to handle future mail volumes with high levels of reliability.

E-Commerce and Australia Post

Australia Post has sought to respond to this changing environment by entering the e-commerce market as a key element of its strategy to position itself successfully in the communications world into the foreseeable future. They are aware that the growing e-commerce market provides opportunities to build on Australia Post's strong tradition of delivering communications via the electronic environment. Australia Post also argue that this market will require the modernization of its network technology - which they have implemented through their AUD\$500 million FuturePOST network technology investment program..

Management's stated aim is to be "the lowest cost provider of deliveries to households in Australia." The continuing growth in the number of postal items carried by Australia Post - growing by 3.4% last year from 4.3 to 4.5 billion - underlines the relevance of physical delivery, with e-commerce being expected to encourage this growth. However they are also aware that e-Commerce may pose a potential threat to Australia Post's over 4,000 retail outlets to the extent that customers will opt for the Internet over a Post retail outlet.

There are a number of major products that Australia Post is developing or implementing as part of its E-Commerce market agenda. These initiatives are:

- Internet Fulfillment Services (IFS). In March 2000, Australia Post launched this pilot service which will combine delivery with warehousing, distribution and track and trace capabilities for on-line retailers. This builds on Australia Post's current arrangements to deliver on-line orders for Amazon.com (over 22,000 items per months) and the major retailer, Coles Myer. The latter consisted of a successful trial concerning the home delivery of Coles Myer's supermarket products ordered on-line by domestic customers after-hours. Australia Post's massive AUD\$500 million FuturePOST program is a key element in this market, overhauling its addressing and sorting infrastructure and processes;
- KeyPost Server Certificates. In late 1998, Australia Post has released this product which provides digital signatures to consumers, role-based certificates for organizations and server certificates for web servers. With regard to the latter, KeyPost offers a secure tool for authenticating Australian organizations selling services and products on the Internet. It allows customers to authenticate the merchant that they are dealing with, certifying who they are and that they own the website. This product basically certifies the authenticity of commercial websites and is competitively priced at AUD\$500, less than similar services overseas.
- E-Stamps - PC Postage and Internet-based secure postage. Australia Post is studying the feasibility of two major technology-based activities - PC Postage and Internet-based secure postage. The former concerns printing postage on envelopes directly using a basic personal computer and printer and transmitting and printing postage via Internet connections. Substantial progress has been made with Internet-based secure postage by the United States Postal Service and several large ISP's. These initiatives aim to provide convenient postage access for businesses and private customers;
- On-Line Stamp Sales. The introduction of international on-line stamps sales to enable overseas collectors to make philatelic purchases via the internet has proven successful;
- Internet E-Mail Service. Another reportedly successful trial being undertaken by Australia Post is allowing travelers to use kiosks at participating postal outlets to access Internet mail;

- Electronic Financial Services. Australia Post has provide substantial electronic third-party financial services to its customers. these concern electronic personal banking retail services through its giroPost service and Internet bill payment. in June 1999 the former performed transactions on behalf of 24 banks and financial institutions, and was available through over 2,700 postal outlets. this market is growing, with a further 17 financial institutions joining the giroPost network in 1999. Internet bill payment is a new service (additional to Australia Post's traditional third-party bill payment service) that will enable customers to pay bills from a range of companies at one central internet site. It is expected that more than 370 billing companies will progressively take advantage of the Post internet bill pay service when it become fully operational in September 2000. A trial of this service will be conducted in April 2000 allowing approximately 2000 customers to access 4-5 billing companies. details of this service are contained on Australia Post's Internet bill pay website - <http://www.postbillpay.com.au>; and,
- EDI Post Service. This service provides electronic acceptance, preparation and printing of high-volume mail from major mailers. Database techniques within EDI Post have been upgrade to enable greater targeting through direct marketing campaigns, information technology and operating systems were prepared for bar-coding and the Archive and Retrieval and Direct Fax options were extended to increase delivery methods. Australia Post report that this product experienced steady growth, with a 15% revenue gain in 1999. A trial also began during 1998-99, known as Australia Post's PCePost, to enable customers to electronically lodge small mail volumes direct to EDI Post via PC's.

6.3 E-Commerce and Other Postal Operators

It should be noted that one of Australia Post's E-Commerce activities will face competition from private sector competitors, such as the US-based Federal Express and Internet start-up, TheSpot.

Federal Express is directing its Internet Fulfillment Service (IFS) to on-line retailers in partnership with the UUNET-owned internet service provider, Ozemail. The shortage of existing warehousing and distribution structures has resulted in the latter building its own warehousing and distribution facility, managed by a separate company - e-DC. E-DC also aims to include Australia Post competitors, Mayne Nickless and TNT, in its distribution plans. It should be noted Andersen Consulting regard Federal Express as one of the leaders in e-commerce. The Spot is now marketing this service to other electronic retailers (or e-tailers), including those targeting by Australia Post fro its IFS service.

6.4 E-Commerce and Workforce Issues

The introduction and development of E-Commerce have had major implications for the workforce effected. The CEPU has been supportive of Australia Post pursuing commercial initiatives to expand the market share of the corporation and to secure our members jobs into the future. In this respect, the CEPU has been a positive supporter of E-Commerce initiatives by Australia Post as a key mechanism to build the business. However the CEPU has been active in ensuring that the workforce are adequately consulted with respect to all aspects of such a major change and that appropriate transition arrangements are implemented as part of the business case for change. These arrangements include the provision of training, consideration of employment impacts and job security.

Workforce Consultation

The union is consulted by Australia Post directly on any major new business initiative. This also includes participation in joint working parties on specific areas, such as retail matters including e-commerce. Our current national industrial agreement - Enterprise Bargaining Agreement (EBA4) -

provides for the establishment of a national consultative forum to notify the union of any new directions, products and services, including e-commerce initiatives.

Workforce Training

Principles for the provision of training and retraining (including competency based standards) are included within major industrial agreements between Australia Post and the CEPU. These principles set out the basis under which training is provided and the training standards to be met. There are two principle agreements in this regard - a redundancy, redeployment and retraining agreement (or Triple R Agreement) and our latest enterprise bargaining agreement (EBA4). All retail staff are provided with appropriate software and computer hardware training to operate the screen-based Electronic Point of Sale (or EPOS) equipment within Australia Post's counter network. Other staff would be provided with appropriate computer training consistent with their responsibilities.

Recommendation: E-Commerce

This Inquiry supports the development of E-Commerce initiatives as an important aspect of both Australia's modernization but also as a key element of national communications, transport and delivery infrastructure. However these initiatives should only be pursued in conjunction with workforce consultation, training and consideration of the employment and job security impacts of these changes.

7. COOPERATIVE INDUSTRIAL RELATIONS ENVIRONMENT

The CEPU is of the firm belief that creating a social partnership within a framework of cooperative industrial relations, is the key to sustained economic growth. The evidence from the examples reviewed overseas would confirm that this is the case. In respect of both Singapore and the recent rapid economic growth experienced in Ireland, national economic policy is based on the forging of a social partnership that brings together government, employers and trade unions. The CEPU would argue that the recent economic growth experienced by Australia during the 1980's and 90's was based on the cooperative framework established by the Accord process between government and labor, underpinned by the independent Australian Industrial Relations system.

7.1 Postal Services and Cooperative Industrial Relations

The CEPU and its membership both in Australia Post and Telstra have extensive experience with regard to employee participation mechanisms.

Australia Post's improved financial and operational performance coincides with its cooperative industrial relations environment. Australia Post is the nation's seventh largest employer, with 1600 staffed workplaces (excluding licensed post offices and mail contractors). With respect to industrial relations, in the past decade Australia Post has moved to a more consultative and participative approach to its industrial relations.

Throughout the mid 1980's and into the early 1990's, Australia Post embarked on an employee participation model for the development and implementation of workplace change. There are a number of key elements concerning this:

- Industrial Environment. The development of an employee participation model in Australia Post grew out of a specific industrial relations context. This was a record of confrontational management style, union responses and a resulting ineffective response to organisational change;
- Political Environment. The support of Labor government's for the employee participative model was critical to the gaining of senior management support;
- Management Commitment. It is critical to any employee participation model that all levels of management are actively committed to the model, both at senior and at the supervisory and managerial levels; and,
- Membership Commitment. Trade union's need to ensure that they have membership support for the employee participation model and that they are resourced sufficiently to ensure that members' and trade union role in employee participation is not token.

This adoption of a cooperative approach and the dramatic improvement in the employment relationship can be dated from the signing of a joint union-management statement of understanding with the APTU (the major Australia Post predecessor union within the CEPU) in 1989²⁹ and a managerial style more attuned to running a range of time-sensitive operations spread across thousands of workplaces. The joint statement detailed 6 important principles of participative management covering local involvement in problem solving, communication, training, prior consultation, coordination and roles, all driven by the achievement of reliability and efficiency improvements to customer service.³⁰

²⁹ *Australia Post Submission*, Table 6.2, p. 38.

³⁰ Australian Postal Corporation and APTU, *Joint Statement of Understanding*, 1989

This has enabled Australia Post and its employees to negotiate important reforms and achieve performance improvements. In recent submission to government, the employer has identified the following improvements in employee relations as:³¹

- Rationalization. Union and award rationalization from 23 unions in the 1980's to 4 (and principally 2) with awards dropping from 17 to 4;
- Flexibility. Workplace flexibility such as flexible rostering/hours of duty, completion of 29 registered flexibility agreements since 1992, the extension of part-time employment (from 4% in 1989 to 15% in 1996 of the workforce), the introduction work and family flexibility provisions
- Productivity. Productivity linked pay and bonuses linked to enterprise performance negotiated as part of Enterprise Bargaining Agreements;
- Evaluation. Workplace quality evaluation schemes, incorporating improvement related bonuses; and,
- Restructure and Efficiency Improvements. The successful negotiation and implementation of major workplace restructuring and efficiency improvements (such as the introduction of Optical Character Recognition technology in mail processing; the wide-ranging Retail Post reform encompassing new formats and counter technology, services and extended trading; the organizational split of retail and delivery functions to achieve improved efficiency; and, a range of workplace change agreements involving employee participation).

The indicator of improvement in industrial relations is the steady but dramatic drop in time lost due to industrial action, from 7150 days lost in 1989 to merely 60 in 1996, or 1.5 hours per employee in 1989 to the equivalent of only 3 minutes in 1996.³² However it is also reflected in both the 32.8% labour productivity improvement (since 1992) and the measured improvement in delivery performance. Some of these changes (such as new technology and Retail Post) were of extreme industrial sensitivity and would not have been achievable in the previous non-participative environment.

Recent Challenges to Employee Participation

These demonstrated record efficiency and productivity improvements have also been sustained despite a major shift in the political environment. The election of the conservative Howard Federal government saw a drastic alteration in the political and industrial environment for employee participation. This was reflected in the anti-union policies of this government, represented in its overhaul of key industrial legislation with the introduction of the new Workplace Relations Act (WRA). This sought to alter the relationship between employees and their employers by seeking to undermine the role of trade unions in the workplace.

While in theory the WRA did not specifically abolish employee participation, in practice it affected management's attitudes and commitment to employee participation. Management - at the supervisory and middle level management level - began to feel constrained by employee participation. They were also influenced by the government's attempts to introduce further deregulation of Australia Post's regulatory regime. Australia Post was also subjected to substantial competitive pressures.

³¹ *Australia Post Submission*, p 46-48.

³² *Ibid.*, Table 6.1, p. 37 and 48.

Union criticism of the employee participation model in Australia Post was its failure to concentrate on supervisors and the managerial level. Employee participation had concentrated on lower levels of management and staff to the exclusion of these other groups. Supervisors and managers now looked to the WRA to provide a justification to adopt a less consultative and more aggressive attitude to employees and their unions. The result was a reduction in employee participation at the workplace level.

The Re-Emergence Of Employee Participation - FuturePOST And EBA 4

However despite these developments and due to the necessity for the implementation of a major structural and technological reform program, employee participation has continued as a key element in the productivity and efficiency of Australia Post's operations.

This concerns Australia Post's FuturePOST program. This is a major A\$500 million network renewal program (involving the introduction of new technology and new major facilities) has been proposed to be introduced under an employee participation model. The extent of these technological changes is unprecedented in the history of our postal service. Australia Post is calling this its FuturePOST strategy. The establishment of two new large mail processing centres at Strathfield and Dandenong has witnessed deep levels of employee participation, involving negotiations concerning the overall environment design. Australia Post are strongly of the view that this change program is vital to the continuing profitability of the corporation as it faces increased market competition. Most importantly, it has introduced team working into Australia Post under the employee participation model.

Australia Post argue that the new technology is necessary to maintain the position of the service as one of the most efficient postal services in the world, and to protect itself in the new competitive environment of postal deregulation. Essentially, the change process encompasses a shift from mechanised to automated mail sorting, coupled with the introduction of team based work organisation. The new technology will be located in two new purpose built mail centres in Sydney and Melbourne and is being 'retro-fitted' into a number of existing sites around the country. The workforce needed for these changes are to be drawn from existing Australia Post employees. The new centres at Dandenong and Strathfield are expected to be handed to Australia Post in 1999.

The introduction of these changes has been negotiated as part of the most recent Enterprise Bargaining Agreement between Australia Post and the CEPU. This Agreement, referred to as EBA4, provides for extensive workforce involvement and consultation in the change process as well as addressing wage matters.

Recommendation: Social Partners to be represented in Economic Development Agency

That this Inquiry recommend that any future economic development strategy be based on the involvement and cooperation of the social partners, that is, government, employers and trade unions. The social partners are recommended to be represented in any future economic development agency as a basis for this on-going cooperation.

Recommendation: Cooperative Industrial Relations Key to Economic Development Strategy

That this Inquiry notes the importance of creating and sustaining a cooperative and balanced approach to industrial relations as a necessary pre-condition to the adoption of a long term economic growth strategy. To this end, this Inquiry recommends to government that cooperation between the social partners be pursued as a consistent and bipartisan policy approach, based on the continuing access to and independent industrial tribunal, that is the AIRC. The promotion of this aspect of Australia's industrial environment should be a key element of government economic development policy.

CONSISTENT POLICY AGENDA

One of the key observations made by the CEPU in reviewing the overseas situation is the importance of a consistent policy agenda.

This is the lesson from both the examples of Ireland and Singapore. In both cases, government support for attracting overseas investment has remained consistent over many years. While Singapore is in many regards a unique example (with an effective continuous one-party government since independence), the case of Ireland is particularly relevant to the Australian experience.

Since the adoption of its economic development strategy in the mid-1980's, Irish governments have maintained a continuous support for this strategy. Despite the fact that there have been major political shifts in the Irish government (with Fine Gael-Labour coalition governments being replaced by Fine Fail governments and vice versa), all governments have supported the overseas development strategy.

The CEPU believe that this is a vital factor in the consideration of the introduction of a new overseas investment strategy for Australia. The recent policy record in Australia has seen major policy shifts in a whole range of areas impinging on overseas investment. These include government policy with regard to investment in education and training, infrastructure development and ownership, taxation policy and industrial relations. The CEPU argue that these shifts have been to the detriment of a consistent and attractive overseas investment strategy. The development of a bi-partisan basis for this policy should be a key aspect of the future overseas investment strategy for Australia.

Recommendation: Consistent Policy Agenda

That this inquiry recommends that any future overseas investment strategy be developed on a bi-partisan political basis and emphasize a long-term approach to government policy.

REFERENCES AND FURTHER INFORMATION

Economic Development Boards - Singapore

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 Ministry of Trade and Industry (MTI), <http://www.mti.gov.sg>
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 Productivity and Standards Board (PSB), <http://www.psb.gov.sg>
 National Trades Union Congress (NTUC), <http://www.ntuc.org.sg>

Economic Development Boards - UK

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TABLES

TABLE 1: AUSTRALIA POST OUTLETS CHANGES, 1989-1999

Type of Postal Outlet	1989 (1 July)	1998 (1 July)	1999 (1 July)	Change (98-99)	Change (89-99)
Corporate	1383	1009	905	-104	-478
Licensed	3104	2925	2998	+73	-106
Total (Corporate and Licensed)	4487	3934	3903	-31	-584
Community Mail Agency	162	559	522	-37	+360
Total Outlets	4649	4493	4425	-68	-224

Source: Australia Post, *Annual Reports*.

TABLE 11: OCCUPATIONS OF FULL TIME STAFF (EXCLUDING CASUALS) AS AT 30 JUNE 1999

Occupational Group	Specific Occupations	Number of Employees
Management	Executive	163
	Facility Manager	104
	Postal Manager	1,492
Clerical	Administrative Officer	3,138
Mail Delivery		9,127
Mail Processing		6,487
Postal Sorting		926
Parcels		606
Transport		2,015
Retail		3,063
Others	Engineer	29
	Miscellaneous	77
	Production (Sprintpak)	129
	Technical	636
	Support Services	213
Total		28,205

Source: Australia Post, *Annual Report*, 1999.

TABLE 12: TOTAL PEOPLE ENGAGED BY AUSTRALIA POST TO PROVIDE POSTAL SERVICES (AS AT 30 JUNE 1999)

Status Groups	Occupational Designations	Sub-total of Number of employees	Number of employees
Full-Time	Various		28,205
Part-Time	Various		6,756
Others	Casuals	1,599	
	Post Office Licensees	2,997	
	Mail Contractors	5,179	
	Post Office Agents	1	
Total Others			9,776
Total			44,737

Source: Australia Post, *Annual Report*, 1999.

TABLE 13: COMPARISON OF AUSTRALIA POST'S GIROPOST OUTLETS WITH MAJOR RETAIL BANK BRANCHES (AS AT 30 JUNE 1999)

Institution	Number of Outlets	% compared to Australia Post giroPost outlets
CBA	1,151	42%
ANZ	777	28%
NAB	1,078	39%
Westpac	924	33%
Australia Post - giroPost	2,724	100%

Source: Reserve Bank, *Bulletin*, September 1999.

TABLE 14: BUSH BANKING (AS AT JUNE 30, 1998)

Outlet	Rural	Metro	% Rural
Branches	2425	3190	43
Agencies	3135	3232	49
giroPost	1550	1170	57
ATM's	2500	6314	28

Source: The Age (Melbourne) 9-10 January 1999 - APRA, Australia Post, Australian Bankers Association.

TABLE 15: BASIC POSTAGE RATE (BPR)* AND THE CONSUMER PRICE INDEX (CPI)

At 30 June	BPR	CPI (All Groups 8 Capital Base 1989-90=100)	Year on Year % Change in BPR	Year on Year % Change in CPI	Change in Real Postage %
1994	45	111.2	0	-	-
1995	45	116.2	0	4.5	-4.5
1996	45	119.8	0	3.1	-3.1
1997	45	120.2	0	0.3	-0.3
1998	45	121.0	0	0.7	-0.7
1999	45	122.3	0	1.1	-1.1

* BPR is the postage rate applicable to standard letters carried within Australia by ordinary post.

Source: Australia Post, *Annual Report*, 1999.