

**Senate Standing Committee on Environment and Communications**

**Answers to Senate Estimates Questions on Notice**

**Additional Estimates Hearings February 2016**

**Communications Portfolio**

**Australia Post**

**Question No: 28**

**Australia Post**

**Hansard Ref: Page 41, 09/02/2016**

**Topic: Mail Processing Centre - Dandenong**

**Senator Urquhart, Anne asked:**

**Senator URQUHART:** I want to follow up on this. I understand there is a new mail processing centre for Victoria in central Melbourne. Is that correct?

**Mr Fahour:** It has been around for a long time. It is out in Dandenong.

**Senator URQUHART:** I am sorry, it is Dandenong, not central Melbourne. Is it correct that if you post a letter in Sale or one of the outlying areas, if you post it in Sale and the address for it to go to is in Sale, it goes in to Dandenong and then goes back out?

**Mr Fahour:** No, that is not correct. There was some speculation about this a while ago. We did centralise, because there is not enough volume of mail to support a whole processing centre. As you can imagine, as you have been in manufacturing, you need a certain amount of throughput to run a machine and so forth. In some areas there was not enough to justify running all of those things. We came up with a really innovative solution. It felt silly, if you were living in a regional town and for whatever reason you wanted to post a letter to somebody in that same town, for it to go all the way to Melbourne and come back. That would not make economic sense. So we tend to stream out what we call 'local to local' and we will take the rest back to the Dandenong centre. That is the slightly long answer.

**Senator URQUHART:** I understand that in terms of Melbourne. But if I use Tasmania as an example, if I post a letter in Smithton, it goes to Hobart and comes back, doesn't it? It is actually postmarked Hobart.

**Mr Fahour:** I know Melbourne and Victoria really well, but I do not know the answer for Tasmania. I can take that on notice.

**Senator URQUHART:** If that is correct, I would be interested in knowing whether or not there are other states where that happens. In light of the new mail delay system in rural areas—the two-tier system where people have to wait longer—does that mean they are going to have to wait even longer?

**Mr Fahour:** I can answer the second part of your question.

**Senator URQUHART:** I would be interested to know where that might occur in other areas, in other states; but also, if that does occur—if the example I am giving you of Smithton is correct—have you done a cost-benefit analysis of that?

**Mr Fahour:** Categorically, yes. Everything that we do is about how we can do it more efficiently and more effectively. I want to clarify one thing: if it is a longer service, you do not have the extra days for that and on top of that the two-speed product you are referring to. It is not additive. When we added the extra two days to deliver the mail for what we call the regular service, to give us the time, that incorporated whatever system we had, which is either that it goes into the main processing centre or not. I want to clarify that it is not additive—it is the same extra two days that we are asking for. I will check the other states.

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**Answer:**

Following the making of legislative instruments to amend the postal regulatory framework in 2015, Australia Post announced that as part of the reform of the letters service, that all customers would have a choice of Priority and Regular letter services for sending their letters within Australia, in line with what has been available to business customers since June 2014. The new two-speed model for consumers became available on 4 January 2016.

Under the new letter services, the Priority service offers delivery within 1-4 business days depending on destination, while the Regular service is up to two business days longer than Priority. To clarify the comments made by Mr Fahour at the hearing about the processing arrangements for 'local' letters, it is letters that are carried by the Priority service that are retained in the local catchment area, processed in the local area and delivered next day. This applies to all areas nationally, including the areas of Smithton (TAS) and Sale (VIC).

Letters carried by the Regular service are separated from the Priority product and are sent to the relevant regional or state mail processing centre for machine sorting / sequence processing and returned for delivery. Such arrangements apply in all areas including Smithton (TAS) and in Sale (VIC). All other intrastate / interstate / international product is processed at the relevant regional / state mail centre.

Transferring Regular letter product to regional / state mail centre processing facilities allows significant productivity increases and operational efficiencies in utilising technology to perform mail sorting at significantly higher speeds than would otherwise be possible, and includes the ability to sequence mail in the order it will be delivered. In line with the two delivery speeds, our Community Service Obligation of 94 per cent of letters delivered on time encompasses both the Priority and Regular service timetable.