



Postal Services Modernisation

Discussion Paper

March 2023



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Executive Summary

Australia Post is a cherished national institution that provides essential services to Australian communities, particularly in regional Australia. The digitisation of the economy is changing how many people and businesses use postal services.

Postal services have played an important role in the lives of Australian communities, individuals and businesses over the last 214 years, and Australia Post's extended workforce of more than 60,000 people and 4,300 Post Offices continue to deliver letters, parcels and essential services to communities and businesses throughout Australia. More than 3,500 Post Offices are operated by individuals and small businesses acting as licensees and agents.

The postal services industry was once the main mode of communication in Australia, but technological changes disrupted the industry long ago, with letter volumes declining 66 percent since they peaked in 2007-08.¹ The use of letters services will continue to decline, driven by customer migration to increasingly accessible, affordable and sophisticated digital alternatives — the average Australian household receives only 2.4 addressed letters each week, down from 8.5 each week in 2008, and this is expected to almost halve in the next five years.²

The adoption of digital technologies has also resulted in declining visits to Post Offices. For example, since 2013-14, retail transaction volumes have declined 39 per cent.³ While Post Office service options continue to grow, including financial, identity and government services, transaction volumes are expected to continue to decline. This impacts the revenue and profitability of Corporate Post Offices (CPOs), as well as more than 2,800 Licenced Post Offices (LPOs) and over 750 Community Postal Agents (CPAs) that play a crucial role in many Australian communities.

While traditional postal services usage declines, Australians are increasingly relying on Australia Post's nation-wide parcel delivery services, which operate in a highly competitive market. Domestic parcel volumes have increased significantly over recent years, and 1 in 5 retail sales are now done online.⁴ Australia Post delivered over half a billion parcels in 2021-22 to all corners of Australia, underpinning Australia's \$67 billion online retail sector.⁵

Australia Post is projecting growing losses over the next decade.

On 8 February 2023, Australia Post reported a significant deterioration in its financial position, including a record first-half letters loss before tax of \$189.7 million. Australia Post will report a full financial year loss in 2022-23, the first annual loss since 2015.

Australia Post does not receive financial support from the Government, but is required to meet a range of Community Service Obligations that are outlined in further detail in this paper. The estimated cost of these Community Service Obligations was \$348.5 million in 2021-22. The existing Community Service Obligations are no longer financially sustainable and are not well targeted at the needs of Australians due to changes brought about by the digitisation of the economy.

The Community Service Obligations do not apply to Australia Post's parcel business, but Australia Post provides a parcel service that delivers to all parts of Australia.

¹ Australia Post Annual Report, 2022

² Australia Post internal data, 2022

³ Australia Post internal data, 2022

⁴ Inside Australian Online Shopping eCommerce update, October 2022, Australia Post

⁵ Australia Post Annual Report, 2022

The Government is undertaking public consultation to inform development of balanced changes to ensure postal services meet the needs of the Australian community both now and into the future.

The Government recognises that actions need to be taken to support Australia Post transition to meet the needs of contemporary Australia. In considering changes, the Government is committed to a comprehensive consultation process and business, unions, government, licensees and other stakeholders working together to find common ground.

The Government proposes that modernisation of the postal service adheres to the following principles:

- Australia Post remaining in full public ownership, providing a universal and equitable service that meets the needs of Australian people and businesses;
- Australia Post remaining financially sustainable, and invest in its networks, services and people to support improved national productivity and supply chain resilience;
- Postal services that support Australia's digital economy, particularly as a critical enabler of the growing eCommerce market;
- Providing appropriate coverage of the Post Office network, particularly in regional and rural areas, and supporting LPO and CPA financial sustainability; and
- Reducing Australia Post's operating cost in delivering regulated letter services, freeing up delivery and processing resources to support parcels delivery to respond to increasing demand and consumer expectations.

Designing a sustainable letter service will allow Australia Post to invest in its other services, delivering benefits to the community, businesses and Post Office licensees and agents.

Modernising postal services will boost Australia's productivity, support businesses and keep Australians connected. It will also support Australia Post to remain financially sustainable so that it can invest in services to benefit consumers and support businesses, rather than subsidising loss-making services that are no longer widely utilised. Over the past three years alone, Australia Post has invested more than a billion dollars to help better deliver by opening new facilities, adding electric vehicles, and upgrading technology to improve the customer experience.

A stronger, more viable Australia Post will be able to continue meeting its service obligations to the Australian community and means consumers and businesses will continue to benefit from a large, national network of postal services, particularly in rural and regional areas. Modernising postal services will ensure Australia Post has the capacity to prioritise the services that Australians are using now, and continue to invest in products and services for the future.

The Government's focus in the near term will be on working with Australia Post to improve productivity and revenue in delivery, while managing costs to support both sustainability objectives and benefits from modernisation.

Benefits from modernisation can be realised across the following themes:

- **Parcels:** Increasing flexibility and improving reliability for parcel delivery, making it more convenient and accessible for consumers and business customers.
- **Technology:** Better technology to help make it easier for businesses and consumers to use Australia Post.
- **Regional Australia:** Continuing support for regional and remote communities, where Australia Post is needed most.

- **Retail:** A retail presence that meets the needs of communities – including tailored formats, expanded services, self-service and mobile options.
- **Business Customers:** Investing in customer experience and eCommerce services making it easier for businesses of all sizes.
- **Environmental Sustainability:** Investment in more environmentally sustainable customer services, solutions and operations.
- **Supporting Communities:** Continue to invest in communities to support those in need through community partnerships and community products (concession stamps).

These themes are explored further in this discussion paper in [Part 1](#).

[Part 2](#) of this paper is the near-term focus of the Government, both with respect to improving productivity and revenue in letter delivery.

[Part 3](#) explores underlying trends impacting the Post Office footprint, and new approaches to ensuring points of presence for consumers remain accessible.

The Government considers that amending letter delivery Performance Standards⁶ to reflect current and future usage, and changing letter pricing to reflect the actual cost to Australia Post of providing letter services, can support Australia Post's financial sustainability so that it can continue to invest in the broad range of postal services required by the Australian community.

The Australian Government will work with Australia Post, licensees, businesses and communities to ensure retail network services meet the needs of modern Australia, consistent with existing Performance Standards.

Make your views known

- The Australian Government wants to hear from Australian communities, individuals and businesses about what postal services matter to you so that we can ensure Australia Post remains a critical part of our national infrastructure that all Australians can rely on.
- Actions are required to ensure that Australia Post remains financially viable so that it can continue to provide valuable services to all Australians, stable employment for tens of thousands of Australians and support its licensees and agents.
- The Department of Infrastructure, Transport, Regional Development, Communications and the Arts, and the Department of Finance (Shareholder Departments) are seeking feedback from interested parties to inform advice to Government on options to modernise postal services.
- This paper outlines the range of postal services available in Australia, and provides guidance on the matters that you may wish to address in your submission or short comment (see how to make a submission or comment below).

⁶ Australian Postal Corporation (Performance Standards) Regulations 2019

Making a submission or comment

Shareholder Departments are welcoming written comments and submissions on the matters outlined in this paper. Comments and submissions should be received by **23:59 Australian Eastern Standard Time on 27 April 2023**.

Comments and submissions can be lodged by:

Website: www.infrastructure.gov.au/HYSAusPost

Email: postalconsultation@infrastructure.gov.au

Post: Department of Infrastructure, Transport, Regional Development,
Communications and the Arts
GPO Box 2154
CANBERRA ACT 2601
Attention: Director, Postal Policy—Communications Services and Consumer Division

Comments and submissions should include the respondent's name, organisation (if applicable) and contact details.

Questions about the submission process can be sent to the Director, Postal Policy at postalconsultation@infrastructure.gov.au.

Publication of submissions and confidentiality

All submissions will be made publicly available by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts (the department) unless a respondent specifically requests that a submission, or a part of a submission, be kept confidential. Comments will not be published.

The department reserves the right not to publish any submission, or part of a submission, which in its view contains potentially offensive or defamatory material, or for confidentiality reasons.

The department is subject to the *Freedom of Information Act 1982* and comments and submissions may be required to be disclosed by the department in response to requests made under that Act.

Part 1: Postal services and modernisation benefits

Australia Post

Australia Post is Australia’s national postal service, providing a range of products and services within Australia and between Australia and the rest of the world.

The Commonwealth is responsible for the provision of postal services.⁷ In order to deliver this, the Australian Government established Australia Post, a Corporate Commonwealth Entity (CCE) and Government Business Enterprise (GBE) subject to both its enabling legislation, the *Australian Postal Corporation Act 1989* (APC Act), and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).⁸

The principal legislated function of Australia Post is to supply postal services within Australia and between Australia and other places.⁹ Australia Post has the exclusive right, and corresponding obligations, to carry letters within Australia, subject to a range of exceptions.¹⁰ In performing its legislated functions, Australia Post has a number of obligations and must comply with a number of regulatory instruments. A summary of Australia Post’s obligations and regulatory framework is at [Appendix B](#).

Australia Post has evolved beyond its traditional role as the main mode of communication in Australia (i.e. telegrams and letters), and has a broader role in contemporary Australian society — facilitating the rapidly growing eCommerce market as the largest parcel delivery operator in the country, and providing a range of products and services (including financial, identity and government services) to Australians through its uniquely broad, nationwide network of Post Offices.

This evolution reflects changing consumer behaviours and the digitisation of the economy. Almost 80 per cent of Australia Post’s revenue is now derived from openly competitive domestic markets, including the competitive parcels market where it competes with large multinational logistics companies and smaller courier businesses. In 2021-22, Australia Post administered 220 million Post Office transactions and 902 million customer digital visits.

Australia Post delivers letters, parcels and services to Australians in partnership with its extensive network of Post Office licensees, agents and franchisees. Many of these more than 3,500 Post Offices are operated as a small business (often in-conjunction with another business, like a newsagency) that is a trusted and valued part of the community. The different roles and types of Post Offices are outlined at [Part 3](#).

The Australia Post workforce is representative of modern Australia, with 134 nationalities represented and workforce programs targeting greater representation of women, people with a disability, people identifying as LGBTIQ+, First Nations peoples and people of a mature age.

⁷ Section 51(v), the Australian Constitution

⁸ www.finance.gov.au/government/government-business-enterprises/australia-post

⁹ Section 14 of the APC Act. “Postal services” is not a term defined in the APC Act. Section 18 of the APC Act sets out postal and postal related powers, which includes the carriage of parcels.

¹⁰ Sections 29 and 30 of the APC Act

Modernisation benefits

Australia Post is investing to ensure it continues to meet the evolving needs of customers and communities. But more investment is required, with potential benefits across society.

Parcels

Increasing flexibility and improving reliability for parcel delivery, making it more convenient and accessible for consumers and business customers, which may include options such as:

- Improving parcel frequency and delivery reliability to respond to demand for online shopping, including weekend deliveries and same day service in some locations.
- Enabling greater control over where and when a parcel is delivered.
- Making it easier, faster and cheaper for small businesses to get their products to customers and exploring innovative delivery products.
- More reliable, transparent, personal and convenient parcel services.

Technology

Better technology to help make it easier for businesses and consumers to use Australia Post, which may include:

- Investing in new and improved apps and online services enabling simpler interactions for customers to buy, send, receive and redirect parcels.
- Improving tracking technology so that consumers know more accurately when they will receive a parcel.

Regional Australia

Continued support for regional and remote communities, where Australia Post is needed most,¹¹ including:

- Maintaining a strong and viable Post Office network in rural and regional Australia, ensuring the broadest regional reach of any logistics company nationally.
- Continuing to invest in Bank@Post services making financial services available to all Australians, including supporting cash services in rural and regional areas.
- Improving the economic viability of the letters business to enable a cost-effective national letters service, especially for regional and rural areas.
- Continuing to invest in the parcel network to deliver for all Australians on a truly national basis, including developing new infrastructure in regional Australia to support local businesses.
- Investing in technology to remain competitive so that all Australians (especially regional and rural) can participate in the digital economy.
- Continuing to service regional and rural Australia where others don't.

¹¹ A 2020 Deloitte Access Economics report, *Economic and social value of Australia Post in regional, rural and remote communities* found that Australia Post supports a \$10.6 billion regional e-commerce market through its delivery and Post Office networks and is increasingly important to regional, rural and remote Australians. Overall, Australia Post's total economic contribution in regional and remote Australia was \$806 million in value added and 10,802 Full Time Equivalent jobs in 2018-2019. Deloitte found that the value of providing services to these areas is much higher than the prices charged and revenue earned by Australia Post, particularly in remote areas (due to the lack of alternatives).

Retail

A retail presence that meets the needs of communities – including tailored formats, expanded services, self-service and mobile options, such as:

- Adapting to consumer behaviour and demand by increasing points of presence nationally. This could include more flexible, accessible and convenient formats such as parcel lockers and self-service vending machines.
- Improving customer experience and speed-to-service by investing in digital infrastructure, including self-service channels.
- Experimenting with the benefits of refreshing existing Post Offices to enable faster customer service times and a more appealing in-store experience.
- Helping more small businesses to transition and grow online, including expanded capacity and coverage of local pickups and deliveries.
- Experimenting with the rollout of new store formats with a wider range of services and a physical location where local businesses can sell direct to customers, and grow revenue.

Business Customers

Investing in customer experience and eCommerce services making it easier for businesses of all sizes, which may include:

- New parcel facilities, technology and high-tech tracking so businesses can take advantage of the eCommerce boom.
- Continuing to help businesses support their online customers with a simpler, reliable, and more transparent service.
- Helping businesses manage costs and performance with digital tools, and select the right products and services for their needs.
- Simplifying services for businesses by helping them grow and trade easily.

Environmental Sustainability¹²

Investment in more environmentally sustainable customer services, solutions and operations, such as:

- Growing the carbon neutral offering to business customers.
- Giving customers the choice of a range of low emissions products.
- Replacing the Australia Post fleet of motorbikes with electric delivery options and safer vehicle types.
- Expanding recycling collection points.
- Installing electrical infrastructure to power Australia Post's growing electric vehicle fleet.

¹² Australia Post recently launched its 2025 Sustainability Roadmap, setting out its formal support for the Australian Government's target of Net Zero emissions by 2050. This builds on its sustainability initiatives to date, including 185 million parcels delivered carbon neutral since 2019, building Australia's largest electric delivery fleet (currently more than 4,635 vehicles or 30 per cent of the entire fleet), and infrastructure investments such as \$82 million invested in the new Perth Facility featuring a 750kw solar system, LED lighting with motion detectors and a sophisticated waste management system.

Supporting Communities

Continue to invest in communities to support those in need through community partnerships and community products (concession stamps), including:

- Supporting communities in disaster preparedness, response and recovery.
- Distributing literacy and STEM materials to First Nations children.
- Delivering mental health information and resources to households nationally.
- Retaining discounts for charities and concession card holders to send mail.
- Extending products and services to support those experiencing domestic and family violence.
- Delivering on Australia Post’s Access & Inclusion Plan and Reconciliation Action Plan commitments.

Key points

- Australia Post provides a broad range of postal services, helps facilitate the growing eCommerce market, and also provides various financial, identity and government services.
- Australia Post provides its services in partnership with its extensive network of Post Office licensees and agents.
- Australia Post has approximately 60 per cent of its retail outlets in rural, regional and remote areas of Australia — triple that of other Australian industries, like transport, finance and health — and is a key contributor to regional development.
- Australia Post does not receive financial support from the Government, and taking steps to ensure the ongoing financial viability of Australia Post will underwrite its ability to provide services in the long-term.
- Modernisation can realise tangible benefits for a broad range of groups.

Future outlook and opportunities

The digitisation of the economy is changing how many people and businesses use postal services. The long-term downward trends in letter volumes and in-person transactions will continue. At the same time, parcel growth is expected to grow over the long-term, and Australia Post will need to invest to deliver the potential benefits outlined in this paper.

We want to know

1. What services provided by Australia Post are most important to you?
2. What does Australia need in a modern postal service?
3. Do you agree with the potential benefits? Are there additional benefits from your perspective?

Part 2: Delivery services

Letters

Australia Post has the exclusive right to carry most letters in Australia and its letter service must be reasonably accessible to all people in Australia at a single uniform rate of postage.

The Australian Postal Corporation (Performance Standards) Regulations 2019 (the Performance Standards) set specific requirements for Australia Post in relation to the speed, frequency and accuracy of letter delivery.

Australia Post is also subject to scrutiny in relation to the pricing of its letter services, with the Australian Competition and Consumer Commission (ACCC) having an oversight role and the Minister for Communications having the power to disapprove certain postage rate increases.

The details of these requirements are at [Appendix B](#).

Australia Post provides letters services “reserved” to it under the APC Act, and “non-reserved” letter services that are open to competition. Australia Post’s reserved letters service contributes almost 90 per cent of Australia Post’s letters business revenue, yet less than 17 per cent of overall revenue for the Australia Post Group.¹³

Reserved service: Ordinary stamped letters up to 250 grams; Priority stamped letters; Concession stamped letters; Seasonal greeting cards; PreSort – e.g. Charity Mail, Promo Post, Acquisition Mail; Clean Mail; Local Country; and Reply Paid

Non-reserved services: Letters over 250 grams; letters charged at more than 4 times the Basic Postage Rate – e.g. Express Post, Registered Post; Unaddressed Mail; and international letters

Alternative digital communication options have driven a rapid decline in letter volumes. Less than 3 per cent of letter volumes are sent by consumers and Australian households receive one-third of the letters they once did.

Addressed letter volumes in Australia have declined 66 per cent since peaking in 2007-08 (1.6 billion in 2021-22, down from 4.6 billion in 2007-08). Less than 3 per cent of letters are now sent by consumers, with the rest sent by businesses and government.¹⁴ A consumer sends on average 15 letters each year for personal reasons and a small business is estimated to send 68 letters each year on average.¹⁵

Australia Post is required by its Performance Standards to deliver ordinary (i.e. stamped) reserved letters in accordance with the regular or priority timetable,¹⁶ with a priority letter costing an additional 55 cents. In 2021-22, priority letters were 8.1 per cent of addressed letter volumes, down from 13.2 per cent in 2017-18.¹⁷

¹³ Figure 1, Decision on Australia Post’s 2022 price notification, Australian Competition and Consumer Commission, 2022

¹⁴ Australia Post Annual Report, 2022

¹⁵ Decision on Australia Post’s 2022 price notification, Australian Competition and Consumer Commission, 2022. Based on Exploring reactions to a potential stamp price increase, KMPG Community Sentiment Research, July 2022

¹⁶ Section 8 of the Performance Standards sets maximum delivery times for priority and regular mail, based on the locations that a letter is sent from and to.

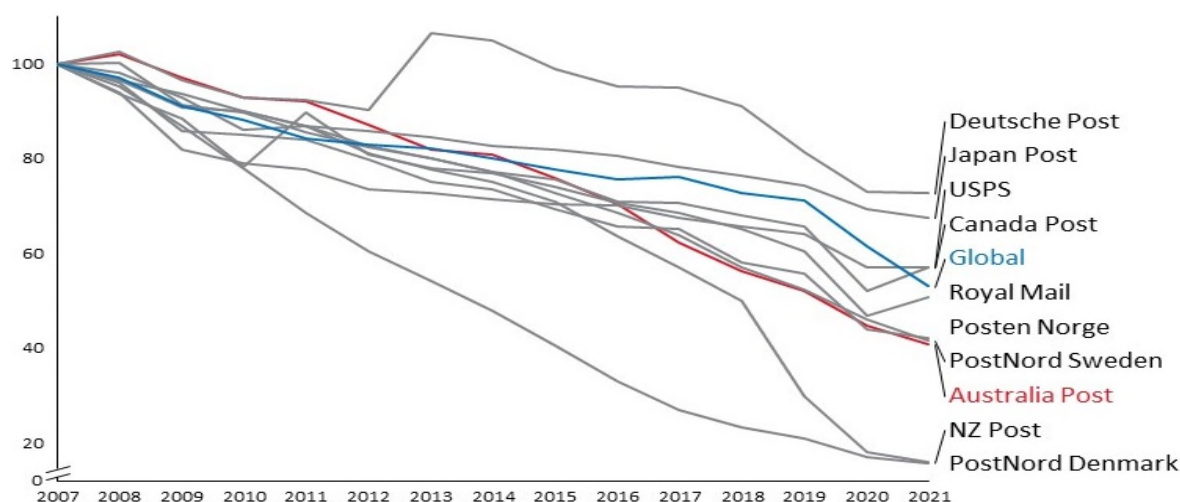
¹⁷ Australia Post internal data

At the same time as letter volumes have been in decline, delivery points have grown from 10.5 million points in 2007-08 to 12.6 million points in 2021-22, and are expected to grow at a rate of 175,000 to 220,000 points per year in-line with population growth.¹⁸

These trends mean that Australia Post is now delivering less than one-third of the number of addressed letters to each delivery point per week compared to the 2007-08 peak (down from 8.5 letters per week in 2007-08 to 2.4 letters per week in 2021-22). Similarly, the volume of letters and small articles postal delivery officers deliver is declining, with addressed letters per postal delivery officer round per day declining by around one-quarter over the past four years, from 840 in 2018-19 to 640 in 2021-22.

The regulatory letters framework impacts Australia Post's ability to adjust its operations to reflect these changes and remain financially viable, contributing to a \$255.7 million loss for the letters business in 2021-22, and a \$189.7 million letters loss before tax in the first half of 2022-23. Australia is not unique, with letters volumes declining globally for more than a decade. Figure 1 shows the rapid decline in letter volumes for comparable national postal operators from 2007-2021. These are long-term declines, which pre-dated the impacts of COVID-19.

Figure 1 - Postal organisation letter volume evolution¹⁹



It is expected that businesses and governments will increasingly use digital communication channels. Decline in letters is, therefore, expected to continue and may accelerate as large classes of mail are replaced by digital alternatives.

Businesses and governments send over 97 per cent of the letters in Australia. It is expected that these organisations will increasingly use digital communication channels to engage with their customers and stakeholders, accelerating the decline in letter volumes.

By 2032, addressed letter volumes are expected to fall below 500 million annually, meaning the average household will receive less than one letter each week.²⁰ This would lead to addressed letters per postal delivery officer round per day declining from 640 to around 150. The key to ensuring sustainable, secure employment will therefore be to ensure postal delivery officers support viable, revenue generating services.²¹

¹⁸ Australia Post Annual Report, 2022, and Australia Post internal data

¹⁹ Australia Post analysis based on volume data from UPU countries, Australia Post, 2022

²⁰ Australia Post internal data

²¹ Australia Post internal data

This decline could be faster than expected, including due to the accelerated adoption of electronic authentication methods (such as DocuSign); business cost reduction programs leading to the use of electronic bills and notifications; and removal of legislative barriers to adopting digital communication methods.

Commonwealth agencies, such as Centrelink, Medicare and the Australian Taxation Office are significant users of Australia Post's letters service, and the migration to digital platforms like myGov is reducing the need for letters. As stated in the 2021 Digital Government Strategy (currently under review), the Australian Government is targeting to be in the top 3 digital governments in the world by 2025.

Unaddressed mail services in Australia are open to competition, with Australia Post's market share estimated to be approximately 20 per cent.²² Digital disruption does not appear to be impacting unaddressed mail volumes to the same extent as addressed letters, although COVID-19 has had some impact. The Real Media Collective's 2022 Industry Insights Report states that letterbox distribution volumes declined 9 per cent through COVID-19, with 4.68 per cent growth during COVID-19 recovery.²³

Temporary changes to frequency and speed during COVID-19.

In response to the operating constraints and limitations of providing postal services resulting from the onset of COVID-19, the then Government temporarily relaxed the Performance Standards between 16 May 2020 and 30 June 2021. This was implemented by reducing letters delivery frequency to metropolitan areas (every business day to every second day business day), reducing intrastate delivery speed by increasing the maximum intrastate letter delivery timeframe to 5 business days, and allowing Post Offices to close where needed to keep team members safe from COVID-19. The lack of consultation in the design and implementation of the changes caused operational challenges and inefficiencies, with impacts on the workforce. This highlights the importance of consultation to longer-term approaches. Additionally, over this period the manually intensive priority letter service was suspended and parts of the Australia Post workforce were temporarily redeployed to support Australia's increasing demand for parcel services. The Performance Standards reverted to pre- COVID-19 requirements on 1 July 2021. The temporary changes demonstrated the capacity of the postal delivery network to adapt to new delivery models while ensuring letter services were maintained.

Other countries have taken some steps to address the challenge of digital disruption that could inform Australia's approach.

For the most part Australia's arrangements are similar to those in other countries, most of which also reserve traditional postal services (i.e. letters) for their national carrier, and impose social obligations such as service quality, accessibility and price that do not apply to commercial operators.

In Australia and other countries these regulatory arrangements have been in place for decades, established when letters played a more significant role in meeting society's social and commercial needs. Like Australia, other countries are considering modernisation options, and some countries have already taken steps to reform their postal services.

²² Source: Australia Post internal data

²³ The Report is available at [RMC-Industry-Insights-Report-2022.pdf \(therealmediacollective.com.au\)](https://therealmediacollective.com.au). The period of "COVID-19 recovery" is not defined in the report.

Global examples addressing changing postal needs

Italy's Poste Italiane is undertaking a major realignment of its post and logistics businesses in response to consumer demand for parcels services. Its 2024 strategy is focused on building its parcel business and further developing its omni-channel (hybrid) service networks. This builds on changes to the regulatory framework in 2015, which allowed reduced delivery frequency for 25 per cent of the population, and the introduction of a flexible delivery model for parcels and letters based on population density and volumes. Poste Italiane worked closely with trade unions, and performed extensive network planning and trialing.

New Zealand introduced alternate day delivery in 2013, which applies to non-rural areas and was introduced in stages from 2015. Transport and wage costs reduced significantly following the changes. NZ Post continues to provide loss-making letter services, and in 2020 the New Zealand Government injected NZ\$130m over three years to maintain letter services while the Government considers the longer-term approach.

Sweden introduced regulatory changes in 2018 that allowed PostNord to trial and then introduce an alternate day letter delivery model in 2020 and 2021, in response to letter volumes decreasing by 47 per cent since 2000. Public surveys before and after the changes demonstrate consistent and strong support (approximately 80 per cent did not object). PostNord is self-funded in Sweden, however in Denmark has been funded by the Danish Government to provide the Community Service Obligation (CSO) since 2017. The Swedish Government is reviewing CSO funding and will consider the scope of the CSO, including whether CSO provision in some parts of the country may require government assistance, whether delivery requirements should be reduced further, and whether bulk mail or parcel services should be removed from the CSO.

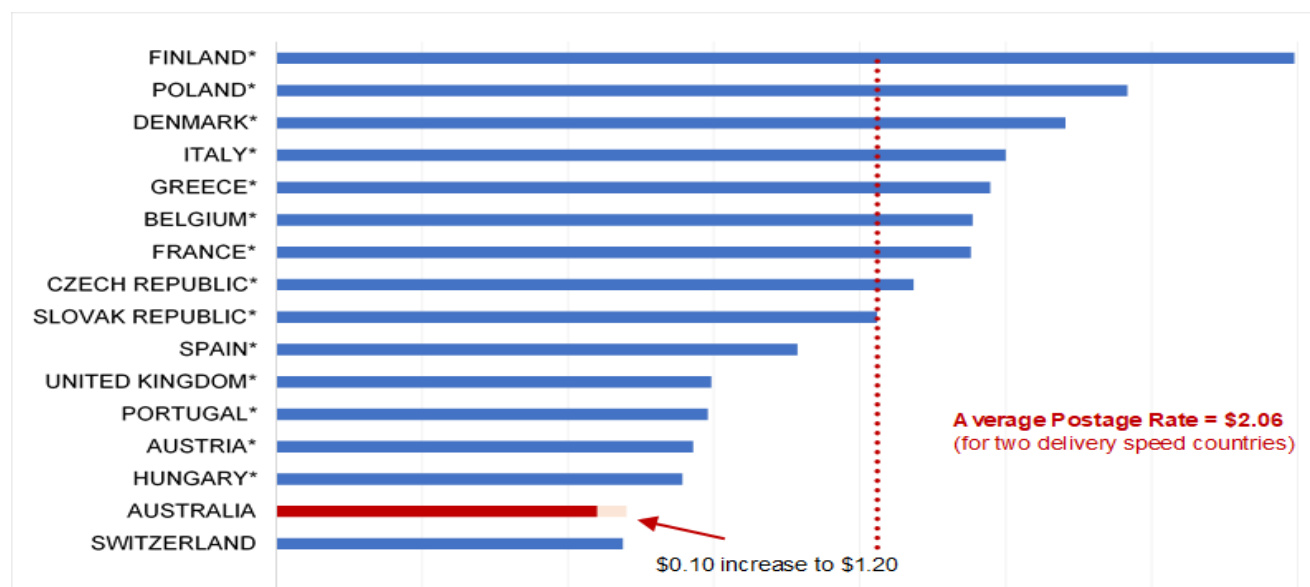
France will allocate La Poste a compensation of at least €500m per year from 2021-2025 with an additional €20m per year to be allocated upon fulfilling service-quality requirements. La Poste is investing €800m in its network and the digitalisation of its services over the next three years to improve customer experience – €500m on Post Office renewal and €300m on improving omnichannel experiences.

Germany has responded to declining letter volumes by increasing letter prices to support the operational shift towards parcel processing and delivery (10 per cent increase in 2019, followed by annual increases reflecting inflation plus 5.4 per cent); and, installing 800 new (12,500 in total) parcel terminals at train stations all over Germany by 2023 and opening them up to deliveries by other carriers. Deutsche Post is investing €7b in climate-neutral logistics until 2030, including €300m for e-vehicles and €300m for building carbon-neutral depots.

The postage rate to send letters in Australia is low compared to comparable countries and there is an opportunity to streamline pricing mechanisms with appropriate protections.

When considered against most international comparators, Australia Post's Basic Postage Rate²⁴ (BPR – i.e. the cost to send an ordinary stamped letter) remains relatively low (Figure 2). Despite an increase to the BPR in January 2023 of 10 cents (to \$1.20), the new rate remains below many other countries, and is 86 cents below the average for Organisation for Economic Co-operation and Development (OECD) countries with two-speed letter delivery services.

Figure 2 - Basic postage rate (BPR) by country²⁵



An option for Australia Post is to increase the BPR, as well as bulk letter pricing, to align with its international peers and better reflect the costs of providing letters. The ACCC has reported that the demand for letters is price inelastic, meaning that some consumers are not sensitive to changes in price when deciding how many letters they will post.²⁶ E-substitution is a far more significant driver of the decline in letter volumes, and the ongoing structural decline of letter volumes means that letter price increases alone will not support the long-term financial sustainability of Australia Post.²⁷

The ACCC must consider a proposal by Australia Post to increase the price of its reserved ordinary letters service, carried at the regular timetable (the notified service) (see [Appendix B](#)).

While the notified letters service is a small sub-set of the reserved letter service (contributing \$123 million in revenue in 2021-22 out of almost \$1.5 billion in total reserved letter services revenue),²⁸ in considering a BPR proposal the ACCC will also consider overall cost recovery of the total reserved letters service, including the various business letter services.

There are opportunities to streamline the existing pricing mechanisms while maintaining appropriate protections, to allow Australia Post to adapt its pricing in response to falling demand for letters.

²⁴ The Australian Competition and Consumer Corporation (ACCC) recently did not object to a 10 cent increase to the BPR, with the new price taking effect on 3 January 2023.

²⁵ Purchasing Power Parity of basic letter price in AUD - source OECD and Australia Post. Prices in other countries as at 7 June 2022.

²⁶ Decision on Australia Post's 2022 price notification, Australian Competition and Consumer Commission, 2022. ACCC view based on Diversified Specifics, Australia Post Letter Volume Demand Update, August 2022.

²⁷ Diversified Specifics, Australia Post Letter Volume Demand Update, August 2022.

²⁸ Figure 1, Decision on Australia Post's 2022 price notification, Australian Competition and Consumer Commission, 2022

Key messages – Letter services

- Businesses and government send 97 per cent of letters but are increasingly using digital communications, with Australia Post today delivering 3 billion less addressed letters than at its peak in 2007-08.
- The average Australian household now receives approximately one-third of the number of letters per week compared to the 2007-08 peak.
- Australia's experience is not unique — other countries have implemented or commenced reforms to their letter services, and/or increased the price of postage.
- The postal regulatory framework is inflexible and the Australian Government is considering the appropriate regulatory settings to meet the needs of Australian people and businesses.

Future outlook and opportunities

Australia Post is projecting significant ongoing declines in addressed letter volumes over the next decade. Coupled with an estimated additional 2.2 million delivery points, Australia Post is forecasting that each postal round will deliver on average only 150 addressed letters each day, down from 640 in 2021-22.

The Government is seeking the public's view on the potential for changes, which could include:

- Letters pricing arrangements that support Australia Post to recover the actual costs of providing its services, while retaining appropriate Government oversight and maintaining subsidised social mail pricing (for example, for concession card holders);
- Relaxing letter delivery frequency requirements, which are particularly cost burdensome in the face of declining volumes, while maintaining appropriate maximum letter delivery speed regulations; and
- Deregulating the priority letter service, while maintaining a commercial bulk priority letter service to meet the needs of Australian businesses.

We want to know

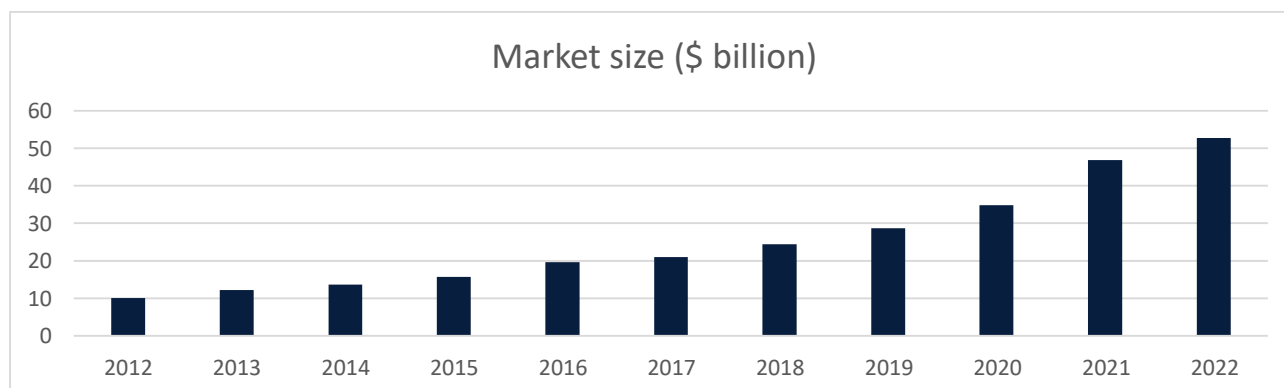
4. How important is the ability to send or receive a letter and what would be the impact of further increases in postage rates to allow Australia Post to fully recover the full efficient cost of providing the letters service?
5. Do you expect usage of Australia Post's letter services to change in the next 5 years and why?
6. What do individuals, businesses and charities take into consideration in deciding whether to send a letter — for example, price, delivery speed and features (such as tracking), or digital alternatives?
7. What is the value of the regulated priority letter service to you?
8. Should the current letters service speed or frequency of delivery requirements change in line with the expected decline in the number of letters being delivered?

Parcels and eCommerce

9.3 million Australian households shopped online in the 2021-22 financial year, with online purchases 11.9 per cent higher than the previous year.²⁹ eCommerce penetration is expected to continue to grow, consistent with international trends.

The online shopping industry in Australia has grown on average 20 per cent each year between 2017 and 2022.³⁰ Almost 1 in 5 retail sales are now done online.³¹

Figure 3 - Online shopping market size in Australia - 2012 to 2022³²



Australia's eCommerce penetration is likely to continue to grow. A Cross-border eCommerce Shopper Survey by the International Post Corporation (IPC) in January 2022 found that while over 84 per cent of Australian respondents shopped online at least once each month, our weekly online shopping frequency of 25 per cent is well-behind other countries, including South Korea (53 per cent), China (50 per cent), the United States of America (38 per cent), and the United Kingdom (34 per cent).³³ This suggests further growth should be expected in Australia, with greater demand for eCommerce services.

Australia Post provides the largest business to consumer parcel delivery service in Australia and underpins Australia's \$67 billion online retail sector. Australia Post's infrastructure and service options are essential in many parts of Australia.

Domestically, Australia Post has no legislated monopoly in the delivery of parcels,³⁴ and is not subject to delivery service standards. Irrespective, Australia Post is the largest business to consumer (B2C) delivery entity, estimated to deliver more than 70 per cent of B2C parcels through its national delivery and Post Office networks.³⁵ Australia Post delivered more than half a billion domestic parcels in the 2021-22 financial year, with parcel volumes in 2022, 69 per cent higher than they were before the COVID-19 pandemic.³⁶

²⁹ Australia Post Annual Report, 2022

³⁰ Online Shopping in Australia, 2022, IBISWorld

³¹ Inside Australian Online Shopping eCommerce update, October 2022, Australia Post.

³² Online Shopping in Australia – Market Size 2008-2029, 11 August 2022, IBISWorld

³³ The survey tracks 25 countries, including Australia, with respondents being frequent cross-border online shoppers who bought physical goods online at least once in the last three months and made a cross-border online purchase in the past year.

³⁴ Australia Post's business activities, including its parcel delivery services, are subject to the Commonwealth's Competitive Neutrality Policy Statement, June 1996 that requires that government business activities should not enjoy net competitive advantages over their private sector competitors simply by virtue of public sector ownership.

³⁵ As at 30 June 2022. Source: Australia Post

³⁶ Inside Australian Online Shopping eCommerce update, October 2022, Australia Post. Compares January to October 2019 volume to January to October 2022 volume.

Deloitte Access Economics³⁷ found that “the limited availability of alternatives for the fast and reliable delivery of parcels between regional and remote areas means that for many businesses operating outside of metropolitan cities, Australia Post’s delivery infrastructure is essential for maintaining a high-quality experience for customers residing in other regional communities”. This infrastructure advantage allows Australia Post to provide pick-up and delivery services in areas that may otherwise not be commercial to service, which includes contracting with other courier and logistics companies to provide last-mile delivery services. The network also comes at significant cost and requires ongoing capital investment.

To help meet the growing eCommerce market demand, Australia Post invested \$427.2 million capital in new parcel facilities, fleet and technology in the 2021-22 financial year, bringing total committed enterprise-wide investment to more than \$1 billion over three years. This included major parcel processing facilities in Brisbane, Sydney, Melbourne and Adelaide, as well as new facilities in Bayswater (VIC), Botany (NSW), Tullamarine (VIC) and Perth (WA), upgrades to cloud-based solutions to improve parcel scanning and tracking and expansion of the electric delivery fleet.

The Government expects that ongoing capital investment in parcel facilities, fleet and technology will be required by Australia Post and other operators to keep pace with demand, and business and consumer needs. This includes to meet ever-increasing consumer and business demand for parcels deliveries during the peak online sales and Christmas period, which requires significant expenditure on additional processing and transport capacity, and hiring thousands of additional casual workers every year.

Australia Post has supported small businesses save time and money, and reach their local and international customers. This was never so important as during COVID-19.

Australia Post continues to support small businesses which choose to use Australia Post to connect with their customers by developing enabling elements such as e-payments, digital certificates and signatures, and digital postal service capacities.

Key initiatives include:

- Supporting a growing eCommerce market of micro and small business customers through MyPost Business, which provides a range of tools, resources and service for nearly 200,000 users.
- In key Post Offices, a dedicated ‘red carpet’ business class lane was set up for customers who lodge five or more parcels at any one time to help them save time and get back to running their business.
- Providing business customers with a range of shopping and eCommerce reports to assist them in better targeting their products and services to consumers.
- Introducing a range of parcel collection options that improve the delivery experience, including parcel lockers and through retail partners.
- Establishing a commercial lane with New Zealand in order for Australian businesses to have improved access to an international market.

³⁷ Economic and social value of Australia Post in regional, rural and remote communities, Deloitte Access Economics, 2020

Key points – Parcel services

- Australia Post has no legislated monopoly in the delivery of parcels, and is not subject to any regulatory requirements on the delivery of domestic parcels.
- Australia Post is estimated to deliver more than 70 per cent of B2C parcels through its national delivery and Post Office networks, underpinning Australia's \$67 billion online retail sector.
- Australia Post's parcels business competes with large multinational logistics companies and smaller courier businesses, with ongoing investment required to meet consumer and business expectations.
- Business and customer expectations around environmental sustainability continue to grow.

Future Outlook and Options

Consumers

As demand for parcels services grow, the importance of parcel services for Australians will increase. It is reported that Australia's parcel market exceeded 1 billion parcels in 2020-21, with a 5.4 per cent compound annual growth rate forecast from 2022 to 2027.³⁸

Based on 10,000 interviews of consumers from Australia, the United States, the United Kingdom and other countries, Arlington Research found that prices, consumer choice, delivery, availability, location and convenience are the drivers of shopping behavior.³⁹ With 53 per cent of respondents reporting that shipping was the most frustrating part of the retail experience, investment by delivery companies in their networks and technology will be critical to improve the consumer experience.

Environmental sustainability

Australia Post research indicates that three in four Australians consider some element of sustainability when they shop online, with 60 per cent willing to pay more when it comes to buying sustainable and ethically made products.⁴⁰

Business and consumer demand for more environmentally sustainable delivery options that still meet customer service expectations has become difficult for delivery partners, including Australia Post, to manage. A greater number of parcels requires investment by delivery partners in storage and logistics hubs, requires a greater number of electric vehicles with increased carrying capacity, and creates higher levels of urban congestion.

Business

eCommerce will only continue to grow, and Australian businesses want services that make it easier for them to connect with their customers. Investment in processing facilities, delivery services and technology is needed, along with simpler services and tools to help them grow and trade easily.

³⁸ Australia Courier, Express, And Parcel (Cep) Market - Growth, Trends, Covid-19 Impact, and Forecasts (2022 - 2027), Mordor Intelligence

³⁹ From Clicks to Ships: Navigating the global supply chain crises - 2022 Report, Arlington Research

⁴⁰ Australia Post's 2022 Inside Australian Online Shopping eCommerce Industry Report

There is potential for changes to improve parcel services, supporting businesses and consumers who choose to use Australia Post, and delivering environmental benefits. Changes could include:

- Improving parcel frequency and delivery reliability to respond to demand for online shopping, including weekend deliveries and same day service in some locations.
- Enabling greater control over where and when a parcel is delivered, and improving tracking technology so that consumers know more accurately when they will receive a parcel.
- Making it easier, faster and cheaper for small businesses to get their products to customers and exploring innovative delivery products.
- More reliable, transparent, personal and convenient parcel services.
- Investing in new and improved mobile apps and online services enabling simpler interactions for customers to buy, send, receive and redirect parcels.
- Growing the carbon neutral offering to business customers and giving customers the choice of a range of low emissions products.

We want to know

- 9.** How important are parcel delivery services to your business?
- 10.** For businesses that send parcels — what parcel service features matter most to your business?
- 11.** As someone that receives parcels — what features of parcel services do you value most — for example, speed of delivery, time of delivery, convenience of collection, ability to track the item and ease of returns policy?
- 12.** What environmental sustainability factors matter most to you in relation to parcel delivery services?

Part 3: Accessibility of services – points of presence

Post Office network

Australia Post has a vast network serving all Australians regardless of their location.

Australia Post maintains a network of 4,310 Post Offices, with 2,513 in rural and remote areas.⁴¹ This exceeds the regulated minimum of 4,000 with at least 2,500 in rural and remote areas. At least 90 per cent of residences in a metropolitan area are located within 2.5 kilometres of a retail outlet; and at least 85 per cent of residences in non-metropolitan areas are located within 7.5 kilometres of a retail outlet.⁴²

The Australian Government is committed to maintaining appropriate coverage of the Post Office network, particularly in regional and rural areas, and supporting LPO and CPA financial sustainability. The Government will work with Australia Post, licensees, businesses and communities to ensure retail network services meet the need of modern Australia, consistent with the existing Performance Standards.

The retail outlets in the network comprise several different operating models:

Corporate Post Offices (CPOs): owned and operated by Australia Post and offer a fuller range of products and services. CPOs are primarily located in major cities.

Licensed Post Offices (LPOs): businesses that enter into a licensing arrangement with Australia Post to provide services such as postage, mail acceptance and delivery, agency banking and bill payments. Licensees can also choose to offer additional products such as merchandise. LPOs are most often located in major cities and regional areas.

Community Postal Agencies (CPAs): small businesses that offer basic postal services such as postage assessment, mail acceptance and delivery. CPAs are predominantly located in rural and remote areas.

Almost 60 per cent of Australia Post's retail presence is in regional and remote Australia, triple that of other Australian industries, like transport, finance and health.⁴³ As banks and other service providers go online and close their shop fronts, Post Offices are becoming increasingly important in many communities by providing access to postal, financial, business and community services. Post Offices also provide vital face-to-face services for vulnerable Australians who are not digital citizens, or for those that live in remote, rural, and regional areas. For local businesses in these areas, the Post Office is often essential to their operations.

Through its Post Office network, Australia Post offers postage, financial, trusted and retail services. In its 2021 report on *The Value of Post Offices in Australia*, Deloitte Access Economics stated that:

“In a survey conducted across Australia, 82% of businesses stated that post office services positively impacted their businesses. Further, 62% of businesses indicated that Australia Post was the most important service provider in Australia and 42% said their businesses would not be able to operate without the post office.”

The Post Office network provides a range of benefits to the Australian community in a way that no other single provider can, with Deloitte finding that the broader social benefits of Australia Post were estimated to be \$226 million in 2021 (up 8 per cent in real terms since 2018), with Post Offices ranking third as the most trusted institution (after doctors and the police).

⁴¹ As at 30 June 2022, based on areas classifications in the “Rural, Remote and Metropolitan Areas Classification 1991 Census Edition”.

⁴² Accessibility and proximity requirements for Post Offices are based on areas classifications in the “Rural, Remote and Metropolitan Areas Classification 1991 Census Edition”.

⁴³ Economic and social value of Australia Post in regional, rural and remote communities, Deloitte Access Economics, 2020

For a growing number of Australian communities, Post Offices are often the only access to face-to-face banking and identity services, as well as a range of consumer products.

Financial services

Australia Post offers a range of financial services through its Post Office network, often in partnership with authorised deposit-taking institutions or other businesses. Australia Post's financial services include: Bank@Post, Billpay services, and foreign currency and domestic money orders.

Bank@Post continues to be a vital service for many rural, regional and remote communities, available at more than 3,500 Post Offices across Australia. In 2021-22, there were more than 14.5 million Bank@Post transactions, including cash withdrawals, deposits, balance enquiries and passbook services.⁴⁴

The role of Australia Post to provide services in regional areas has been a point of focus in light of recent bank branch closures in regional Australia. On 30 September 2022, the Australian Government's Regional Banking Taskforce published its Final Report, which highlighted the importance of Post Offices in providing financial services. There are more than 1,800 Bank@Post offices in rural and remote locations, and the Regional Banking Taskforce found that over 1,150 of these are in communities with no bank branch and play a particularly important role in providing in-person banking services in regional communities.

Australia Post continues to work with its bank partners to increase awareness of services and deliver additional services. For example, in 2021-22 Australia Post delivered a proof of concept for a Community Banker Program, which provides community access to a bank staff member at a Post Office each week in regional and rural areas — particularly where a local bank branch has temporarily or permanently closed. Australia Post is working with a small number of the major banks to potentially expand the offering.

The Senate Rural and Regional Affairs and Transport References Committee is currently undertaking an inquiry to investigate the economic and welfare impacts of regional bank closures in regional Australia. The Committee will provide a report to Parliament on 1 December 2023.

Postal financial services in times of need — Batemans Bay Post Office: In the aftermath of the catastrophic bushfires that ravaged the NSW South Coast over the Christmas and New Year period of 2019, the Batemans Bay Post Office reopened three days later relying on generator power to an overwhelming response from the community. Post Office Manager, Janette, says people were walking through the doors because they didn't know where else to go or what to do with themselves. Some just wanted to see familiar faces. Others only had the clothes on their back. "Many displaced locals also relied on the Post Office to access cash through Bank@Post to buy essential items. The banks were shut, and no power meant the ATMs and EFTPOS weren't working either, so Bank@Post was a crucial service during this time for daily needs and survival."⁴⁵

Identity and document services (trusted services)

For many Australians, Post Offices are the most popular and convenient option for conducting identity related services, particularly for those living in rural, regional and remote areas. Australia Post provides services either on behalf of Commonwealth, State and Territory government agencies, or offers its own products and services. Some of the many options provided at Post Offices include:

- Applying for and renewing Australian Passports or Australian Tax File Number;
- Renewing a driver's license in South Australia, Western Australia and the Northern Territory; and
- Applying for a police check that is often required for employment purposes.

Consumer products

Australia Post also offers a range of consumer products through its Post Offices and online. This includes a range of collectible products, including stamps, coins and impressions, as well as home appliances, office equipment and supplies, gifts, electronics, and mobile phones and SIM cards. These products provide convenience to consumers, particularly in rural and remote communities, and are an additional revenue source for Australia Post and its Post Office partners.

⁴⁴ Australia Post Annual Report, 2022

⁴⁵ [Batemans Bay Post Office: From service provider to community hub - Australia Post \(auspost.com.au\)](https://www.auspost.com.au/news/batemans-bay-post-office-from-service-provider-to-community-hub)

Declining Post Office transactions are threatening the long-term viability of this critical national infrastructure.

With 4,310 outlets, Australia Post's retail footprint represents one of the largest and most geographically dispersed networks in Australia, particularly in rural and remote areas. For example, there are more Post Offices than the total number of stores of the major supermarkets combined. This comes at a high and growing cost — in 2021-22, the retail network cost over \$1.3 billion to operate, with CPOs costing \$624.1 million and LPOs costing \$536.6 million.

Australia Post's analysis shows that despite an 18 per cent increase in the number of people collecting items from a Post Office since 2013-14, revenue-generating retail transaction volumes at Post Offices declined 39 per cent over the same period. The decline in retail transactions has been slightly steeper in metropolitan areas, falling 40 per cent since 2013-14. This decline has led to approximately 50 per cent of CPOs making an annual loss and closures of some metropolitan CPOs, with more closures likely in coming years.

Deloitte Access Economics⁴⁶ found that there is a significant difference in revenue trends from Post Offices between locations. From 2016-17 to 2020-21, revenue derived from Australia Post's major city Post Offices fell, with an average decrease of \$131,000 per Post Office. In contrast, revenue derived from Australia Post's regional Post Offices grew by 19 per cent, representing an additional \$78,000 in revenue per Post Office on average. Australia Post's revenue derived from remote Post Offices grew by 15 per cent, representing an additional \$29,000 in revenue per post office on average. It is important to note that costs have also risen during this time.

Licensed Post Offices (LPOs) and Community Postal Agents (CPAs) are essential partners of Australia Post, particularly in rural, regional and remote areas.

Australia Post partners with more than 3,500 local business owners in thousands of communities, allowing the organisation to provide essential services right across Australia through the LPO and CPA network. Outside of metropolitan areas, most Post Offices are LPOs and CPAs, and these outlets are an important service hub for their communities, supporting other small businesses and keeping communities connected.

It is far more common in rural, regional and remote areas of Australia for the corner grocery store, newsagent or other host business to provide many of the services offered by metropolitan Post Offices, including banking, identity and eCommerce services. A decline in customers through the door for one service has a flow on effect for many of the other services, meaning LPO and CPA networks may be more affected as services are increasingly available on-line.

The people that own LPOs, and also sometimes provide mail delivery services, have invested significantly in the Australia Post business, by purchasing an LPO, investing in equipment to service their mail delivery service contracts, and providing local employment. Australia Post has been working over many years with licensees to adjust the LPO Payment Scheme to reflect growing parcel volumes and the transition of services online, identify additional revenue streams and other measures to support their long-term viability and maintain services.

⁴⁶ The value of Post Offices in Australia, Deloitte Access Economics, 2021

Australia Post is modernising technology to create a better experience for customers and is piloting a ‘Community Hub’ Post Office located in Orange, NSW.

Retail counter experience at Post Offices will be enhanced with ‘POST+’, a major program to transform the point of sale system and terminals to make it easier for staff to serve customers and deliver an enhanced in-store experience. The new solution is being tested in selected Post Offices ahead of the full launch commencing in mid-2023.

Australia Post is developing a “Community Hub” Post Office in Orange NSW. This is a trial to test and learn how Australia Post can best meet the needs of local communities. The concept in development includes a change room concept, in partnership with one of Australia Post’s merchant customers, and product ranges specific to the needs of local communities. Given the large range of Post Offices across rural, regional and remote areas, new store concepts will need to be tailored to local circumstances.

Posting and collection point options

Australia Post maintains a national network of collection and drop-off points in addition to its retail outlets.

Australia Post maintains almost 15,000 street posting boxes (SPBs), above the minimum regulated 10,000. Analysis by Australia Post shows that the volume of mail received through SPBs represents a small proportion of total letter volumes. This is particularly the case for priority letters — in 2021-22, priority letters posted using a SPB represented less than 0.2 per cent of total letter volumes.

Australia Post is also building a national network of parcel lockers, with 640 parcel locker locations and more than 51,000 lockers currently available. The volume of items collected from a parcel locker grew 50 per cent between 2018-19 and 2021-22. With increasing demand for this service, Australia Post is continuing to rollout lockers to provide customers with the convenience of 24/7 access to securely collect and send their parcels.

Australia’s experience is not unique. The international smart parcel locker market size was valued at USD 722.1 million in 2021, with the market projected to grow to USD 1,833.9 million by 2029.⁴⁷ It is not just postal and logistics companies providing parcel lockers, with commercial buildings and multi-tenant apartments also adopting this technology.

Figure 4 - Australia Post parcel locker



⁴⁷ Smart Parcel Locker Market Analysis - Industry Size, Share, Research Report, Insights, Covid-19 Impact, Statistics, Trends, Growth and Forecast 2022-2030, MarkWide Research, August 2022

Key points – Post Offices and accessibility

1. Almost 60 per cent of Australia Post’s retail presence is in regional and remote Australia, which is triple that of other Australian industries.
2. Post Office licensees and agents play a crucial role in their communities, providing vital face-to-face services.
3. There are more than 1,800 Bank@Post offices in rural and remote locations, with over 1,150 of these in communities with no bank branch.
4. 4 out of 5 businesses consider that postal services positively impact their business.
5. Access to postal services is a key driver of vitality and viability in rural, regional and remote communities, and for many communities the Post Office is the most convenient option to access a wide range of financial, identity and document services, and consumer products.
6. The Australian Government is focused on maintaining access to essential postal services so that Australian communities can thrive.

Future outlook and opportunities

The growing costs of maintaining Post Offices and the decline in transaction volumes is increasingly challenging Australia Post’s ability to maintain a financially sustainable Post Office network. At the same time, the Government’s expectation is that a denser network of parcel posting and collection places will be needed, with services available outside normal business hours, such as via parcel lockers. Businesses also rely heavily on the Post Office and other points of presence, with their needs changing as they look to meet shifting consumer behaviours and expectations.

There is potential for changes to improve postal services, support Post Office licensees and agents, and support Australia Post’s financial sustainability. Changes could include:

- Adapting to consumer behaviour and demand by increasing points of presence nationally, including more convenient formats such as parcel lockers and self-service vending machines.
- Improving customer experience and speed-to-service by investing in digital infrastructure, including self-service channels.
- Refreshing Post Offices to enable faster customer service and a more appealing in-store experience.
- Helping more small businesses to transition and grow online, including expanded capacity and coverage of local pickups and deliveries.
- Rolling out new store formats with a wider range of services and a physical location where local businesses can sell direct to customers.

We want to know

13. How important is the Post Office to individuals, business and communities, including which Post Office services are most valued?
14. Are other facilities, such as parcel lockers, vending machines, payment terminals or mobile Post Offices, helpful to serve community needs?
15. Are there other services Australia Post could provide to better support the community?
16. For Post Office licensees and agents — tell us the challenges and opportunities from your perspective.

Part 4: Support for Australians with diverse needs

The Australian Government considers that as a major part of the Australian community, Australia Post should continue to play a role in supporting Australians with diverse needs.

Supporting Concession Card holders, charities and via seasonal card concession stamps

Australia Post provides discounted letter pricing for concession card holders and charities. Australians with an eligible concession card can buy up to 50 stamps per year, in booklets of 5 for \$3 (half the cost of an ordinary stamp). For income tax exempt charities or organisations endorsed as a deductible gift recipient, Australia Post provides a Charity Mail bulk mail service.

Supporting First Nations Peoples

The National Agreement on Closing the Gap (the Agreement) commits all Australian governments to tangible and measurable actions to change the way organisations work with Aboriginal and Torres Strait Islander people, organisations and communities. There are four Priority Reforms that are the foundation for the Agreement. Priority Reform 3 — *Governments, their organisations and their institutions are accountable for Closing the Gap and are culturally safe and responsive to the needs of Aboriginal and Torres Strait Islander people, including through the services they fund* — has influenced a number of Australia Post’s programs.

As an employer of more than 36,000 people, Australia Post directly engages with Indigenous communities on a daily basis and plays an active role in influencing greater awareness of cultural reconciliation. A key achievement under its Stretch Reconciliation Action Plan (RAP) 2020-22, Australia Post reported in 2022 that 3 per cent of their workforce identify as Aboriginal or Torres Strait Islander and the organisation is working towards a target of 3.15 per cent Indigenous representation in 2023.

Australia Post plays an important role connecting Australia’s remote First Nations communities with the globe and supporting Closing the Gap. For example:

- Australia Post works with the Indigenous Literacy Foundation (ILF) to improve access to culturally appropriate books for children in remote First Nations Communities, and was on track to deliver 300,000 books by the end of 2022 to 356 remote First Nations Communities.
- To celebrate the launch of the United Nations Decade of Indigenous Languages, a bilingual book, “Moli det bigibigi” (Molly the pig) was sold in Post Offices and the Australia Post online shop for the first time.
- In 2022, Australia Post also broadened its literacy commitment through a new partnership with not for profit ‘DeadlyScience’ – a partnership that delivers science and literacy resources to First Nations schools and communities across Australia.

In 2020-2021, Australia Post updated its addressing guidelines to include traditional place names, and its satchel labels to include an Acknowledgement of Country and a dedicated Traditional Place name field in the address panel. Australia Post notes that it tends to spark important conversations and, in the words of Kristy Dickinson, a proud Wiradjuri woman, “...it gets people to think, then research about the traditional custodians and names...it’s all about putting it out there and finally recognising these traditional lands and traditional custodians.”

Australia Post invests in a mix of carbon offset programs both domestically and overseas, and is among the three largest buyers of Indigenous offsets in Australia. The West Arnhem Land Fire Abatement Project is one such example, and supports Aboriginal people in returning to, remaining on, and managing their country.

Supporting Australians living with disability

More than four million people in Australia live with disability. Australia Post's Accessibility and Inclusion Plan sets out its commitments to make its workplace, products and services more inclusive and accessible, and was developed in consultation with the Australian Network on Disability. Some of Australia Post's initiatives to improve access to its services include:

- Delivering certain domestic mail, such as Braille materials and speech recordings, free of charge for the vision-impaired;
- Making its mobile app and digital platforms easier to use for customers who are blind or vision impaired; and
- Large print format replies for Santa Mail for children with low vision.

Supporting people experiencing domestic and family violence, homelessness or marginalisation

Australia Post provides free mail redirection for up to 12 months for domestic and family violence victims (as well as those impacted by a natural disaster). Since 1996, Australia Post has supported The Big Issue, an organisation that gives meaningful work and purpose to people experiencing homelessness, marginalisation and disadvantage. This includes using Post Offices as magazine distribution points in some metropolitan areas and providing working opportunities through the Santa Mail program.

Supporting communities impacted by natural disasters

Australia Post also helps communities prepare, respond and recover from natural disasters, including through awareness campaigns and supporting the Australian Red Cross raise money. In 2021, 380,000 natural disaster preparedness checklists were distributed by Australia Post to 80 high risk communities.

Australia Post also uses a small number of "Mobile Van Post Offices" that have been deployed to provide essential postal services to communities, including in areas experiencing a particular need for support following natural disasters.

Delivering parcels during the 2022 Lismore floods⁴⁸

Friday afternoon, February 25, 2022. Matthew Wilson's working week ended like any other. A wet weekend was forecast, but he wasn't too worried. As the Delivery Manager at the Australia Post Lismore Delivery Centre, Matthew knew that the Delivery Centre, and all its contents, should be fine.

But by Monday, and with floodwaters hitting the highest level ever recorded in Lismore, the Delivery Centre was well and truly underwater. Matthew's team, like so many other resilient groups in the Lismore community, were quick to pick themselves up again. They worked out ways to get parcels moving again, and in doing so helped bring people together.

"For several weeks, we couldn't deliver to North and South Lismore, nor around the centre of Lismore. There were so many trucks and front-end loaders clearing out people's belongings. It was too dangerous to ride motorbikes or pushbikes as it was so muddy and slippery. So we kept mail and parcels here, and it ended up creating a great community meeting place," said Matthew.

Parcel collection points were set up, where locals could come to collect their mail. And they would talk.

"While people were waiting in queues to get their mail, they'd talk to each other. They'd share their experiences and exchange stories. Whether that was sitting on a roof waiting for a dinghy to come and pick them up, or whether it was the height of the water in their house."

⁴⁸ Australia Post Annual Report, 2022

Supporting mental wellbeing in our workforce and in communities

In 2021-22 Australia Post appointed a Chief Mental Health Officer, the first role of its kind known to exist in a Commonwealth Government Business Enterprise. Australia Post is also a founding member of the Healthy Heads in Trucks & Sheds Foundation (HHTS), established to positively influence mental health outcomes across the road transport and logistics industries. In 2021-22, events were held in Network Operations teams across the country, to acknowledge the HHTS and its role in supporting 'R U OK Day', including safety summits in NSW and Victoria.

Australia Post maintains an important partnership with Beyond Blue, and uses its delivery network to connect people in communities across Australia with mental health information, support services and with each other. In 2021, as part of Mental Health Month, Australia Post distributed four million prepaid postcards to households in regional and remote areas. One section of the two-part postcard contained tips for mental wellbeing and information about Beyond Blue's 24/7 support services. The other section was a prepaid postcard to be sent anywhere within Australia for free, encouraging people to connect with someone they care about. The program ran again in 2022, delivering another 3 million postcards to connect Australians for improved mental health.

"Social connection has never been more important for our wellbeing than over the past two years. This innovative postcard helped thousands to meaningfully connect with loved ones, despite border and lockdown separations." – Patrice O'Brien, Chief Community Officer, Beyond Blue

Supporting Australian Defence Force personnel

Australia Post supports Australian Defence Force personnel to stay connected. Under an agreement in place since 1986, Australia Post's Defence Mail service provides parcel, courier and safe hand delivery and collection to all Defence units and locations, no matter where they are in Australia or overseas. In most instances, there is no postage payable by the sender for items mailed to an Australian Forces Post Office.

Key points – Specific needs

- Australia Post provides access to postal and other services to individuals and communities with specific needs.
- Australia Post supports communities in times of need and is an important component of Australia's supply chain resilience.
- The Australian Government is committed to Australia Post remaining a valued part of the community.

We want to know

17. How can Australia Post best support the community?

Appendix A – Glossary of terms

Term	Description
APC Act	<i>Australian Postal Corporation Act 1989</i>
B2C	Business to consumer parcels
Basic Postage Rate (BPR)	The full value postage (stamp price) that applies to regular letters — that is, it is the stamp price you would pay to send a Regular letter. Postage for priority letters are set at 150% of the BPR
Community Postal Agent (CPA)	CPAs provide over-the-counter delivery services in rural and remote areas of Australia. They are typically operated in conjunction with another business such as a general store
Corporate Post Office (CPO)	A Post Office that is owned and operated by Australia Post
eCommerce	The buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet
Letters	A letter is defined in the APC Act as being any form of written communication that is directed to a particular person or address, and includes: <ul style="list-style-type: none"> • any standard postal article • any envelope, packet, parcel, container or wrapper containing such a communication • any unenclosed written communication that is directed to a particular person or address
Licensed Post Office (LPO)	A Post Office that is owned and operated as a franchise They may be run solely as a Post Office, or in conjunction with another business— for example, a chemist or newsagent
Online shopping	A form of eCommerce by which consumers directly buy goods or services over the Internet
Performance Standards	Australian Postal Corporation (Performance Standards) Regulations 2019 Sets specific requirements on Australia Post in relation to the speed, frequency and accuracy of letter delivery, the number and location of retail outlets, and the number of Street Posting Boxes
Postal delivery officers	‘Posties’, responsible for delivering mail to a delivery point such as a letter box
PreSort letters	PreSort is a service that offers reduced postage rates to customers who sort their letters before lodgement and comply with relevant mailing conditions — in particular, lodgement in minimum batches of 300 items that are barcoded and sorted

Print Post letters	Print Post is a service for the delivery of approved periodical publications to addresses within Australia and comply with mailing conditions — that is, a minimum of 100 items, up to 1kg in weight each
Priority letters	A reserved service letter carried for an additional fee above the BPR and in accordance with the priority speed timetable set out in the Performance Standards
Regular letters	A reserved service letter carried at the BPR and in accordance with the regular speed timetable set out in the Performance Standards
Reserved letter service	Australia Post has the exclusive right under the APC Act to collect, carry and deliver letters within Australia that (subject to exceptions) weigh no more than 250 grams
Unaddressed mail service	Catalogues, flyers and other promotional material nationwide that are often used by businesses to target particular suburbs or postcodes rather than individuals
Universal Postal Union (UPU)	The UPU is a United Nations body that is the primary forum for international cooperation between government and designated postal operators, and setting of international standards for mail exchange

Appendix B – Regulatory Framework

Australia Post is governed by a complicated legislative framework largely established in the 1980s and 1990s.

Australia Post is a Corporate Commonwealth Entity (CCE), and Government Business Enterprise (GBE), subject to both its enabling legislation, the *Australian Postal Corporation Act 1989* (APC Act), and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

Australia Post is legally and financially separate from the Australian Government and its day-to-day operations are the responsibility of its Board and management. The Board of Australia Post is accountable to Government, represented by two Shareholder Ministers — the Minister for Communications and the Minister for Finance. The APC Act is administered by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts. The Department of Finance administers the PGPA Act.

The current postal regulatory framework was developed in the 1980s and 1990s and was premised on the need to provide a national, uniform-price letters service to meet the social, industrial and commercial needs of the Australian community.

Table 1 - Major postal regulatory events in Australia

Year	Event
1901	At Federation, state postal and telegraphic services were merged into the Postmaster-General's Department (PMG)
1975	PMG separated into government-owned Australian Postal Commission and Telecom
1989	The Australian Postal Commission was corporatised under the APC Act as the Australian Postal Corporation — trading as Australia Post
1998	The Australian Postal (Performance Standards) Regulations 1998 (Performance Standards Regulations) were introduced, requiring Australia Post to meet specified standards on its letters service and retail network
2011	ACCC pricing oversight arrangements were amended to limit oversight to the Basic Postal Rate applying to the standard letter service and some related services. Previously it had applied more broadly to a range of Australia Post letter products, including PreSort ⁴⁹ and Print Post ⁵⁰
2015	The Australian Postal (Performance Standards) Regulations 1998 were amended to enable Australia Post to introduce a two-speed letter service comprising Regular and Priority letters
2019	The Australian Postal Corporation (Performance Standards) Regulations 2019 were made to replace the Australian Postal (Performance Standards) Regulations 1998, which were scheduled to sunset on 1 April 2019

⁴⁹ PreSort is a service that offers reduced postage rates to customers who sort their letters before lodgement and comply with relevant mailing conditions — in particular, lodgement in minimum batches of 300 items that are barcoded and sorted.

⁵⁰ Print Post is a service for the delivery of approved periodical publications to addresses within Australia and complying with mailing conditions— that is, a minimum of 100 items, up to 1kg in weight each.

Australian Postal Corporation Act 1989 (APC Act)

The APC Act established the Australian Postal Corporation (Australia Post) as a Commonwealth entity, and sets out Australia Post’s commercial obligations, community service obligations and obligations to government.

The principal function of Australia Post is to supply postal services within Australia and between Australia and other places.⁵¹ It can also carry on functions subsidiary or incidental to its principal function (like providing some financial and identity services).⁵² Australia Post has a legislated monopoly on the delivery of most letters in Australia (‘reserved letters’),⁵³ but no legislated monopoly over the carriage of parcels or other services.

The APC Act imposes Community Service Obligations (CSO) on Australia Post, including to supply a letter service that is ‘reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business’.⁵⁴ In particular, the letter service must be available at a single uniform rate for standard letters carried by ordinary post.⁵⁵ The Australian Postal Corporation (Performance Standards) Regulations 2019 apply performance standards to Australia Post that are related to the CSO.

The APC Act requires Australia Post to act consistently with sound commercial practice, so far as practicable.

Australia Post is required to fulfil the Australian Government’s obligations under the Universal Postal Union Acts and associated regulations, including to carry international inbound mail,⁵⁶ imposing additional costs.

The net cost to Australia Post of meeting its Community Service Obligations was \$348.5 million in 2021-22. Australia Post’s CSO cost is calculated using the Fully Distributed Cost (FDC) methodology, adopted in 2018 between Australia Post, Shareholder Departments, Treasury and the ACCC. The FDC distributes all attributable costs incurred among all of Australia Post’s products and services.

Australian Postal Corporation (Performance Standards) Regulations 2019

The legislated Performance Standards relate to how often mail is delivered, how accessible postal services are, and how close Post Offices are to residences. These are briefly summarised at Table 2 below.

Table 2 - Australia Post's Performance Standards

Letter delivery	Accessibility*	Proximity*
98% of delivery points 5 days per week	10,000 street post boxes	Metro: 90% of residences within 2.5km of outlet
99.7% of delivery points at least twice a week	4,000 retail outlets in total	Regional: 85% of residences within 7.5km of outlet
94% of letters delivered on time in accordance with the regular and priority timetables	2,500 retail outlets in rural and remote areas	

*Requirements are based on areas classifications in the “Rural, Remote and Metropolitan Areas Classification 1991 Census Edition”.

⁵¹ Section 14, APC Act 1989

⁵² Section 16, APC Act 1989

⁵³ Section 29, APC Act 1989

⁵⁴ Paragraph 27(4)(a), APC Act 1989

⁵⁵ Subsection 27(3), APC Act 1989

⁵⁶ Article 17, Universal Postal Convention

Australian Postal Corporation Regulations 2021

The Australian Postal Corporation Regulations 2021 detail the procedures for opening and examining mail articles, forfeiting and disposing of prohibited articles, and how the ACCC can look into disputes over rates negotiated for bulk letter services.

Public Governance, Performance and Accountability Act 2013 (PGPA Act), Rules and Guidelines

Australia Post is a Corporate Commonwealth Entity, governed by the PGPA Act and Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). The PGPA Act covers three key areas that provide a strong foundation for a modern, streamlined and adaptable Commonwealth public sector: accountability; governance and practice; and, transparency. The planning and reporting requirements for CCEs are contained in the PGPA Act and PGPA Rule, with best practice guidance outlined in Part 3 of the *Commonwealth Government Business Enterprises – Governance and Oversight Guidelines* (RMG 126).

Letter pricing

Australia Post is required to notify the ACCC if it intends to increase the postage rate of the regular letter service or increase the postage rate of priority services to more than 150 per cent of the regular service.⁵⁷

The ACCC assesses the efficiency of Australia Post's cost base and the rate of return that it is seeking. Prices are then assessed having regard to the company's ability to recover revenue sufficient to cover the efficient cost of providing a service, including a rate of return commensurate with the risks faced by the company, without achieving excessive or monopoly profits.

The ACCC will decide to either: not object to the price increase; not object to a price that is less than that proposed; or, object to the price increase.

The Minister for Communications can disapprove any BPR increase, in accordance with the APC Act.⁵⁸

⁵⁷ Letter pricing surveillance arrangements are set out under Part VIIA Competition and Consumer Act 2010

⁵⁸ Subsection 33(3) Australian Postal Corporation Act 1989