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18-8-02  
*[Signature]*

21 March 2001

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Dear Marie *Marie*

### Franchised PostShops

I refer to your letter of 28 February concerning Post's proposal to introduce franchised PostShops into its Retail network.

In relation to your concern about a lack of consultation to date, I believe that there were several attempts made by Post over a period of time to meet with you to discuss the franchising proposal. Whilst I understand that you are not satisfied with the process to date, I would hope that we can move on and progress this issue together. I understand that there have been discussions recently between yourself, Bob Finch and Mel Jackson, and that there will be further consultation later this month regarding some more specific details of the proposal. Post's commitment to consult with POAAL is genuine, and I assure you we are keen to work together with you.

In relation to the specific concerns you have raised, I advise the following.

### **Reductions in the level of service given to current Licensed Post Offices/ Reducing current Licensees to second or third class status**

Post is committed to supporting all outlets in its network and licensed outlets will always be an important component of that network. The fact that Licensed Post Offices range across a broad spectrum has created difficulties in providing uniform support. Post is keen to address this by identifying the needs of specific groups of outlets and tailoring support to meet their particular needs.

The enhanced standards and support for franchised PostShops will in no way diminish the support provided to the remainder of the network. In fact, this should be seen as the start of a wider process to enhance service and support. The recent establishment of the LPO Network Working Party is one example of Post's commitment to its licensed network. One of the aims of the working party, which comprises representatives from both Australia Post and POAAL, is to ensure the appropriate level of ongoing support is provided to all Licensees.

### **Reduction of the value of licensee's investment**

Post office licenses are a completely different concept to PostShop franchises, and there are no reasons for franchises to have an impact on the value of individual licenses, which will continue to be determined by the market.

Indeed, with the enhancement of the value of the Post brand from the introduction of higher standards of service and offer, both licenses and franchisees stand to benefit from improvements in the value of their investment.

### **"Cherry picking" of profitable licenses by terminations**

You may be assured that the compulsory buy-out of Licensed Post Offices is not an option that Post has considered.

One of the options for the introduction of franchised PostShops is the **voluntary** buy-out of some larger Licensed Post Offices in metropolitan areas. This will occur where Licensees volunteer to sell their license to Post on commercial terms and redevelopment of the outlet is feasible (i.e suitable premises are available and the re-branded outlet will be financially viable to both Post and the Franchisee).

This option has been chosen, not because larger outlets in metropolitan areas are the most profitable but because the customer bases at such locations are significant and the appropriate retail format is a full PostShop. The accommodation, fit-out, offer and service standards provided in these areas should be appropriate to meet the reasonable needs of the customer base.

Post will be making a considerable investment to establish a franchised PostShop, and any increased profit would then be dependent on the subsequent performance of the franchised business.

Franchising of PostShops presents attractive opportunities for some licensees, both through voluntarily selling back licenses to Post and for them potentially to become franchisees. It also provides us with the means to enhance our network by improving service and offer – an important objective from which both Post and licensees will benefit.

Yours sincerely



Graeme John