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26 November 2013

Ms Christine McDonald
Secretary, Standing Committee on
Environment and Communications
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Ms McDonald

Please find attached Australia Post's submission to the Standing Committee on Environment and Communications' inquiry into the performance of Australia Post and our Licensed Post Offices (LPOs).

We welcome this opportunity to clearly explain the dramatic shift that is occurring across all of our core markets as our customers increasingly use digital technology to communicate, shop, make payments and access services.

Given these shifts in our core markets, we are transforming our business to ensure that Australia Post remains a valued provider of trusted services in the Digital Economy. As we make these strategic changes to our business, we are very mindful of supporting our valued business partners (especially LPOs) and insulating them from the impact of digital disruption, so that they can maintain their vital role in communities across Australia.

Our submission contains detailed information on the Licensee Agreement, LPO payments, consultative arrangements, dispute resolution procedures and other support provided by Australia Post to licensees. We are confident that the LPO business model is robust, fair and viable.

However, we also acknowledge that recent accelerated decline in the Australian community's use of the letters service poses additional risk to the long-term sustainability of Australia Post and our business partners. Therefore, the attached Submission outlines a number of important initiatives that we believe are necessary to maintain Australia Post as a financially self-sustaining GBE that consistently delivers community services, for all Australians.

We thought it would be helpful to the committee to provide responses to questions we understand the LPO Group has raised with licensees. These responses are included as an Appendix and should be read in the context of our overall submission.

I look forward to attending the Senate Inquiry.

Yours sincerely

Ahmed Fahour



Australia Post

**SUBMISSION TO THE SENATE STANDING
COMMITTEE ON ENVIRONMENT AND
COMMUNICATIONS**

***INQUIRY INTO THE PERFORMANCE OF
AUSTRALIA POST AND LICENSED POST OFFICES***

November 2013

TERMS OF REFERENCE

That the following matters be referred to the Environment and Communications Legislation Committee for inquiry and report by 11 December 2013:

- a) the overall performance, importance and role of Australia Post in Australian communities, and the challenges it faces in the immediate and longer term;
- b) the operations of Australia Post in relation to Licensed Post Offices (LPOs), with particular reference to:
 - i) the importance and role of the LPO network in the Australian postal system, with particular reference to regional and remote areas
 - ii) the licensing and trading conditions applicable to LPOs, including the Community Service Obligations, and any effects these may have on operating an LPO business, and
 - iii) marketing, retail and trading arrangements between Australia Post and LPOs and other entities; and
- c) any related matters.

1 EXECUTIVE SUMMARY

- Australia Post is pleased to make this Submission to the Senate Standing Committee on Environment and Communications' inquiry into the performance of Australia Post and Licensed Post Offices (LPOs).
- We believe this Submission provides a very transparent view of Australia Post's overall purpose, our recent business performance and some insight into future business prospects as our customers and the Australian community increasingly switch to digital channels for communicating, shopping, making payments and accessing services. This Submission also fully outlines the nature of our Licensee Agreement, LPO payments, consultative arrangements, dispute resolution procedures and other support that Australia Post provides to licensees.
- The relationship that we share with licensees is absolutely vital to Australia Post. The licensee network enables Australia Post to truly serve the entire nation – as well as meet our legislated Community Service Obligation (CSO) performance standard of maintaining 4,000 retail outlets, including at least 2,500 outlets in rural and remote areas.
- Australia Post offers an array of vital, trusted services that are important to the overall product-and-service mix that our licensees offer in their broader business. Licensees have the commercial freedom to pursue additional revenue streams. Therefore, the business model provides the underpinning strength of the Australia Post brand, while encouraging licensees to take an active approach to adding new products and services that are suitable for their local community.
- It's important to note over the past three years, Australia Post has incurred losses of over \$400 million in its 'Reserved Service' (the regulated monopoly on letters) and held employee wage growth to 1.5% per annum. During this time, Australia Post has continued to invest in LPOs through the provision of Point of Sale technology, marketing and training support, and the development of new product and service solutions. Further, Australia Post has continued to offer LPOs fair remuneration and trading terms, with total payments to LPOs rising 1.8% per annum since 2008 to a total last year of \$324 million. LPOs have been insulated from the losses in our letters business precisely because of our commitment to maintain their viability.
- However, we also acknowledge that recent accelerated decline in the Australian community's use of the letters service poses additional risk to the long-term sustainability of Australia Post and our business partners. Therefore, this Submission outlines several important initiatives to support the ongoing financial sustainability of Australia Post and the continued viability of the LPO network.
- Specifically, we are proposing three initiatives that will help to maintain the Corporation's profitability, modernise the business and ensure the continued viability of our business partners (especially LPOs) into the future. These are:
 - Gain a stamp price increase to minimise the loss in Letters – and provide a revenue boost for LPOs.
 - Gain approval to offer a wider range of trusted services on behalf of government.
 - Necessary adjustments to the current limits on Australia Post's commercial freedoms.

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2 Australia Post Overview

2.1 The Australian Postal Corporation – Role and Obligations

- Australia Post is a government business enterprise (GBE) operating under the *Australian Postal Corporation Act 1989* (APC Act)¹.
- The corporation is completely self-funding and it makes the best use of its assets and resources for two clear purposes:
 - 1) to earn a profit (used to pay dividends to the Commonwealth, and for reinvestment in the business), and,
 - 2) To deliver a community service.
- These dual obligations – of commercial and community service – are detailed in the APC Act.

2.1.1 Commercial Obligation

- Specifically, Section 26 of the Act outlines Australia Post’s “Commercial Obligation” to: “...perform its functions in a manner consistent with sound commercial practice”².
- Further, Section 38 of the Act requires the Board of Australia Post (among other things) to have regard to:
 - “the need to earn a commercial rate of return on Australia Post’s assets”;
 - “the need to maintain Australia Post’s financial viability”;
 - “the cost of carrying out Australia Post’s community service obligations”.
- Australia Post has been consistently profitable in every year since it was corporatised in 1989.
- Profits were on a steady upward trend for the 20 years from 1988 to 2008. During this period profit growth was closely aligned with the consistent growth in Australia Post core product – letters.
- The decline in letter volumes led to a precipitous fall in Australia Post’s profit (in FY09 and FY10), but this has been followed by a return to modest profit growth with the implementation of Australia Post’s ‘Future Ready’ transformation program (in FY11, FY 12 and FY13).
- Australia Post pays its shareholder, the Commonwealth Government, a Dividend which is equivalent to 75% of its Profit After Tax.
- Over the past five years (FY09–FY13), the cumulative dividend paid by Australia Post amounts to \$881 million.
- In the five years prior to that (FY04–FY08), Australia Post’s cumulative dividend was much higher (\$1,516 million). This was mainly because record letter volumes during this five-year period contributed to sustained high levels of profitability.

¹ http://www.austlii.edu.au/au/legis/cth/consol_act/apca1989337/

² s26-27 of the *Australian Postal Corporation Act 1989* and *Commonwealth Government Business Enterprise Governance and Oversight Guidelines 2011*

Table 1: Australia Post's Revenue, Profit and Dividends (FY09-FY13)

Financial year	Revenue	Profit After Tax	Dividends Declared
2008/09	\$4,975m	\$261m	\$222m
2009/10	\$4,856m	\$90m	\$79m
2010/11	\$4,987m	\$241m	\$173m
2011/12	\$5,126m	\$281m	\$214m
2012/13 ³	\$5,893m	\$312m	\$193m

2.1.2 Community Service Obligations

- Australia Post's Community Service Obligations (CSO) are outlined in Section 27 of the APC Act⁴. Specifically the CSO requires Australia Post to provide a letter service that is:
 - "... reasonably accessible to all people in Australia on an equitable basis, wherever they reside or carry on business";
 - "that the performance standards for the letter service reasonably meet the social, industrial and commercial needs of the Australian community".
- Regulations made under 28C⁵ of the Act detail the particular performance standards required for Australia Post to meet its CSOs.
- Table 2 (below) outlines the specific Performance Standards and Australia Post's performance against that standard in FY 2012/13.
- Australia Post has met or exceeded every one of its CSO-related performance standards in every year since FY2000/01.

³ FY2012/13 results boosted by additional financial impact of full acquisition of StarTrack

⁴ s26-27 of the *Australian Postal Corporation Act 1989 and Commonwealth Government Business Enterprise Governance and Oversight Guidelines 2011*

⁵ Australian Postal Corporation (Performance Standards) Regulations 1998, made under the Australian Postal Corporation Act 1989 (Federal Register of Legislative Instruments F2008C00148)

Table 2: Australia Post’s Performance against its CSO Standards⁶

Performance Standard	Required performance	2012/13 performance
Number of street posting boxes	10,000	15,927
Delivery timetables	Maintained	Maintained
On time delivery of non bulk letters	94%	95.5%
Points to receive deliveries 5 days a week	98%	98.8%
Points to receive deliveries no less than twice a week	99.7%	99.9%
Retail outlets	4,000 (2,500 in rural & remote areas)	4,429 (2,561 in rural & remote areas)

2.1.3 The “Reserved Service” (Monopoly on small letters)

- Under the APC Act, Australia Post has the exclusive right to collect, carry and deliver letters within Australia that (subject to exceptions) weigh less than 250 grams. These statutory monopoly services, along with the right to issue postage stamps, are termed Australia Post’s ‘Reserved Services’.
- Australia Post was given this statutory monopoly so that revenue from its Reserved Services could fund the cost of meeting its CSOs. However, Australia Post must deliver its CSOs regardless of whether revenue from its Reserved Services is sufficient to cover the costs of the CSOs.
- Over the past five years, Australia Post has incurred significant losses in the delivery of its Reserved Services due to the current combination of rapid volume decline and fixed operating costs imposed by the existing regulatory framework (particularly the CSO-related Performance Standards). This combination is leading, inevitably, to deteriorating and unsustainable financial results.
- While Australia Post consistently meets, or exceeds, all of its CSO-related performance standards, this has been achieved at a rising cost for the business – as can be seen in Table 3 (below).

Table 3: CSO costs incurred by Australia Post (FY09–FY13)⁷

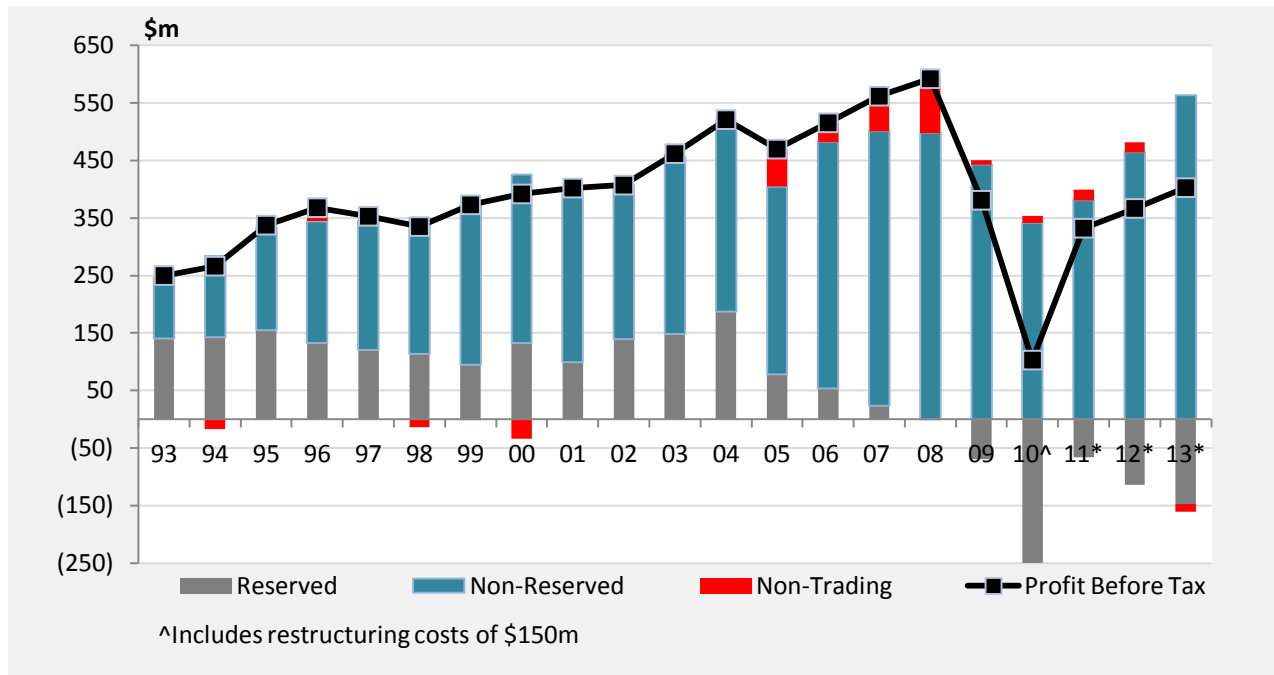
Financial Year	CSO costs
2008/09	\$113.8m
2009/10	\$147.7m
2010/11	\$144.7m
2011/12	\$165.2m
2012/13	\$177.5m

⁶ Australia Post Annual Report 2012/13. Compliance assurance report issued by the Australian National Audit Office on 29 August 2013.

⁷ Australia Post Annual Report 2009, 2010, 2011, 2012, 2013

- As can be seen in Figure 1 (below), Australia Post historically earned a profit from both its Reserved (monopoly) and Non-Reserved Services (all of other services it sells in competitive markets). That situation changed in FY09 when letter volumes started to decline and the Reserved Service incurred a loss for the first time. In every year since FY09, the Reserved Service has continued to make a loss.
- Therefore, Australia Post’s overall profitability (as an enterprise), over the past five years, is solely because of the products and services it sells in competitive markets (i.e. the “Non-Reserved” Services, such as Parcels and Retail).

Figure 1: Profit Before Tax; Contribution of Reserved & Non-Reserved Services⁸



2.2 Impact of digital disruption on customer behaviour

- Since the APC Act was introduced and the CSO Performance Standard Regulations came into effect (1998), there have been fundamental changes in all of Australia Post’s core markets.
- The change in customer behaviour is being driven by the rise of the Internet – and, more recently, the rapid adoption of smart-phones and tablets that enable instant, mobile connection.
- Digital technology (especially Internet-connected devices and applications) is revolutionising the way that people communicate, make payments and access services – in Australia and around the world.
- This “digital disruption” is having a dramatic impact on customer behaviour in all three of Australia Post’s core businesses: Letters, Retail and Parcels.

2.2.1 The trend of digital disruption in similar industries

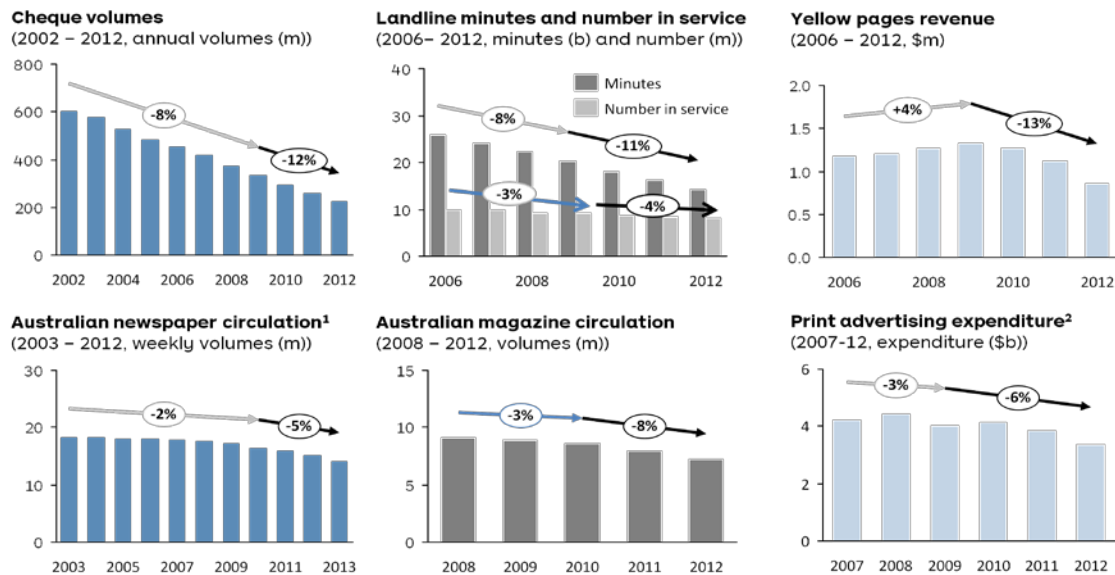
- The impact of digital disruption has been felt in a wide range of industry sectors. Essentially, the term means that a business’s core product (usually a

⁸ Australia Post, Finance and Business Services

physical item) has been superseded by a digital product/service that consumers prefer because the digital substitute offers greater convenience, efficiency or effectiveness.

- There are all types of media and entertainment industries that have been impacted by digital disruption – including newspapers, magazines, music and video stores. The shift towards digital technology has also brought major change to the telecommunications, payments and advertising industries.
- Figure 2, below, contains six graphs depicting the impact of digital disruption across a broad range of Australian businesses and product categories over the past decade.
- Combined, these graphs show that the trend of digital disruption is similar across multiple industries and products. It starts at a slow pace, and then, after several years it reaches a tipping point where customer take-up of the digital alternatives accelerates. When this occurs, the physical medium / product enters a period of rapid, free-fall decline.

Figure 2: The impact of digital disruption accelerates over time⁹



2.2.2 Letter volumes are declining – in Australia and globally

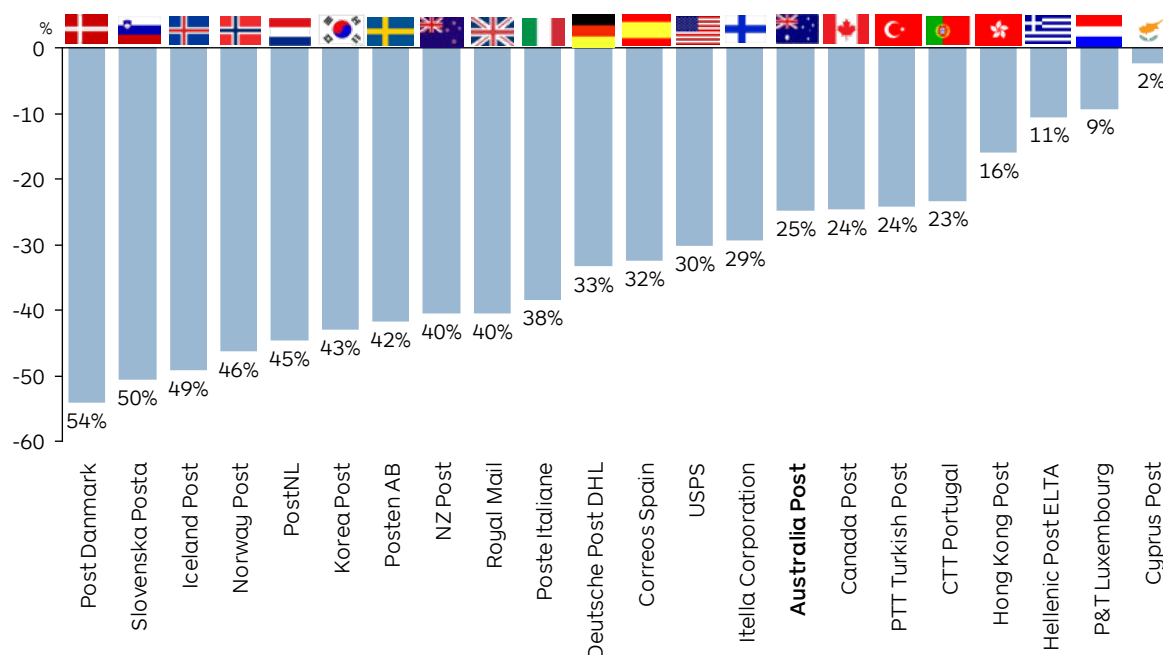
- The impact of digital disruption in the Australian letters market was first felt in the year 2000. Up until that point, Australian letter volumes had historically grown in line with GDP. But between 2000 and 2008, Australian letter volumes reached a plateau (as GDP continued to grow).
- Australian domestic addressed letter volumes reached a peak in the 2007/08 financial year (4.6 billion items) and, in the five years since, have fallen by more than one billion items (22%), as Australians have increasingly shifted to digital alternatives for communicating.

⁹ Compiled by Australia Post Corporate Strategy, with source information from Reserve Bank of Australia, Australian Payments Clearance Association, Telstra Annual Reports, Team Analysis, Audit Bureau of Circulations, Nielsen Media Expenditure by Channel

- The trend of declining physical letter volumes is similar in industrialised nations all over the world. In fact, Australian declines have been relatively subdued and late (thus far), when compared to the volume declines experienced by postal administrations in Europe, Scandinavia, Korea, the United States and New Zealand. For example, the postal services of Denmark, Slovenia and Iceland all reached their letter volume peak by 2003 – and, in the decade since, the community’s use of the letters service has halved.

Figure 3: Global Mail Decline Comparison¹⁰

Postal operators GDP-adjusted mail volume decline from peak volume
(Peak year varies, GDP-adjusted %)



- The decline in the Australian community’s use of the letters service over the past five years means that, in 2012/13, the total volume of domestic letters Australia Post delivered has already shrunk back to around the same level as in 1994/95 (approximately 3.6 billion items). We expect this decline to continue to accelerate until we reach similar levels to those of our international peers.
- Over the past five years, the year-on-year decline in Australian domestic letter volumes has been gradually accelerating, as can be seen in the following Table:

Table 4: Decline in Australia Post’s domestic addressed letters¹¹

Financial Year	Volume	Year-on-year decline
2007/08	4.6 billion	N/A – Peak Year
2008/09	4.4 billion	(4.0%)
2009/10	4.2 billion	(5.6%)
2010/11	4.0 billion	(3.7%)

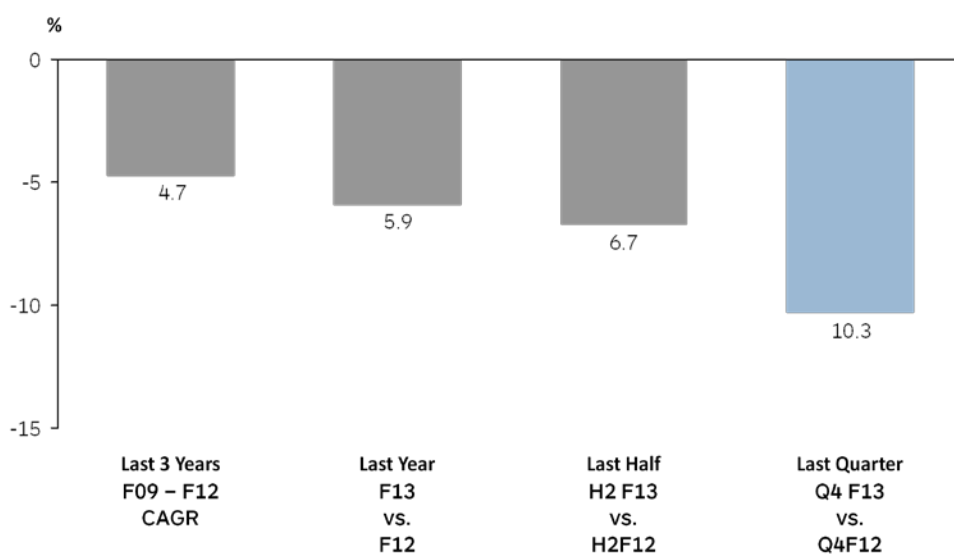
¹⁰ Source: ABS, IPC, Australia Post analysis

¹¹ Australia Post – Communication Management Services / Mail Products.

Financial Year	Volume	Year-on-year decline
2011/12	3.8 billion	(5.2%)
2012/13	3.6 billion	(6.0%)

- This year’s volume trends indicate that the Australian community is now shifting away from using letters at a faster pace. In the April-June 2013 quarter, the fall in Australia’s domestic letter volumes was dramatically faster (10.3% down on the same period in the previous year). This is the first time in Australia Post’s history that we have recorded double-digit decline in our core letters product.

Figure 4: The decline in letter volumes has accelerated in 2013¹²

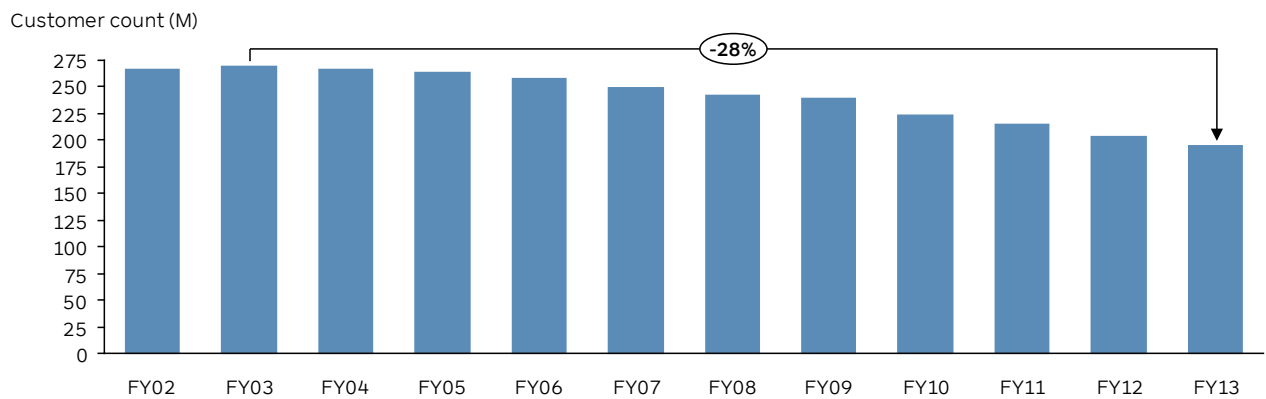


2.2.3 Retail foot traffic is declining also

- Like many other retail businesses, Australia Post’s nationwide retail network of 4,429 postal outlets has also felt the impact of digital disruption.
- Customer visitation to Australia Post’s stores has been steadily declining since 2003 as a result of the fall in the number of stamp sales (related to declining letter volumes) and the customer trend towards online bill-payment and banking.
- The number of customer visits to Australia Post outlets peaked in 2003 – and has fallen by 75 million since (or 28%). Nonetheless, Australia Post’s nationwide network continues to provide services that are highly valued and vital – especially for people living in regional and remote areas of Australia.

¹² Addressed Mail only. Source: Australia Post – Communications Management Services / Corporate Strategy

Figure 5: Fall in total customer visitation to Australia Post outlets¹³



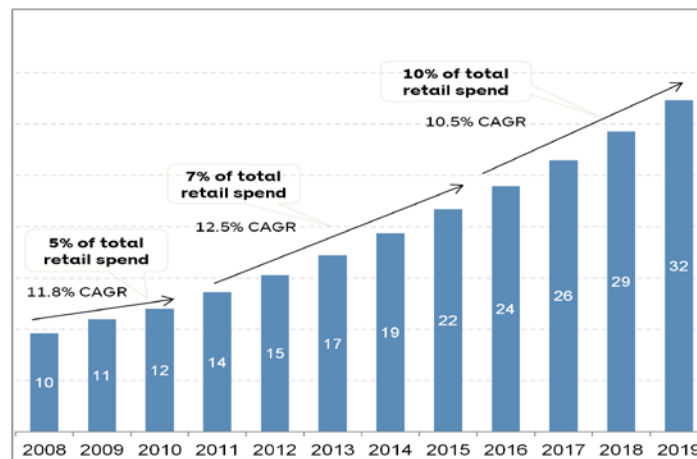
- To address the fall in customer visitation and supplement declining core income streams, Australia Post has continually added to the broad range of “Trusted Services”.
- The term refers to services and products offered on behalf of government and business entities using Australia Post’s channels. Australia Post’s role in these services is one of trusted intermediary, often in the transfer of information or payment from customers to government and business.
- These services include financial services and payments, foreign exchange, identity services, insurance and travel services.
- The addition of these higher-value Trusted Services and careful cost management (through reducing resources in line with falling customer numbers), has enabled Australia Post’s Retail Services business to improve profit incrementally – despite the decline in customer numbers.

2.2.4 Parcels is growing – driven by online shopping

- Digital disruption is also presenting Australia Post with customer growth opportunities – especially as the delivery partner of retailers with the growth in online shopping.
- The Australian eCommerce market was initially slow by international standards, but it’s now growing rapidly. All of the research is predicting double-digit annual growth in Australian online spending through to 2020.

¹³ Australia Post – EPOS customer count

Figure 6: Recent and projected growth of the Australian ecommerce market¹⁴



- Over the past 3 years, Australia Post's parcel volumes have been growing by around 8 to 10% a year. This growth is entirely driven by online shopping. Approximately 70% of the parcels that Australia Post handles are now generated by an online transaction.
- About 75% of goods purchased online in Australia are bought on domestic websites and it's mainly small- and medium-sized businesses that are the engine room of our domestic e-commerce market (e.g. companies like Catch of the Day, Ozsale, Booktopia, and The Iconic).
- Australia Post's nationwide logistics network is now underpinning the growth of thousands of businesses, like these eTailers, by providing them with a fast and reliable way of getting their product to their customers.
- For this reason, Australia Post has a vested interest in expanding digital marketplaces and supporting Australian business to get online.
- However, parcel delivery is a highly competitive, international marketplace. Australia Post's continued growth in this market is not guaranteed – and, with intensifying competition the profit margins of all logistics providers will continue to come under pressure.
- Australia Post needs to invest heavily in its parcels infrastructure and capabilities to ensure that, as volumes grow, its services continue to represent good value, efficiency and reliability.

2.3 Australia Post's 'Future Ready' strategy

- Given the impact of digital disruption on Australia Post's core business, in early 2010 the corporation launched its business renewal program, under the title 'Future Ready'.
- The 'Future Ready' transformation program was created to guide the corporation's strategic and operational response to the shift in customer behaviour being driven by the digital world.
- The stated goal of Future Ready involves re-engineering Australia Post to be an enabler of the digital economy. The transformation is underpinned by three

¹⁴ Compiled by Australia Post – Parcel & Express Services, with source information from PwC FS Research 2011, Forrester Research 2010, APCA

enterprise strategies relating directly to Australia Post's three core activities – communications, retail and parcel delivery.

1. Build a sustainable communications business – both physically and digitally.
 2. Offer government, business and financial trusted services for consumers – both physically and digitally.
 3. Build a world-class parcels business, with excellence in service performance.
- Furthermore, these business strategies are supported by two enabling strategies
 - Embed the right culture and behaviours, build our capabilities and foster engagement
 - Drive for a productive, efficient and innovative organisation.
 - This 'Future Ready' change program is complex and multi-faceted.
 - It involves investing in Australia Post's major growth opportunities in the digital economy – such as the Australia Post Digital MailBox (digital communications); capacity and convenience initiatives in Parcels (24/7 Parcel Lockers and expanded parcel-processing facilities); and the addition of a broad range of new Trusted Services in Retail.
 - It has also involved a range of cost containment and efficiency initiatives throughout the business, as well as a careful focus on cultural transformation (underpinned by 4 Culture Pillars – Safety, Customer-focus, Accountability, and Speed of Action).
 - The implementation of the Future Ready program has been vital in the corporation returning to overall profit growth, over the past three years.

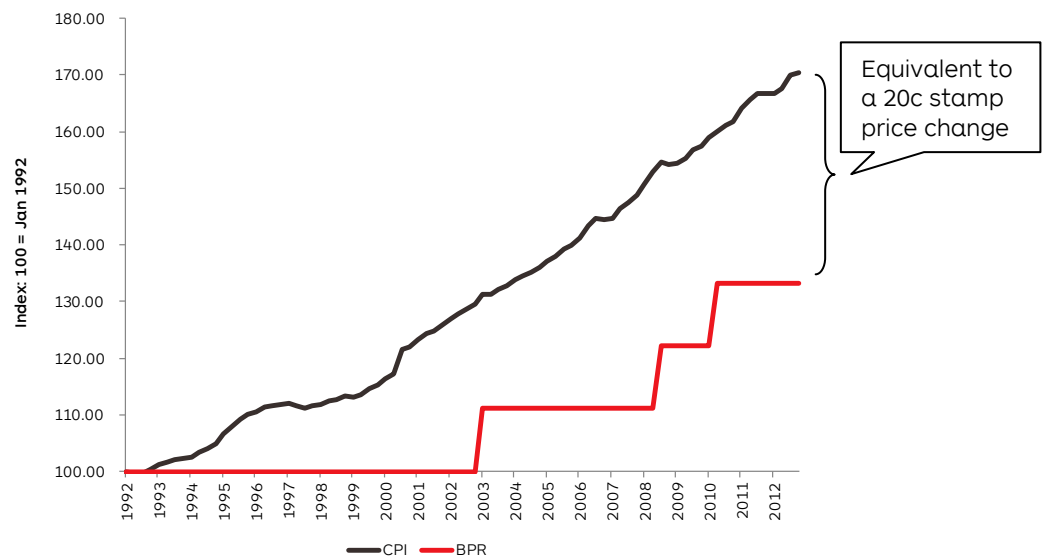
2.4 The need to modernise Australia Post

- While the Future Ready program has been valuable in transforming Australia Post's business and achieving profitability in recent years, it will not be enough to maintain Australia Post as a financially self-sustaining GBE into the future.
- Under the current pricing and regulatory model, Australia Post is forecasting that growing losses in the letters business will eventually overwhelm the profits made in its Parcels and Retail businesses.
- In order to avoid these forecast scenarios, Australia Post is proposing three changes that will help to maintain profitability, modernise the business and ensure the continued viability of our business partners (especially LPOs) into the future – as follows:
 - Gain a stamp price increase to minimise the loss in Letters – and provide revenue boost for LPOs.
 - Gain approval to offer a wider range of trusted services on behalf of government.
 - Necessary adjustments to the current limits on Australia Post's commercial freedoms.

2.4.1 Stamp price increase to minimise the loss in Letters

- The growing cost of delivering against the CSOs is naturally reflected in the mounting year-on-year losses that Australia Post is seeing in both its “Reserved Service” and also its “Communications Management Services” (or Letters) business portfolio.
- In FY2012/13, the loss in the Letters business increased to \$187.4 million – a deterioration of 60% on the previous year (when Australia Post lost \$117.3 million in the Letters portfolio).
- Beyond the impact of falling volumes, another important contributing factor for the growing losses in Letters is that Australia Post has held Australian stamp prices at levels well below inflation.
- While CPI has risen by more than 70% over the past 21 years, the Basic Postage Rate (BPR) has only increased by 33% (from 45c to 60c).

Figure 7: CPI and Basic Postage Rate



- However, as letter volumes decline worldwide, it is no longer financially sustainable for Australia Post to continue holding letter prices at below inflationary levels. A stamp price increase will be necessary in 2014 to simply reduce the size of the loss in Australia Post’s letters business.
- It’s worth noting that as Australia Post’s losses in the Letters business have been getting worse, overall payments made to Licensed Post Offices has continued to grow at a compound annual growth rate of 1.8% over the past five years (\$324m in FY13 versus \$296m in FY08).
- Given that more than half of all LPO payments are linked to the BPR and other postage-related payments, an increase in stamp prices will also have an immediate financial benefit for Licensed Post Offices.
- Today a gap of twenty cents exists between stamp prices and CPI inflation. If this gap was halved with a ten-cent increase in the BPR, this will equate to about \$25 million in extra LPO payments (a 7.7% increase), per year.

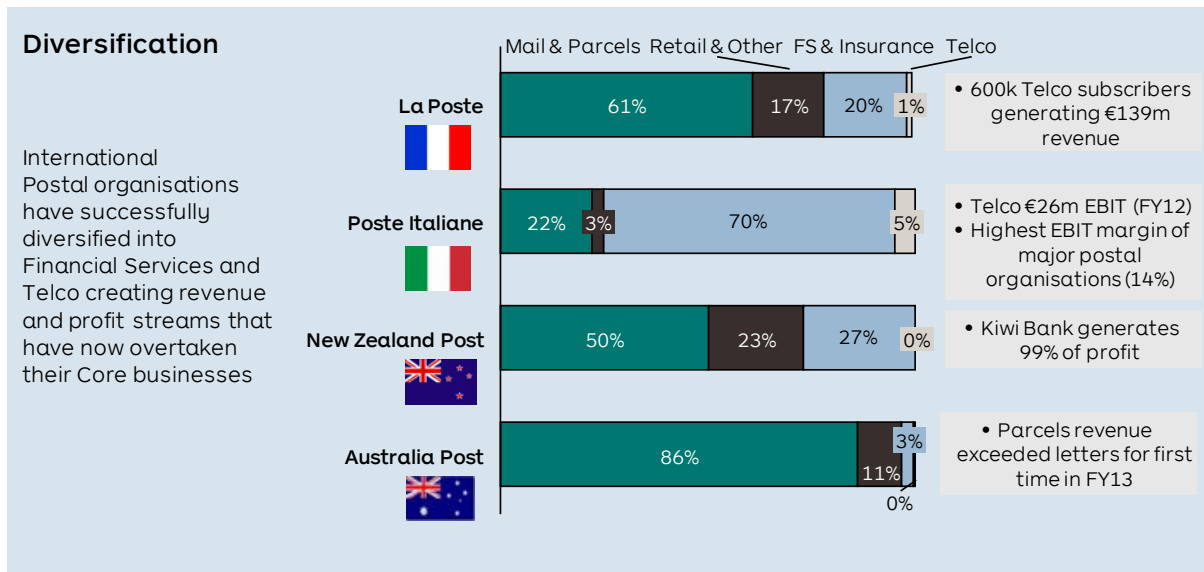
2.4.2 The addition of more Trusted Services

- As identified earlier, the rate of customer visitation to Australia Post outlets has been falling for a decade now (down 28% on the 2003 peak), due to the community's growing preference for online communication, payments and services.
- Therefore, it is very important that Australia Post continues to grow its range of trusted services in order to maintain customer visitation nationwide.
- There is an opportunity to support the long-term viability of the Licensed Post Office network through the addition of more "Trusted Services" that are available over-the-counter, in Australia Post outlets nationwide.
- Australia Post is especially seeking the support of government (at all levels – local, State and Commonwealth) to offer the Australian community a greater range of Trusted Services via our Retail network.
- Australia Post seeks to make a submission to the Commonwealth Government's "Commission of Audit" to offer an array of new services on behalf of Government. Our submission will identify the type of trusted services that we could offer on behalf of Government departments and agencies while delivering an efficiency dividend for the whole of government.
- If the Commission of Audit and ultimately the Government is receptive to our submission, the addition of these new services will deliver new customers and additional financial benefits for LPOs.

2.4.3 Commercial freedoms

- One of the major constraints on Australia Post's ability to grow and diversify into other business streams is potentially contained in our enabling legislation.
- Various interpretations of our enabling legislation have caused the shelving of a number of potential opportunities that are complementary to Australia Post's core business. This is in contrast to other international postal organisations, which have been able to grow substantial commercial businesses. Examples are shown in Figure 8.

Figure 8: Examples of Global Postal Diversification¹⁵



- As Australia Post looks to counter the impact of digital disruption and create a pipeline of products and services for the future, it needs greater freedom to pursue both organic and inorganic growth opportunities. As such, the enabling legislation needs to be reviewed to allow Australia Post greater commercial freedom.
- This will allow Australia Post to overcome the inevitable migration of communications away from physical mail towards email, digital mail boxes, social networking and companies' own websites, and will benefit LPOs as a consequence.

Summary

- Australia Post has a proud history of consistently meeting its dual Commercial and Community Service Obligations
- However, the accelerated decline in the community's use of the letters service threatens Australia Post's ability to remain profitable into the future.
- In order to maintain profitability and support the viability of the LPO network, Australia Post is seeking letter price rises; the ability to provide more government services; and greater commercial freedom.

¹⁵ Source: "Achieving High Performance In the Postal Industry", Accenture 2013; Company Reports

3 Australia Post Retail Network

3.1 Overview

- Australia Post operates the most extensive physical retail network in the nation with 4,429 total outlets, 2,561¹⁶ of which are in rural and regional areas.
- Australia Post has a presence in nearly every town in Australia and is often the only service provider left in smaller rural and regional communities.
- Through its retail network, Australia Post provides a range of critical products and services and also contributes to the community by providing local employment opportunities and connection to other communities worldwide.

3.2 Definitions of Outlet Types and Service Offering

- Australia Post operates its network under a variety of format and ownership configurations to meet the varying needs of customers and communities, and to meet the CSO.
- Corporate Post Offices (CPO) are owned and operated by Australia Post, and offer Australia Post's full suite of products and services.
 - All of Australia Post's superstores are corporate owned and feature a range of new technologies including self-service terminals, secure 24/7 zones, parcel lockers, online shopping and travel services zones.
- LPOs are owned and operated by a licensee (not an Australia Post employee).
 - They are obliged to provide mandatory services which are postage assessment, mail acceptance and delivery, and agency banking and bill-pay,
 - Australia Post also offers a broader range of additional products that LPOs may choose to sell to enhance their business and meet local customer needs,
 - More than half of all LPOs are run in-conjunction with a host business which is encouraged by Australia Post, particularly in smaller communities,
 - LPOs can source products from suppliers other than Australia Post,
 - Once licences have been issued by Australia Post, they are bought and sold by business owners through a secondary market over which Australia Post has no control.
- Community Postal Agencies (CPA) are established in a host business or other local premises and offer basic postal services only.
 - They are generally established in situations where local customer demand is not substantial enough to justify the existence of a CPO or LPO.

¹⁶ Australia Post Annual Report 2013

3.3 Outlet Types

- Australia Post's network includes all format types across all states and territories.

Table 5: The Australia Post Retail Network¹⁷

	NSW/ACT	VIC/TAS	QLD	WA	SA/NT	Total
Corporate Post Offices	266	207	137	82	69	761
Licensed Post Offices (<i>inc franchises</i>) ¹⁸	881	962	468	295	318	2,924
Community Postal Agencies	132	87	202	98	225	744
Total	1,279	1,256	807	475	612	4,429

3.4 Table of Outlets by State and Geographical Classification

Table 6: Retail Network State Breakdown¹⁹

	NSW / ACT	VIC / TAS	QLD	WA	SA / NT	Total
Corporate Post Offices	266	207	137	82	69	761
Metro	194	142	81	56	44	517
Rural	71	65	50	16	21	223
Remote	1	0	6	10	4	21
Licensed Post Offices	881	962	468	295	318	2,924
Metro	452	411	177	127	132	1,299
Rural	394	524	203	89	147	1,357
Remote	35	27	88	79	39	268
Community Postal Agencies	132	87	202	98	225	744
Metro	18	10	12	1	11	52
Rural	103	73	116	52	112	456
Remote	11	4	74	45	102	236
Total	1,279	1256	807	475	612	4,429

3.5 International Comparisons - Outlet Ownership

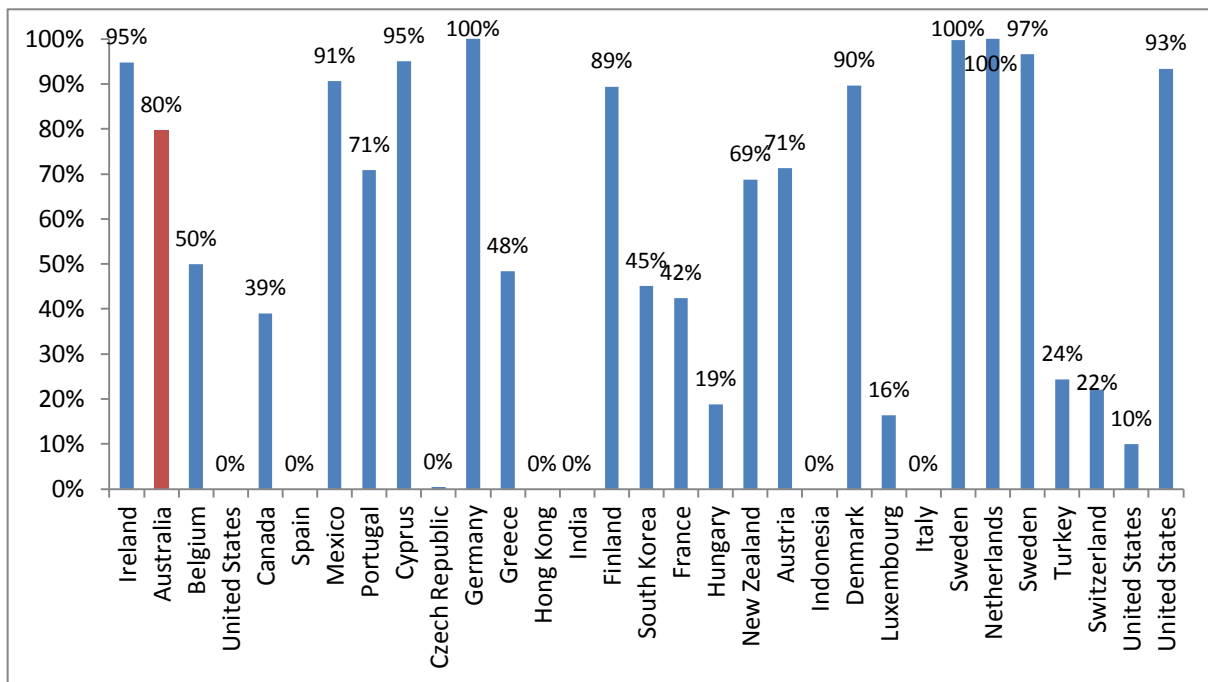
- Australia Post led the way in the creation of LPOs as a response to the challenge of meeting CSOs with a sparsely distributed population.
- This innovative move has now become widely adopted with many of our global peers from the Postal industry offering a similar level in the proportion of non-corporate outlet ownership.
- Approximately 80% of Australia Post's Retail network is not corporately owned.

¹⁷ Australia Post Retail Network data as at end June 2013

¹⁸ Australia Post operates a limited number of Franchise outlets (29)

¹⁹ Australia Post Retail Network data

Figure 9: Global share of contracted retail outlets²⁰



Summary

- Australia Post has an extensive Retail network of which LPOs are a critical part.
- This is essential for the ongoing provision of services to the community and meeting the legislative CSO.

²⁰ IPC Global Postal Report (International Postal Corporation, 2013)

4 Rural and Remote Australia

- Rural and Remote areas are not just important to Australia Post but to Australia as a whole.
- Rural Australia accounts for 99.5% of Australian land mass but only 28% of the population and 26% of deliverable addresses.²¹
- Australia Post as a company has a demonstrable commitment to Rural and Remote Australia as can be seen in the Operating Assets deployed to these areas, including:
 - 10 business centres,
 - 2,551 retail outlets,
 - 16 letter/parcel processing centres,
 - 415 country delivery sites/resources,
 - 1,766 motor vehicles,
 - 2,446 roadside contractors,
 - 5,114 Red & Gold Street Posting Boxes,
 - 304 parcel contractors,
- These operations mean that over 5,500 people are directly employed by Australia Post in Rural areas.
- Specifically Australia Post has a Retail network that covers every corner of Australia.

Table 7: Rural and Remote Network (Legislative Definition)²²

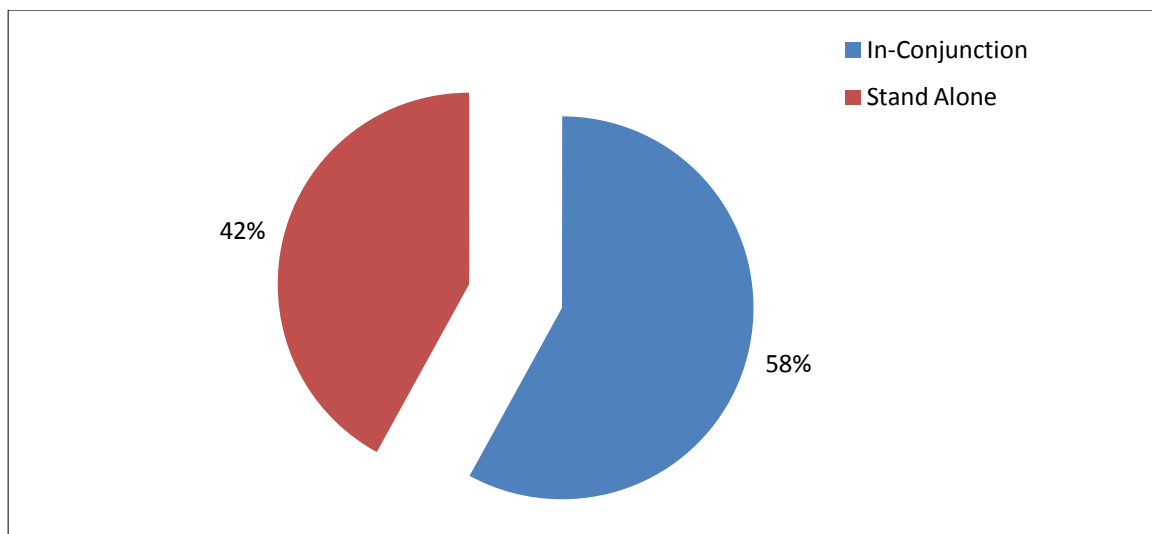
	NSW / ACT	VIC / TAS	QLD	WA	SA / NT	Total
Corporate Post Offices						
Rural	71	65	50	16	21	223
Remote	1	0	6	10	4	21
Licensed Post Offices						
Rural	394	524	203	89	147	1357
Remote	35	27	88	79	39	268
Community Postal Agencies						
Rural	103	73	116	52	112	456
Remote	11	4	74	45	102	236
						2561

- LPOs account for 64% of all Rural and Remote retail outlets.
- Of these the majority are run in-conjunction with a host business, further highlighting the need to diversify revenues in Regional and Rural areas.

²¹ BCG analysis conducted on behalf of Australia Post

²² Australia Post Retail Network data as at end June 2013

Figure 10: Rural and Remote LPO In-Conjunction Ratios



- Australia Post is committed to maintaining its CSO of 2,500 retail outlets in Rural and Remote Australia.

Summary

- A vibrant and healthy Regional, Rural and Remote Australia is important not just to Australia Post but to Australian society as a whole.
- Australia Post has a long-standing, demonstrable commitment to Regional Australia which it seeks to continue.

5 Creation of Licensed Post Offices

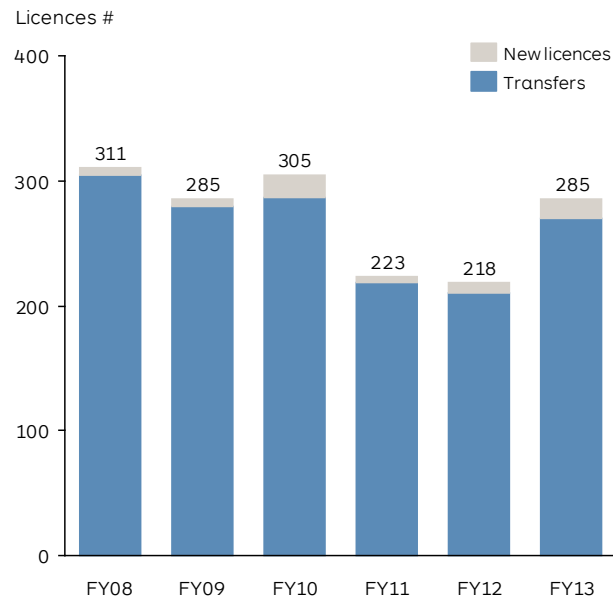
5.1 Inception of Licensed Post Office Agreement

- The creation of LPOs was in response to the introduction of the APC Act which introduced the dual obligations (see section 2.1 above) of community service and commercial return.
- This caused Australia Post to consider a Retail ownership model that could provide an appropriate level of service whilst variablising and removing direct ownership of costs.
- As part of the Retail Post program, Australia Post worked with the post office agent's representative body, Post Office Agents Association Limited (POAAL), on a plan to convert postal agencies (which operated under arrangements dating back to 1942) into LPOs which would be privately owned small businesses.
- This involved the move to the current LPO business model based on a commercial framework with in-built incentives to improve profitability thus giving licensees greater freedom to grow their own businesses with the benefit of Australia Post's brand and foot traffic.
- The LPO Agreement is a contract with an indefinite term and no defined territory.
- At the time of introducing the LPO Agreement, existing Post Office Agents (POAs) were given the opportunity to "opt-in" to the new agreement.
- "Top-up" payments were provided for LPOs where the new agreement provided a lesser remuneration compared to the payments they received under the POA arrangements.
 - Metro LPOs received this "top-up" until assignment or 30 June 1996 (whichever came sooner),
 - Rural/ and Remote LPOs receive this "top-up" until assignment (currently 140 LPOs remain in receipt of this payment amounting to around \$1.2m per annum).
- Since the creation of the LPO model, Australia Post has issued relatively few new licences with the majority of ownership changes occurring in the secondary market.

5.2 Secondary Market

- Licensees can buy or sell their licences and over time a market for them has become established. On average 260 licences have traded annually over the last six years.
- The number of licences traded on the secondary market has also remained stable as can be seen in Figure 11.

Figure 11: Number of New and Transferred Licences



5.3 Transfers (Assignments)

- The sale of post office businesses is a common occurrence across Australia with 270 transfers (also known as 'Assignments') of existing licences taking place in 2012/13.
- The value placed on the underlying business is a matter determined between the buyer and the seller independently of Australia Post. Australia Post does not control the value associated with LPO licences in this secondary market.
- Australia Post's involvement in the assignment process is to ensure:
 - The suitability of the prospective licensee with consideration to factors such as their character and business acumen,
 - That the prospective licensee fully understands and accepts their obligations under the terms of the agreement for the LPO business, and
 - So far as is reasonably possible that the prospective licensee has completed due diligence and taken appropriate independent advice regarding the purchase of the business.
- It should be noted that Australia Post does not provide advice to the prospective licensee on the income associated with or the appropriateness of the purchase price of the business.
- A range of support is provided by Australia Post throughout the transfer process and as part of the ongoing relationship between Australia Post and its licensees. This includes:
 - Training on product/ service knowledge, the operation of a post office and specific legislative requirements,
 - Coaching support through a dedicated LPO Network Manager,
 - Access to national help desk facilities for both procedural matters and retail product enquiries.

Summary

- The creation of LPOs was an innovative approach that allowed small business owners to participate in the success of Australia Post, and created a healthy secondary market for licences.

6 LPO Agreement and Operations

6.1 The LPO Agreement

- Australia Post values the relationship with licensees, and therefore in 1993 put a contractual framework and associated consultative framework in place to deal with issues and opportunities.
- The LPO Agreement is made up of a number of individual components including but not limited to:
 - Contractual terms for Australia Post’s relationship with its licensees,
 - Basis of payment to licensees, and,
 - Operational and accounting instructions.
- The structure of the LPO Agreement ensures that through the periodic updating of appropriate components, the LPO Agreement as a whole remains relevant and aligned to business requirements.

Table 8: Changes to the Agreement

Agreement – Basis of Updating		
	Core Documents	Updates and Amendments
Contractual Terms	1993 – LPO Agreement	1998 – Franchising Code of Conduct provisions included 2000 – GST provisions included
Basis of Payments	Annexure A – LPO Agreement LPO Payment Scheme	Ongoing - rates for new services are advised to licensees at the time of their introduction Ongoing - discounts on merchandise products are advised as part of the “offer” to licensees At least once per year - payments are reviewed in June each year with advice to licensees of any variations
Operational & Accounting Instructions (Post Office Rules – as defined in LPO Agreement)	LPO Manual LPO Operational and Accounting Procedures	Twice-weekly information updates Quarterly amendments to LPO Operational and Accounting Procedures Ongoing - updates to any regulatory requirements facilitated through a combination of updates to procedural instructions and relevant mandatory training requirements (for example): <ul style="list-style-type: none"> • Anti-Money Laundering/ Counter Terrorism Financing • Australian Consumer Law • Privacy Act • Aviation Transport Security • Dangerous Goods

- Payments to licensees are documented through Annexure A of the LPO Agreement and the LPO payment scheme.
- The LPO Manual and the LPO Operational and Accounting Procedures set out the operational framework for the LPO relationship. Under the terms of the Agreement, Australia Post and the licensee must comply with these.
- Periodic written advice is sent to licensees which:
 - Provides details of the day-to-day processes and procedures required to be followed,
 - Is subject to a formal quarterly update by Australia Post and, where relevant, issued in writing to licensees.
- Australia Post's relationship with licensees is subject to the Franchising Code of Conduct, being a mandatory industry code of conduct.

6.2 Consultative Arrangements

- The LPO Agreement provides that Australia Post will consult with the LPO representative group on matters relating to the LPO Agreement.
 - POAAL is recognised as the LPO representative group,
 - POAAL has a formal role to play with the LPO dispute resolution process.
- Australia Post chose to recognise POAAL as the LPO representative group at the time of establishing the LPO network with consideration to:
 - POAAL's history in representing the interest of post office operators since around 1939,
 - The involvement of POAAL from around 1989 in the development of the LPO Agreement,
 - The practicalities and benefits to Australia Post and licensees associated with engaging with a single industry group as opposed to around 3,000 individual licensees on matters relating to general contractual terms (including payment rates).
- A Consultative Agreement exists between Australia Post and POAAL:
 - Entered into in 1993 and amended in 1997 the Agreement provides the framework for how the consultative arrangements will operate.
- A review into Australia Post's consultative arrangements with licensees was completed in 2002:
 - The review was intended to ensure that arrangements in place at that time were appropriate and in keeping with industry best practice,
 - While confirming the appropriateness of current arrangements, the review highlighted opportunities to enhance these arrangements through a formal engagement model including directly elected licensee representatives,
- An outcome was the establishment of the Australia Post Licensee Advisory Council (APLAC) in 2003.
 - APLAC is a forum where licensees and Australia Post representatives formally discuss business opportunities and issues, and develop ideas and recommendations for the mutual benefit of stakeholders in the LPO network,

- APLAC membership is free to licensees with quarterly state and national council/ board meetings,
- Around 40% of licensees are members,
- Licensees may put themselves forward to be State Council members or National Board directors who are elected in a democratic process,
- The operations of APLAC are fully funded by Australia Post.
- In addition Australia Post hosts a stakeholder council which includes a representative from POAAL.
- The Franchising Code of Conduct:
 - Provides that franchisees/ licensees may create/ join any association in any manner they wish,
 - Does not create an obligation for the franchisee/ licensee to consult/ negotiate with these groups.

6.3 Engagement between Licensees and Australia Post

- The contract is between individual licensees and Australia Post, and as such allows individual licensees to represent opportunities and issues directly to Australia Post.
- Dedicated Network Managers directly support LPOs.
- A number of engagement points exist between Australia Post and POAAL:
 - Monthly national consultative forums on operational matters, introduction of new products/ services to licensees and other ad-hoc matters,
 - Quarterly national consultative meeting on matters relating to the LPO Agreement, including payments,
 - Quarterly forums with specific reference to Retail Security (state and national), Marketing and Carded Parcels,
 - Annual review of LPO payment rates.

6.4 Dispute Resolution

- Both the LPO Agreement and Franchising Code of Conduct provide dispute resolution processes for licensees in the event that they are dissatisfied with a decision made or action taken by Australia Post.
- The selection of the preferred dispute resolution process is at the discretion of the licensee.
- Figure 12 shows the process for resolving disputes²³.

²³ Section 4.2 LPO Manual

Figure 12: Dispute Resolution Process

PROCESS FOR RESOLVING DISPUTES BETWEEN AUSTRALIA POST AND LICENSEES

STAGE 1 INFORMAL RESOLUTION	STAGE 2 MEETING OF THE PARTIES	STAGE 3 STATE DISPUTE RESOLUTION	STAGE 4 NATIONAL DISPUTE RESOLUTION	STAGE 5 ARBITRATION
Orally, or in writing, either party (A/PM or Licensee) notifies the other of an issue requiring attention. If the issue cannot be resolved within 10 working days , the party affected completes and issues Form LPO11- 'Record of an unresolved Issue'.	<p>After receipt of Form LPO11, the A/PM and Licensee must meet or contact each other and try to resolve the dispute.</p> <p>This meeting must occur within 10 working days of submission of the form.</p> <p>If resolution is unsuccessful the Area Manager and State Chairman of POAAL must be notified and their nominees must contact each other to try and resolve the dispute.</p> <p>If the dispute cannot be resolved within a further 5 working days, or within any other period the parties agree to, it is then referred to the State Dispute Resolution Committee.</p>	<p>The SDRC consists of the General Manager of AP (or nominee), State Chairman of POAAL (or nominee) and an independent Chairman.</p> <p>The SDRC must hear the dispute within 30 days, or such other time as agreed between the parties.</p> <p>Legal representation is not permitted without the consent of both parties and the SDRC.</p> <p>If the dispute raises significant issues affecting more than one State the SDRC may stay proceedings and refer the matter to the NDRC. If the SDRC cannot resolve the dispute within the specified timeframe either party can, with the consent refer of the other party, refer the dispute to arbitration.</p>	<p>The NDRC consists of up to 2 representatives from AP – one must be Manager Retail (or nominee)- an equal number of representatives from POAAL – one must be the National Chairman (or nominee)- and an independent person.</p> <p>The NDRC must hear the dispute within 30 days or such other time as agreed between the parties.</p> <p>If the NDRC cannot resolve the dispute within the specified timeframe either party can, with the consent of the other party, refer the dispute to arbitration.</p>	<p>The Arbitrator must be a member of the Institute of Arbitrators, Australia.</p> <p>The arbitration must be heard in the State where the premises are located and conducted in the way set out in the Commercial Arbitration Act of that State.</p>

- Specifically this involves:
 - Staged progression starting from the local informal resolution of the issue,
 - Formal advice of a “dispute” and the requirement for parties to respond to the concerns raised (large majority of disputes resolved at this stage),
 - Referral of the matter to a forum which typically utilises mediation as the means by which to attempt to bring the parties to an agreed outcome (remaining disputes typically resolved at this stage),
 - Arbitration subject to agreement by both parties,
 - As a last resort, each party retains their rights to pursue legal action.
- As a result of this staged process the historical number of formal disputes has been low, as outlined in Table 9.

Table 9: Disputes

Calendar Year	Formal advice of a “dispute” (stage 2)	Percentage of Network	Number referred to State Resolution Committee/ Office of Mediation Advisors	Percentage of Network
2013	12 (YTD Sep 2013)	0.41%	4	0.14%
2012	11	0.37%	4	0.13%
2011	21	0.71%	7	0.24%

6.5 Terminations

- The term of an LPO Agreement is for an indefinite period subject to each party's rights to terminate the licensee/ licensor relationship.²⁴
- Only a small number of LPO Agreements are terminated during the course of a year, as shown in Table 10. These may be either with or without cause, and at the instigation of either Australia Post or the licensee.

Table 10: Terminations

	2010/11	2011/12	2012/13
Agreement was terminated by Australia Post with cause	5	4	0
Agreement was terminated by Australia Post without cause	0	2	0
Agreement was terminated by licensee	15	13	10

6.6 Support Provided By Australia Post

- Licensees receive a range of benefits associated with being part of the Australia Post LPO network.
- This includes being part of a highly trusted and recognised brand which drives foot traffic into their business which can be leveraged for host business sales.
- Also, Licensees benefit from the continual product development/customer acquisition strategies of Australia Post.
- The cost associated with these benefits are typically borne by Australia Post and provided either free of charge or at a subsidised rate to licensees.

6.6.1 Technology

- Point of sale technology was introduced at Australia Post expense to the majority of LPOs in the early 1990s.
 - It was the key enabler for the significant growth realised by LPOs during the last 20 years in bill-pay and banking payments.
 - In recent times, in order to ensure a contemporary point of sale software platform that allowed for rapid introduction of new products and services, Australia Post has invested \$200m in the Channel Enablement – Point of Sale (CE-POS) program.
- Additionally at a cost of \$55m Australia Post will complete by June 2014 the:
 - Replacement of existing retail counter hardware,
 - Upgrade of existing site communications equipment.

²⁴ The termination provisions are provided at clauses 20 (with-cause) and 22 (without-cause) of the LPO Agreement

- Over the last 18 months Australia Post has rolled out hand-held scanners across the Retail network at a cost of \$7m.

6.6.2 Product and Service marketing

- Licensees have a range of in-store marketing collateral available to them.
- This includes Post Office Box flyers, shelf price tickets, and product and service posters.
- Depending on location and product range decisions, licensees may also benefit from the various marketing campaigns undertaken by Australia Post (radio, television, newspapers, magazines).
- Australia Post also distributes 53 million catalogues annually to support sales through the Retail network which includes LPOs.

6.6.3 Cash management and outlet security

- Subject to correct procedures being followed by the licensee, the costs and risks associated with the management of Australia Post monies at LPOs is borne by Australia Post. This includes Armaguard cash collection charges and costs associated with provision of safes and time-locked cash containers.
- Australia Post has in place industry best practice security standards to minimise the risk to licensees and their staff associated with running their business.
- Site assessments are undertaken by specialist staff to review outlet compliance to the security standards and discuss risk mitigation strategies.
- A security free loan is available to licensees for the purpose of making their outlet compliant with these standards.
- In the event that an incident such as a robbery does occur at an LPO, professional counselling is made available to the licensee and their staff at Australia Post expense through an external service provider (Davidson Trahaire).

6.6.4 Uniforms

- Australia Post introduced a corporate wardrobe range for its licensees and staff in the late 1980s.
- To ensure that the range remains contemporary, Australia Post updates and refreshes the retail wardrobe range annually.
- Licensees and their staff receive a 50% subsidy on the cost price of the corporate wardrobe range when ordered during the bulk ordering period.
- Licensees are regularly involved in focus groups to gather feedback on the corporate wardrobe range.

6.6.5 Training

- Licensees undertake a range of prescribed training as part of operating an LPO:
 - Initial training on Australia Post products and services and the operation of a post office,
 - Regulatory based training such as Dangerous Goods, Aviation Transport Security, Anti-Money Laundering and Counter-Terrorism Financing and Australian Consumer Law.
- In addition to these prescribed training packages, Australia Post makes available to licensees a range of optional training and support material for such areas as:
 - Workplace Health and Safety,
 - Security,
 - Business planning,
 - Staff development,
 - Merchandising,
 - Inventory management.
- Further training around the launch of new products and services is provided to licensees on an ongoing basis.

6.6.6 Credit Arrangements

- The LPO Agreement also includes specific procedures for debt and credit management:
 - Licensees are able to obtain credit for stock purchases through either payment by direct debit or cheque,
 - Direct debit offers up to 55 days credit (i.e. stock ordered on the first of a month is not due for payment until the 24th of the following month),
 - Payment by cheque offers up to 21 days credit (i.e. stock ordered on the 1st or 15th of the month is not due for payment until either the 21st or 7th of the following month respectively).
- Where a licensee defaults on the payment of their stock account, stock is still supplied at a discount but on the basis of payment being made prior to the despatch of the stock.
- Australia Post will re-establish normal credit arrangements when licensees demonstrate the ongoing ability to meet payment arrangements.
- From October 2013, licensees on direct debit were offered the opportunity to review their stock account online and to pay via credit card.

Table 11: Debit and Credit Arrangements

	Number of LPOs	Number of LPOs with stock debt >\$20,000 with credit facilities withdrawn
Direct Debit Arrangement	2450 (85%)	66

	Number of LPOs	Number of LPOs with stock debt >\$20,000 with credit facilities withdrawn
Cheque Payment Arrangement	444 (15%)	5

6.6.7 Other Support

- A range of other support is available to licensees including:
 - Dedicated LPO network managers for individual coaching and support,
 - Advice associated with store fit-out / product ranging and relocation decisions,
 - National telephone help desk facilities for procedural and stock enquiry matters,
 - Twice-weekly information updates,
 - Monthly product and promotional guides,
 - Quarterly licensee publication “Licensee News”,
 - Six monthly network based meetings, and
 - Annual state based conferences.

Summary

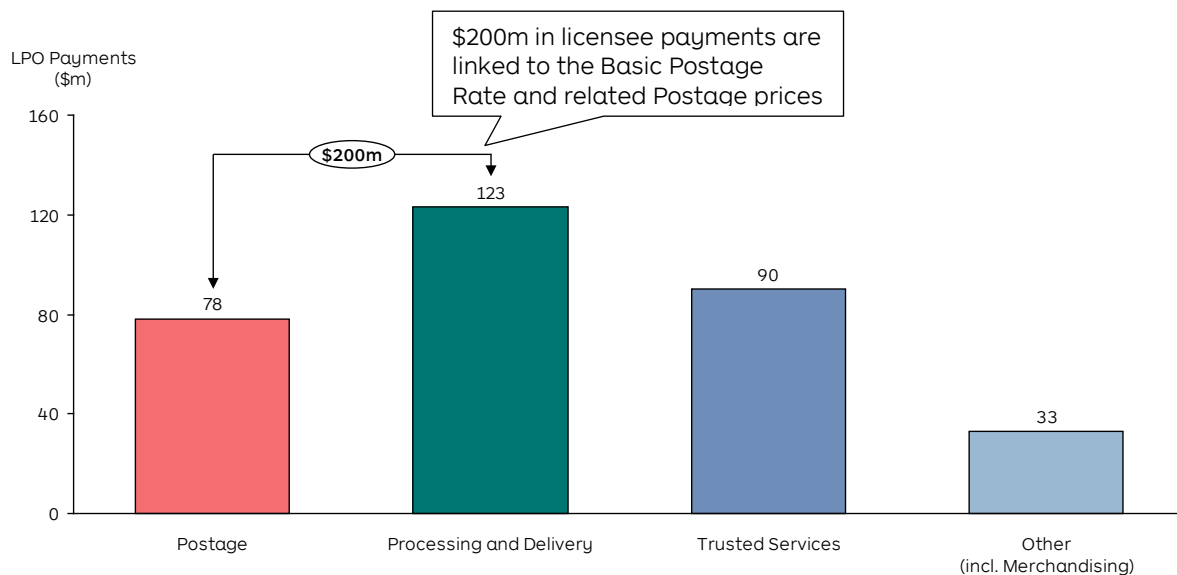
- The LPO Agreement and consultative process provides a robust yet adaptable basis for representation, engagement and dispute resolution.
- Additional support is provided to licensees to run and grow their businesses.

7 Payments

7.1 Structure of Payments

- Payments to licensees are documented through Annexure A of the LPO Agreement and the LPO payment scheme.
- Licensee income from Australia Post is derived from:
 - The sale of postage i.e. letter and parcel products, on which they receive a discount,
 - Processing and Delivery fees for Mail related services such as post office box servicing,
 - Commissions for processing Trusted Service transactions such as bill-pay and banking; and
 - Other fees including subsidies, top ups, and the discounted sale of merchandise.
- Figure 13 shows the breakdown of payments across this structure in 2012/13.

Figure 13: LPO Payments 2012/13



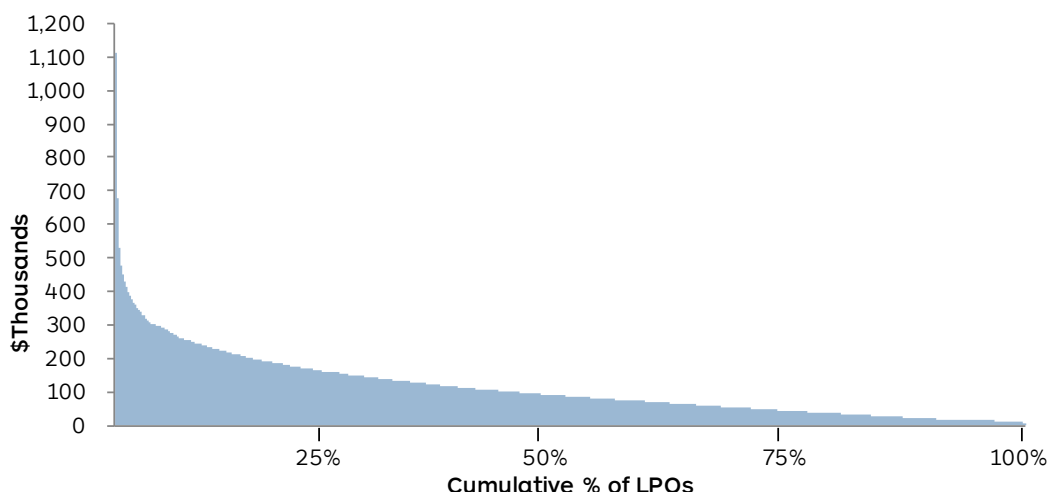
- Postage:
 - Postage stamps and associated products or services discounts are percentage based which provides an increase in payments to licensees at the time of any increase in customer charges,
 - Postage includes the sale of both regulated (e.g. letters) and non-regulated (e.g. parcels) products,
 - Of the \$78m Postages discounts paid to licensees, approximately \$29m relates to Regulated products and \$49m to non-Regulated products.
- Processing and Delivery:
 - Licensees receive fees for a range of mail processing and delivery activities,

- The majority of payments relate to servicing post office boxes and the mail management fee for delivery points.
- Payments are reviewed at the time of a change in the Basic Postage Rate (adjusted in 2003 +11.1%, 2008 +10.0% and 2010 +9.1%).
- Trusted Services:
 - Trusted Services commissions are fixed dollar rates per transaction,
 - New transactions are being introduced on an ongoing basis with applicable commission rates being set at that time,
 - Commissions for existing transactions are reviewed at least annually with a variation typically being applied from 1 July each year,
 - Licensees receive a range of commissions for transactions such as bill-pay, money orders, banking, change of address applications, passports, etc,
 - In general these commissions are set either relative to the payments received from agency principals (in the case of third party transactions such as bill pay and banking), or
 - With consideration to transactional time and cost inputs (in the case of complex Identity Services transactions).
- There are four principal mechanisms for changes to payments:
 - Where a payment is directly linked to the Basic Postage Rate,
 - Where new products and services are introduced,
 - Annual review and consultation,
 - Where Australia Post varies the price of a product or service for which LPOs receive a fixed percentage commission.

7.2 Payment Distribution

- The range of total payments per licensee is extremely broad reflecting the wide variety of sizes of communities the LPOs service. Individual licensee payments can total over \$1m per outlet or be as low as \$10,000 as shown in Figure 14.
- Almost 60% of LPOs receive more than \$70,000 per annum from the Australia Post portion of their business

Figure 14: LPO Annual Payment Distribution (FY13)

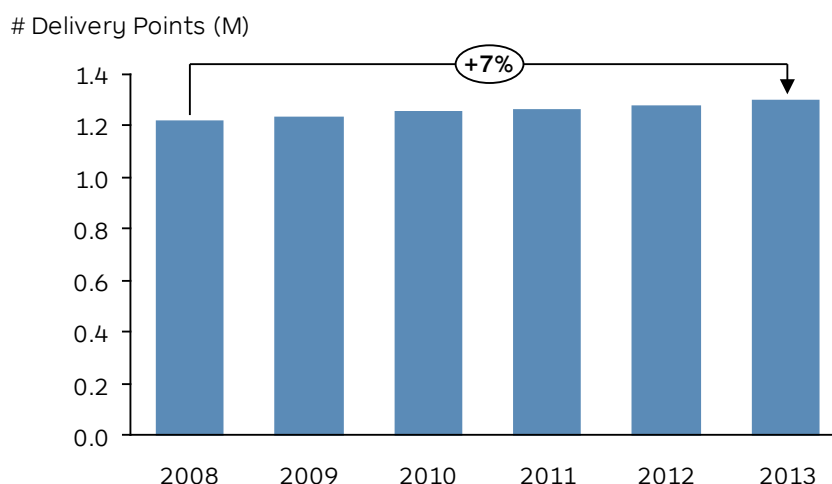


- In order to ensure that all licensees are fairly compensated, Australia Post provides a minimum annual payment to licensees who have an annual income from Australia Post of less than \$13,995. This payment was initially established with POAAL in 2002 at \$10,000 and is reviewed every year.
 - There are currently 154 (5%) LPOs in this category,
 - The cost of providing this support to licensees was around \$480,000 in 2012/13.
- The majority (94% - 146) LPOs receiving the minimum payment are in rural and remote Australia. In some cases this represents a commensurately reduced level of service based on community expectation, for example reduced opening hours.

7.3 Drivers of Payments

- Australia Post believes that the optimal payment scheme is one where the interests of both parties are aligned in a way that encourages mutual growth, such as payments related to the volume of product sales.
- The Payments structure is complex and inter-linked requiring individual payments to be assessed in the broader context.
- There are two principal drivers of payments:
 - The Basic Postage Rate which has changed 3 times in 20 years,
 - Prices that Australia Post influences either directly (e.g. parcels) or indirectly via commercial agreements between Australia Post and agency partners.
- The Basic Postage Rate is the Index generally applied against the number of delivery points that a licensee manages to derive payments. Over time the number of points handled by LPOs has increased (as per Figure 15) and as a result payments have increased. The payment rate per delivery point has moved in line with the Basic Postage Rate.

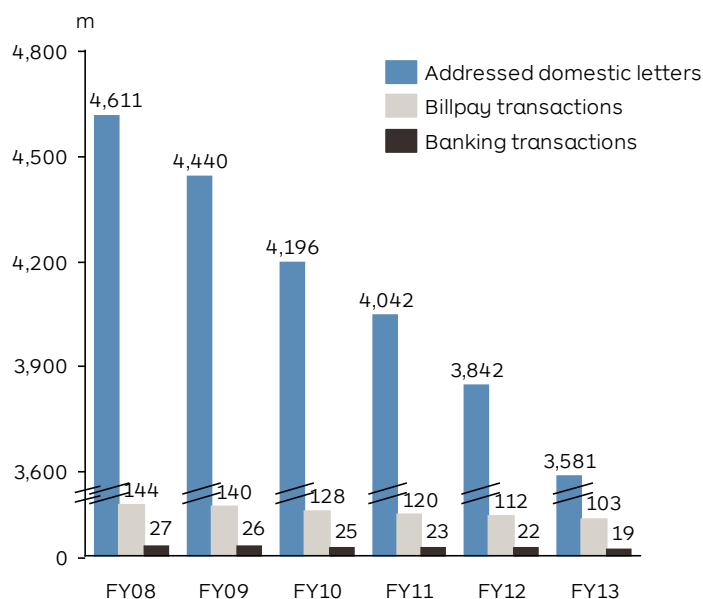
Figure 15: Delivery Points



7.4 Payments Statistics and Trends

- The same trends affecting Australia Post are having a negative impact on LPOs.
- Those transactions requiring physical presence or related to Letters have substantially declined as shown in Figure 16 below.

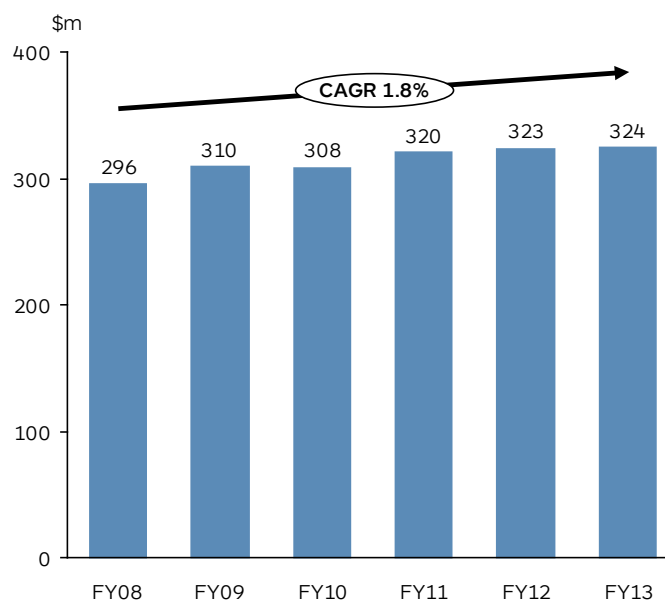
Figure 16: Decline in transactions²⁵



- LPOs have been largely protected from these structural changes as total payments have increased over this period, as shown in Figure 17.

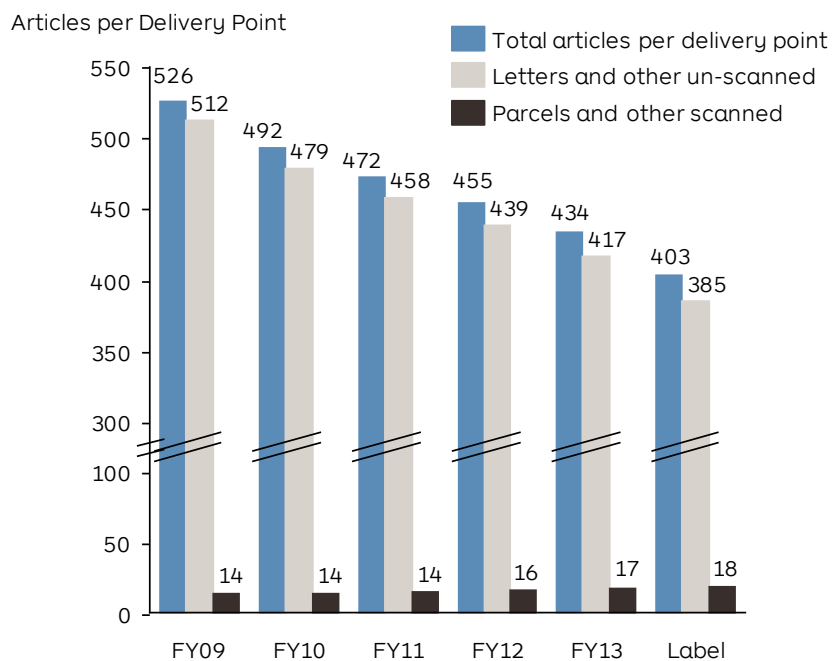
²⁵ Source: Australia Post Point of Sale data; Annual Report

Figure 17: Total Payments to LPOs



- Australia Post appreciates that the nature of the Delivery work done by LPOs over time has shifted towards parcels and away from letters as volumes have declined. This has had an impact on LPO work distribution.
- During this period, total volumes of articles per delivery point has fallen substantially, as shown in Figure 18. The implication of this is that the fee paid per letter has increased substantially over this time.

Figure 18: Letter and Parcel Volumes²⁶



²⁶ Australia Post analysis

- Licensees receive payment for the delivery of street addressed carded articles through either a combination of the mail management fee and “scanning fee”, or a carded article fee and “scanning fee”.
 - The mail management fee is a per-delivery point payment associated with the operation of mail delivery staff from the LPO,
 - The carded article fee applies where the mail delivery staff carding articles to the outlet do not work from the LPO.
- The minimum carded article fee is negotiable in the event that significant numbers of articles are carded to the LPO for delivery.
- 80% of around 1,800 LPOs in receipt of this payment receive a negotiated payment.
- In addition to the mail management fee and carded article fee, Australia Post introduced an additional \$0.22 scanning fee for carded articles in April 2013. This new fee will be fully rolled out by May 2014 and all LPOs are eligible.
- Where Australia Post can directly influence payments, LPOs have benefited from 1 rate increase including:
 - Being able to participate in new revenue streams such as reloadable payments cards, travel insurance, confectionery products and new types of identity and government services such as tax file number transactions on behalf of the ATO,
 - Where Australia Post is able to negotiate better terms with our commercial partners, for example in bill-pay and banking, LPOs share in this.
- LPOs also fully participate in price rises to non-regulated products such as Parcels and Express Post through the discounts they receive on Postage.
- Introduction of these opportunities has necessitated changes in technology and it is this investment by Australia Post that has allowed LPOs to take on additional services providing new revenue streams for them:
 - There is a need to capture more compliance information (e.g. AML),
 - Complex transactions require more data but also carry higher margin.

7.5 Competition

- Australia Post does not have a national policy of transferring business customers between outlets, and does not incentivise customers to lodge mail at specific outlets (such as a CPO rather than an LPO).

Summary

- LPOs are fairly compensated for the work that they do with Australia Post.
- There may be opportunities to reassess selected payments and better align them to licensees’ costs and Australia Post’s business drivers for a mutually beneficial outcome.

8 LPO Business Model and Outlook

8.1 Structure and Flexibility of Business Model

- From its inception in 1993, the development of the LPO business model has allowed Australia Post’s physical network to become an organisational strength, demonstrated through the networks’ flexibility to support our Mail, Retail and Parcels businesses.
- LPOs are small businesses in their own right with licensees acting as private operators, particularly where the post office is hosted by another business. As such, without visibility of the balance sheet, Australia Post does not have knowledge of the economics that underpin an individual LPO’s viability.
- The payments that Australia Post makes to the licensee may only be a small proportion of their overall business revenues which is why Australia Post encourages licensees to take up opportunities to introduce additional revenue streams to their business.
- In this they benefit from the brand association and additional foot traffic that partnering with Australia Post brings.
- LPOs are ideally suited to these generally smaller communities where income to licensees can be diversified through the presence of an in-conjunction business instead of the post office acting as a stand-alone entity.
- Almost all LPOs offer some form of additional lines of business i.e. those that would not be available from a CPO.
- The business model has proved to be adaptive to change. This is evidenced by the range of new services that have been introduced since 1993, as shown in Table 12.

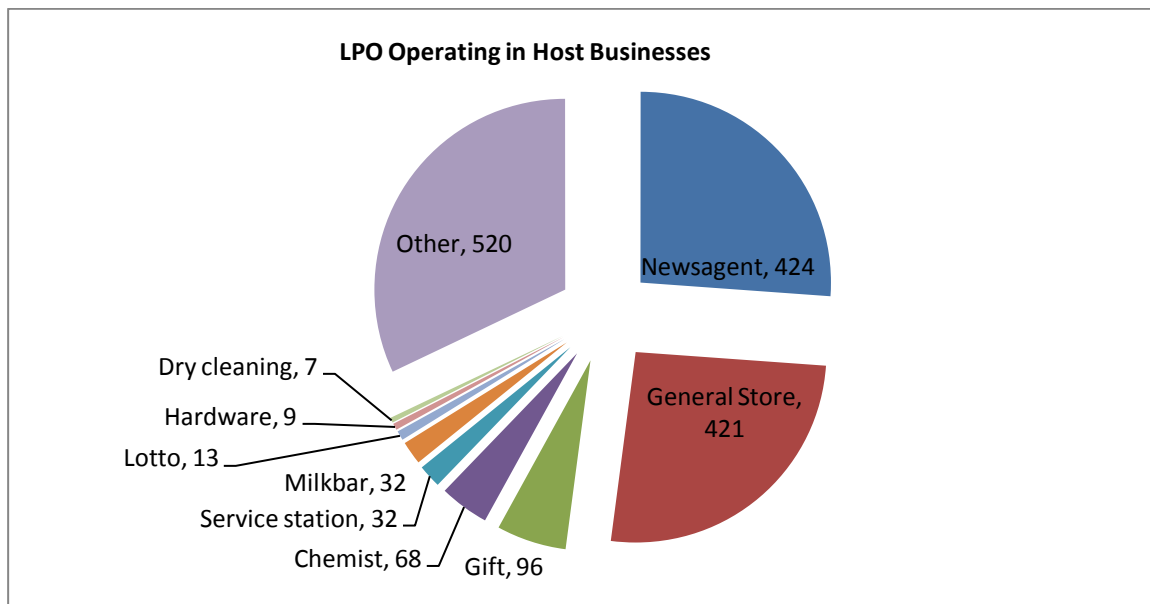
Table 12: Major New Product and Service Introduction Examples

Time Period	Services
At Inception	Postage Stamps, Prepaid Envelopes, Philatelic Products, Packaging Material, Money Orders, Post Office Boxes, Telegrams, State Duty stamps/ Tax stamps, Commonwealth Bank deposits/ withdrawals, Telecom bill payment, Defence Service Homes payments, Passport applications
Since 1993	Postage Stamps and Labels, Prepaid Envelopes and Mailing Satchels (parcel post, express post, courier post, express post international, express courier international), Philatelic (collectable stamps), Packaging Material, Money Orders, Post Office Boxes, Retail Merchandise – gifting, greeting cards, stationery, technology, telephony, confectionery, Cash card/ gift card products, Agency banking for over 70 financial institutions, Agency bill-pay for over 700 organisations, Identity services transactions (e.g. passports, 100 point ID checks, licensing services, working with children checks), Identity photo services , Money transfer services, Travel services, Insurance services

8.2 Host and In-Conjunctions Businesses

- Over half of all LPOs (approximately 56%) are run with another business as host, examples of which include newsagents, general stores and chemists. See Figure 19.

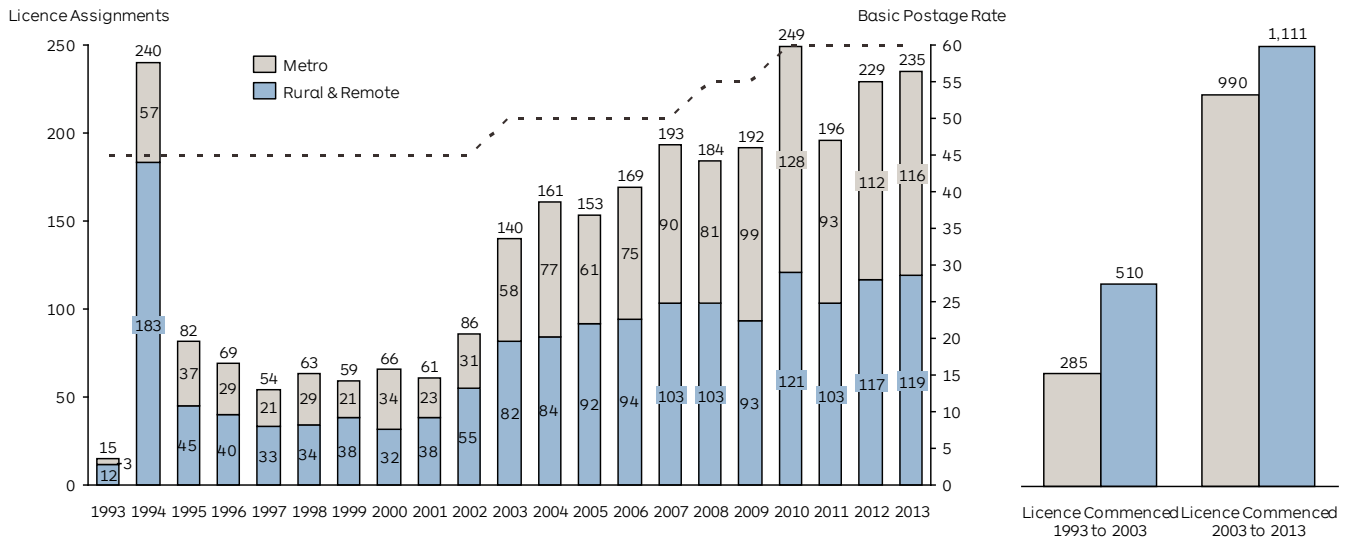
Figure 19: Host Business Statistics



8.3 Average Tenure

- During the period to 2003 licensees benefited greatly from the addition of new products and services, in particular bill-payment volume increases.
- After 2003, rises to the Basic Postage Rate resumed, increasing the payments that licensees received for many mail-related services.
- 73% of LPOs have had their licence for less than 10 years, during which the Basic Postage Rate and CPI have been closely matched (see Figure 7).

Figure 20: LPO Tenure and BPR



8.4 Franchise Industry Comparisons

- To ensure the model is sustainable, Australia Post has received independent expert advice²⁷ that compares the model to other relevant peer equivalents and provides recommendations for improvement.
- The general findings are that the LPO business model compares well to other comparable domestic franchising arrangements. Specifically that it:
 - Balances well the needs of Community, LPOs and Australia Post,
 - Is quite flexible allowing other business activities (host business) to leverage the Australia Post brand, reputation and foot traffic without royalties or a share of revenues,
 - Is based upon mutual success,
 - Shows a track record of sensible change,
 - Provides ample provision for consultation,
 - Has a more comprehensive dispute process than most other franchise systems, and as a consequence, disputes in the Australia Post network are lower than industry standard which for Australia is 2% and USA 6-8%,
 - The structure and much of the content of the LPO Agreement is similar to a typical franchise agreement, but licensees enjoy commercial terms that are beyond industry norms in several key areas. For example the term of the agreement is indefinite, whereas the industry norm is 10 years.
- Australia Post’s relationship with licensees is subject to the Franchising Code of Conduct, being a mandatory industry code of conduct.

8.5 Health and Viability of Business Model

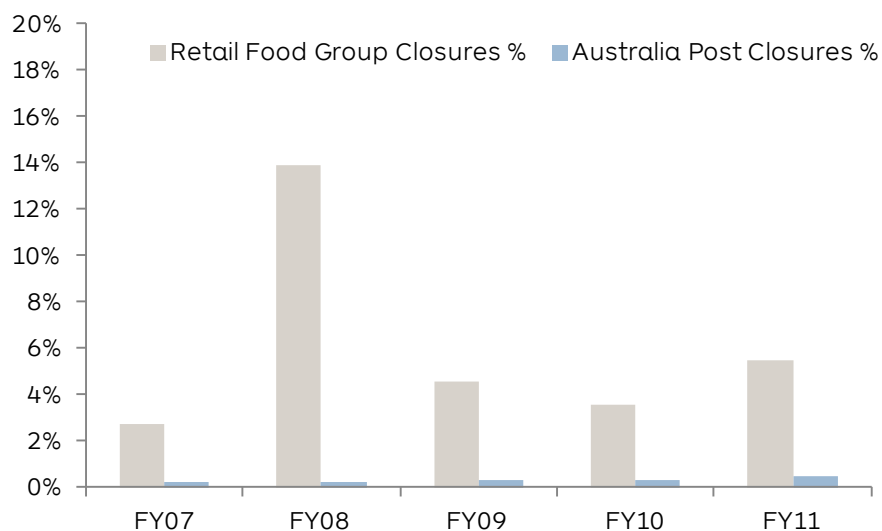
- With the increased consumer adoption of digital channels, decline in traditional letter usage and growth in eCommerce, the core revenue generating services

²⁷ Stephen Giles, Director and Former Chair of Franchise Council of Australia

for LPOs (being mail and over-the-counter transactions) are based on mature and declining products.

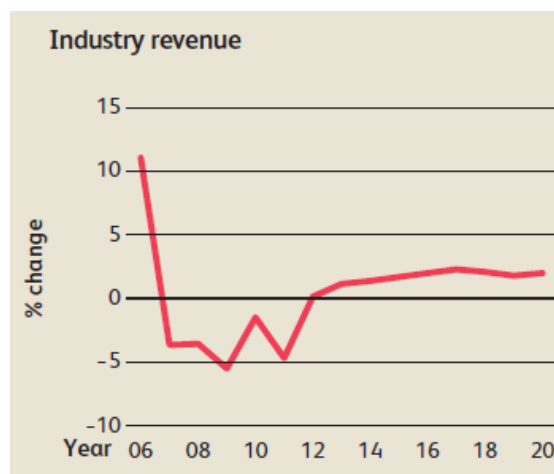
- This would suggest potential viability concerns across the network yet the level of churn (closures, hand-back of licences) is not pointing to a widespread issue of LPO viability.
- Data reveals that Australia Post is, however, well below industry benchmarks in terms of network closures as can be seen in Figure 21.

Figure 21: Franchise Closure Benchmarks²⁸



- This is despite an overall decline in revenue throughout the Franchise sector as seen in Figure 22.

Figure 22: Franchise Industry Revenue²⁹



- It is the opinion of Australia Post that this has been in large part due to the capacity of the LPO model to adapt to changes in business conditions, and in particular the addition of many new products and services over time.

²⁸ Retail Food Group contains several large franchises including Brumbies Bakeries and Donut King. Source:

<http://www.asx.com.au/asx/research/companyInfo.do?by=asxCode&asxCode=RFG>

²⁹ Source: IBIS World Report

8.6 Outlook

- Although Australia Post does not undertake forecasting of individual licensee's business performance, extrapolating from the trends facing Australia Post we acknowledge that there are substantial challenges facing licensees.
- These are largely the same challenges driven by the same macro trends such as digital disruption of traditional business models, which threaten the financial sustainability of Australia Post as a whole.
- It is therefore important to periodically reassess the broader basis of payments to licensees and ensure they are linked to the success of Australia Post as a whole.
- The addition of a major new product or service stream would be beneficial for licensees.

Summary

- LPOs are diverse small businesses, often with host businesses providing the primary revenue streams.
- Although the model has proved sustainable, there are potential threats that could be addressed through the addition of new products and services.

9 Conclusions

- Australia Post welcomes this opportunity to provide a submission to this Senate Inquiry into the performance of Australia Post and our LPOs.
- During our long history of serving the Australian community, we have always proven that we can evolve our offering, while maintaining high levels of trust, accessibility and reliability – for all Australians.
- However, the current rapid rate of digital disruption (especially in the Letters business) means that we are now facing our biggest challenge in over 200 years of serving the Australian community.
- Since early 2010, we have been transforming our operations and services under the “Future Ready” program – and we recognise that we will need to continue to evolve in order to remain relevant and viable for our customers and the Australian community, into the future.
- While our business challenges have been mounting in recent years, Australia Post has insulated the LPO network and other important business partners from the growing losses in the Letters business.
- We have protected the LPO network from these business impacts because we value the vital role that they play in delivering our services to the Australian community. Their continued viability is important for Australia Post because they enable us to have a truly nationwide network, offering ubiquitous access to our products and services.
- We are confident that the LPO business model remains robust, fair and viable. The relationship that we have with our licensees is underpinned by a fair payment system, clear consultative arrangements, robust dispute resolution procedures and a range of other business support initiatives.
- While Australia Post believes that LPOs are fairly compensated for their activities, we acknowledge that they do face similar challenges to Australia Post as a whole.
- Therefore, it is worth noting, that we are pursuing a number of solutions that will enhance licensee revenues, including:
 - An increase in the Basic Postage Rate to provide a revenue boost for LPOs and minimise our loss in Letters;
 - Approval to offer a wider range of trusted services on behalf of Government;
 - Necessary adjustments to the current limits on Australia Post’s commercial freedoms.
- As we look to the future, we will need the support of the Australian Government (and its regulatory authorities) to maintain Australia Post as a sustainable, self-funding GBE – with a vibrant network of LPOs – that consistently delivers community service for all Australians.

10 Appendix 1: LPO Agreement

Attached separately

11 Appendix 2: Response to Questions

1) What has been the change in Post Office Box payments since 2005?

Payments for Post Office Boxes are not linked to the retail price; rather licensees are paid the following fees for Post Office Boxes:

- **Post Office Box Sorting Fee.** This is paid to licensees to provide and maintain the assets as well as sort mail into the boxes.
- **Mail Management Fee.** Is an additional payment per point to manage the point to primary sort mail and manage other activities associated with the point including carded articles

The total of these two fees in almost all cases is greater than the retail customer price, for example a customer is charged \$99 for a small Post Office Box and the LPO is paid around \$102. Post Office Box fees payable to licensees are linked to changes in the basic postage rate.

Since 2005, the basic postage rate has increased by 10.0% in 2008 and 9.1% in 2010.

2) How does Australia Post remunerate licensees for the increase in mail volumes?

With one billion fewer letters sent than five years ago, the work effort associated with letters per delivery point has decreased. Australia Post has so far absorbed the impact of losses in its letters business so that the financial impact has not passed on to licensees and the community.

The nature of the Delivery work done by LPOs over time has shifted towards parcels and away from letters as volumes have declined. This has had an impact on LPO work distribution. However, over time total volumes of articles per delivery point has fallen substantially (see Figure 18).

Whilst overall volumes are declining, total payments to LPOs have increased annually on average by 1.8% over the last five years. This includes an annual average 3.7% increase in delivery-related payments, which includes Post Office Boxes, mail management and other delivery related fees.

To ensure that LPOs are able to share in the benefits of growth in parcel volume, a scanning fee of \$0.22 per article has recently been introduced for street addressed carded articles. This payment is in addition to both the associated Mail Management Fee and Carded Article Fee.

3) Does Australia Post compete against LPOs for business customers?

Australia Post does not have a policy to transfer business customers between outlets. From time to time customers do move which may be as a result of customer preference and/or network needs (i.e. large volume customers moving to Business Hubs for efficient management of postings).

Business clients primarily choose where they wish to transact with Australia Post with the procedures for LPOs being the same as for corporate retail outlets.

Australia Post does not incentivise customers to lodge mail at corporate outlets rather than LPOs.

4) Is the licensee remuneration for mail redirection considered acceptable?

Licensees receive the following two payments that relate to mail redirections:

- An acceptance fee of \$1.76 (inc GST) to process the customer application
- The mail management fee which is paid on a per delivery point basis.

Australia Post considers these two payments to be acceptable.

5) How do licensees manage their cash flow when stock direct debit is due on the 24th of the month and commissions paid on the 30th of the month?

Direct debit arrangements (which applies to 85% of LPOs) offer up to 55 days credit (i.e. stock ordered on the first of a month is not due for payment until the 24th of the following month).

Payments to licensees are made up of discounts, commissions and fees.

Licensees determine the frequency of their commission payment and can claim these on a daily basis through the self pay function in EPOS. Alternatively they can wait for payment at the end of the month.

6) Is the EPOS shortfall fee still appropriate with declining transaction volumes?

Australia Post subsidises the cost of EPOS across the LPO network. Historically the EPOS shortfall fee has been a further contribution made by licensees to this cost where transaction numbers are below an agreed level.

7) What are the implications of changing the trigger for mail related payment from increase in the Basic Postage Stamp to an annual index such as CPI?

Linking payments to CPI in the short term would provide licensees with surety to future income streams from these payments.

For Post this would mean that future cost would be linked to delivery points and not necessarily the associated work content associated with mail. This has the potential to contribute further to the losses associated with the letter product as volumes per delivery point reduce.

Any change to the payment structure would need to consider the dynamics of the changes in emphasis from letters to parcels.

8) Is Australia Post willing to consider a change to the way it increases fee payments for delivery-related services to LPOs?

Yes, there may be opportunities to reassess selected payments and better align them to licensees' costs and Australia Post's business drivers for a mutually beneficial outcome.

9) Why has the point of sale system been changed to collect more data – should payments be increased as a result?

Australia Post introduced the following three initiatives in relation to the point of sale that are of benefit to licensees:

- **Upgraded the software.** This allows products/services to be brought to market quicker which improves licensees' revenue streams. It also makes it easier for licensees to be compliant with legislative requirements associated with various products and services.
- **Hardware replacement.** New counter hardware improves performance and increased reliability reducing down time at the outlet level.
- **Increased Bandwidth.** The increase in bandwidth improves the speed of transactions and thus reduces transaction service times for licensees.

Licensees participate in increased revenue through new products/services as well as improved productivity from new equipment and improved speed.

10) What benefits does Australia Post receive from information entered into CEPOS by LPOs?

Data entered into EPOS supports a range of functions, e.g. parcel assessment, parcel tracking and data required by agency principals.

11) How do the additional functionality and/or data entered into the system assist LPOs?

Similar to the above answer, licensees will benefit from the introduction of new products (or the retention of existing products) and fees associated with new or enhanced third party transactions.

12) How many LPOs receive the mail management fee to handle parcels?

The Mail Management Fee is payable for each delivery point associated with an LPO. This relates to care post office, post office box and street/ roadside delivery points.

For all LPOs, payment for the delivery of parcels addressed as 'care PO' or post office boxes is made through the applicable Mail Management Fee.

For the around 1,200 LPOs who have street/ roadside delivery points associated with their LPO, the payment for delivery of carded street/ roadside parcels is through the associated Mail Management Fee.

For the remaining 1,800 LPOs, payment for carded street/ roadside parcels is made through a Carded Article Fee (i.e. they do not receive an associated Mail Management Fee).

In recent times a scanning fee of \$0.22 per article has been introduced for street addressed carded articles payable in addition to both the associated Mail Management Fee and Carded Article Fee. This additional fee will be rolled out to all LPOs by May 2014.

13) Is Australia Post considering any changes to the way it remunerates LPOs (whether receiving the carded article fee and/or the mail management fee) for the delivery of parcels?

Australia Post has in recent times introduced a per-article scanning fee payment in addition to the existing payments licensees receive for the delivery of street addressed carded articles.

14) When is the scanning fee paid?

The per-article scanning fee payment is applicable to LPOs for the delivery of street addressed carded articles. It is not payable for the delivery of Care PO or Post Office Box articles (licensees already receive two separate payments for each of these delivery points through a combination of the associated Counter Mail Delivery/ Post Office Box Sorting Fee and Mail Management Fee).

15) What is the expected average time for LPOs to arrange delivery of a parcel (including initial receipt and processing of parcel by LPO, handing over to customer and scanning)?

The time involved in the delivery of parcels at an LPO varies according to their individual circumstances re parcel volumes, layout and storage capacity.

16) What commissions are LPOs paid for the acceptance (initial processing) of a parcel on behalf of a customer?

Licensees receive two separate payments for the acceptance of mail:

- 12% discount – for postage sales, assessment and acceptance
- Plus an outward mail processing fee of 1.5%, 5% or 8% depending on the level of streaming required from the LPO.

Where prepaid satchels are sold, the discount ranges from 12% to around 20% based on the volume of satchels purchased.

In addition to the above, a bag despatch fee of \$0.66 per bag is payable.

17) In the last five years, have commissions or payment fees increased?

Overall payments have grown 1.8% which is comparable to wage growth of staff at 1.5% for the same period.

Other rate increases are commercially sensitive, however they can and do exceed other benchmarks such as CPI.

It should be noted that payments from Australia Post is only one income stream for many licensees as almost 60% of the LPO network operate from a host business.

18) What procedures does Australia Post have in place to deal with licensees that are in significant debt (>\$20,000) to Australia Post and/or third parties?

The large majority of licensees (85%) pay for stock through direct debit arrangements. The procedures associated with these arrangements are:

- Accounts are debited on the 24th of each month for stock ordered in the previous month (up to 55 days credit)
- Where there are insufficient funds the licensee is advised by phone and asked to deposit funds within 3 days

- If the licensee fails to deposit sufficient funds then they are requested to pay by cash through EPOS
- For those that cannot pay individual repayment plans are agreed.

There are no provisions for third party debt under Australia Post arrangements with LPOs.

19) How many licensees are currently in significant debt to Australia Post?

There are 71 LPOs (2.4%) that have a stock debt over \$20,000.

20) Is it true that banks regard LPO franchisees as a high risk given the nature of their businesses?

Australia Post has approved supplier arrangements with ANZ, Westpac & CBA and meet regularly with each institution. None of these banks have raised issues around any increased risk with Australia Post at any time.

21) Does Australia Post keep track of LPOs sale price including time earnings ratios?

Licensed Post Offices are sold on the open market largely through business brokers. Australia Post does not become involved in the sale process except to approve the incoming licensees.

As such Australia Post does not have visibility of movements in business multiples but understands there are a number of influencing factors such as leasehold vs freehold, location and the nature and performance of any associated host business.

22) What discretion do LPOs have to stock new products (including postal merchandise and third party services)?

LPOs have access to new stock from Australia Post (subject to stock availability) and can provide third party services sourced by Australia Post where the agency principal wishes to extend its network to the outlet.

They can also source their own stock that do not compete directly with Post mandatory products/services (mandatory product/service include postage assessment, mail acceptance and delivery and agency banking and bill-pay).

23) Does the LPO Agreement outline obligations to 'single source' products from Australia Post (e.g. confectionary products)?

Items such as gift lines, stationery and confectionery products are optional to licensees. Licensees are able to source these items from Australia Post or third party suppliers.

Licensees are required to offer a defined range of mandatory products and services such as postage assessment, mail acceptance and delivery and agency banking and bill-pay which are "sourced" from Australia Post.

24) How does Australia Post determine the commission levels/ fee payments for new products?

Commission levels and fee payments for new products are based on a commercial approach with consideration given to the available margins, transaction volumes and competitor environment.

25) What are the parameters around the customer spotter's fee?

The Spotter's Fee is paid where a licensee identifies a new customer and that customer begins transacting with Australia Post. The current fee is \$330 per new customer.

26) Does Australia Post sell products cheaper online than the LPO wholesale price?

Products are not offered online by Australia Post at a lesser price than is available to licensees.

27) What consideration is given to ensure new outlets or relocated outlets do not compete with existing outlets?

Considerable consideration is given to the establishment of new outlets (whatever type) particularly as to the affect on any existing outlet. Principally consideration is given to:

- The need to ensure Australia Post is meeting its Community Service Obligation as it relates to access to the network, and
- Our network planning criteria which pays particular attention to outlet type and location in relation to other outlets in the vicinity.

Note that the total number of outlets has remained flat over the last several years.

28) Does Australia Post compensate LPOs for loss of revenue where Australia Post allows direct competition?

Australia Post network design principles preclude the establishment of outlets in direct competition with other outlets – these principles extend to LPOs.

29) In the last five years, how many LPOs have been converted to CPAs and how many CPAs have been converted to postal points?

In general terms Australia Post will establish a CPA in areas where the licensee has indicated that they do not wish to continue operating the LPO and no other suitable operator can be found.

In the past five years there have been 41 localities where LPOs have been converted to CPAs on the other hand there have been 7 CPAs converted to LPOs in the same period.

As post points are not considered an access point in relation to our community service obligation no records are kept of movement between CPA and post point



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.....Pages of the LPO Agreement Received Signature of Licensee
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Licensed Post Office Agreement

Insert name of LPO LICENSED POST OFFICE

This Agreement is made on the _____ day of _____ 20____ between the Australian Postal Corporation ("Australia Post") and the party referred to in the Schedule as the Licensee.

Recitals

- a) Australia Post has an established range of postal products and services, and distinctive and well recognised trademarks, colour schemes and corporate image which are used in connection with the operation of Post Offices which sell postage stamps and other postal products and provide services to local residents and the business community throughout Australia.
- b) The Licensee desires to operate a Licensed Post Office and Australia Post has agreed to grant a licence to the Licensee to operate a Licensed Post Office on the terms and conditions contained in this Agreement.

1. Definitions

The following words have these meanings unless the contrary intention appears:

"Association" means the Post Office Agents Association Ltd. A.C.N. 006 382 314 which has entered into a Consultative Agreement with Australia Post dated 3rd day of March 1993 or if that Agreement has been terminated, any other representative body of Licensees with whom Australia Post has signed a Consultative Agreement.

"Act" means the Australian Postal Corporation Act 1989 of the Commonwealth of Australia.

"Area/Controlling Postal Manager" means the officer-in-charge of the Corporate Post Office nominated by Australia Post in item 4 of the Schedule as the Corporate Post Office administering the Licensed Post Office Agreement.

"Business Revenue" means the aggregate of the Fees and Commissions paid or payable to the Licensee by Australia Post and the Discounts received or receivable by the Licensee from Australia Post or (in the case of Complementary Products) the supplier, over a specified period.

"Code for Resolving Disputes" means the code setting out the rules and the system to resolve disputes between Australia Post and the Licensee as contained in the Licensed Post Office Manual.

"Complementary Products" means those products, other than the Products as defined, which are approved for sale from the Licensed Post Office and are included in Australia Post's product guidebook as amended by Australia Post from time to time.

"Corporate Post Office" means a Post Office staffed by Australia Post employees.

"Customer" means a person who purchases Products or Services.

"Dispute Resolution Committee" means the Committee to resolve disputes as set out in the Code for Resolving Disputes.

"Equipment" means such computer hardware and peripherals and other electronic equipment as determined by Australia Post from time to time for use in the operation of a Licensed Post Office.

"Fees, Commission and Discounts" means those fees, commissions and discounts set out in Annexure A as amended by Australia Post from time to time following consultation with the Association. The terms "Fees", "Commissions" and "Discounts" shall be interpreted accordingly.

"Fixtures and Fittings Catalogue" means the catalogue containing the details and specification for the Licensed Post Office layout, design, signage, fixtures and fittings as amended by Australia Post from time to time.

"Image" means the distinctive colour schemes, designs, trade marks, logos and visible features of the Licensed Post Office.

"Licence" means the licence granted to the Licensee to operate a Licensed Post Office.

"Licensee" means the party named in item 1 of the Schedule.

"Licensed Post Office Agreement" means this Agreement.

"Licensed Post Office" means that part of the Premises devoted to the sale of Products, Services and Complementary Products to Customers, as specified in item 2b) of the Schedule

"Licensed Post Office Manual" means the manual issued by Australia Post containing procedures and standards specific to the operation of a Licensed Post Office, as amended by Australia Post from time to time following consultation with the Association.

"Manager" means the person specified in item 6 of the Schedule and such other persons who may be appointed as Manager of the Licensed Post Office from time to time.

"Marks" means the Australia Post name and logo and any associated trade marks or designs.

"Postal Business System" means the business format for operating a Licensed Post Office using the Techniques and the Image.

"Post Office Rules" means the Postal Regulations, General Postal Services Terms and Conditions, Operational and Accounting Procedures, EPOS Reference Manuals, relevant Third Party Agency Instructions and Procedures and the Post Guide, as varied, rescinded or replaced by Australia Post from time to time and includes any other procedural instructions affecting Licensees issued from time to time by Australia Post.

"Postpoint Operator" means a person licensed by Australia Post to sell a limited range of Products from a merchandising unit.

"Premises" means the premises of the Licensee in which the Licensed Post Office is situated which is described in item 2a) of the Schedule.

"Products and Services" means the products described in Part A of Annexure A and the services described in Part B of Annexure A, as varied by Australia Post from time to time following consultation with the Association and in accordance with Clause 34 of this Agreement. The terms "Products" and "Services" shall be interpreted accordingly.

"Serious Offence" means an offence under any law of the Commonwealth or State or Territory for which, if the act or omission had taken place in the Jervis Bay Territory, a person would be liable, on first conviction, to imprisonment for a period of not less than five (5) years.

"Techniques" means the operating procedures described in the Licensed Post Office Manual and Post Office Rules.

"Third Party Agency Services" means the services carried out by Australia Post as agent for any third party which are described in Part B of Annexure A or as advised in writing by Australia Post to the Licensee from time to time.

"Working days" means Monday through to Friday inclusive excluding public holidays observed by the State or Territory in which the Premises are located.

2. Interpretation

- a) In this Agreement, unless the contrary intention appears:
- i) a reference to a Clause, Schedule or Annexure is a reference to a Clause of or schedule or Annexure to this Agreement and references to this Agreement include any recital, schedule or Annexure;
 - ii) a reference to this Agreement or an item in the schedule or Annexure or another instrument includes any amendment, variation or replacement of any of them;
 - iii) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
 - iv) the word "person" includes a firm, a body corporate, an unincorporated association or an authority;
 - v) an agreement, representation, warranty or acknowledgment on the part of two or more persons who are party to this Agreement binds them jointly and severally;
 - vi) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day except where otherwise specified in the Agreement;
 - vii) words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter and vice versa; and
 - viii) a reference to a person involves a reference to the person's executors, administrators, successors, and permitted assigns.
- b) Headings are inserted for convenience and do not affect the interpretation of this Agreement.

3. Fundamental Provisions

- a) The Agreement is subject to the Act.
- b) Australia Post and the Licensee shall comply with the Act, the Post Office Rules and the Licensed Post Office Manual at all times except as provided for in Clause 34b).

4. Pre-Conditions to Operation

- a) The operation of this Agreement (other than Clauses 1, 2, this Clause 4 and Clauses 29-32 inclusive) is suspended until and is conditional upon:
- i) the due execution by the Licensee of this Agreement and, if the Licensee is a corporation, a guarantee in the form set out in Annexure C by a person or persons acceptable to Australia Post;
 - ii) the Licensee providing to Australia Post proof of the insurance required by Clause 18;
 - iii) the Licensee paying to Australia Post the licence fee as agreed between the parties; and
 - iv) the Licensee completing the necessary specified training requirements to a standard acceptable to Australia Post. Where the Licensee has already received such training, the Licensee shall be exempt.
- b) If the conditions set out in this Clause are not satisfied within a reasonable period, Australia Post may terminate this Agreement by written notice to the Licensee without any liability to Australia Post.

5. Grant of Rights

- a) Australia Post grants to the Licensee and the Licensee accepts, subject to the terms of this Agreement:
 - i) a Licence to use the Postal Business System, the Marks and the Licensed Post Office Manual in the operation of a Licensed Post Office at the Premises; and
 - ii) the right to sell Products at the Licensed Post Office and supply Services at and from the Licensed Post Office.

6. Relationship of Parties

- a) Australia Post appoints and authorises the Licensee to act as an independent distributor of the Products.
- b) Australia Post appoints and the Licensee accepts appointment as an agent of Australia Post for the purposes of providing the Services. Notwithstanding the appointment of the Licensee as Australia Post's agent the Licensee shall be an independent contractor in the conduct and operation of the Licensee's business at the Premises.
- c) The relationship of the parties is as provided in Clause 6a) and b) and no relationship of employment or partnership is intended or created.
- d) The Licensee shall not as agent have any right or authority to bind Australia Post in any way except in the provision of Services in accordance with the terms of this Agreement or by written authority of Australia Post.

7. Term

- a) This Agreement shall commence on the date specified in item 3 of the Schedule and shall continue in force indefinitely or until either party terminates the Agreement in the manner provided in Clauses 20 and 22 hereof.

8. Premises

- a) The Licensee may upon obtaining the written consent of Australia Post, relocate the Premises to a location acceptable to Australia Post. The Licensee shall be liable for all costs and expenses associated with such relocation.
- b) Any decision by Australia Post to relocate the Licensed Post Office shall be made after consultation and Agreement with the Licensee. Australia Post shall pay for all reasonable removal costs and expenses associated with such relocation of the Licensed Post Office including any in-conjunction business.
- c) Where Australia Post is the registered proprietor or lessee of the land where the Premises are located, Australia Post shall lease, sub-lease or licence the Premises to the Licensee on such terms and conditions as may be agreed between the parties.
- d) Where Australia Post is the lessee of the land where the Premises are located, Australia Post's obligation to sublease or licence the Premises is conditional upon the head-lessor (and any other persons having the right to do so) consenting to such sub-lease or licence. If this condition is not satisfied within one (1) month from the date of this Agreement, Australia Post may at its discretion without liability to the Licensee determine an alternative site for the Premises.
- e) Any other business conducted from the Premises must not be detrimental to the operation of the Licensed Post Office or the Image and must not adversely affect the goodwill or reputation of Australia Post.

9. Fees, Commissions and Discounts

- a) Australia Post will pay to the Licensee the Fees and Commissions for Services set out in Part B of Annexure A and allow the Discounts for Products set out in Part A of Annexure A.
- b) The Fees, Commissions and Discounts shall be fixed by Australia Post after having been reviewed at least once annually following consultation with the Association. In the event that the Fees, Commissions and Discounts are varied, Australia Post shall notify the Licensee in writing and Annexure A shall be varied accordingly with effect from the date as notified by Australia Post being no less than seven (7) days after the date of the notice, or where the Fees, Commissions and Discounts are to be reduced, no less than thirty (30) days after the date of the notice.

10. Appointment of a Manager

- a) The Licensee warrants that it has appointed the Manager as Manager of the Licensed Post Office.
- b) The Licensee will ensure that at all times there is a natural person appointed to the position of Manager of the Licensed Post Office and shall give Australia Post written notice of all changes. The Licensee will not appoint any person as Manager of the Licensed Post Office without first obtaining the approval of Australia Post. Australia Post shall respond to the Licensee within seven days.
- c) The Licensee will ensure that the Manager shall:
 - i) devote time and effort to the active management and supervision of the Licensed Post Office;
 - ii) represent and act on behalf of the Licensee in all dealings with Australia Post unless Australia Post has received written notification to the contrary;
 - iii) where the Licensee is a corporation, hold such position within the corporation as Australia Post may approve from time to time.

11. Obligations - Australia Post

During the term of this Agreement, Australia Post shall:

- a) furnish the Licensee with the Act, the Post Office Rules and the Licensed Post Office Manual as in force from time to time;
- b) ensure that suitable product and service information is provided to enable the Licensee to properly and amply inform Customers of the nature and availability of the Products and Services;
- c) provide initial and on-going training to the Licensee or his nominated representative. The training will cover the postal system generally, postal services and operating procedures of the Licensed Post Office. Australia Post has no responsibility to pay the Licensee or his employees any remuneration in respect of the period of training;
- d) use its best efforts to maximise sales of Products and Services to the mutual benefit of the Licensee and Australia Post;
- e) make available to the Licensee for purchase all shelving, signage, fixtures and fittings required by the Licensee at cost price, or make available the specifications of such shelving, signage, fixtures and fittings;
- f) provide a range of specialised accounting and business reporting forms at no cost to the Licensee to be used by the Licensee in the operation of a Licensed Post Office;
- g) maintain the integrity of the post office network by protecting the Marks and maintaining the standards of the Postal Business System; and

- h) from time to time make available to the Licensee a list of suppliers of Complementary Products.

12. Obligations - Licensee

During the term of this Agreement the Licensee shall:

- a) provide to Customers in accordance with this Agreement those Products and Services (including Third Party Agency Services) which are designated as mandatory in Annexure A and such other Products and Services as determined by Australia Post from time to time;
- b) adopt the Image, comply with the Postal Business System and generally provide prompt, efficient, quality customer service;
- c) use its best efforts to maximise sales of Products and Services from the Licensed Post Office to the mutual benefit of the Licensee and Australia Post;
- d) not sell or provide at or from the Premises, without the written consent of Australia Post, any products or services which compete with or perform similar functions to the Products or Services listed in Annexure B;
- e) keep confidential and ensure that employees keep confidential any information gained as a result of the operation of the Licensed Post Office, and not disclose such information to any person outside Australia Post or use such information for any purpose not authorised by Australia Post;
- f) properly supervise and be responsible for all the Licensee's employees and ensure that the Licensed Post Office is at all times staffed with sufficient competent trained personnel to ensure quality, prompt, efficient customer service;
- g) comply with all applicable federal, State and municipal laws, statutes, regulations and by-laws, in the conduct and operation of the Licensed Post Office;
- h) maintain security over mail, postal articles, money and the Licensed Post Office generally;
- i) be liable for operational, managerial and financial obligations relating to the operation of the Licensed Post Office. These obligations cannot be sub-contracted by the Licensee to a third party;
- j) maintain true and accurate accounting records and report to Australia Post in the manner and frequency prescribed in the Licensed Post Office Manual;
- k) provide and maintain in the Licensed Post Office:
 - i) such fit out as necessary for the operation of a Licensed Post Office; and
 - ii) a weighing instrument for the purpose of assessing postage, such weighing instrument having been approved by Australia Post.
- l) ensure at all times that the Licensee has the right to occupy the Premises;
- m) not conduct any business which, in the opinion of Australia Post;
 - i) causes or contributes to or is likely to cause or contribute to any financial loss or other detriment to Australia Post or any other Licensee of Australia Post; or
 - ii) detracts or is likely to detract from the business of Australia Post or any other Licensee of Australia Post; and
- n) not misuse or make any unauthorised use of Marks or any other identifying characteristics of the Postal business System, nor shall the Licensee materially impair the goodwill associated therewith or otherwise infringe Australia Post rights in relation thereto, nor shall the Licensee breach any of the provisions of any registered user Agreement relation to the Marks.

13. Stock Obligations

- a) The Licensee shall order Products in the minimum order quantities for each Product specified in the Licensed Post Office Manual and at the times agreed between the parties.
- b) The price to be paid by the Licensee for the Products shall be Australia Post's recommended retail price less the discount applied by Australia Post at the date on which the Licensee's order is received. The price is due and payable according to the terms in force at the time the Products are ordered.
- c) Australia Post shall supply and use its best endeavours to deliver the Products as ordered by the Licensee in a prompt and efficient manner.
- d) Any Products which are damaged at the time of delivery shall be replaced by Australia Post. Shortages or excesses of Products delivered must be notified by the Licensee to Australia Post immediately or by no later than the next working day after the Products are received.
- e) Payment for Products shall be made by the Licensee by means of cash or cheque to Australia Post or in the manner agreed by Australia Post and the Licensee from time to time. If a cheque is dishonoured Australia Post may determine that cash only terms will apply and will advise the Licensee in writing.
- f) Risk in and title to Products supplied to the Licensee pass to the Licensee on delivery.
- g) The Licensee shall be responsible for adequately, efficiently and promptly supplying an appropriate range of Australia Post Products to the Postpoint Operator described in item 5 of the Schedule.
- h) The Licensee shall replace any defective product returned by any customer, whether the product was acquired from the Licensee or not, in accordance with the procedures as set out in the Licensed Post Office Manual.

14. Technology

- a) Australia Post shall supply and install the Equipment in the Licensed Post Office and maintain the Equipment in proper working order:
 - i) where the Licensed Post Office satisfies the criteria determined by Australia Post from time to time; or
 - ii) in all other cases, where the equipment is available, at the request of the Licensee.
- b) Where Australia Post supplies the Licensee with Equipment pursuant to Clause 14a), the Licensee shall enter into Australia Post's then current Retail Technology Agreement and pay Australia Post's standard fees, if applicable, and use the Equipment in the conduct of the Licensed Post Office.

15. Financial Inspection

- a)
 - i) Australia Post may upon one (1) days prior notice to the Licensee, during normal business hours enter the Premises and have access to all records of the Licensee relating to the operations of the Licensed Post Office, (excluding any records relating to Products owned or purchased by the Licensee) to conduct operational inspections as detailed in the Licensed Post Office Manual and to conduct financial inspections (which financial inspection shall not be conducted more than once each financial year);
 - ii) Notwithstanding Clause 15a)i), where Australia Post has reasonable belief that there is or has been a breach of this Agreement or a discrepancy in the accounting records, Australia Post may at anytime during normal business hours without prior notice to the Licensee enter the premises for operational and financial inspections and have access to all records of the Licensee relating to the operations of the Licensed Post Office.

- b) Should any financial inspection disclose a material breach of the Agreement by the Licensee or any other conduct resulting in any monetary loss by Australia Post, any deficiency in relation to Third Party Agency Services or any other monetary loss or deficiency, the Licensee must pay the amount of any loss or deficiency to Australia Post within thirty (30) days.
- c) The Licensee may, during the term of this Agreement, but not more frequently than once annually (except where the Licensee has a reasonable belief that the Licensee's file contains incorrect or detrimental information) upon giving one (1) days prior notice and at a time agreed by Australia Post, have access to the records held by Australia Post which pertain to the Licensed Post Office. The Licensee shall only have access to those records that relate to the period of time that the Licensee has operated the Licensed Post Office and those documents which are not exempted under the Freedom of Information Act 1982 (Cth.).
- d) Notwithstanding Clause 15a), if a Licensee is eligible for or makes a claim for any compensation or subsidy pursuant to this Agreement the Licensee shall provide to Australia Post such financial records and invoices as may be required by Australia Post to substantiate the calculation of such subsidy or compensation, as the case may be.

16. Trademarks

- a) Australia Post hereby authorises the Licensee to display the Marks at the Licensed Post Office in the manner authorised in the Licensed Post Office Manual and the Licensee agrees to use the Marks in compliance with the requirements prescribed from time to time in the Licensed Post Office Manual and in accordance with any Government requirements and regulations.
- b) The Licensee shall not use the Marks except as designated or approved by Australia Post.
- c) The Licensee undertakes not to contest, directly or indirectly, Australia Post's ownership, title, right or interest in the Marks or claim any right, title or interest in or to the trade secrets, methods, procedures, techniques, copyright or any other mark of Australia Post.

17. Losses, Liabilities and Indemnities

- a) Except where Australia Post is responsible pursuant to this Clause 17, the Licensee shall at all times be solely responsible for:
 - i) any and all debts, deficiencies, losses, damages, risks and liabilities incurred by the Licensee in the conduct of the Licensed Post Office including any loss or liability resulting from any clerical or transaction error made by the Licensee or his employees, contractors or agents;
 - ii) all losses damages, risks and liabilities arising out of the acts or omissions of the Licensee or any of its employees, agents or contractors in connection with the sale of Products or the provision of Services and for all claims for financial loss, damage to property or for injury or death of any persons directly or indirectly resulting therefrom.
- b) Australia Post shall at all times be solely responsible for all debts, deficiencies, losses, damages and liabilities incurred or arising out of any case where the Licensee acts as an agent of Australia Post for the purpose of providing the services except:
 - i) where the Licensee has not acted in accordance with the Licensed Post Office Manual or Post Office Rules and such breach has resulted, in the debt, deficiency, loss, damage or liability;
 - ii) any clerical or transaction error made by the Licensee or his employees, contractors and agents.

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- c) Australia Post shall bear all losses and deficiencies as a result of any break-in and hold-up for Third Party agency money or monies collected by the Licensee as an agent of Australia Post, except where the Licensee has not acted in accordance with the Licensed Post Office Manual, Post Office Rules or any security requirements as agreed between the parties, and such breach has resulted in the loss or deficiency, in which case the loss or deficiency shall be the responsibility of the Licensee.
- d) If at any time, there is any discrepancy in the amount of a cash remittance between Australia Post and the Licensee, the parties agree to implement the procedures as set out in the Licensed Post Office Manual. Where the amount has not been recovered or found after observance of the procedures specified in the Licensed Post Office Manual, the parties agree that each party will respectively bear the loss in the circumstance specified in the Licensed Post Office Manual.
- e) The Licensee agrees to indemnify and keep indemnified Australia Post against all claims costs losses and liabilities (including legal costs) which are the responsibility of the Licensee pursuant to this Clause.
- f) Australia Post agrees to indemnify and keep indemnified the Licensee against all claims, costs, losses and liabilities (including legal costs) which are the responsibility of Australia Post pursuant to this Clause.

18. Insurance

- a) The Licensee shall at the Licensee's expense obtain and maintain during the term of this Agreement the insurance policies described in Item 8 of the Schedule.
- b) Australia Post shall be named as an additional insured in the Public Liability Insurance Policy described in Item 8 of the Schedule. The policy shall expressly protect both Australia Post and the Licensee and shall require the insurer to indemnify each party in relation to any claim arising under the policy.
- c) The Licensee must ensure that the Public Liability Insurance Policy described in Item 8 of the Schedule includes a cross-liability Clause in which the insurer agrees to waive all rights of subrogation or action that it may have or acquire against all or any of the persons comprising the insured and for the purpose of which the insurer accepts the term "insured" as applying to each of the parties comprising the insured as if a separate policy of insurance had been issued to each of them (subject always to the overall sum insured not being increased thereby).
- d) The Licensee shall maintain in force at all times any insurance or registration which the Licensee may be required to maintain pursuant to any State or Federal legislation (including but not limited to third party personal injury motor vehicle insurance and workers compensation to cover claims by employees injured in the course of employment) and pay all required premiums or levies.
- e) The Licensee shall produce to Australia Post for inspection proof of the existence of any insurance policy effected pursuant to this Clause and evidence of its renewal.

19. Transfer/Assignment

- a) The Licensee shall not assign any of its rights under this Agreement without the prior written consent of Australia Post.
- b) Australia Post shall not withhold its consent to an assignment if the proposed assignee is, in the opinion of Australia Post, of good moral character and has sufficient business experience, aptitude and financial resources to operate the Licensed Post Office and if, in the opinion of Australia Post:
 - (A) the proposed assignee;
 - (B) the business the proposed assignee intends to carry on under licence ("the Licensed Business");

(C) any business proposed to be connected to or associated with the Licensed Business;

(D) the business interests of the proposed assignee;

is unlikely to cause any financial loss or detriment to Australia Post or any other Licensees of Australia Post, or to detract from the business of Australia Post or any other Licensee of Australia Post and if the following conditions are satisfied:

- i) the proposed assignee undertakes to Australia Post to observe and perform the terms and obligations contained in this Agreement on the part of the Licensee;
 - ii) the assignee shall undergo appropriate training as shall be considered necessary by Australia Post;
 - iii) the proposed assignee, if required, agrees to install such fixtures and fittings into the Licensed Post Office as determined by Australia Post;
 - iv) the Licensee shall have paid any amounts owed to Australia Post which are then due and unpaid;
 - v) if applicable, the lessor of the Premises has consented in writing to the Licensee to the assignment or sub-lease of the Premises;
 - vi) the Licensee and the assignee execute and/or provide such documentation as Australia Post may reasonably require; and
 - vii) the Licensee shall as far as practicable ensure that any incoming Licensee is provided with assistance including assistance with training, staff matters and introductions to Customers of the Licensed Post Office.
- c) The Licensee acknowledges and accepts that Australia Post has no liability in respect of any claim by the Licensee for loss of profit or goodwill caused by Australia Post's refusal to consent, provided that such consent is not unreasonably withheld.
- d) If the Licensee is a corporation, any change of ownership or control in that corporation shall be deemed to be an assignment, except where it can be established to the reasonable satisfaction of Australia Post that the change in control or ownership of the corporation is due to an internal re-organisation of the corporation and does not amount to a sale.

20. Termination With Cause

- a) Australia Post may terminate this Agreement by giving written notice to the Licensee if the Licensee is in default under any of the terms, conditions or obligations imposed on the Licensee under this Agreement and the Licensee has failed to remedy the default within thirty (30) days after a notice of default has been served on the Licensee or such longer period of time as may be specified in the notice.

Australia Post may also terminate this Agreement on reasonable notice (which need be no more than thirty (30) days) if the Licensee is convicted of an indictable offence or other crime which substantially impairs the goodwill or reputation of Australia Post, and which offence is not a Serious Offence.

- b) Australia Post may terminate this Agreement by giving written notice to the Licensee effective immediately upon the occurrence of any of the following:
- i) if the Licensee becomes bankrupt, insolvent, under administration or an externally administered body corporate;
 - ii) if the Licensee is fraudulent in connection with the operation of the licensed business;
 - iii) if the Licensee is convicted of a Serious Offence;
 - iv) if the Licensee voluntarily abandons the licensed business, or the Licensee relationship;

- v) if the Licensee operates the licensed business in a way that endanger public health or safety; or
 - vi) where the Licensee has been given written notice of default pursuant to Clause 20a) by Australia Post three (3) times within any period of ninety (90) consecutive days and then fails again within the ninety (90) day period to perform any of the terms, conditions, obligations imposed on the Licensee under this Agreement providing that the Licensee has not referred any of the notices to the Dispute Resolution Committee pursuant to Clause 24.
- c) Notwithstanding the provisions of Clause 20b), upon the giving of a written notice to the Licensee pursuant to sub-paragraphs v), the Licensee may refer the matter to the Disputes Resolution Committee, within seven (7) days of receiving the notice and the termination shall not take effect until the Dispute Resolution Committee notifies the Licensee that it has determined that the notice terminating the Agreement was properly and validly given.
 - d) It is expressly acknowledged that proper and lawful termination of the Agreement pursuant to this Clause does not confer on the Licensee any right to payment of compensation or any other amount in respect of the termination.
 - e) Termination of this Agreement shall not prejudice any right of a party acquired or arising prior to termination.

21. Suspension

- a) If the Licensee or Manager is charged with a criminal offence as referred to in Clause 20a) or in Clause 20b)iii), Australia Post may by written notice immediately suspend the Licensee from operating the Licensed Post Office or suspend its approval of the Manager (as the case may be) until the charges are heard and determined by a Court of competent jurisdiction.
- b) If any charges brought against the Licensee result in a conviction, Australia Post may immediately terminate this Agreement by notice in writing. If any charges brought against the Licensee are dismissed the suspension imposed by Australia Post shall be lifted.
- c) If any charges brought against the Manager result in a conviction, Australia Post may withdraw its approval of the Manager, in which case the Licensee shall appoint a new Manager approved by Australia Post. If any charges brought against the Manager are dismissed, the suspension imposed by Australia Post shall be lifted.

22. Termination Without Cause

- a) The Licensee may at any time terminate this Agreement without cause by giving to Australia Post ninety (90) days prior written notice.
- b) Notwithstanding any other provision of this Agreement, Australia Post may at any time and without cause terminate this Agreement by giving the Licensee ninety (90) days notice that it intends to terminate the Agreement. Termination is effective upon the expiration of the ninety (90) days.
- c) If Australia Post terminates this Agreement pursuant to Clause 22b), Australia Post shall pay to the Licensee termination compensation calculated in accordance with Clause 22d) in full and final settlement of all entitlements of the Licensee arising from termination. Prior to or simultaneously with the receipt of the termination compensation payment the Licensee shall sign a release in a form satisfactory to Australia Post.
- d) Termination compensation payable pursuant to sub-Clause c) shall be an amount agreed between Australia Post and the Licensee. However such amount shall not be less than an amount equal to the Business Revenue over the period of twelve (12) months prior to the date of termination nor greater than that amount multiplied by three (3).

23. Obligations on Termination

- a) Upon termination of this Agreement, the Licensee shall cease to be a Licensee of Australia Post and shall:
- i) pay to Australia Post, within thirty (30) days of termination, all such payments and charges as have or will thereafter become due to Australia Post under this Agreement and are then unpaid;
 - ii) immediately return to Australia Post all copies of the Post Office Rules then in the possession or under the control of the Licensee;
 - iii) immediately cease to operate the Licensed Post Office and thereafter neither directly nor indirectly represent to the public that the Premises is a Licensed Post Office nor hold itself out as a present Licensee of Australia Post;
 - iv) immediately cease to use, directly or indirectly, in advertising or in any other manner whatsoever, the Marks, any other identifying characteristics or indicia of the operation of the Postal Business System, and any confidential methods, procedures and techniques associated with the Postal Business System; and forthwith discontinue using for any purpose, any and all signs, fixtures, furnishings, equipment, advertising materials, invoices, supplies, forms or other products or materials which display the Marks or any distinctive feature or device associated with the Postal Business System or Image;
 - v) if the Licensee retains possession of the Premises, the Licensee shall make such reasonable modifications to the exterior and interior decor thereof, as Australia Post reasonably deems necessary to eliminate the Marks, the Image and the identification of the Premises as a Licensed Post Office; and
 - vi) return to Australia Post all unused forms that were provided to the Licensee pursuant to Clause 11f) and any other Australia Post property.
- b) Upon termination of this Agreement:
- i) Australia Post shall upon receiving a written request from the Licensee within thirty (30) days of termination purchase from the Licensee any useable Products at the price at which the Licensee purchased those Products from Australia Post.
 - ii) Australia Post may set off against and withhold from the purchase price for the items repurchased by Australia Post in accordance with Clause 23b)i) all amounts whatsoever due to Australia Post from the Licensee; and
 - iii) Australia Post shall pay to the Licensee all outstanding amounts of money for Fees and Commissions that are owed to the Licensee and any amounts due under Clause 22c) no later than thirty (30) days after the date of termination.

24. Resolution Of Disputes

If any dispute as to any matter arising out of or relating to this Agreement (except where a party requires an urgent Court order granting interlocutory relief, termination by Australia Post under Clause 20 b)i), ii), iii) iv) or vi) or an issue relating to Australia Post consultation with the Association) arises between the parties and this dispute cannot be resolved between the parties, the dispute shall be referred to the Dispute Resolution Committee in accordance with the Code for Resolving Disputes.

25. Guarantee

If the Licensee is a corporation or if a Licensee consists of more than one person and one or more of them is a corporation, the directors of such a corporation shall execute a deed of guarantee and indemnity in favour of Australia Post against any default by the Licensee under this Agreement. The guarantee and indemnity shall be in the form set out in Annexure C or in such other form as Australia Post may reasonably require from time to time.

26. Force Majeure

Neither party shall be responsible to the other for non-performance or delay in performance occasioned by any causes beyond its control, including without limiting the generality of the foregoing, acts of civil or military authority, strikes, lock-outs, labour disputes, embargoes, insurrections or Acts of God. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of such delay.

27. Notices

- a) Notices pursuant to Clauses 20-22 inclusive and any notice which varies the schedule and annexures of this Agreement may be served on the Licensee at the Premises, or the address of the Licensee as specified in item 1 of the Schedule, or at the registered office of the Licensee or such other address as the Licensee may from time to time notify Australia Post in writing. Notices may be served upon Australia Post at the address specified in item 7 of the Schedule or such other address as Australia Post shall notify. In either case notices may be sent by registered post, facsimile or delivered by hand. In the case of facsimile the notice must also be confirmed by registered post.
- b) All other notices and communications pursuant to this Agreement may be served by ordinary pre-paid mail or facsimile on the Licensee at the premises or upon Australia Post at the address specified in item 7.
- c) All such notices and communications shall deemed to be served:
 - i) in the case of registered post or ordinary pre-paid mail, five working days after being deposited in the mail with postage pre-paid;
 - ii) in the case of a notice served by hand, at the time of delivery;
 - iii) in the case of a notice by facsimile transmission, on production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient except where the other party within one day notifies the sender that the message received was illegible.

28. Severability

If the whole or any part of a provision of this Agreement is void, unenforceable or illegal in a jurisdiction, it is severed for that jurisdiction. The remainder of this Agreement has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This Clause has no effect if the severance alters the basic nature of this Agreement or is contrary to public policy.

29. General Provisions

- a) This Agreement is governed by and shall be construed in accordance with the laws in force in the State or Territory in which the Premises are located.
- b) Either party may enforce compliance with this Agreement by injunction.
- c) The parties agree to comply with the Special Conditions as annexed to this Agreement.
- d) In the event of any inconsistency between the provisions of this Agreement, the Licensed Post Office Manual, or the Post Office Rules, the provisions of this Agreement shall prevail.

30. Acknowledgment By Licensee

The Licensee acknowledges that:

- a) prior to executing this Agreement he has read the provisions of this Agreement and has fully understood them;
- b) Australia Post will not be bound by any claim for goodwill in respect of the Licensed Post Office;
- c) the Licensee does not have and will not by the conduct of the Licensed Post Office or otherwise acquire any goodwill in the Marks or the Image;
- d) the Licensee does not have any authority from Australia Post to represent warrant or undertake to any third party that the Licensee may assign all or any of its rights without first having obtained approval from Australia Post;
- e) except as provided in Clause 22c), the Licensee has no right or remedy against Australia Post for termination of this Agreement according to its terms; and
- f) Australia Post accepts no liability for any loss or damage which may be suffered to any other business conducted at the premises by the Licensee by reason of Australia Post's decision to terminate this Agreement pursuant to Clauses 20 and 22.

31. Legal Costs

- a) Each party shall bear its own legal and other costs and expenses in relation to the negotiation, preparation and execution of this Agreement and of other related documentation except for registration fees and stamp duty.
- b) The Licensee shall bear all registration fees (if any) and all stamp duty (if payable) on this Agreement.

32. Entire Agreement

This Agreement includes the Special Conditions, Schedule, Annexures A, B, C and the Licensed Post Office Manual and any document or instrument in writing referred to or contemplated by this Agreement as being a part of or variation or replacement to all or part of this Agreement, constitutes the entire Agreement of the parties in relation to its subject matter and cancels and supersedes all previous Agreements, understandings and representations and negotiations in respect thereof.

33. Exercise of Rights

A party may exercise a right, power or remedy at its discretion, and separately or concurrently with another right, power or remedy. A single or partial exercise of a right, power or remedy by a party does not prevent a further exercise of that or any other right, power or remedy. Failure by a party to exercise or delay in exercising a right, power or remedy does not prevent its exercise.

34. Waiver and Variation

- a) A provision or a right created under this Agreement may not be waived except in writing signed by the party granting the waiver.
- b) Where the parties agree that it is not practicable for a provision of the Licensed Post Office Manual or Post Office Rules to be complied with by the Licensee, either temporarily or permanently, Australia Post may exempt the Licensee from compliance with such provision by instrument in writing. If a Licensee seeks an exemption in an emergency, the exemption may be granted by telephone provided that it is minuted by each party and the exemption is recorded in writing as soon as practicable.
- c) Australia Post may after consultation with the Association (except as provided in Clause 34d), without prejudice to this Agreement, at any time and from time to time by instrument in writing signed on behalf of Australia Post, vary rescind or replace all or any of the terms and conditions of this Agreement and the Licensed Post Office Manual then in force.
- d) Australia Post may at any time, upon giving ninety (90) days notice in writing to the Licensee withdraw a service from the Licensed Post Office. Where it is not practicable to give ninety (90) days notice or it is necessary to withdraw a service immediately, Australia Post shall pay to the Licensee, the amount equivalent to the amount paid to the Licensee, for the provision of the service for the previous ninety (90) days from the date of the withdrawal.

Special Conditions – Fixtures and Fittings

The Licensee shall at its own expense complete the works and install fixtures and fittings as determined by Australia Post (after consultation and Agreement with the Licensee) by the date as specified by Australia Post provided that Australia Post shall give the Licensee not less than Insert notice period (e.g. 6 months) notice.

Insert a list of items that the fitout is to include, such as slat wall units and a new counter (or delete if not applicable)

Insert any other comments or relevant details (or delete if not applicable)

Special Conditions – Disability Discrimination Act

The Licensee shall comply with the Disability Discrimination Act:

- Within a period of six months from the commencement of this agreement
- Prior to further assignment of this agreement

Whichever is the earlier

OR

On receipt of any representation or complaint under the Disability Discrimination Act.

Special Conditions - Security

- a) The Licensee shall at the Licensee's expense provide and maintain in the premises during the term of this Agreement the following security requirements:
- Alarm System
 - Additional Time Lock Cash Container
 - Special locks on the premises
 - Security bars/grilles on windows
 - Australia Post approved Licensee owned safe
 - Other (please specify) Insert other security requirements (delete if not applicable)
- b) The Licensee shall observe Australia Post's cash handling policy, where applicable.
- c) The Security requirements shall be reviewed by Australia Post periodically and at least every two years in consultation with the Licensee, however should Australia Post require the Licensee to update or increase the security requirements for the premises, such update of the security requirements must be implemented by the Licensee within three (3) months from the date of receiving notice by Australia Post.
- d) Australia Post shall provide to the Licensee a safe and a Time Lock Cash Container for use in the operation of a Licensed Post Office. The Licensee acknowledges that Australia Post accepts no liability for any property or money (not belonging to or collected on behalf of Australia Post or a third party agency principal) which may be kept in the safe and the safe remains the property of Australia Post at all times.

Special Conditions - Post Office Box Service

The Licensee, in the provision of the Post Office Box service, agrees to comply with the following service standards:

- a) Sort the mail to the Post Office Boxes no later than am
- b) Advise the customers of the Service Standards as applicable to the Licensed Post Office

Special Conditions - Licensee Conveyance of Postal Articles

Operation of Special Condition

- a) If at any time during the term of this licence
 - i) Australia Post requests the licensee to collect postal articles from a location nominated by Australia Post, and convey those articles in the Licensees own motor vehicle to the licensed post office premises for storage and/or processing; and
 - ii) Australia Post nominates a fee or price to be paid by Australia Post to the licensee as compensation for all of the costs and expenses associated with such mail conveyance; and
 - iii) the licensee agrees to the Australia Post request, and accepts the fee, the terms and conditions upon which the licensee is to convey the articles shall be as set out below

Terms and Conditions

- a) The fee to be paid by Australia Post to the licensee will be wholly inclusive of all reimbursements for the Licensees time and effort, and for all allowances for the use of the licensee's motor vehicle. The fee will include, without limitation, a component for both comprehensive and compulsory third party insurance, fuel, depreciation, all maintenance, whether scheduled or otherwise, repairs, running expenses and all applicable taxes and charges, including GST.
- b) Australia Post will not effect or maintain any insurance in respect of the Licensee and/or the Licensee's private vehicle. Such insurance shall be the sole responsibility and obligation of the Licensee.
- c) The licensee shall take all reasonable care to safeguard postal articles from loss, damage or theft during conveyance. Provided the licensee takes reasonable precautions under this clause, Australia Post will bear any loss associated with loss of or damage to articles in transit, and will indemnify the licensee in respect thereof.
- d) Australia Post may cancel this special condition at any time, by providing written notice of termination to the licensee. The licensee shall be entitled to receive payment of mail conveyance fees for all work undertaken prior to termination.
- e) Neither Australia Post, its employees nor agents shall be liable to the Licensee or to any third parties for any loss or damage whatsoever suffered, or that may be suffered (including consequential loss) as a result of any act or omission by Australia Post, whether negligent or otherwise, in relation to the performance of services under this special condition except for
 - i) any loss or damage to the Licensee's property caused by, and solely to the extent of, the negligence of Australia Post; and
 - ii) any loss or damage arising from personal injury or death suffered by the Licensee engaged in the performance of the mail conveyance service caused by, and solely to the extent of, the negligence of Australia Post.
 - iii) The licensee shall indemnify Australia Post and its employees and agents and at all times keep Australia Post indemnified against any loss and damage which may be suffered at any time by the licensee or any third parties as a consequence of any aspect of the licensee's performance of the mail conveyance service.
 - iv) The theft, loss of or damage to, a postal article or Australia Post property entrusted to the Licensee which is either caused by the Licensee or which results from negligent delivery.

Special Conditions - Additional Insurance

In addition to Clause 18a) the Licensee agrees to obtain and maintain, at the Licensee's expense during the term of this Agreement, the following insurance policies -

Insert any other comments or relevant details (or delete if not applicable)

Special Conditions - Stock Ordering Arrangements

The normal order period for the outlet will be Please select one on Please select one.

Payment is by direct debit.

Under normal circumstances, the turnaround time for the delivery of Australia Post products is expected to be Insert number of days days plus normal mail transit time.

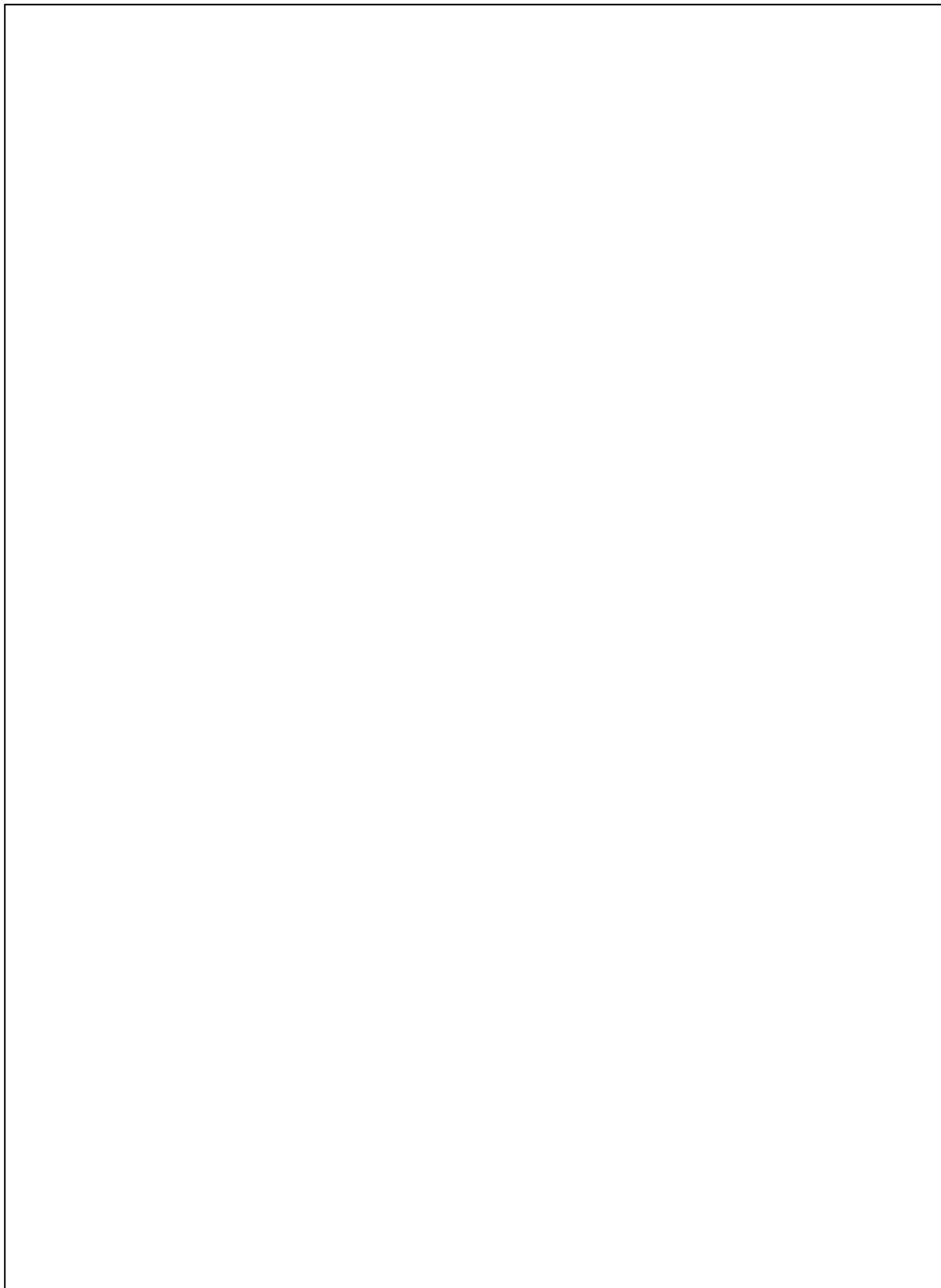
Special Conditions - Uniforms

Australia Post Corporate uniform to be worn by staff predominantly engaged in Post Office operations.

The Schedule

<u>Item 1</u> (Cl. 1)	The Licensee:	Insert licensee name(s)
	of	Insert licensee address
<u>Item 2a)</u> (Cl.1)	Premises:	Insert name of LPO Licensed Post Office Insert address of premises
<u>Item 2b)</u>	Licensed Post Office	Refer attached floor plan
<u>Item 3</u> (Cl. 7)	Commencement Date:	Insert commencement date
<u>Item 4</u> (Cl.1)	Area/Controlling Postal Manager	Insert name of Area/Controlling Postal Manager
<u>Item 5</u> (Cl.13g)	Nominated Postpoint Operator(s):	Not Applicable
<u>Item 6</u> (Cl.1)	Manager	Insert Manager's name
	of	Insert Manager's residential address
<u>Item 7</u> (Cl. 27)	Postal Address of Australia Post to which Notices are to be served:	Area/Controlling Postal Manager Insert Australia Post postal address
<u>Item 8</u> (Cl.18)	Insurance:	1. Public Liability for a minimum amount of ten million dollars (\$10,000,000).
<u>Item 9</u> (Cl. 3b)	Opening Hours	Monday – Friday Insert opening hours Saturday Insert opening hours

Floor Plan – Indicate LPO area



Appendix A - Signing Page

Company

IN WITNESS WHEREOF the parties have executed this Agreement on this __ __ day of _____ 20_____

THE COMMON SEAL* of Insert name of Company)	
[Name of Company])	
A.C.N.# Insert ACN	)	[Affix Company Seal]*
Was affixed in accordance with its articles of)	
association in the presence of Name of Director	)	.....
[Name of Director]	)	[Signature of Director]
)	
Name of Company Secretary	)	.....
[Name of Company Secretary]	)	[Signature of Company Secretary]
SIGNED by Insert name of Authorised Officer	)	.....
[Name of Authorised Officer]	)	[Signature of Authorised Officer]
Duly authorised officer of the Australian Postal Corporation)	
)	
in the presence of Insert name of Witness)	.
[Name of Witness])	
Insert address of Witness - Line 1)	
Insert address of Witness - Line 2)	
[Address of Witness])	
.....)	
[Signature of Witness])	

- * Optional
- # Mandatory

Appendix A - Signing Page

Partnership

IN WITNESS WHEREOF the parties have executed this Agreement on this ___ day of
_____ 20_____

SIGNED by Insert name of Licensee)
[Name of Licensee]) [Signature of Licensee]
in the presence of Insert name of Witness)
[Name of Witness])
Insert address of Witness - Line 1)
Insert address of Witness - Line 2)
[Address of Witness])
.....)
[Signature of Witness])

SIGNED by Insert name of Licensee)
[Name of Licensee]) [Signature of Licensee]
in the presence of Insert name of Witness)
[Name of Witness])
Insert address of Witness - Line 1)
Insert address of Witness - Line 2)
[Address of Witness])
.....)
[Signature of Witness])

SIGNED by Insert name of Authorised Officer)
[Name of Authorised Officer]) [Signature of Authorised Officer]
Duly authorised officer of the **Australian Postal Corporation**)
)
in the presence of Insert name of Witness)
[Name of Witness])
Insert address of Witness - Line 1)
Insert address of Witness - Line 2)
[Address of Witness])
.....)
[Signature of Witness])

Appendix A - Signing Page

Trust

IN WITNESS WHEREOF the parties have executed this Agreement on this _ _ _ day of
_____ 20____

SIGNED by Insert name of Trustee)
[Name of Trustee/s]) [Signature of Trustee/s]
Insert name of Trustee)
[Name of Trustee/s])
for the Insert name of Trust) [Signature of Trustee/s]
[Name of Trust])
in the presence of Insert name of Witness)
[Name of Witness])
Insert address of Witness - Line 1)
Insert address of Witness - Line 2)
[Address of Witness])
.....)
[Signature of Witness])

SIGNED by Insert name of Authorised Officer)
[Name of Authorised Officer]) [Signature of Authorised Officer]
Duly authorised officer of the **Australian Postal Corporation**)
in the presence of Insert name of Witness)
[Name of Witness])
Insert address of Witness - Line 1)
Insert address of Witness - Line 2)
[Address of Witness])
.....)
[Signature of Witness])

Appendix A - Signing Page

Sole Trader

IN WITNESS WHEREOF the parties have executed this Agreement on this ___ ___ **day of**
 _____ **20** _____

SIGNED by Insert name of Licensee	)	.....
[Name of Licensee]	)	[Signature of Licensee]
in the presence of Insert name of Witness)	
[Name of Witness])	
Insert address of Witness - Line 1)	
Insert address of Witness - Line 2)	
[Address of Witness])	
.....)	
[Signature of Witness])	

SIGNED by Insert name of Authorised Officer	)	.....
[Name of Authorised Officer]	)	[Signature of Authorised Officer]
Duly authorised officer of the Australian Postal Corporation)	
)	
in the presence of Insert name of Witness)	
[Name of Witness])	
Insert address of Witness - Line 1)	
Insert address of Witness - Line 2)	
[Address of Witness])	
.....)	
[Signature of Witness])	

Annexure A

Part A - Products

Product	Basis	Payment	Mandatory
Postage Stamps including postage prepaid postal products (Excludes base rate postage stamps and base rate Christmas stamps). <ul style="list-style-type: none"> Sales, assessment and acceptance 	% discount on of stock ordered.	*12%	Yes
Base rate postage stamps, base rate related pre-paid products and base rate Christmas stamps <ul style="list-style-type: none"> Sales, assessment and acceptance 	% discount on stock ordered.	*13.2%	Yes
Philatelic Items (excluding postage stamps retailed at face value).	% discount on stock ordered.	*30%	N/a
Retail Complementary Products (e.g. Cards, Stationery, Gifts etc) <ul style="list-style-type: none"> Ordered direct from Supplier or Australia Post 	LPO price on stock ordered	As per the published product list of Australia Post or approved Supplier	N/a
Postpak (excluding postage prepaid products) <ul style="list-style-type: none"> Minimum order quantity 	Wholesale price	As per the published Postpak wholesale price list.	N/a
Miscellaneous Postal Items	% discount on stock ordered		N/a

* Payment rate includes GST

Part B - Services

Service	Basis	Payment	Mandatory
Printing Postage Labels (EPOS outlets only) <ul style="list-style-type: none"> • Domestic • GST Free 	% of labels sold % of labels sold	*12% *13.2%	Yes/No
Bulk (Charge/Cash) <ul style="list-style-type: none"> • Accept lodgment 	% of lodgment value.	*5.5%	Yes/No
Money Orders (issue or pay at the outlet) <ul style="list-style-type: none"> • EPOS (if technology fee paid) • Manual (if technology fee not paid) • EPOS (if technology fee paid) • Manual (if technology fee not paid) • Express Money Orders (Issue or Pay) 	<u>Orders up to \$1000</u> Fee per transaction Fee per transaction <u>Orders over \$1000 to \$5000</u> Fee per transaction Fee per transaction Fee per transaction	*\$3.45 *\$2.95 *\$3.45 *\$2.95 *\$6.27	Yes
American Express Travellers Cheques (EPOS outlets only) <ul style="list-style-type: none"> • Acceptance of order • Delivery of order • Cashing of travellers cheques 	Fee per transaction Fee per transaction Fee per transaction	*\$1.00 *\$3.00 *\$1.21 for first cheque Plus 0.33 for each additional cheque, max 10 cheques - \$4.18	Yes/No
AMEX Global Travel Card <ul style="list-style-type: none"> • Sale • Reload • Cash out 	Fee per transaction	*\$10.02 *\$3.80 *\$1.96	Yes/No
Service	Basis	Payment	Mandatory

Annexure A

<p>Reloadable Prepaid VISA Cards</p> <ul style="list-style-type: none"> • Purchase • Reload <p>Miscellaneous Postal Services</p> <ul style="list-style-type: none"> • Reply Paid • COD – Acceptance or delivery • Cashless COD • Delivery of eParcel Cash to Collect 	<p>Fee per transaction</p> <p>% of value of customer account</p> <p>Fee per transaction</p> <p>Fee per transaction</p> <p>Fee per transaction</p>	<p>*\$1.43</p> <p>*\$1.10</p> <p>*13.2%</p> <p>*\$2.40</p> <p>*\$2.40</p> <p>*\$2.40</p>	<p>Yes/No</p> <p>Yes</p>
<p>Change of Address Request</p> <ul style="list-style-type: none"> • Acceptance • Extra Cover • Registered Post • Signature on Delivery • Unaddressed Delivery Service 	<p>Fee per transaction</p> <p>% of value of the Extra Cover fee</p> <p>Payment effected as part of payment for postage stamps/{labels/bulk/franking} resets</p>	<p>*\$1.76</p> <p>*12%</p>	<p>Yes</p>
<p>Electronic Mail</p> <ul style="list-style-type: none"> • FaxPost Lodgment (Machine owned/leased by AP) • FaxPost Lodgment (Machine owned/leased by Licensee) • No payment applies for any receipt of messages received from Australia Post 	<p>Fee per message</p> <p>Fee per message</p>	<p>*\$1.65</p> <p>*\$3.30</p>	<p>Yes/No</p>
<p>Accept AP Payments (Including Charge Accounts, Post Office Box accounts from another office etc.)</p> <ul style="list-style-type: none"> • EPOS • Manual 	<p>Fee per item</p> <p>Fee per item</p>	<p>*\$0.969</p> <p>*\$0.808</p>	<p>Yes</p>
<p>Certifying True Copies</p> <p>Servicing Postpoints</p> <ul style="list-style-type: none"> • Commission for supply of stamps and conducting service visits 	<p>Fee per transaction</p> <p>% commission</p>	<p>*\$2.97</p> <p>*2.5%</p>	<p>Yes</p> <p>Yes/No</p>

- *Payment rate includes GST*

Annexure A

Service	Basis	Payment	Mandatory
<p>Representation Allowance</p> <p>Covers functions which may be performed at all outlets including:</p> <ul style="list-style-type: none"> • Acceptance and security of depot bags • Customer enquiries and education re mail delivery • Counter delivery for any short term visitor not included in counter mail delivery payment • Display of service standards information and other mail information • Provision of service brochures and leaflets • Conduct of customer counts and mail counts where required • Maintaining the safe custody of mail articles • Handling missing article enquiry forms • Amendments to manuals • Attending to underpaid mail • Administrative work related to lost and dishonoured cheques • Attending to EPOS upgrades outside of normal business hours • Postmarking of first day covers in cases where no payment is forwarded[^] and • Acceptance of Reply Paid items requiring assessment[^] • Return of surplus mail bags/trays 	<p>Fee per annum</p>	<p>*\$791.99</p>	<p>Yes</p>

• *Payment rate includes GST*

• **[^] In exceptional cases where large quantities of these transactions are performed, a negotiable payment may apply.**

Service	Basis	Payment	Mandatory
New Business Spotter's Fee	Refer to LPO Manual	*\$330	n/a
Outward Mail Processing			
<ul style="list-style-type: none"> Clear local SPB or Post Office Posting Box 	Fee per annum per box cleared	*\$586.71	Yes/No
<ul style="list-style-type: none"> Process stamped/label items 	% of stamps invoiced plus labels sold, depending on processing performed	# *1.5% # *5% # *8%	
<ul style="list-style-type: none"> Processing of items with base rate postage stamps, base rate pre-paid products and/or all international stamps and labels 	Percentage of postage stamps and/or labels sold depending on amount of processing performed	# *1.65% # *5.5% # *8.8%	
		# Delete where inappropriate	
Sheet stamps ordered with a Philatelic Product Code receive base rate OMPF			
<ul style="list-style-type: none"> Process Bulk items 	% of lodgments and resets, depending on processing performed	# *0.55% # *4.4%	Yes/No
<ul style="list-style-type: none"> Process Postage Meter Items 		# Delete where inappropriate 0.55%	
<ul style="list-style-type: none"> Cancelling Cash Bulk Mail 	% of value of lodgment	*2.2%	
<ul style="list-style-type: none"> Dispatch of mailbags/trays 	Fee per bag or tray	*\$0.66	
<ul style="list-style-type: none"> Clear Remote SPB 		Negotiated Amount	
DELIVERY			
Mail Management Fee Licensee Performs Primary Sort.			
<ul style="list-style-type: none"> Private (including farms) <ul style="list-style-type: none"> First 200 points Next 800 points Over 1000 points 	Fee per annum per delivery point except Transit Points:	*\$29.35 *\$18.34	Yes/No
<ul style="list-style-type: none"> Business <ul style="list-style-type: none"> First 80 points Next 320 points Over 400 points 		Negotiated Amount	Yes/No
		*\$73.34 *\$45.84	
		Negotiated Amount	

* Payment rate includes GST

Service	Basis	Payment	Mandatory
PDO/Contractor Performs Primary Sort <ul style="list-style-type: none"> • Private (including farms) <ul style="list-style-type: none"> – – First 200 points – Next 800 points – Over 1000 points • Business <ul style="list-style-type: none"> – First 80 points – Next 320 points – Over 400 points 	Fee per annum per delivery point except Transit Points:	*\$5.87 *\$3.67 Negotiated Amount *\$14.67 *\$9.16 Negotiated Amount	Yes/No Yes/No
Post Office Boxes <ul style="list-style-type: none"> • AP Owned <ul style="list-style-type: none"> – Small – Medium – Large – A4 • Licensee Owned <ul style="list-style-type: none"> – Small – Medium – Large – A4 – Jumbo 	Fee per annum per box let	*\$58.67 *\$92.41 *\$151.08 *\$92.41 *\$73.34 *\$107.07 *\$165.74 *\$105.60 *\$316.80	Yes/No
Private or Locked Bag	Fee per annum per bag let	*\$92.41	Yes/No
Counter Mail Delivery	Fee per annum per delivery point	*\$58.67	Yes
Transit Mail (including Community Mail Bags) <ul style="list-style-type: none"> • Private • Business 	Fee per delivery point at destination outlet per annum	50% of relevant mail management fee	Yes/No
Accommodate Contractors/PDOs <ul style="list-style-type: none"> • Round set-up • Primary sort and round set-up 	Fee per contractor/PDO per annum	*\$924.00 *\$1253.99	Yes/No Yes/No

Annexure A

Mail Delivery Contracts Street and Rural	Competitive tendering system, Licensee given 5% preference		
Conveyance of Mail		Negotiated amount	Yes/No
Delivery of Carded Articles	Fee per annum	*\$381.82	Yes/No
Payment per scanned item	Fee per transaction	*\$0.22	
Mail Service Payment	Fee per hour for specified hours	*\$37.50	Yes/No
eBay acceptance of Satchels and Boxes	% of value of lodgment	*7%	Yes
THIRD PARTY AGENCY			
Bill Payments (National Agreements)	Fee per transaction		Yes
<ul style="list-style-type: none"> EPOS (if technology fee paid) Manual (if technology fee not paid) 		*\$0.969 *\$0.808	
Bill Payments (State Agreements)	Fee per transaction		Yes
<ul style="list-style-type: none"> EPOS (if technology fee paid) Manual (if technology fee not paid) 		*\$1.000 *\$0.833	
Banking	Fee per transaction		Yes
<ul style="list-style-type: none"> Electronic Banking Passbook (Non-EPOS outlet) 		*\$1.188 *\$2.358	
Business Banking			
<ul style="list-style-type: none"> Transaction Fee Cheque Deposit Fee 	Fee per transaction Fee per cheque	*\$1.386 *\$0.117	Yes/No
StarTrack Express (STE)	Fee per item		Yes
<ul style="list-style-type: none"> Lodgment of STE items STE/Express Post Platinum items carded for delivery by STE Awaiting Collection Delivered Return to STE 		*\$1.98 *\$1.98 *\$0.99 *\$0.99 *\$0.99	
Handout and display of brochures	Fee per annum	*\$302.50	Yes
I trade It	Fee per transaction	*\$5.71	Yes/No
iTunes cards	Fee per transaction	*\$1.43	Yes/No

Annexure A

Dept Immigration & Citizenship	Fee per transaction	*\$2.51	Yes/No
LPO Commissions – netPOS, ID&V & Non-standard agency rates			
netPOS rates • Commission for various third party agency	% commission or Fee per transaction	Variable	Yes/No
Non-standard agency rates Refer to PostLink – Licensee self-payment procedures for commission details	Fee per transaction	Variable	Yes/No
Service	Basis	Payment	Mandatory
Identification & Verification/Interview Services Refer to PostLink – Licensee self-payment procedures for commission details	Fee per transaction	Variable	Yes/No
Interviews			
Passports – New - Renewal	Fee per transaction Fee per transaction	\$12.30* \$5.32*	Yes/No
Approved camera service • Polaroid • Digital	Fee per individual transaction	*\$11.53 *\$11.53	Yes/No
Telephone Directory Storage	Payment dependant on Australia Post fee and is paid where storage of telephone directories is required	5.5%	Yes/No
Counter Issue of Telephone Directories	Fee per transaction	*\$0.363	Yes/No
State Duty Stamps (including cattle and swine)	% discount on stock ordered		Yes/No
Telstra Handset Issue / Return	Fee per transaction	*\$2.05	Yes
Mail2Day	Fee per transaction	Pro Rata	Yes/No
Box let for Other Office	Fee per transaction	*\$2.930	Yes
Bulk Money Order Issue	Fee per transaction	*\$16.50	Yes
Messenger Post Delivery	Fee per transaction	*\$1.10	Yes

Annexure A

Public Telephones <ul style="list-style-type: none"> • Clearance • Counting 	Fee per clearance Fee per \$100 counted	*\$2.54 *\$4.87	Yes/No
Miscellaneous <ul style="list-style-type: none"> • Sales of Theatre/Travel Tickets, Insurance, Mail Order 	Pre-paid products	Fee per transaction	Yes/No

* Payment rate includes GST

Part C – Technology Fees

Item	Monthly Fee
EPOS Terminal	#\$165.00
Electronic Cash Drawer	*\$21.50
Polaroid Camera	*\$11.00 per month
Digital Camera	*\$9.90 per month
EPOS Shortfall Fee	*\$0.43 per transaction Note: This applies to each transaction under 833 per month.
EFTPOB Shortfall Fee	*\$0.70 per transaction Note: Levels dependent on country or metro LPO

Includes postage label printer, barcode scanner & 15" colour monitor.

* Payment rate includes GST

Annexure B

Protected Products and Services

1. Acceptance and delivery of domestic and international letters and parcels (small and large) services.
2. Unaddressed Delivery Service.
3. StarTrack Express (STE)
4. Manual and Electronic Banking.
5. Post Office Boxes (other than Post Office Boxes serviced by Australia Post and owned by the Licensee).
6. Australia Post Philatelic products consisting of First Day/Souvenir Covers, Pre-stamped Maxi Cards, Collection of mint Australian Stamps, and Books which contain philatelic items.

Annexure C

Guarantee and Indemnity

To: Australian Postal Corporation
111 Bourke Street
MELBOURNE VIC 3000

WE, the undersigned Directors and/or Shareholders of Insert Company name A.C.N. Insert A.C.N. (hereinafter called the "Licensee") IN CONSIDERATION of you entering into a Licensed Post Office Agreement (hereinafter called "the Agreement") to which this form of guarantee and covenant is an annexure at our request HEREBY COVENANT jointly and severally for ourselves and our respective executors and administrators with you and your successors and assigns as follows:

1. WE HEREBY GUARANTEE the performance and observance of the terms and conditions in the Agreement contained and on the part of the Licensee to be performed and observed and we hereby specifically agree and declare that this guarantee shall be a continuing guarantee and shall in no way be avoided released or affected and shall remain in full force and effect notwithstanding any time or indulgence given or allowed to the Licensee by you or any variation of the Agreement irrespective of whether we have consented to or received notice of any such time indulgence or variation.
2. WE HEREBY INDEMNIFY you against all losses costs and expenses or otherwise (including but not limited to any legal costs and disbursements on a solicitor and own client basis) which may be incurred by you by reason of any default on the part of the Licensee in the performance and observance of the Agreement and conditions on the Licensee's part contained in the Agreement.
3. This guarantee and indemnity shall be enforceable against us by you notwithstanding any action that you may take against the Licensee in pursuance of your rights under the Agreement.
4. You may at any time grant to the Licensee any extension of time or indulgence and may compound or compromise with or release the Licensee or make any variation of the Agreement without releasing, discharging or affecting our liability under this guarantee irrespective of whether we have consented to or received notice of any such act, matter, thing or variation.
5. You may act as though we were the Licensee and we hereby waive any and all of our rights as surety which may at any time be inconsistent with the provisions of the guarantee and indemnity herein contained.
6. We undertake to exercise our powers as Directors or Shareholders of the Licensee as the case may be to ensure its compliance with the provisions of the Agreement.
7. Any claim or right that you may have against the Licensee shall in all respects take priority over any similar or competing right that we may have against the Licensee under the Agreement or otherwise howsoever arising.

**IN WITNESS WHEREOF we have executed these presents as a deed on this -----day
of _____ 20____**

SIGNED SEALED AND DELIVERED by

Insert name of Director)
[Name of Director]) [Signature of Director]

in the presence of Insert name of Witness)
[Name of Witness])

Insert address of Witness - Line 1)

Insert address of Witness - Line 2)
[Address of Witness])

.....)
[Signature of Witness])

Insert address of Director - Line 1

Insert address of Director - Line 2
[Address of Director]

SIGNED SEALED AND DELIVERED by

Insert name of Director)
[Name of Director]) [Signature of Director]

in the presence of Insert name of Witness)
[Name of Witness])

Insert address of Witness - Line 1)

Insert address of Witness - Line 2)
[Address of Witness])

.....)
[Signature of Witness])

Insert address of Director - Line 1

Insert address of Director - Line 2
[Address of Director]

SIGNED SEALED AND DELIVERED by

Insert name of Director

)

[Name of Director]

) [Signature of Director]

in the presence of Insert name of Witness

)

[Name of Witness]

)

Insert address of Witness - Line 1

)

Insert address of Witness - Line 2

)

[Address of Witness]

)

.....

)

[Signature of Witness]

)

Insert address of Director - Line 1

Insert address of Director - Line 2

[Address of Director]