

The Senate

Environment and Communications
Legislation Committee

Performance, importance and role of Australia
Post in Australian communities and its
operations in relation to licensed post offices

Interim report

December 2013

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ISBN 978-1-74229-933-4

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This document was printed by the Senate Printing Unit, Parliament House, Canberra

Committee membership

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Senator Anne Urquhart (ALP, TAS) (Deputy Chair)
Senator David Fawcett (LP, SA)
Senator Louise Pratt (ALP, WA)
Senator Anne Ruston (LP, SA)
Senator Larissa Waters (AG, QLD)

Substitute members

Senator Peter Whish-Wilson (AG, TAS) for Senator Larissa Waters (AG, QLD) for 6 December 2013

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Senator Doug Cameron (ALP, NSW)
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Senator Peter Whish-Wilson (AG, TAS)
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Chapter 1

Referral of the inquiry

1.1 On 14 November 2013, the Senate referred the following matter to the Senate 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.

Conduct of the inquiry

1.2 In accordance with usual practice, the committee advertised the inquiry on its website and wrote to relevant organisations inviting submissions by 25 November 2013.

1.3 The committee received 142 submissions and these are listed at Appendix 1. The public submissions may be accessed through the committee's website.

1.4 The committee held a public hearing in Canberra on 6 December 2013. A list of witnesses who appeared at the hearing may be found at Appendix 2.

1.5 The committee would like to thank all the organisations and individuals that contributed to the inquiry and the witnesses who attended the public hearing.

Summary of issues raised during the inquiry

1.6 Evidence to the committee highlighted the important role of Australia Post and its network of Licensed Post Offices (LPOs) in Australia, and particularly in rural and regional Australia.¹ However, the committee also heard that Australia Post's

1 See, for example, Mr Stephen Giles, *Submission 1*, p. 5; Communications Worker Union (CWU) Australia, *Submission 2*, p. 2; Communications Electrical Plumbing Union (NSW Branch), *Submission 11*, p. 2; CWU (Vic Branch), *Submission 6*, pp 1–2; Post Office Agents Association Limited (POAAL), *Submission 9*, pp 5–6; Country Women's Association NSW, *Submission 18*, p. 1; see also Australia Post, *Submission 8*, p. 23.

business has been changing rapidly in recent years, due primarily to a significant decline in letter volumes processed through the postal network, and the increasing uptake of digital technologies by consumers in the areas of communications and financial services.² The committee also heard that, while the letter service is in decline, the parcel business has increased (as a result of the growth in online shopping).³

1.7 In light of these changes, the committee heard that Australia Post is facing a number of challenges in the immediate and longer term. As the Department of Finance noted, 'Australia Post's business is at a critical point where its letters service is in serious decline, with an increasing reliance on its ancillary business for cross-subsidisation'.⁴ Australia Post is a significant employer especially in regional areas. The long term viability of Australia Post is especially important in this context. The committee heard that Australia Post has undertaken a number of initiatives, including its 'Future Ready' strategy, in response to the changing business environment.⁵ However, it appears that these initiatives alone may not be enough.⁶

1.8 Several proposals were put forward by Australia Post to help maintain its profitability and to ensure the continued viability of LPOs and direct employment opportunities into the future. This included, for example, a proposal to increase the Basic Postage Rate (BPR or stamp price) to minimise the financial loss in the letter service and provide a revenue boost for LPOs.⁷

1.9 Australia Post also submitted that it is also looking to gain approval to offer a wider range of 'trusted services' on behalf of government.⁸ In this context, the committee notes that Australia Post has made a submission to the Government's current Commission of Audit, which is due to report on its first phase by the end of January 2014, and the second phase by the end of March 2014.⁹

1.10 In terms of the relationship between Australia Post and LPOs, the committee received a large volume of evidence from licensees. This included evidence from peak body groups representing licensees as well as many submissions from individual licensees themselves. Key issues raised by licensees included problems relating to the

2 Australia Post, *Submission 8*, p. 10; Department of Finance, *Submission 5*, p. 4; Department of Communications, *Submission 7*, p. 2; see also Australia Post, *Future Ready: Australia Post Annual Report 2013*, October 2013, p. 24.

3 Mr Ahmed Fahour, Managing Director and Chief Executive Officer, Australia Post, *Committee Hansard*, 6 December 2013, p. 47; see also Australia Post, *Submission 8*, p. 14.

4 Department of Finance, *Submission 5*, p. 4.

5 Australia Post, *Submission 8*, pp 16–17.

6 Department of Finance, *Submission 5*, pp 5–6.

7 Australia Post, *Submission 8*, pp 16–17.

8 Australia Post, *Submission 8*, p. 18.

9 Australia Post, *Submission 8*, p. 18. See further Australian Government, *National Commission of Audit*, <http://www.ncoa.gov.au/> (accessed 9 December 2013).

LPO Agreement; payment arrangements between Australia Post and licensees (including, for example, remuneration arrangements for mail processing and delivery, and the linkage of payment increases to the BPR); and the overall viability of the LPO model under the current trading arrangements.¹⁰ Other concerns included allegations of the transfer of LPO customers from those LPOs to Australia Post;¹¹ and the level of margins offered by Australia Post on postage and retail products.¹²

Committee comment

1.11 During the committee's hearing, it became apparent that there are numerous issues for the committee to consider in relation to the performance of Australia Post and its relationship with LPOs. Evidence was given that many LPO operators are struggling to survive to the point where some off-site employment is undertaken to fund their operation. It is evident it has now become a fight for survival and must be considered a matter of urgency. To do nothing would put the future of hundreds of LPOs, principally in rural and regional areas, at risk. These are important and complex issues which the committee considers require further deliberations.

1.12 The committee is heartened at the dialogue that has started between Australia Post and industry groups and this should continue in the short term. The committee acknowledges that Australia Post is making efforts to address some of the issues identified in the submissions and at the hearing, and these discussions will be watched with interest.

1.13 The committee notes that just over half the payments to LPO's are linked to the Basic Postage Rate. It is mindful that to increase the BPR (price of postage stamps) would lead to an increase in some payments to LPOs as identified in Australia Post's submission dated the 26th of November. The committee makes no comment on this aspect at this time until discussions between Australia Post, the Government and stakeholders are finalised.

1.14 The role of Australia Post is to provide a community service and a financial return to government. Its sustainability must be considered in the context of any future recommendations.

1.15 The committee intends to present the final report by 31 March 2014.

Senator John Williams Chair

10 See, for example, Licensed Post Office Group, *Committee Hansard*, 6 December 2013, pp 1–11; POAAL, *Submission 9*, pp 4 and 15.

11 See, for example, POAAL, *Submission 9*, p. 24.

12 See, for example, POAAL, *Submission 9*, p. 7.

Dissenting Interim Report from Australian Labor Party Senators

Australian Labor Party Senators include this dissenting interim report, not as a replacement to the chair's interim report but to provide dissenting comments about the treatment of amendments proposed by ALP Senators.

ALP Senators proposed amendments to the chair's draft interim report, which were approved by the whole Committee, including of course by Government Senators, at its meeting on 11 December 2013.

Barely hours after this meeting the chair called a further meeting for the following day, where the amendments were either omitted or watered down by Government Senators.

As point (a) in the Terms of Reference for this Inquiry sought to investigate the role of Australia Post in communities and its challenges into the future, Australian Labor Party Senators proposed amendments to include the challenges Australia Post faces to ensure employment security and direct employment opportunities into the future.

The first amended Paragraph 1.7, noted evidence from the Communications Workers' Union that there has been a reduction in Australia Post staff from 35,000 to 33,000 over the past four years and there is currently an employment freeze in place. This amendment also added the underlined phrases to the following sentence from the Chair's draft interim report: "These challenges have significant implications for Australia Post, its direct employees and its LPO network, particularly in terms of employment security for direct employees and the financial performance of Australia Post and its LPO network." This amendment was initially approved by the Committee then watered down a day later in the final interim report to read: "Australia Post is a significant employer especially in regional areas. The long term viability of Australia Post is especially important in this context." The new amendments not only removed phrases relating to employment security for direct employees, but have now removed reference to the LPO network in Paragraph 1.7.

The second amendment added "direct employment opportunities" to Paragraph 1.8. This amendment was approved by the Committee and maintained in the final interim report.

The third amendment added a new sentence to the Committee Comment section of the Interim Report, which read: "The committee notes the submission from the Communication Workers Union and that further strategies are needed to meet challenges relating to maintaining direct employment opportunities into the future." This was initially approved by the Committee then omitted from the final interim report a day later.

A final amendment moved the final reporting date from 31 March 2013, which is during the Autumn break, to 14 May 2013, the first sitting day after the Autumn break.

This amendment sought to fix the anomaly in the Chair's Draft Interim Report that noted that Australia Post had made a submission to the Commission of Audit seeking to gain approval to offer a wider range of 'trusted services' and that the Commission's final report was due by the end of March 2014, the same time as the final reporting date for this Inquiry.

The clash in reporting dates makes it unlikely for the Committee to be able to properly consider the Commission of Audit's findings in relation to Australia Post's submission.

As the submission to offer further 'trusted services' is a major strategy put forward by Australia Post to grow its non-reserved business, ALP Senators consider it appropriate to extend the reporting date into April or May 2014.

Senator Anne Urquhart
Senator for Tasmania

Senator Louise Pratt
Senator for Western Australia

Appendix 1

List of submissions

- 1 Mr Stephen Giles
- 2 CWU Australia - National Office
- 3 Australian Federation of Disability Organisations
- 4 Community and Public Sector Union
- 5 Department of Finance
- 6 Communication Workers Union, Postal & Telecommunications Branch
Victoria
- 7 Department of Communications
- 8 Australia Post
- 9 Post Office Agents Association Limited
- 10 Franchisees Association of Australia Inc
- 11 CEPU
- 12 The Treasury
- 13 Name Withheld
- 14 Name Withheld
- 15 Kersbrook LPO
- 16 Mr Ken King
- 17 Mr Peter Hay
- 18 Country Women's Association of NSW
- 19 Ms Helen Bain
- 20 Ms Carina Mayers
- 21 Name Withheld
- 22 Name Withheld
- 23 Name Withheld
- 24 Name Withheld
- 25 Name Withheld

- 26 Commonwealth Ombudsman
- 27 Dr Doug Lloyd
- 28 Conrad and Jane Silvester
- 29 Name Withheld
- 30 Confidential
- 31 Confidential
- 32 Name Withheld
- 33 Confidential
- 34 Name Withheld
- 35 Confidential
- 36 Confidential
- 37 Confidential
- 38 Name Withheld
- 39 Name Withheld
- 40 Name Withheld
- 41 Name Withheld
- 42 Mr Wayne Krause
- 43 Name Withheld
- 44 Name Withheld
- 45 Ms Aileen Eccles
- 46 Name Withheld
- 47 Mr Bruce Thompson
- 48 Name Withheld
- 49 Mr David and Ms Liz Dundovic
- 50 Name Withheld
- 51 Name Withheld
- 52 Name Withheld
- 53 Mr Kevin Nicholls
- 54 Confidential

- 55 Confidential
- 56 Confidential
- 57 Confidential
- 58 Confidential
- 59 Confidential
- 60 Confidential
- 61 Confidential
- 62 Confidential
- 63 Name Withheld
- 64 Name Withheld
- 65 Confidential
- 66 Name Withheld
- 67 Name Withheld
- 68 Name Withheld
- 69 Tony Burgess and Irene Reinders
- 70 Vanessa and Gavin Caplice
- 71 Ms Lisa Cooper
- 72 Mr Malcolm Davies
- 73 Mr John Fisher
- 74 Mr Neil Graham
- 75 Mr Graeme Jilbert
- 76 Lynette and Wayne Kerr
- 77 Mr Paul Kitson
- 78 Mooball and District Moovers (Inc)
- 79 Mr Steve Kummerow
- 80 Mr Akil Kolhapurwala
- 81 Mr Hamsa Lingam
- 82 Name Withheld
- 83 Ms Jenny Patroni

- 85 Ms Nicole Swain
- 86 Ms Cynthia Turner
- 87 Mr Bagula Sankrithyan
- 88 Name Withheld
- 89 Name Withheld
- 90 Mr Russell Benn
- 91 Mr Robert Chizzoniti
- 92 Mr Dennis Jenner
- 93 Mr Chris Campbell
- 94 Mr Terry A Ashcroft
- 95 Mr Wayne Krause
- 96 Mr Tony and Ms Noelene Brandi
- 97 Mr Shabbir Lokhandwala
- 98 Ms Margaret Fowler
- 100 Mr Ivor Ransom
- 101 Mr Mark French
- 102 Name Withheld
- 103 Mr Kevin Lee
- 104 Ms Robyn Chapman
- 105 Mr Tom Dancer
- 106 Mr Grant Booth
- 107 Ms Sue McNichol
- 108 Mr Murray Neilson
- 110 Name Withheld
- 111 Name Withheld
- 112 Name Withheld
- 113 Name Withheld
- 114 Danielle Hocking & Helen Zowtyj
- 115 Mr Wolf Hoffmanbeck

- 116 Confidential
- 117 Mr Robert G Richardson
- 118 Confidential
- 119 Confidential
- 120 Confidential
- 121 Confidential
- 122 Confidential
- 123 Name Withheld
- 124 Mr Eric Keft
- 125 Name Withheld
- 126 Confidential
- 127 Mr Mahendra Odhadee
- 128 Ms Kylie Hill
- 129 Ms Helen Evans
- 130 Kathy Whelan and Peter Lee
- 131 Mr Peter Moody
- 132 Miss Dale M Raper
- 133 Mr Andrew Hirst
- 134 Mr Kim Thi Mai Xuan
- 135 Mr Paul Desteno
- 136 Mr Mark Bailey
- 137 Ms Siobhan Whelan
- 138 Confidential
- 139 Confidential
- 140 Mr Justin Hughes
- 141 Confidential
- 142 Mr Tony & Ms Leslie Buskariol

Appendix 2

Public hearing

Friday, 6 December 2013 – Canberra

Licensed Post Office Group

Ms Angela Cramp, Chairperson

Mr Andrew Hirst, Vice Chairman

Mr Tony Buskariol, LPO Group Member, Concorde West, NSW

Post Office Agents Association Limited

Mr Ian Kerr, Chief Executive Officer

Mr Bob Chizzoniti, POAAL Director

Mr Dennis Jenner, POAAL Director

Mr Chris Campbell, POAAL Director

CWU Australia – National Office

Mr Martin O'Nea, National Assistant Secretary

Ms Carol Gee, Senior Industrial Officer

Australia Post

Mr Ahmed Fahour, Managing Director and Chief Executive Officer

Mrs Christine Corbett, Executive General Manager, Retail and Consumer

Mr Paul Burke, Corporate Secretary

Mr Russell Ramey, General Manager, Retail Sales and Service

Department of Finance

Ms Stacie Hall, Assistant Secretary, Government Business Advice Branch

Department of Communications

Mr Keith Besgrove, First Assistant Secretary

Mr Duncan McIntyre, Assistant Secretary

