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I am writing to you directly to express my concerns and those of my Board and many of our members, regarding the misleading statements made in the Australia Post submission to the current Inquiry on the Effectiveness of Franchising.

I believe that we have an open and honest working relationship, and rather than preparing and publishing a public rebuttal of Australia Post's submission, I would like to raise the issues privately first.

If both LPOG and Australia Post are called as witnesses to the Inquiry then we will have little choice but to go head to head in the public domain, so it is surprising that this submission was made such as it is.

The statement by Australia Post that "Approximately 60% of all Australia Post licensees operate a 'host business' environment, where there is a small area dedicated to the sale of Australia Post products and the provision of postal services (or where Australia Post products and services are made available side-by-side with other products and services made available by the business), making the joint business more viable than a standalone Australia Post business in many situations." is particularly concerning given the following statement that "Australia Post does not control, and does not seek to control, the scope of operation or management of the broader business. Australia Post does not prescribe a defined business format, mandate business systems or standard product ranges. Australia Post simply makes the Australia Post brand and a range of Australia Post products and services available to licensees, and remunerates licensees for postal services provided on behalf of Australia Post. Licensees also derive revenue from their resale of Australia Post products."

I assume that the description/choice of words, using "licensees" rather than "Licensed Post Offices" is to be able to include Community Postal Agents (who only provide a very limited range of products and only provide an acceptance/delivery service for mail) into the mix to somehow derive the 60% figure, and to also give the impression that most LPOs are just a small part of a host business, alluding to the position that Australia Post is merely required to assist, rather than being held responsible, for the viability of a Licensed Post Office.

There is also no mention of the "competing" products and services clause within the LPO Agreement. That clause limits and restricts the range of products and services that Licensees are able to provide for sale in their LPO, and that, by default, reduces opportunities for growth.

This is a particular sore point for many Licensees that have had their LPOs since 2006-8, as only a few years ago there was a concerted campaign, particularly in New South

Wales, to stamp all Licensed Post Offices into Stand alone offices, as part of a very misguided strategy to force Licensees to only sell Australia Post products, thus allowing of making it possible for Post to gain additional rebates from suppliers, to the absolute detriment of Licensees.

Taken to its logical conclusion and using the part of the statement “(or where Australia Post products and services are made available side-by-side with other products and services made available by the business)”,

(we could assume that would be Licensee sourced complementary products and services like greeting cards and dry cleaning services for example) 100% of Licensed Post Offices could be classified as an LPO operating within a “host business” so, once again, the use of the 60% figure can only be designed to mislead, particularly given statements later in the AP submission that “it is not possible for Australia Post to provide specific information on turnover, costs or profits, and as there are significant differences between Australia Post LPOs across the LPO network.” and using this as a justification for not providing earnings, and other financial information, into the disclosure document.

██████████ and I have had some lengthy and robust discussions on this very topic, specifically in response to ██████████ statement to Estimates, where she provided year on year payment increases which certainly did not disclose the facts as requested. LPOG requested clarity on the figures provided to the Senate, and ██████████ and I agreed that Australia Post did have a very good system that could provide the specific data, that this submission states, is not possible for Australia Post to provide. LPOG is still waiting for that data to be provided, and it is still not delivered!

After stating that it cannot know, and has no interest in knowing, financial details of Licensed Post Offices, how can Australia Post honestly make this statement as part of their submission. Surely it would have been a better position to make this statement as an observation only, unsupported by any factual and verifiable information. If we are both called to sit at the table and discuss this point, our views will not align, which is not good for any of us.

My next concern is the statement relating to the 2013 inquiry by the Standing Committee on Environment and Communications (Committee) that focused on the performance of Australia Post and its LPOs. The submission states that “Australia Post has adopted and implemented the majority of Recommendations and Senator Williams commended Australia Post on this on public record.” This statement gives the impression the majority of the recommendations have been fully implemented when, as stated in our submission, the recommendations that significantly impact Licensees around Dispute Resolution, Revised Payment Scheme and Poaching of Customers

have not been fully implemented.

LPOG, although now recognized as an “Association” as per Recommendation 11, has not been given recognition in the internal Dispute Resolution Process. There is no visibility of the informal/formal disputes raised and resolved/unresolved, the consultation on the revised LPO payment scheme only commenced some three months ago, while poaching of LPO customers by Australia Post is still rampant, and in many cases being undertaken by Mail Plus, another franchise network Australia Post is running alongside the LPO network. The net effect of this ongoing poaching is destroying current and future revenue growth for Licensees.

I am happy to expand on these topics if you need further details, but needless to say, Licensees continue to shake their heads when reading words such as this when they know the reality of the situation.

I do agree with Australia Post’s statement “The LPO business model has helped Australia Post to consistently meet its regulatory obligations under the APC Act, and Licensees play a critical role in helping Australia Post fulfill these obligations. The LPO business model symbiotically combines the brand, systems and resources of Australia Post with the energy, connections and service ethic of a committed and locally engaged owner-operator (the licensee or franchisee). “

However, our everyday experience is that these sentiments are not reflected in meaningful and timely actions. As previously indicated to you, my members and I want to work constructively and co-operatively with Australia Post, but there must be acknowledgement throughout the various levels of Australia Post that a genuine effort must be made to ensure an improvement in the relationship. This includes a resolution to the poaching of customers, fair and equitable payment to Licensees so they can be viable and a dispute resolution process that welcomes the resolution of issues, rather than a culture of denial and punishment. Trotting out the old statements that “everything is great, nothing to see here” simply will not take us to where we both need to go.

It is quite possible that the author of this submission is unaware that we will rebut, and when needed air our dirty laundry, as that is the only method that ventilates our issues.

Licensees are struggling to keep their door open, struggling financially to pay themselves and feed their families. Licensees, contrary to [REDACTED]’s opinion, did not purchase an LPO to work for free. The purchase of an LPO is a commercial venture, we should be rewarded for the work we do, and I am delighted that you publically support that opinion.

However, we are still working at our counters, trying to keep our doors open, manifestly underpaid, with no ROI, and mostly viewed and treated as a burden on this business.

That will be the message that will be delivered if our response goes public.

Recommendation 17 was tabled in Parliament on the 24 September, 2014. It is now May 2018, and we are still struggling to have viability issues included in the reform of our payments. It was conclusively agreed with the PIP report of 2015, that there was not a viable LPO in the country, and that much work would need to be done to address that. No further work was undertaken. Licensees in non-street delivery areas continue to provide services that are usually provided by 3 additional providers, Australia Post, parcel contractors, and banks, yet these Licensees are left to wither on the vine as solutions are not financially appealing to Australia Post. Repeated appeals for this range of LPOs to be provided with some increased payments/financial relief receives no positive response.

I have included the Senate Recommendations from the 2014 Report, and included the progress, or not, as the case is, after the LPO specific recommendations.

Recommendations

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Recommendation 1

4.86 The committee recommends that Australia Post be required to submit notifications of changes to the price of business mail services to the Australian Competition and Consumer Commission.

Recommendation 2

4.90 The committee recommends that the Minister for Communications undertake a thorough examination of cost allocation within Australia Post and report back to the committee.

Recommendation 3

5.49 The committee recommends that greater commercial freedoms for Australia Post should be only be considered if this provides support for the delivery of the community service obligations through a viable Licensed Post Office network.

Recommendation 4

5.70 The committee recommends that the Commonwealth Government immediately commission an independent review of the community service obligations contained in the Australian Postal Corporation Act 1989 and associated regulations.

5.71 In undertaking this review, the committee further recommends that:

- the future of mail delivery services be assessed;
- the number of retail outlets required in the network be assessed;
- the effects of any changes to the community services obligations on Australia Post employees, Licensed Post Offices, Community Postal Agencies, franchisees and mail contractors be investigated; and
- consideration be given to the needs of remote, rural and regional communities particularly where other service providers have ceased to operate.

Recommendation 5 LPO Specific

5.92 The committee recommends that, before further or more complex trusted services are provided through the postal network, the Minister for Communications consult Australia Post and relevant government agencies with a view to determining the requirements for the provision of those services.

5.93 The committee also recommends that Australia Post undertake consultation with all licensee representative groups in regard to any additional requirements related to an expansion in the delivery of trusted services, including training, staffing, shopfront space, technology and remuneration.

This does not happen, and has not happened. LPOG is advised of a new service, and the requirements, and remuneration, at the point the transaction is about to go live. There is no genuine consultation.

Recommendation 6 LPO Specific

5.110 The committee recommends that the Minister for Communications form a formal postal network strategy group that engages all stakeholders in the development of a comprehensive strategy to inform changes to the Australian Post network in the face of emerging challenges.

5.111 The committee further recommends that a broad community consultation program be implemented.

The LPO Forum was established in 2015 to undertake Recommendation 17, but was abandoned by Australia Post once the PIP report was delivered showing significant financial issues in the LPO network.

Recommendation 7 LPO Specific

6.51 The committee recommends that, at the request of any recognised association, Australia Post be required to renegotiate the terms and conditions of an LPO Agreement.

Australia Post will not agree to changes to the terms and condition of an LPO Agreement, if those changes have a financial impact on Australia Post. Mail Service Payment is a typical example of the refusal to negotiate.

Recommendation 8 LPO Specific

6.79 The committee recommends that Australia Post capture information relating to 'issues requiring attention' raised under the dispute resolution process in order to provide early identification of systemic problems.

This was intended to allow Licensees transparency of network issues. This has not been implemented.

Recommendation 9 LPO Specific

6.83 The committee recommends that the Australia Post dispute resolution process should be amended to provide for a more streamlined process.

This has not been implemented.

Recommendation 10 LPO Specific

6.88 The committee recommends that Australia Post provide further information to licensees and franchisees on the alternative dispute resolution processes available under the Franchising Code of Conduct.

Australia Post does provide Licensees with this information, if the Licensee requests an alternative process outside of the internal process, that restricts LPOG representation.

Recommendation 11 LPO Specific

6.129 The committee recommends that the definition of 'Association' in the LPO Agreement be amended to include, in addition to POAAL, other licensee representative groups including but not limited to the LPO Group.

This was implemented in June 2015, however did not include the internal dispute process, which is still restricted to POAAL.

Recommendation 12 LPO Specific

8.33 The committee recommends that Australia Post, as a matter of urgency, reassess post office box payments to licensees to ensure that they reflect the true costs borne by licensees in providing this service.

This was ignored, and the workload has increased with the marketing of the POB as a parcel delivery address for no increase remuneration for the asset owners, and Australia Post continues to increase the cost of the service, and captures the majority of the establishment fee, with the majority, if not all the work to establish the service undertaken by the Licensee.

Recommendation 13 LPO Specific

8.80 The committee recommends that Australia Post review parcel storage requirements in Licensed Post Offices with a view to providing payments for those licensees who incur additional storage costs.

This was ignored; however Australia Post does now provide shelving to assist Licensees with storage issues. No increased remuneration.

Recommendation 14 LPO Specific

8.96 The committee recommends that Australia Post review the margins on postal products it sells to licensees with a view to ensure that margins are in line with commercial practice.

Totally ignored.

Recommendation 15 LPO Specific

8.99 The committee recommends that Australia Post allow for the return of unsold and out-of-date stamps by licensees and franchisees.

Since Christmas 2015 Australia Post has allowed for return of unused Christmas stamps.

Recommendation 16 LPO Specific

8.119 The committee recommends that Australia Post ensure all employees, in the relevant areas of its corporate network, understand Australia Post's rules and behavioural expectations in relation to the transfer of business from Licensed Post Offices to Corporate Post Offices and that 'poaching' and other predatory behaviour is unacceptable.

There has been a marked increase in this across all levels of the business. Australia Post purchased the Mail Plus franchise and now has drivers from Mail Plus, as well as Post transport drivers actively poaching LPO's customers.

Recommendation 17 LPO Specific

8.141 The committee recommends that the Minister for Communications, as a matter of urgency, commission an independent audit of the activities undertaken by the Licensed Post Office network specifically to determine the validity of claims made by licensees that payments made under the LPO Agreement are not fair or reasonable.

8.142 The committee recommends that where a payment is found to be not fair or reasonable, that a study should be conducted to determine what an appropriate payment rate should be.

The LPO Forum was established to undertake this recommendation as an incentive for LPOG to assist with getting legislative changes passed to enact mail reform. PIP was engaged to undertake the review. The results of the review were not palatable to Post, and the process was abandoned once mail reform was approved by parliament. The explanation being that the PIP report was only to provide data on the parcel delivery payment.

Recommendation 18

9.26 The committee recommends that Australia Post, when negotiating the current value of franchises, takes into account the impact on the value of franchises of its inability to deliver the promised opportunities.

As you can see, LPOG would argue that the implementation of the Senate Recommendations fell well short of our expectations, and that of the Senate Committee. It is therefore astounding that the submission states that Australia Post has adopted and implemented the majority of the recommendations. The quote from

Senator Williams can be viewed in Hansard, and was following a question from Senator Williams, asking what Australia Post has done in response to the recommendations. When he was advised that the majority of the recommendations had been adopted and implemented by Post, the above quote was Senator Williams' response to Post. However the answer to the Senator was the concern for Licensees, and is again a concern as it is being repeated in the submission.

As you can see, if we were to publically rebut this submission, we are at loggerheads once again. We wish to support your leadership, but there needs to be cultural change within this business. I understand that this submission was probably written by an outside party who fills in the blanks, but this sort of attitude continues to erode any good will that we try to build between Australia Post and the members of our Association.

I certainly hope that the future of the payment reform is being undertaken with the intention to establish a new future for the LPO network, however it is hard to have faith in light of the denial of issues that should have been addressed well before your time.

Hopefully, your new executive, without the established baggage, will have a positive impact on the food chain, because it is long overdue.

I am also hoping that you have been advised of our grave concerns in regard to the relationship between Australia Post and POAAL, and the implications of the recent Insurance issues, and the further implications LPOG perceives that could impact of the payment review process, if as expected, the results of the review are once again, not palatable for Australia Post. But that is another topic, for another email.

I hope we are not co-witnesses at the Inquiry, having to address the above.

Regards

Angela Cramp

29 May 2018