



Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Brisbane, 19 March 2021

Parliamentary Submission

Relating to the 'Australia Post Enquiry' for report by 30 April 2021

To Whom It May Concern:

As part of the above mentioned parliamentary enquiry we would like to provide feedback regarding the impact some of the proposed service changes by Australia Post (terms of reference table, point g.) has on our business and similar businesses across Australia.

What are our concerns?

The Environment and Communications References Committee investigation references 'the future reductions to Australia Post's service model' (reference table, point g). Our core concerns centre on Australia Post's announcement of discontinuing the service for perishable goods from 30 June 2021.

A discontinuation of service delivery will cause significant adverse impacts for Australian businesses as outlined in the four following ways:



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1. Termination of Perishables Service by Australia Post is extremely harmful to many online small food businesses, associated services, business sales performance, employees and consumers
2. Timelines provided for the discontinuation of Perishables Service by Australia Post by 30 June 2021 is inadequate, denying businesses the opportunity of time to find an alternative solution or change the business model
3. Cessation of the Perishables Service by Australia Post will leave a service vacuum creating a power shift to larger organisations
4. Discontinued Perishables Service by Australia Post will have an adverse impact for rural areas, both for businesses and customers

Who are we?

The Red Cow (Australia) Pty Ltd is an Australian owned small business founded by Tom Merkli in 2011. The business initially focused solely on importing high-end alpine cheese with the goal to educate and supply raw milk cheese to a range of premium wholesaler and food service businesses. After regulatory changes affecting raw milk cheese, this category has seen an uplift in demand from a broad audience. Following a business re-location to expand into Brisbane in 2016, the direct-to-consumer approach via an attractive online shop was launched to fulfill this demand. The online shop proved highly successful in supplying a niche product to a dispersed Australian consumer base. Over the last 2 years the business has seen exponential growth in this category leading to a 50% overall revenue contribution through online sales. All perishable orders (over 95% of our total orders) from the online shop are shipped through the Australia Post Express network.



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What are our detailed concerns?

- 1. Termination of Perishables Service by Australia Post is extremely harmful to many online small food businesses, associated services, business sales performance, employees and consumers.**

Small businesses such as ours rely on a flexible service provider such as Australia Post as volumes of orders vary from week to week and season to season. For example, we see very high demands in the winter months, while summer tends to be a quieter season. This creates difficulties committing to minimum weekly volume through other networks that would be able to deliver perishable goods (e.g. the 'Home Delivery Service' with minimum orders of 50 parcels per metro destination for each dispatch). In addition, food start-ups from small businesses are often the source of innovation, and set the trend going forward, or they fulfill a demand quickly as they are agile and nimble. However, this requires trial and error followed by a gradual ramping up before service hits mass market. Again, this type of practice will prevent negotiation with large providers for perishable goods.

- 2. Timelines provided for the discontinuation of Perishables Service by Australia Post by 30 June 2021 is inadequate, denying opportunity of time to find an alternative solution or change the business model.**

Despite industry speculation about the termination of Australia Post perishable services over several months, our business only received official confirmation via our Australia Post sales representative on 16.3.21. The timeframe for this change is grossly inadequate. Small businesses are being denied a reasonable timeframe to work together to build a network, negotiate with providers or explore viable alternatives themselves.



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Furthermore, other small businesses will require time to assess their business model and explore strategic direction changes. Again, making this change within a quarter is extremely unlikely providing many of us have to work with supply (be it for the actual product or packaging) that has a much longer order to delivery lifecycle. In our particular case we require a minimum of 2.5 months from sending the order overseas to having the physical product with us.

3. Cessation of the Perishables Service by Australia Post will leave a service vacuum creating a power shift to larger organisations

We believe Australia Post has a service responsibility across all segments and businesses across Australia. However, this service change means small businesses are disproportionately disadvantaged as they will not be able to compete with large companies with product offerings to the entire Australian market. Australia Post has always levelled the playing field by not discriminating between any segments or businesses types or sizes, abandoning this now will distort the market and eventually lead to a less diverse offering in the online perishables product scene.

4. Discontinued Perishables Service by Australia Post will have an adverse impact for rural areas, both for businesses and customers.

Whilst The Red Cow is located in urban Brisbane, many of our customers reside in rural areas. They have little to no alternative to find some of those loved niche products within their communities. The elimination of Australia Posts Perishables business will mean that those customers will most likely no longer be serviced at all. Privately owned carriers usually only offer services to those areas that are most lucrative to them or hike up the prices for rural areas to a point where the service is no longer viable for small businesses.



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This also means rural businesses will lose access to their urban clientele, as highlighted in the ABC News article from 5 March 2021
(<https://www.abc.net.au/news/rural/2021-03-05/australia-post-stops-delivery-perishable-items-harms-tasmania/13216878>)

What do we want?

We strongly encourage the Environment and Communications References Committee to embrace these points and evaluate whether it is absolutely business critical for Australia Post to abandon its loyal customer base of small-scale food producers, food creators and food distributors. At the very minimum, we strongly urge the committee to request Australia Post to give businesses such as The Red Cow a longer timeframe to transition to a different solution.

We thank you for your consideration. Should you have any further questions, please do not hesitate to contact us.

Kind regards,

The Red Cow (Australia) Pty Ltd

Tom Merkli
Managing Director



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