

Senate Standing Committee on Environment and Communications

Answers to Senate Estimates Questions on Notice

Supplementary Budget Estimates Hearings October 2015

Communications Portfolio

Australia Post

Question No: 145

Australia Post

Hansard Ref: Written, 30/10/2015

Topic: Parcel delivery service in Melbourne and Sydney – Parcel Sorting Machines

Senator Xenophon, Nick asked:

According to some Australia Post employees, Australia Post bought two very complex parcel sorting machines for Sydney and Melbourne and they have never worked properly.

I have heard that they consistently sent parcels all around the country but not to their desired destination. I heard some parcels were sent around the country multiple times before returning to sorting centres in Melbourne, or to their senders and that the machines were been purchased in the past year at a cost thought to be in the hundreds of millions of dollars. I have also been told that casual workers have been brought in to do the sorting while the machines are out of action.

I have been told that Australia Post never admitted the true cost of this problem, although the latest financial report showed the performance of the parcel business was not great.

I understand the machines had never been used before to sort parcels – they were designed to sort baggage in airports and that the problem is thought to be the laser scanners, which have been unable to read the bar codes.

1. Can you comment on these claims? Can you please advise when Australia Post decided to buy these two parcel sorting machines?
2. What was the start-up cost of bringing these two machines into service?
3. From where were the machines purchased?
4. When did the machines commence sorting parcels?
5. Had these particular suite or combination of machines, or combination of machines, ever been used before to sort post parcels in any other country?
6. What is the current status of these machines – are they being used? If not, why not?
7. Since being introduced, for how many days have they operated at a satisfactory level of performance?
8. How many parcels have been misdirected by these machines, to date?
9. Is it the case that casual workers have been brought in to sort parcels because these machines have failed to work properly?
10. To date, what has been the cost to Australia Post of the problems encountered with these machines, in terms of down time, repairs, alternative labour to get the job done, and specialist work to diagnose and address the problems with them?
11. Is a fix expected to these machines or is that yet to be determined?

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12. What is the predicted cost to Australia Post of fixing them and bringing them back into service, if that's the plan?
13. Is Australia Post examining other options in terms of sorting its parcels, for the short and long terms?
14. The latest financial statements for Australia Post quoted the parcel business "continued to be challenged, despite revenue growing year-on-year" – can you please advise the committee what impact the issues with the parcel sorting machines had on the performance of the parcel business, in dollar terms?

Answer:

1. In October 2012, after an in-depth study, the investment proposal for the Future Parcels Network program - which included new parcel sorting systems at Melbourne and Sydney Parcel Facilities – was approved by the Australia Post Board.
2. The capital cost for the two facility upgrades was \$215m, which included property, automation, information technology, training and development.
3. The primary supplier of the Large Parcel Sorting Systems is Vanderlande Industries, which is based in The Netherlands.
4. The new Large Parcel Sorting Systems at both our Melbourne and Sydney Parcel Facilities were launched in two phases. Phase one occurred in November 2014, and phase two occurred in October 2015. These dates were as per our initial project plan, and enabled us to maximise our parcel processing capability during the peak Christmas period in both years. As with any major technology investment we experienced some transition issues in phase 1 – which is unfortunate, but not uncommon when introducing such a significant change – but since early this year (2015) we are on plan and phase 2 was delivered successfully.
5. Yes, the foundation of the systems are the Cross Belt Sorters that are extensively used in many global logistics operations. The particular combination of Australia Post systems that are integrated with the sorter were unique to Australia and are now considered to be industry best-practice.
6. The Large Parcel Sorting Systems at our Melbourne and Sydney Parcel Facilities are fully operational.
7. We are satisfied the new infrastructure is consistently operating at a level that enables us to deliver on time performance in the Parcel Post business. As with any significant infrastructure program there were some transitional challenges associated with developing staff capability and adapting our processes and practices, and refining our operations, to the requirements of the new infrastructure and technology.

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8. Misdirected parcels account for approximately 0.35 per cent of all parcels processed. Parcels can be misdirected for a number of reasons such as customer barcode and/or labelling issues, incorrect postcodes and/or address formats. We are working with our customers and equipment to resolve these issues.
9. We regularly engage casual workers to help provide additional flexible labour during periods of increased volumes. Following implementation of the new machinery at Melbourne Parcel Facility and Sydney Parcel Facility, we engaged fixed-term contract staff at both sites to assist with the launch and transition to the new machines. It is worth remembering that when we launched the new Large Parcel Sorting Systems at our Melbourne and Sydney Parcel Facilities, we continued to operate the existing end-of-lifecycle parcel processing machines in parallel until after the peak period. Operating two separate and different processing systems at both facilities gave us maximum parcel processing capacity for the duration of peak period but required an increased temporary workforce to operate both machines.
10. We have not experienced any significant periods of downtime with the new machines since they were commissioned in November 2014, and we are satisfied the new machines are consistently operating at a level that enables us to deliver on time performance in the Parcel Post business. As with any significant infrastructure programs there were some transitional costs associated with developing staff capability and adapting our processes and practices, and refining our operations, to the requirements of the new technology. These costs were accounted for in the original business case and are therefore in-line with expectations.
11. The Large Parcel Sorting Systems at our Melbourne and Sydney Parcel Facilities are fully operational. We do expect to see ongoing process, automation and production improvements as we continue to refine and adapt our processes and practices – and those of our customers – to the new technology. We anticipate that the new technology will result in productivity improvements and cost savings in the long term.
12. Refer to response to Question 11 above.
13. The systems installed in Melbourne and Sydney are performing to the high standard as per our design and intention. Australia Post will continue to examine options to improve the efficiency of our operations across the remainder of our Network including the sortation of parcels. This includes automation. We anticipate that the new technology will result in productivity improvements and cost savings in the long term.
14. As with any significant technology programs there were some transitional costs associated with developing staff capability and adapting our processes and practices, and refining our operations, to the requirements of the new technology. These costs were accounted for in the original business case and are therefore in-line with expectations. We anticipate that the new technology will result in productivity improvements and cost savings in the long term, and will help us protect and grow our revenue and customer base by helping us provide a consistently high level of customer service.

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The statement the question refers to in full is: “The parcels business continued to be challenged, despite revenue growing year-on-year, in a highly competitive market where domestic freight providers are building capacity and international competitors acquiring sorting and last-mile delivery capabilities in Australia.” The challenges referred to include pricing pressures from a market that now includes, among others, international operators such as DHL, Japan Post and Singapore Post. This statement was not referring to our new parcel processing systems.