



Australia Post Submission

Postal Services Modernisation



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Executive Summary

As Australia's postal service for more than 200 years, we are at the heart of every community. As community needs have changed, so have we. We have constantly evolved to continue to meet the changing expectations of our customers, communities, team members and our owner, the Commonwealth Government. We have a trust and relationship with our stakeholders that we are proud and privileged to hold and are committed to maintaining.

We welcome the Government's Postal Services Modernisation Discussion Paper (Discussion Paper) which puts forward considerations for the next stage of our evolution.

The Discussion Paper notes that technological changes disrupted the postal service a long time ago. We are proud that technology has enabled us to deliver innovations to our customers. However, the regulatory obligations imposed on Australia Post through the Australian Postal Corporations Act 1989 (Cth) (and its regulations) have not kept pace with either the opportunities of digitisation or the cost of changing trends.

The letters service is no longer sustainable, incurring a record loss of \$189.7 million over the first half of the 2023 financial year. While we are committed to meeting our Community Service Obligations under the Act, in the 2022 financial year these cost us around \$348.5 million. At the same time, Australia Post does not receive financial support from Government, yet is expected to generate a return and remain financially sustainable. For these to continue, there needs to be modernisation, both in our operations and in the postal service regulatory framework.

We are pleased to contribute to the Government's consultation on how postal service settings can be modernised so that Australia Post can continue to play the role that Australians expect, including as their behaviours and preferences change. We support the Government's proposal that modernisation adheres to the following principles:

- Australia Post remaining in full public ownership, providing a universal and equitable service that meets the needs of Australian people and businesses;
- Australia Post remaining financially sustainable, and investing in its networks, services, and people to support improved national productivity and supply chain resilience;
- Postal services that support Australia's digital economy, particularly as a critical enabler of the growing eCommerce market;
- Providing appropriate coverage of the Post Office network, particularly in regional areas, and supporting Licensed Post Offices and Community Postal Agents financial sustainability; and
- Reducing Australia Post's operating cost in delivering regulated letter services, freeing up delivery and processing resources to support parcels delivery to respond to increasing demand and consumer expectations.

For Australia Post, having a regulatory framework that enables the postal service to modernise is one aspect that is fundamental as we continue to evolve to meet rapidly changing customer needs and expectations. We are pleased to share in this submission examples of how Australia Post is serving Australians in ways that suit them and how they live and work in 2023. Our Post26 Strategy

guides our decisions on the networks, skills, customer-experience and technology that will be necessary to play the role we do in Australian communities for decades to come.

Like our international peers who are also navigating these challenges, there are reform options that could be considered. In this submission, we raise three areas we believe are priorities for modernising Australia Post:

1. **Letter pricing** – a simplified regulatory approach to letter pricing oversight to ensure it can be adjusted efficiently as mail volumes and efficiencies of scale decline and the number of delivery points increase.
2. **Letters delivery** – updating how we deliver to drive greater efficiency and use our resources more effectively, while ensuring we continue to meet the changing needs of the community, recognising the important role played by our Postal Delivery Officers.
3. **Retail network** – ensuring that our physical presence across the country has the flexibility to reflect the changing expectations and interactions of customers in physical stores, accessing services and shopping in an increasingly digital world.

We are committed to a sustainable future. The opportunities that will come from modernisation are significant – for customers, team members, regional and rural Australia, businesses and communities. Investments in improved technology, greater flexibility around how we provide our parcel services, and improvements in reliability, accessibility and environmental sustainability, are some of the ways that the benefits of modernisation can be given back to the customers and communities that we serve.

We wholeheartedly endorse the sentiment of the Government’s Discussion Paper:

A stronger, more viable Australia Post will be able to continue meeting its service obligations to the Australian community and means consumers and businesses will continue to benefit from a large, national network of postal services, particularly in rural and regional areas. Modernising postal services will ensure Australia Post has the capacity to prioritise the services that Australians are using now and continue to invest in products and services for the future.

We look forward to helping achieve that outcome with the input of all stakeholders in this process.

Australia Post – an integral part of Australia

Australians have relied on Australia Post for decades. As a part of the fabric of Australian communities, we have grown and changed, just as our customers and communities have grown and changed themselves. From Sir Isaac Nichols providing postal services from a single home post office in New South Wales in 1809, today our retail and delivery networks span the country, with more than 64,000 team members and extended workforce. We delivered 2.7 billion letters and parcels last financial year to 12.6 million delivery points across Australia, and to international destinations. From the days of horseback delivery, our business has adapted to make use of technology and expanded to cater for a growing population.

Over the decades, our business has changed to make use of rail and aviation in the early 1900s, the telephone in the 1930s, the introduction of the four-digit postcode in the 1960s, and email in the latter years of the 20th century. The 21st century saw the introduction of smart devices, automated parcel sorting machines, and digital infrastructure to support ecommerce and online transactions.

We have become far more than a letter services provider. In many communities, particularly in regional and rural Australia, we are a community touchpoint offering access to a wide range of essential services, including banking, retail, identity and passport services, and support in times of natural disaster. We also support communities through our extended workforce. For example, much of our network is operated by private individuals acting as licensees, agents, or franchisees. Licensed Post Offices make up around two-thirds of our Post Office network (and may be run solely as a Post Office, or in conjunction with another business such as a newsagency).¹

When many of our customers moved online, so did we – introducing digital transactions and building a parcels delivery network with parcel tracking, parcel lockers and more:

- In the 1980s and 1990s, mirroring changes in the economy, we took steps to become a more commercial enterprise. Investments to improve our operations, including through automation, signalled our entry to the digital revolution.
- In the 2010s, as digital changes intensified, we kicked-off our wide-ranging transformation program “Future Ready” and acquired StarTrack to increase focus on parcels services and help advance eCommerce.
- Now, our “Post26” Strategy helps us remain competitive in markets where we provide services, supports our financial sustainability, and underpins how we delight our customers and communities with market-leading products, services and experiences.

Our workforce has also changed with the times. We are now one of the largest and most diverse workforces in the country. We are a business that leads the way in employing people with disabilities and embraces diversity in every sense. Amongst our many commitments, we have achieved gender pay parity, have approximately three per cent Aboriginal and Torres Strait Islander team member representation, and continue to strengthen our safety culture including through the appointment of a Chief Mental Health Officer. We have dedicated programs to support women, people with disability and LGBTIQ+ team members.

¹ We also have more than 700 Community Postal Agents providing varying over-the-counter mail and postage services, with around 90 per cent of Community Postal Agents operating as part of another business, such as a general store.

Whether it is electric delivery vehicles, online shopping, or just making sure a letter or article arrives to our loved ones, we are always motivated to ‘deliver a better tomorrow’ by creating connections that Australians value.

Now, we are ready for the next step in the evolution of our business. Our capacity to deliver a better tomorrow requires a more modern Australia Post. We aspire to be a modern leader in ecommerce, digital solutions, retail services and letter delivery services. Serving all Australians in every community, and with a financially sustainable future.

While our organisation and our customers have changed in ways that could not have been predicted even ten years ago, it has been a quarter of a century since the current performance standards relating to our letter delivery service and Post Office and Street Posting Box networks were introduced.

The next evolution needs to ensure that we can thrive in increasingly competitive and diverse markets, particularly in parcel delivery services which now represents a significant portion of our total revenue. We need to be able to provide customers and communities with the services they value in a way that makes their lives easier – including by making it easier to work and do business with us.

Throughout, we remain committed to:





- **Providing a diverse range of services:** including letter and parcel services, financial, retail and agency services.
- **Implementing innovative technology:** to enhance the customer and team member experience, such as better tracking and transparency of parcels (and letters with tracking functionality), safety telematics for our fleet and upgrading our Post Office point of sale systems to make transactions faster and more seamless.
- **Engaging with a diverse range of stakeholders:** making a positive impact on communities, through a range of initiatives, and maintaining an open dialogue with stakeholders across community, unions, industry, and government to develop a solution that supports a sustainable Australia Post.
- **Appropriate letters pricing:** recognising the cost-of-living challenges faced by vulnerable Australians when considering stamp prices.
- **Serving Australians, including regional:** we are proud of the critical role we play in supporting communities across the country, particularly in regional and rural locations and remain committed to ensuring a continued appropriate level of service to these locations.
- **Sustainability:** delivering on our 2025 Sustainability Roadmap and ensuring we have a sustainable business model.

We also remain committed to continuing to deliver mail across the country, and to supporting a viable mail industry. We will service delivery points around the country, consistent with our Community Service Obligations, until the last letter is sent.

Choices about the best way to modernise postal services are choices about the Australia Post that Australia wants and needs for the future, and we look forward to the next exciting era.

The benefits of modernising

The Discussion Paper identifies a wide range of benefits from modernisation of Australia's postal service. We welcome the opportunity for modernisation to underpin the sustainable delivery of those benefits for communities, government, and the broader economy.

	Regional Australia	Extensive network coverage, ongoing investment, and access to essential banking services, as well as parcel delivery for all Australians.
	Economy and businesses	Improvements and investments to facilitate further eCommerce growth, fuelling Australian SMEs and other businesses.
	Government and taxpayer	Remain a fully self-funded organisation that does not require taxpayer support.
	Environment	Optimising routes and replacing our fleet with safer electric delivery to reduce our carbon footprint as well as supporting the transition to net zero by 2050

Unlocking the value of our investments

Modernisation needs to occur alongside investments we have already planned (including in our Post26 Strategy), and to extend the benefits of previous investments and initiatives – such as in our parcels business. It should also provide flexibility to meet changing customer needs.

Modernisation will ensure that we can continue to reinvest in our business, in areas such as:

- More digital solutions that put customers in the driver's seat, enhancing their delivery experience. These solutions are central to ensuring we keep pace with modern needs and expectations.
- Investing in mobile application functionality to improve consumer engagement and control.
- Improving tracking technology to meet changing consumer expectations.
- Continued investment in updating point of sale technology to improve team member and customer experience in our retail stores.

These investments will enable us to adapt with agility to changing customer needs and technological advancements.

Extending our work in the community

In the section *Supporting Australians with diverse needs*, you can read more about Australia Post's community commitment and contribution. We are enormously proud of the role we play in the community, a role we want to continue as we modernise. A viable letters service will ensure we have the continued ability to invest in areas that are important to the community, including partnerships and community products.

Modernisation enables:

- Extension of products and services to support those experiencing domestic and family violence.
- Support for communities with disaster preparedness, response, and recovery, acting as a trusted source of information.
- Distributing a range of information to key community groups including First Nations children and mental health information.
- Retention of discounts for charities and concession card holders to send letters.
- Delivery of Australia Post's Access & Inclusion Plan and Reconciliation Action Plan commitments.
- Continued investment in strategic partnerships which help provide critical information to the community on matters including mental health, collecting donations, and raising public awareness of vital community groups.

Continuing our role as a diverse and progressive employer

Modernisation will help us continue delivering initiatives and innovations for our team members, their families, and communities. We are committed to ensuring our workforce is reflective of our customers and communities, including indigenous, disability, culturally and linguistically diverse and the LGBTIQ+ communities.

Modernisation enables:

- Continued investment in skills, safety, operations, and policies that see us at the forefront of Australian employers, and support our workforce being resilient, adaptable, empowered, diverse and inclusive.
- Investment in ongoing training and support for frontline leaders and employees including in customer aggression de-escalation training, customer service training and resilience training.
- Ongoing investment in the safety and wellbeing of our people, building on recent major initiatives in culture, critical risk, mental health, and technology. Safety is a core value at Australia Post. Being safe everywhere and in everything we do, is a key priority. Our 2025 strategy for both physical and psychological safety and injury management has been designed to deliver a positive shift in our safety performance and improve return-to-work outcomes.
- Further advancing access and inclusion of people with disability.

The need for change

Digital technology has permanently changed the landscape for postal services around the world. Multiple inquiries, reports, and reviews over the past three decades have highlighted that technological advancements and changes in consumer behaviour would impact the viability of postal services, both here in Australia and internationally.²

Today, the headwinds facing the business have never been stronger. The insights and foresight of experts over recent decades are manifesting. As highlighted in our most recent financial results, we are now heading towards a financial loss for the first time in eight years.

² 1) House of Representatives, Standing Committee on Communications, Transport and Microeconomic Reform, *Keeping Rural Australia Posted*- an inquiry into Australia Post's Rural and remote letter delivery services, August 1996, 2) Australia Post's Efficiency of Delivering Reserved Letter Services, Australian National Audit Office, 2017 (for example which estimated losses for Australia Post to be around \$183 million as a result of the letter services, 3) Digital Post: Business transformation and the future sustainability of Australia Post, The McKell Institute, 2015 Australian Competition and Consumer Commission (ACCC) Final Decision on Australia Post Price Notification 2022.

Modernisation is therefore a critical next step. Without modernisation, our financial position will rapidly deteriorate, putting at risk the ongoing sustainability of the organisation and its services. We want to work with stakeholders to ensure that regulatory change is appropriate and supports our long-term sustainability.

Letter services

Globally, demand for letter services started to decline in or around 2008. Since then, these declines have been rapid, with letter volumes in Australia down almost 67 per cent. Of those letters that are still being sent today, 97 per cent come from government and business customers. It is predicted that by 2032, Australians will receive less than one letter a week.³

This transition has been caused by many Australians adopting online options for their communications, transactions, and government interactions. This trend will continue as:

1. **Electronic authentication methods** are increasingly adopted by customers and businesses for electronic signature and document verification.⁴
2. **Large business customers** (our largest segment) drive digital and cost reduction programs, accelerating adoption of electronic bills and notifications.
3. **Governments** (our second largest segment) migrate to digital platforms such as myGov.

Government policy is encouraging a transition away from physical letters, through an increased focus on digital communication channels and the digital economy.⁵ The recent independent myGov User Audit Report recommended that all Federal services should utilise the Australian Government identity exchange by the end of 2023 for government issued digital identity services.⁶ The momentum of reforms such as the Consumer Data Right⁷ are also supporting the move of consumers to digital solutions.⁸

We expect to see letter volumes continue to decline at an even greater pace over the next three to five years as more Australians, businesses and service providers move more of their interactions to online platforms.

There are also challenges with the present regional and rural roadside delivery model, where it is harder to secure operational efficiencies. These delivery rounds typically average in the hundreds of kilometres, and our current Electric Delivery Vehicles (EDVs) are not designed to operate at highway speeds or on secondary (non-bitumen) roads.

Parcel services

While digital technology has challenged the letter service, it has also brought many benefits and opportunities to the economy. This includes eCommerce and increased demand for parcel services.

In our recent eCommerce report, we estimated that Australia recorded \$353 billion in retail spending in 2022, up 9.2 per cent year-on-year (YoY). However, 2022 also saw eCommerce soften for

³ See [Postal Service Modernisation Discussion Paper](#), p13

⁴ The subject of current consideration by the Attorney-General's Department [consultation on Electronic Transaction Act](#)

⁵ See [Department of Industry](#) for more information on the Digital Economy

⁶ See [myGov User Audit Report](#) for more information.

⁷ See [www.cdr.gov.au](#) for more information on the Consumer Data Right framework.

⁸ This includes the development of a Digital Economy Strategy by Government and other policy initiatives. For example, the Consumer Data Right application for energy applied to both online and 'offline' customers, where energy retailers are required to provide information to 'offline' customers to help them digitise and be able to participate in data sharing.

the first time with price inflation and customers returning to stores post-pandemic.⁹ Despite recent trends we see the eCommerce business doubling in size within the next ten years. eCommerce was particularly popular for residents in outer rural and remote Australia, experiencing a 6.4 per cent increase in growth in outer rural Australia, and 5.7 per cent in remote Australia.¹⁰

Unlike letters under 250 grams, where Australia Post is the sole service provider (subject to some minor exceptions), the parcels market is highly competitive. Now more than ever, a number of parcel and courier services providers – from small and asset light to the large, well-funded international players (including overseas postal operators) – offer parcel services throughout Australia.

Globally, major multinational players are adapting by scaling their out-of-home delivery networks, enabling them to provide a secure and convenient collection experience. Some are aggressively scaling up their parcel locker networks, giving customers greater delivery options. And some are focusing on the sustainability benefits of parcel lockers – delivering to one collection point instead of many.¹¹

Out-of-home deliveries in Australia are catching up to our global peers as we see consumers increasingly demand parcel lockers as a solution. As availability and digital experiences of out-of-home delivery options improve, customers will follow and take greater control of their deliveries.

Internationally, demand for parcel lockers is expected to almost double over the next five years.¹²

We also offer a service to the community that many of our competitors do not - delivery to remote areas outside of main regional hubs. Ensuring our viability and overall ability to invest in this will help protect access to this service for Australians, but also helps us remain competitive in our pricing and innovations.

We expect that the growth in online shopping will continue to attract new eCommerce competitors who specialise in segments of the supply chain. Remaining competitive in our parcel delivery business is integral to our ability to remain profitable as an organisation and to provide the services the community expects.

Physical locations

The current Performance Standards include a requirement for Australia Post to “maintain, in Australia, at least 4,000 offices (retail outlets) at which persons can purchase Australia Post products and services”.

Our retail footprint is the largest and most geographically dispersed network in Australia. At the end of FY22, it included 4,310 Post Offices, with 2,513 in rural and remote areas. This includes a combination of Corporate Post Offices, Licensed Post Offices and Community Postal Agents. This total of retail outlets is significantly higher than any other retailer in Australia. These figures do not include the range of other formats Australia Post operates, including parcel lockers and mobile vans.

Running our retail network cost more than \$1.3 billion in FY22. Yet retail transactions (or purchasing goods and services) in Post Offices continues to decline, a trend also observed overseas.

⁹ Australia Post [eCommerce Industry Report](#), 2023

¹⁰ Ibid

¹¹ Ibid

¹² Ibid

Post Offices are experiencing significant disruption from competition and digital transformation, reducing revenue-generating retail transactions. This is influenced in part by:

- The COVID-19 pandemic with increasing numbers of people using digital solutions for banking¹³, bill payments and government services.¹⁴
- Steep declines in demand for cash payments as we shift to a cashless economy.
- Sharp reductions in demand for both addressed and unaddressed mail services.
- Long-term slowing of demand for private Post Office boxes and community bags.
- Growing competition in online identity and banking services, expected to accelerate with the Australian Government's target to be a top-3 digital government globally by 2024.

Our physical locations are also represented in other ways, such as our Street Posting Boxes, Express Post boxes, parcel lockers and parcel collection points.

Since the 2014 financial year, there are 39 per cent fewer retail transactions conducted in our Post Offices. Many retail transactions can be done through online options and apps. In contrast, Parcel Locker delivery has increased by around 36 per cent since 2020.

We acknowledge that Post Offices continue to play an important role in Australia, especially in regional communities and with services like Bank@Post. As a trusted brand, we will continue to work closely with our banking partners to help provide Australians across the country with access to physical banking services, even when bank branches close.

However, changing behavior, including the shift to digital services, needs consideration with regard to how best to support and serve customers and communities while remaining viable. Post Offices are, in general, open Monday to Friday 9am to 5pm, with declining demand for in-person services and growing demand for parcel lodgment and collection. Contemporary community expectations seek the ability to access parcel facilities and general services in a more flexible way.

Playing our part – our Post26 Strategy

Given the magnitude of the impact of the letters decline an incremental set of small changes will not deliver a sustainable outcome for Australia Post. The change we must adopt is all encompassing and extends beyond legislative and regulatory changes to:

- Technology investment and end-to-end process improvement
- Retail role and format modernisation
- Delivery infrastructure investment, consolidation, and greening of our fleet.
- Workforce modernisation and skilling for the future
- Operating model review and enhancement

Anticipating the declining letters business, we have taken steps over many years to operate as efficiently as possible, to invest in new digital channels for customers, and to improve how we deliver.

Alongside the necessity for a more modern regulatory framework, our Post26 Strategy guides the infrastructure, skills, customer-experience, and technology that will be necessary to play the role we

¹³ See also [Bank Closures in Regional Australia Inquiry](#), 8 February 2023.

¹⁴ See also [NSW Government website](#) on New Services where government services are being amplified.

do in Australian communities for years to come.¹⁵ The Post26 Strategy is underpinned by three key imperatives:

- Supporting each other by enhancing workplace support for our workforce of more than 64,000 team members and extended workforce;
- Delighting our customers and communities through simplifying and improving products and services, while delivering great service outcomes for customers instore and online; and
- Creating a sustainable future both financially and for the planet.

Through our Post26 Strategy we are introducing new corporate support model efficiencies, trialling new systems, enhancing technology and infrastructure, and working closely with our workforce, unions, Licensed Post Office associations, and business partners to address the challenges we face.

This will help improve our efficiency, while the Government looks to modernise the regulatory framework.

Importance of operating effectively

We have an obligation to manage our costs responsibly – balancing the right level of investment to deliver for our customers and communities, while also being mindful of our cost base.

We reinvest in our assets and services in several ways including:

- Investing more than \$1 billion over the past three years in new parcel facilities and upgrading our technology to help meet changing needs.
- Opening eight new facilities in FY22 (more than half in regional Australia) and recently opening major parcel processing facilities in Bayswater and Tullamarine (Victoria), Botany (New South Wales), Perth (Western Australia) and Adelaide (South Australia).¹⁶
- Building Australia's largest fleet of Electric Delivery Vehicles to enable Postal Delivery Officers to safely carry more items (compared to the motorcycle fleet).
- Implementing operational efficiencies, including streaming to maximise the volume of items that are carried per Postal Delivery Officer, investing in infrastructure such as parcel lockers, and making improvements to the unaddressed mail booking system to manage capacity and support better allocation of resources.

We have also invested in technology to both minimise the impact of declining revenue from our letters business and improve our profitability. Diversification in our services and technology investments are consistent with efforts seen in postal counterparts across the globe including in Switzerland and New Zealand. These investments include:

- **Telecommunications infrastructure upgrade program** – with several external partners we delivered the largest telecommunications upgrade across our Post Office network.
- **Automated sorting facilities** - capable of sorting and processing large volumes of parcels, quickly and efficiently.
- **Fleet diversification** - building the nation's largest delivery fleet of 4,635 electric vehicles¹⁷ with telematics to improve safety, planning and efficiency.
- **E-commerce platform** – enabling businesses to manage online sales and deliveries, streamlining the parcel process, and reducing costs.

¹⁵ Australia Post [2025 Sustainability Roadmap](#) – Delivering a better tomorrow

¹⁶ Australia Post [eCommerce Industry Report](#), 2023

¹⁷ See [Australia Post 2022 Annual Report](#) – Delivering like never before.

- **Mobile app** – allows customers to track deliveries, manage their mailbox and access various postal services, reducing reliance on our front of house team members.
- **POST+** - a significant investment in our point of sale solutions and technology which will improve efficiency, accessibility, and performance in our retail network.

These investments demonstrate our commitment to improving our services and enhancing the customer experience. We are also continuing to focus on finding efficiencies in our operations and businesses, with \$121.1 million realised in 1H22 and more than \$800 million over the past five years.

The regulatory framework

Despite technological and societal advances, and the progress we have made to date, the regulatory framework under which Australia Post is required to provide letter services is a quarter century old. It reflects a time before the internet boom and the creation of smart phones, when letters, not online exchanges, were the dominant form of communication. It is simply out of date.

An analysis of key metrics in 1998 (when the performance standards were first introduced) and 2022 highlights the impacts of changes in the way Australians use postal services. There were 4.4 billion total articles in FY98 (and increasing), with 2.7 billion in FY22 (and decreasing). Articles per Australian in FY98 was 234, where in FY22 it sits at just 104. Finally, on delivery points – in FY98 there were 8.2 million delivery points with an average of 537 articles per delivery point. In FY22 there were 12.6 million delivery points with an average of 214 articles per delivery point.

	FY98	FY22
Total articles	4.4 billion (and increasing)	2.7 billion (and decreasing)
Articles per Australian	234	104
Delivery Points	8.2 million	12.6 million
Articles per Delivery Point	537	214

There is an enormous opportunity to update the performance standards to reflect how Australians are now communicating, transacting, shopping, and accessing services, and how they wish to do so in the future.

Current regulatory obligations on Australia Post

Australia Post must comply with specific legislation, regulations and requirements that relate to commercial, community and international treaty obligations. The governing instruments of most relevance to our letter services include:

- Australian Postal Corporation Act 1989 (Cth) (APC Act)
- Australian Postal Corporation (Performance Standards) Regulations 2019 (Cth) (APC Regulations)
- Public Governance, Performance and Accountability Act (PGPA)
- Universal Postal Union Conventions, Regulations and other international requirements.

The Community Service Obligations (CSO) require Australia Post to: supply letter services at a single uniform rate within Australia for standard postal articles; ensure that the service is reasonably accessible to all Australians; and ensure that performance standards reasonably meet the social, industrial, and commercial needs of the Australian community. The APC Act allows for performance standards to be prescribed by regulations.

The APC Regulations set performance standards that Australia Post must meet, in connection with its CSO. These include requirements on the frequency, speed and accuracy of mail delivery and the accessibility of services (mail lodgement points and retail outlets).

Other obligations around the basic postage rate (BPR), or stamp price, and price regulation, exist under the Competition and Consumer Act 2010.

Some of the prescribed performance standards¹⁸ that Australia Post must meet include:

Key performance standard	Requirement
On-time and accurate delivery for reserved services letters	94.0%
Delivery frequency <ul style="list-style-type: none"> every business day at least 2 days per week 	98.0% of all delivery points 99.7% of all delivery points
Street posting boxes	At least 10,000
Retail outlets in total (rural, remote, and metropolitan areas)	At least 4,000
Retail outlets in rural and remote areas	2,500
For retail outlets in metropolitan areas, percentage of residences that are located within 2.5 kms of an outlet	90.0%
For retail outlets in non-metropolitan (i.e., rural, and remote) areas, percentage of residences that are located within 7.5 kms of an outlet	85.0%

Meeting these performance standards results in high and increasing fixed costs, that substantially exceed the revenue derived from our declining letter services. Ongoing financial losses in our letters business compromises our capacity to allocate resources to the services that are most important to customers and community that we serve.

These regulatory obligations have not kept pace with either the opportunity of digitisation or the cost of changing trends. The financial performance of our letters business is impacting overall financial sustainability. In FY22, we estimated that it cost us \$348.5 million to meet our Community Service Obligations (including \$181.1 million in rural and remote locations). Without modernisation, Australia Post will need significant financial support from the Government, drawing away resources that might otherwise be spent on other government services for the Australian people.

Options to modernise

Responding to the trends described in the Discussion Paper, governments around the world have adjusted Universal Service Obligation equivalents in the last decade or otherwise modernised arrangements for their postal services. As highlighted in the Discussion Paper, Australia is out-of-step with international counterparts. Australia has an opportunity to move the baseline of our postal services in pricing and frequency to be more reflective of the contemporary international approach.

In the past ten to fifteen years our global postal counterparts have sought to radically reform their operations, both from an internal efficiency perspective as well as seeking changes to their overall regulatory frameworks. This includes Sweden, who introduced regulatory changes in 2018 to trial and then introduced an alternate day letter delivery model. Similarly in 2013, New Zealand amended its Deed of Understanding to allow for changes to the delivery model to improve the overall efficiency of its service in the face of mail decline. NZ Post also invested in modernising its postal infrastructure by upgrading its sorting facilities, delivery vehicles, and Post Offices.¹⁹ Italy also

¹⁸ See [Australian Postal Corporation \(Performance Standards\) Regulations 2019](#).

¹⁹ New Zealand Post [Annual Report 2022](#) and New Zealand Post [Our History](#).

introduced regulatory changes in 2015 to allow for reduced delivery frequency for 25 per cent of the population, and the introduction of a flexible delivery model for parcels and letters based on population density and volumes.

These international case studies are providing a roadmap to more sustainable postal services and show that investment now into modernisation will lead to greater sustainability and longevity of Australia's postal service.

We would welcome the Commonwealth Government's consideration of regulatory reform in the following three key areas, with international case studies providing a roadmap to more sustainable postal services:

1. **Letter pricing** – a simplified regulatory approach to letter pricing oversight to ensure it can be adjusted efficiently as mail volumes and efficiencies of scale decline and the number of delivery points increase.
2. **Letters delivery** – updating how we deliver to drive greater efficiency and use our team and resources more effectively, while ensuring we continue to meet the changing needs of the community and recognising the important role played by our Postal Delivery Officers.
3. **Retail network** – ensuring that our physical presence across the country has the flexibility to reflect the changing expectations and interactions of customers in physical stores, accessing services and shopping in an increasingly digital world.

1) Letters pricing

We support providing reasonable access to the letter services to all Australians on an equitable basis and ensuring a financially sustainable letters business. This includes maintaining a single, uniform rate (for standard postal articles carried by ordinary post).

Pricing is an important part of our ongoing effort to ensure our letters business is sustainable. Changes in January 2023 included a 10c increase to the Basic Postage Rate (BPR) (from \$1.10 to \$1.20). There was no increase to the price of a concession stamp (remained at 5 for \$3) or seasonal greeting cards (remained at 65c for a small letter). Even with this recent increase, Australia's stamp price is the second lowest against global peers on a purchasing power parity basis – currently ~42 per cent below the average price.²⁰

As identified in the Discussion Paper, an option to support ongoing sustainability is to better reflect the costs of providing the letters – increasing the BPR as well as business letter / bulk mail pricing to more closely reflect the cost of providing this service and more closely align with our international peers. In New Zealand, the NZ Post Board has the power to adjust the BPR, for example. Alternatively, a multi-year pricing pathway could be established where BPR is increased by a known factor on an annual basis. Countries such as the United Kingdom, France, Belgium, Sweden, and Germany have adopted this model.

This is an important avenue to explore for modernising our postal service, because our letter segment has continuously incurred losses due to declining volumes and recognising that we need to meet our commercial obligation and generate a reasonable margin to ensure we can continue

²⁰ Modernisation of Postal Service Discussion Paper, March 2023, Figure 2, p16. Also noted by the ACCC in Final decision on Australia Post's 2022 price notification, December 2022, p3

investing in new technologies and services to help meet the needs of our customers and communities.

Consumers are only sending approximately three per cent of total letters sent in Australia. Pricing increases that include a clear reason (such as the inflationary environment businesses are operating in) also help consumers understand the case for change. Recent research indicates that 82 per cent of consumers are positive or neutral to letters price increases. In this research, community sentiment to letter services and assessed consumer reactions to an increase in stamp prices was assessed, noting the current inflationary business environment.

We also understand that the community values concession stamps and the special postage rate for seasonal greeting cards, and we propose to maintain a discount for these services.

We welcome the opportunity to explore with government and stakeholders a way to establish a model for pricing that allows us to simplify processes and provides us the ability to set our prices on a commercial basis. We consider this can be achieved in three key areas:

- an agreed pricing pathway, that allows for incremental increases plus CPI;
- deregulating aspects of ACCC oversight – for example, the priority letter service; and
- a simplified pricing oversight process for any price increases that may occur outside the agreed pricing pathway to support ongoing maintenance of a cost-reflective price.

Approaching these amendments would enable us to set prices that are more financially sustainable and to then adapt to falling demand for letters.

2) Letters Delivery

The delivery frequency of letters is one of the most significant costs to Australia Post.

Households are receiving just over two letters a week on average. By the end of the decade, most Australian households are expected to receive less than one letter per week. In addition to this decline in letters, the number of delivery points continues to rise (from 10.5 million points in 2007-08 to 12.6 million points in 2021-22).

It is expected that letter volumes will continue to decline, and delivery points will continue to grow in line with new housing developments, further increasing letters losses in future years.

A range of responses, delivery models and solutions have been tried internationally. NZ Post changed to every other business day delivery of letters in 2016. Norway, Sweden, and Denmark have also all moved to three days per week. Australia Post is also looking at opportunities to improve the efficiency of our delivery model.

An example of changes in Australia Post's delivery model happened recently in 2020 under the unique pressures and uncertainty of the COVID-19 pandemic.

Temporary regulatory relief was granted by the Commonwealth Government and applied from May 2020 until 30 June 2021. Under temporary changes, the priority letter service was suspended. Changes to regular delivery service included an extension to the delivery timeframes for intrastate letters, and a reduction in letter delivery frequency in metropolitan areas to every second business day.

Customer research at the time found that delivery speed was valued over delivery frequency. We also found that 46 per cent of consumers and 52 per cent of businesses believed that delivery every second business day was already permanent.

While we are not advocating for a return to temporary regulatory relief, it is an important example of Australia Post's ability to adapt and continue to deliver to the community.

To reflect updated community expectations and behaviours since the performance standards were set, there is an opportunity to reconsider the way Australia Post delivers. This may be an adjustment to service levels (such as allowing for changes in how deliveries are managed – such as frequency).

3) Post Office Network

A more flexible, contemporary approach on how lodgement and collection points are dispersed, how we recognise retail outlets and manage the Post Office network will allow for greater investment in other areas of consumer and business need such as improving parcel delivery.

Across international markets, postal operators are transforming the way they operate and are reimagining the role of postal services. In Germany, Deutsche Post has moved from having more than 29,000 post offices to less than 50, replacing them with a combination of parcel lockers and partnerships with local stores. Norway and Slovenia have undertaken similar transformations. In New Zealand, NZ Post worked closely with the New Zealand Government to secure regulatory relief in response to growing financial pressure. The Government agreed to make regulatory amendments, including:

- alternate day delivery in urban and provincial areas;
- permission to count self-service kiosks as points of presence, requiring only 240 of the mandatory 880 postal outlets to be staffed;
- increase on the limit of use of community mailboxes (mail delivery to residents via a centralised location in a community) from 1.5 per cent of total delivery points to 3 per cent.

We continue to invest in local communities when many other businesses are reducing services.

A re-imagined postal network could include a diverse range of solutions, enabling Australia Post to take a tailored approach to services that better reflected the needs of each community. We already provide this in a range of ways, including:

1. **Traditional Corporate and Licensed Post Offices.**
2. **In-conjunction formats** – such as with a newsagency or other businesses.
3. **Community Hub@Post** – new concept retail formats being trialled to inform Australia's Post Office of the future that best meets the needs of local communities.
4. **Parcel lockers**– giving customers more choice, flexibility, and convenience) noting Australia Post Parcel Lockers are often accessible 24/7).
5. **Mobile Vans** – providing postal, banking and BillPay in rural communities where a dedicated Post Office might not be financially viable.
6. **Vending machines** – allowing customers to purchase typical postal items such as stamps, envelopes, and postage satchels quickly and efficiently.

Case study – Community Hub@Post

Australia Post is launching a Community Hub at Orange Post Office in NSW later this year. The Community Hub trial sees retail reimagination come to life. Community Hubs will have a distinct

focus on supporting local businesses with new tailored offerings of products and services specific to the needs of the local area.

These trials allow Australia Post to find the best ways of meeting the ever-evolving needs of consumers in the age of modern eCommerce, leveraging Australia Post's unique position in powering eCommerce and reach across Australia, tailored to the needs of each local community.²¹

A physical presence will remain important, both now and into the future,²² however the nature and format of the points of presence are likely to require change to meet changing community expectations.

Post Office network density

Optimising our Post Office network is also about ensuring we have the right balance of Post Office numbers to ensure financial viability. For example, our modelling indicates that some metropolitan areas are over-saturated with Post Offices. Australia Post is therefore seeking to remove both the minimum requirement of retail outlets within the performance standards, and to also adjust proximity requirements.

In some metropolitan areas for example, Post Offices are overservicing local areas impacting the financial sustainability of nearby Post Offices. There are currently 73 outlets within a 7.5km radius of Darlinghurst, NSW. There are 79 outlets within a 7.5km radius of Brunswick, Victoria.

A reduction in the number of Post Offices in high density areas is not expected to adversely impact customers, given the availability and access to numerous Post Offices within close proximity. Instead, we expect to see the remaining Post Offices in these high-density areas become more financially viable due to increased demand.

One way to help achieve this would be to remove the minimum requirement for retail outlets currently prescribed in the performance standards, providing us with more flexibility to manage Post Office closures, including through attrition.

A reduction in retail outlets in these types of locations would be balanced taking into consideration the community's profile and demographic needs. It would also see the introduction of other types of Australia Post presence, such as parcel lockers.

Updating metropolitan and non-metropolitan methodology

An opportunity exists for the government to consider updating the methodology used to determine how we classify retail outlets as being in metropolitan or non-metropolitan areas to be more reflective of the current geographical and demographic of Australia. By doing this, we could:

- Move from a 30-year-old methodology ("Rural, Remote and Metropolitan Areas Classification 1991 Census Edition", prepared by the Department of Primary Industries and Energy and the Department of Human Services and Health in November 1994 – currently referred to in the prescribed standards) to a current version (*Remoteness Areas*) that is published by the Australian Bureau of Statistics.
- Use a methodology that the classifications / boundaries are updated and that is current and widely used by industries.

²¹ Australia Post [eCommerce Industry Report](#), 2023

²² The importance of a physical presence was also noted in the recent [myGov User Audit Report](#) which noted that not all the community can be digitised.

- Allow for some slight adjustments which would ensure accurate representation of Hobart and Darwin as metropolitan areas (rather than non-metro using urban centre locality boundaries).

This change would enable a more accurate reflection of modern demographics, including:

- Some retail outlets currently classified as non-metropolitan – such as Mandurah WA, Sunshine Coast QLD, would be re-classified as metropolitan and be more accurately representative of the location and activity.
- Retail outlets currently classified as metropolitan – such as Healesville Victoria, would be re-classified as non-metropolitan and be more accurately representative of the location.

We have also developed Post Office Network Change protocols which outlines the processes and examples of where we would engage with stakeholders on relevant changes to our Post Office Network.²³

Supporting Australians with diverse needs

We are proud of the role we play in supporting Australians, including those with diverse needs. We remain committed to that role and see our extensive community contribution as a fundamental part of the Australia Post we are building for the future.

We understand that Post Offices can be vital community hubs, providing essential services to people across Australia. While many of the services offered in post offices are subject to digital disruption and substitution, we know that in-person services remain highly valued by the Australian community.

A sustainable business model, underpinned by a flexible and modern regulatory framework, will ensure we can continue to provide support as outlined in the Discussion Paper, as well as to develop other new initiatives for the community. When we operate responsibly, ethically, and profitably, it generates positive outcomes for our business, our customers and the community.²⁴

As one of Australia's largest and most trusted businesses, the community has a reasonable expectation of us to create a more sustainable future that benefits all Australians, and to operate in a transparent, environmentally, and socially responsible way. Our approach focuses on a long-term commitment to corporate responsibility, and creating shared value for our environment, our people, our community, our customers, and our suppliers.

Sustainability is a key pillar of our enterprise strategy. In support of the Australian Government's commitment to Net Zero, we announced that we are also targeting Net Zero by 2050. In 2022, we released our Sustainability Roadmap setting a broad suite of environmental, social and governance targets aligned to the UN Sustainable Development Goals.

Below we build on the examples shared in the Discussion Paper for how Australia Post is supporting communities, with a focus on Australians with diverse needs.

Supporting Concession Card holders, charities and via seasonal card concession stamps

Australians with an eligible concession card can buy up to fifty stamps per year, in booklets of five for \$3 (half the cost of an ordinary stamp). For income tax exempt charities or organisations endorsed as a deductible gift recipient, a Charity Mail bulk mail service is available.

²³ See [Australia Post website](#) for more information on change protocols.

²⁴ Australia Post [2025 Sustainability Roadmap](#) – *Delivering a better tomorrow*

Supporting First Nations Peoples

Since 1988, Australia Post has had a formal partnership with Aboriginal and Torres Strait Islander communities, beginning with our first Aboriginal and Torres Strait Islander employment program.

The Discussion Paper's overview of our support for First Nations Peoples includes many examples of the work Australia Post has done and continues to undertake, such as:

- Our partnership with the Indigenous Literacy Foundation which commenced in February 2020. We have partnered with Book Supply Program to deliver 300,000 books to 356 remote First Nation Communities, providing children and their families access to new and culturally appropriate books.
- The DeadlyScience partnership which commenced in May 2022 and has seen us delivering science books and equipment to more than one thousand schools and communities with First Nations children.

Supporting Australians living with disability

As one of Australia's largest employers, we have an important part to play in advancing access and inclusion of people with disability. In addition to the initiatives mentioned in the Discussion Paper, we have a range of activities underway to improve disability inclusion:

- Having a registered Disability Action Plan with the Australian Human Rights Commission.
- Completing the Australian Network on Disability program 'Disability Confident Recruiter' to provide a barrier-free recruitment process for candidates with disability.
- Making significant investment over the years to build a strong foundation of access and inclusion across our business (including POST+).

Supporting people experiencing domestic and family violence, homelessness, or marginalisation

Australia Post provides free mail redirection for up to twelve months for domestic and family violence victims, as well as those impacted by a natural disaster.

Since 1996 when The Big Issue launched in Australia, we have supported the organisation to give meaningful work and purpose to people experiencing homelessness, marginalisation, and disadvantage. We facilitate the collection of The Big Issue magazine for vendors around Australia and in 2014 we began engaging The Big Issue Women's Workforce each year to support our Santa Mail campaign – sorting and recording the many letters that Aussie children write to Santa each year. On average this work helps employ twenty women every year.

Supporting communities impacted by natural disasters

We play a critical role in the preparedness, response, and recovery stages of disaster. We also invest in strategic partnerships with a range of community groups to share information, raise funds and help in times of crisis.

We are connecting community to a range of key services, including:

- **Retail footprint in regional Australia** – we are adapting our physical assets to create centres for information and hubs for the delivery of services.
- **Help deliver information** – Via our physical and digital platforms. Over three months starting November 2019 Australia Post's Bushfire Important Updates page was accessed by nearly 400,00 visitors for information about access and services in fire-affected regions.

- **Emergency goods and resources (logistics capability)** – To deliver emergency goods and resources in response to disaster such as food, feed for livestock and basic items for families.
- **Important services** – for regional and remote customers, with the capability to keep local economies connected during emergency and recovery phases. This includes Bank@Post services where ATMs were offline or inaccessible.
- **Mobile services (including vans)** – allow us to both maintain services in impacted towns and take our services to communities to connect them, no matter where they are located.
- **Letter services** – Since 2019 Australia Post has provided free mail-redirection service to thousands of households impacted by disaster.
- The **Australian Red Cross (ARC)** partnership commenced in November 2019.
 - We have facilitated public donations to enable the ARC to effectively respond to and recover from disasters. This has helped ARC to support over 470,000 people affected by more than 133 emergencies.
 - Providing free Mail Hold and Mail Redirect services to thousands of households.
 - Delivering disaster preparedness information and resources to 1.5 million letterboxes in areas designated by Red Cross as high risk.
 - Distributing Business & Government Disaster Support Kit to small business customers outlining services that Australia Post and partners can provide in times of disaster.

Case study: Disaster Preparedness Campaign

From September to October 2022, Australia Post supported Red Cross' Disaster Preparedness campaign via radio, unaddressed mail service and social media. The campaign targeted regions identified by Red Cross as high risk of a disaster occurring. As a result:

- Visits to the Red Cross Prepare landing page tripled YoY (38,259 vs 13,120 visits in 2021)
- Downloads of the Red Cross prepare resources almost doubled YoY (7,380 vs 4,390 downloads in 2021)
- Over 8,500 people completed the Disaster Preparedness Quiz, co-designed by Australia Post and Red Cross. 86 per cent of people felt more prepared after taking the quiz.

The Disaster Preparedness campaign came to life when severe weather was forecast for Victoria. The Victoria Emergency State, Public Information Support office (the official Victorian Government source for emergency warnings and information) requested access to the quiz as part of their resources, demonstrating the value of engaging resources to help prepare communities for disaster.

Supporting mental wellbeing in our workforce and in communities

Mental health is a key priority for us. We are the first Government Business Enterprise with a Chief Mental Health Officer and continue to work closely with organisations to provide support and access to additional resources.

Our Beyond Blue strategic partnership commenced in April 2020, with over 4 million free prepaid postcards delivered in September 2021, and 3 million to outer and urban regional households in September 2022. Since 2021, we have delivered mental health information to more than 10 million households across Australia. \$145,000 has been raised since 2019 for Beyond Blue via our Post office network and online shop.

We are also a founding member of Healthy Heads in Trucks and Sheds - supporting mental health information sharing and resources for our team members. We are committed to ensuring that mental health in the transport industry is put on the same level as physical safety.