

26th of April 2023

Director, Postal Policy—Communications Services and Consumer Division
Department of Infrastructure, Transport, Regional Development,
Communications and the Arts

By email: postalconsultation@infrastructure.gov.au

RE: ALNA - Postal Services Modernisation Submission

Thank you for the opportunity to submit our thoughts and feedback to the 2023 Postal Services Modernisation Consultation.

Background

The Australian Lottery and Newsagents' Association (ALNA) is the national industry body representing Lottery Agents and Newsagents'. There are over 4000+ Lottery Agents and Newsagents in Australia. They are generally family run businesses and are an important and trusted part of Australian communities and approximately 2.5 million Australians shop at their local agency every day.

Within our membership, we have a fair representation of members who hold Australia Post licenses. In recent years, we've observed an increasing trend of members integrating LPO or CPA postal services into their broader Newsagency and Lottery Retail businesses whenever possible. Over the past decade, our members have also embraced opportunities to serve as alternative delivery drop points for various logistics providers that compete with Australia Post's parcel services.

Our members, especially those in regional areas, frequently rely on post outlets for cash banking services when traditional banks are unavailable in these locations. Additionally, they utilise postal services for the distribution of some e-commerce sales.

Introduction

Reflecting on our interactions with post, and those of our members over the last decade or so, we have approached this submission from three different points of perspective.

1. **Essential Service Guarantees** - As representatives of a diverse and extensive network of small businesses across the nation, our goal is to ensure the equitable provision of vital postal and banking services. Many small businesses and their communities depend on these services, which are especially difficult to replicate in remote and regional areas. By maintaining these essential services, the government can support the broader economy and contribute to the well-being of the communities in which we live and work.
2. **Retail Sustainability and Viability** – The government and post need to ensure that our members who serve as small business licensees are diligently cared for as business partners, that they are just as committed to creating sustainable models that recognise their licensee's investment in their retail presence, as for the overall business. We must value their expertise and exceptional service to the community, ensuring that their well-being and profitability are treated as top priorities too. Post should be determined to prevent any

exploitation or neglect, as may have occurred in the past, by consistently prioritising their needs and interests.

3. **Competitive Neutrality** - As the representatives of an industry that Australia Post has sought to compete strongly with in broadening its retail offering into stationery, greeting cards, toys and gifts etc, that post cannot abuse its highly protected business status and market power, to target other small businesses to plug gaps in its revenue model. We saw this occur during COVID, when at the worst possible time for our small businesses, post sought to strategically position itself with a highly preferential magazine sales model that would have been at a much lower cost than the model our members have to participate in. Fostering a fair and collaborative business environment, particularly with small business is essential.

Our Recommendations

We have provided some broader feedback and recommendations on these issues below.

1. **Essential Service Guarantees** – ALNA is supportive of reforms to letter postal services to enable the continued provision of letter services to members of the community who need these across Australia. Postal services that support Australia’s digital economy, particularly as a critical enabler of the growing eCommerce market for small businesses need to be maintained and improved, particularly for disadvantaged remote and regional areas. Lastly, the availability of financial, and in particular face to face cash banking services as an essential community service, cannot be lost.
 - a. **Letter Services** – ALNA recommends that the model for stamps be completely reviewed. The pricing of stamps is fixed by the ACCC with \$ values and there is no price elasticity available for retailers. ALNA recommends a new pricing structure be considered, not based on a face \$value but instead on a sliding scale with Zone stamps based on regions and distance being the determining factors for pricing with increased elasticity for retail price decisions. This should be established to decouple the face value cost from the cost to send, and move closer to a user pays model but with government subsidisation for regional customers who send from a remoter Zone. This could also enhance customer acceptance of more frequent price movements that map moving costs and retailer viability more closely. Post is also not subject to PART 3A of the competition Act that regulates networks, but it is a network. Consideration should be given to how greater network access would impact viability.
 - b. **Is it a community Service that is important?** If it is, then we should accept that this comes at a cost to the taxpayer. Basic banking, letter and other services like payments and government services should be accepted as provisions of basic services and infrastructure like roads etc. It should be equitably available across the country as a community service obligation of the government. As we are seeing overseas, this will come at a cost to taxpayers as it is further disrupted.
2. **Retailer Sustainability and Viability** – The government has been the beneficiary of Australia Post Dividends in many years when Community Service Obligation costs have likely run much higher than the dividends. We take the view that Post has managed its own internal cost structures and employee benefits sustainably, and so at times it has been the disadvantaged remuneration of the small business licensees that has supported available

dividends to government and helped subsidise those Community Service Obligations. We know this is not sustainable and a lot of work was done to rectify this in more recent times.

Going forward, funding models for Licensee post offices need to change and must be linked to profitable viability and sustainability first. Government dividends can no longer be an expectation and if some subsidisation of Post by taxpayers needs to occur to meet community expectations and obligations then that is what it is. Whether this becomes some sort of levy, or another arrangement should be determined by the government.

3. **Competitive Neutrality** – Retailer licensees should be fairly compensated for providing essential community services as mandated by both the community and government. While LPO's should be free to offer various products, they should not be forced to compete against local retailers under a shielded POST umbrella in order to maintain their business viability due to a lack of post remuneration. There have been instances where market power and competitive advantages have been leveraged by post over small business competitors to subsidise the retail model and compensate for community service obligation funding shortfalls. The retail model must adapt to meet community needs without resorting to tactics that exploit public sector ownership.

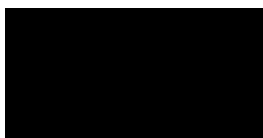
As the new "Community Hub" model is developed, it is crucial for Post to carefully consider its approach to enhancing the communities it serves and improving services with a robust social license. This must be achieved while respecting fellow business partners and customers, fostering a fair and collaborative business environment, particularly with small business.

The Newsagent and Lottery Retailer industry is keen to be part of a sensible collaborative discussion with Government about finding a solution to the challenges confronting Australia Posts letter service and other disruptions occurring.

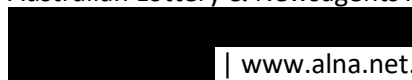
As time goes on, daily letter delivery to Australian homes may become increasingly cost-prohibitive. However, utilising a wider network of existing LPO & CPA retailers, along with additional retailers like ours willing to contribute, could offer a convenient solution for Australians to access their mail when needed. This approach may effectively address the challenge while maintaining convenience for consumers.

We appreciate the opportunity to provide insights in our submission on matters that directly affect our members.

Yours sincerely,



Ben Kearney
Chief Executive Officer
Australian Lottery & Newsagents Association



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