



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

27 April 2023

Director, Postal Policy

Communications Services and Consumer Division

Department of Infrastructure, Transport, Regional Development, Communications and the Arts

GPO Box 594

CANBERRA ACT 2601

via email: postalconsultation@infrastructure.gov.au

Dear Sir/Madam,

Ensuring postal services modernisation supports a viable small and family business community

Small businesses are not just customers of the Australian Post Office (AusPost). As a government business enterprise, the AusPost is required by legislation to provide both a community service and deliver a financial return. The AusPost relies upon small business licensed post offices (LPOs) and community postal agents (CPAs) to operate approximately 81% of the post office network.¹

Without these small businesses and independent subcontractor delivery drivers, the AusPost would not have the necessary capability and capacity to provide postal (and associated) services around the country.

The current contract arrangements between the AusPost and licensees or contractors, transfer significant commercial liabilities from the AusPost to small and family businesses. For example, under the LPO licensee agreement, small businesses must:

- trade 9am to 5pm Monday to Friday and 9am to 12pm Saturday (depending on local circumstances)
- be responsible for recruiting, training and managing staff
- be responsible for the premises, including fit-out (subject to AusPost approval), maintenance; and operating costs
- Offer a range of AusPost products and services, including mail acceptance and processing, identity and document services (trusted services), postage stamps, money orders, bill payment and banking (Bank@Post).²

CPAs offer similar services to LPOs; however, they don't offer agency services such as bill payment and banking, and trading hours vary, depending on mail arrival times, the amount of work involved, and the nature of their 'in conjunction' business.³

Subcontractors, as delivery drivers or posties, must:

- be incorporated or be willing to become incorporated and obtain relevant insurances

¹ Department of Infrastructure, Transport, Regional Development, Communications and the Arts, *Postal Services Modernisation discussion paper*, March 2023.

² Australia Post, *Licensed Post Office (LPO) information*, Accessed 17 April 2023.

³ Australia Post, *Community Postal Agents (CPAs)*, Accessed 17 April 2023.



- own a vehicle that is 8 years old or less (trucks/motorbikes exempt pending safety inspection and other requirements), and vans must be white in colour (all other vehicle types are not subject to this requirement).⁴

Further, postal services are critical to many small and family businesses, and with a growing number of businesses having e-commerce offerings, small business dependence on AusPost is increasing. Where local bank branches have been closed, Australia's banks, and small businesses in regional, rural and remote areas also rely on their local AusPost offering Bank@Post services to maintain their cash float and deposit needs.

A 2021 study on the economic and social role of post offices in Australia highlights that 2 out of 3 (of 1,001 surveyed) businesses visited their physical post office at least once a week. While 22% of businesses ranked sending parcels as their most used AusPost service, a staggering 47% ranked sending letters as their most used service.⁵

Given the above, the Australian Government must insist on adequate AusPost performance standards, fairer business practices and sustainable franchisee, licensee, and independent contractor commission structures to support the viability of the AusPost and its associated small business delivery partners. We recommend the following actions to support modernising Australia's postal services while maintaining essential services for small and family businesses, especially in non-metropolitan areas.

1. The Australian Government should undertake thorough consultation with industry on any revision to the *Australian Postal Corporation Act 1989 (the Act)*, including seeking comment from the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) through the Policy Impact Analysis process.

Given the AusPost's reliance on small businesses to deliver their services across the country, we strongly encourage the Department of Infrastructure, Transport, Regional Development, Communications and the Arts to have early engagement with the ASBFEO regarding any proposed changes to the Act that will affect small business LPOs, CPAs and independent contractors. Additionally, it is essential that the government clearly explain to AusPost licensees what the government's future commitment and intentions are for the AusPost network.

2. The AusPost should update its franchise model to support viable small businesses franchises that do not need to rely upon robust 'in conjunction' businesses to secure their profitability.

A consequence of current AusPost licensee arrangements is that small businesses often need to diversify into 'in conjunction' retail, hospitality, or other products and services to maintain a viable business. While diversification may strengthen an enterprises profitability, it can also create unnecessary competition for other local small businesses and mask the potentially poor performance and viability of the AusPost arrangement.

We agree that AusPost performance standards should evolve and improve as innovation in digital communication methods create a natural decline in the number of physical letters being sent by businesses and government. However, the AusPost should not rely upon diversified small businesses to prop up the commercial viability of their franchise agreement.

⁴ Indeed, StarTrack Courier, *Owner Delivery Driver* job ad, Accessed 17 April 2023.

⁵ Deloitte Access Economics, *The Value of Post Offices in Australia: Australia Post*, 2021.



As such, the AusPost should reconsider licensee arrangements with regard for the profitability of the LPO and CPA business model, and the potential risk that altering AusPost performance standards is further against the best interests of licensees' and commercial interests of AusPost.

3. The AusPost should adequately remunerate LPOs and CPAs to deliver the expected level of ancillary AusPost services, including as Bank@Post services that are tailored to the needs of the local community.

CPAs that cannot diversify their business model into other retail offerings (owing, for example, to the strength of existing competition, the size and age of their business premises, council approvals, or limited business opportunities, relevant commercial know-how and technical expertise) may need to shorten their trading hours, which in turn reduces community access to ancillary services, including the increasingly vital Bank@Post. Bank@Post plays an essential role in regional and rural areas, as many banks rely on LPOs and CPAs to support their customers in these communities where banks have withdrawn branch services. Stakeholders have highlighted communities where current Bank@Post deposit and withdrawal limits do not meet the needs of the local community. As an example, many opal mining and tourism businesses in the remote town of Coober Pedy heavily rely on cash. The daily deposit and withdrawal limits at Bank@Post simply do not cater for the high value of cash that some of these small businesses will be seeking to deposit, and the closest bank branch 540 kilometres away.⁶

The dependence on these ancillary services reinforces the need for AusPost performance standards, and franchisee and licensee commission structures, to be designed to support viable small business LPOs and CPAs. These small businesses also require support from the AusPost to ensure their premises have capacity to hold a growing number of parcels and securely handle cash on hand from bank customer deposits and to facilitate bank customer withdrawals.

Further, many regional, rural and remote Australian communities are already serviced by a small concentration of AusPost service providers, and disproportionately suffer from the adverse impacts of staff shortages, shorter operational hours, and lesser frequency of letter delivery, such as every second business day.⁷

4. Parcel delivery payment rates within AusPost licence agreements need to reflect the real cost of servicing non-contact points of presence, such as parcel lockers.

While parcel lockers and self-service vending machine formats may be more convenient for customers, licensees have reported how servicing them is inefficient, or more resource intensive, in comparison to collection over the counter.

Licensees are currently paid 220% less to deliver parcels via a parcel locker than deliveries over the counter, and one licensee with 280 lockers has reported to be losing \$1,000 a month servicing them.⁸

⁶ ABC, Westpac closure leaves SA's Coober Pedy 'high and dry' without a bank, with closest facility six hours away

⁷ Deloitte Access Economics, *The Value of Post Offices in Australia: Australia Post*, 2021.

⁸ Australian Small Business and Family Enterprise Ombudsman, Stakeholder engagement, 14 April 2023.



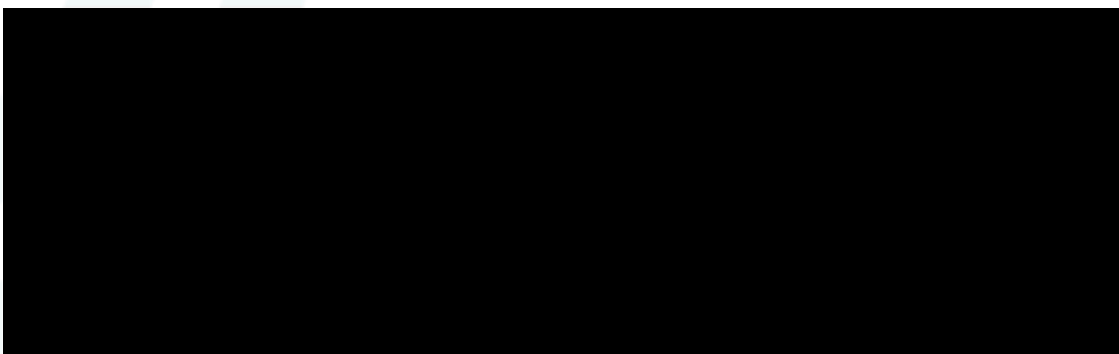
5. Contract terms and conditions for independent delivery services should better reflect contractor vehicle and insurance requirements, the transfer of additional contract work or changing consumer trends i.e., more online shopping and resulting parcel deliveries.

Small business independent contractors are integral to the AusPost's capacity and capability to deliver letters and parcels. Stakeholders have raised the unfair nature of AusPost contracting processes, such as withholding operational information from prospective licensees when entering new contracts, so that licensees are not fully aware of their obligations to AusPost, and moving the workload of terminated contractors into other existing contracts with no variation of the payments schedule.

For example, an independent contractor might be required to deliver nearly double the contracted number of parcels per year; yet have minimal scope to negotiate a reflective contract price increase.

6. Government policy, regulations and funding arrangements should reflect an appreciation that LPOs and CPAs can enable growth in the digital economy by providing small e-commerce businesses with cost-effective, timely and reliable postal services year-round.

As a result of the COVID-19 pandemic lockdowns, the way Australians purchase goods has permanently shifted and small e-commerce businesses are heavily investing in their digital capabilities, for both business-to-consumer and business-to-business activities.⁹ More small businesses are also participating in 'digital heavy' global sales days such as the four-day Black Friday and Cyber Monday weekend. This structural change in how small businesses do business, and when and how consumers shop, makes the timeliness, reliability, and cost of AusPost services more essential to the success of small and family businesses.¹⁰



The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman

⁹ Australia Post, *Inside Australian Online Shopping eCommerce Industry Report*, 2022.

¹⁰ National Australia Bank, *Black Friday and Cyber Monday sales top \$7 billion*, 5 December 2022.