



17 July 2020

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
CANBERRA ACT 26000

Via email: ec.sen@aph.gov.au

Dear Committee Secretary

Re. Inquiry into the future of Australia Post's service delivery

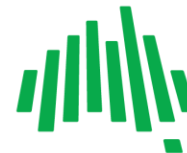
The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Senate Environment and Communications Legislation Committee *Inquiry into the future of Australia Post's service delivery*.

The NFF was established in 1979 as the national peak body representing farmers and the agriculture sector more broadly across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF welcomes this inquiry into the future of Australia Post's service delivery. It is important that these services, which are so heavily relied on by regional, rural and remote Australians, are regularly reviewed to ensure they continue to provide benefit and meet the changing needs of customers. It is also essential to ensure that legislated community service obligations and performance standards are maintained and enforced and that existing performance issues are not exacerbated by COVID-19 related amendments to those standards.

The importance of Australia Post to regional, rural and remote Australia

Australia Post is a vital institution that creates significant social and economic value in regional Australia. Australia Post's national post office and delivery networks support a diverse range of economic and social activity in regional Australia, providing employment and economic opportunities, contributing to a supportive community culture and improving the liveability of these communities. In many cases, the local post office is the sole provider of delivery, financial and government services, as well as selling retail goods and providing broader community support. These services enable the connection of often isolated communities and consumers with the rest of Australia and overseas.



As of 2019, Australia Post had over 2,500 post offices across regional and remote Australia. These post offices account for over one-third of all Australia Post financial transactions, and nearly 40% of total parcel collections occur in regional and remote communities. Not only is Australia Post important to regional and remote Australia, but regional and remote Australia is an integral part of the Australia Post system and identity. A Deloitte Access Economics report¹ released earlier in 2020 provided a detailed analysis of the economic and social value of Australia Post to regional, rural and remote Australia. The NFF recommends that the committee consider the findings of this report as part of the inquiry.

Many regional businesses in particular rely on an efficient postal service and the physical presence of post offices – the 2020 Deloitte report found that regional business owners visit the post office significantly more often than other regional residents – at an average of 25 visits in the past 6 months (compared with 15 visits for other residents). The COVID-19 experience has demonstrated the huge potential for growth in regionally based businesses – including businesses that sell and distribute products to customers across Australia and overseas. Postage pricing and service standards must be competitive to support regional development and growth.

COVID-19 impacts and the government's response

The past four months have been challenging for many organisations and individuals in Australia due to the range of restrictions on personal and business activity introduced to manage the COVID-19 pandemic. The NFF understands that Australia's postal services have been significantly affected, with a downturn in letter volumes and a surge in parcel volumes as a large proportion of shopping moved online. The NFF appreciates that Australia Post requires flexibility in order to meet this shift in demand for postal services, and that the Australian Postal Corporation (Performance Standards) Amendment Regulations 2020 are intended to provide that flexibility. The continued efficient and reliable operation of Australia Post's services is important to ensure Australians can continue to access important goods and services and to ensure many small businesses, both regional and metropolitan, can continue to operate during – and beyond – the COVID-19 pandemic.

The amendments to the service delivery requirements to allow Australia Post to reduce its delivery frequency apply only to metropolitan areas, and are intended to apply until 30 June 2021. The NFF would be very concerned if changes made to specifically respond to the COVID-19 circumstances led to longer term erosion of Australia Post's service standards and withdrawal of resources. Providing Australia Post with the flexibility to allocate more resourcing to parcel delivery services in response to the surge in customer demand is a practical decision, but should not come at the expense of other important services that many Australians rely on.

¹ Australia Post, 2020. [Economic and social value of Australia Post to regional, rural and remote Australia](#). A Deloitte Access Economics report commissioned by Australia Post.



Australia Post's commitment to customer service

Australia Post's community service obligations require it to provide a reliable, accessible and affordable service for all Australians wherever they live, and require that performance standards for the service reasonably meet the social, industrial and commercial needs of the community. The NFF has heard various concerns about Australia Post's commitment to customer service for regional customers who have no alternative to Australia Post services. Specific concerns include:

- Decline in the frequency of deliveries. For example, customers living in the outer areas of Broken Hill, and serviced by light aircraft, reporting that deliveries and pick-ups have declined to half of the previous service.
- Difficulty in contracting appropriate service providers to undertake delivery in remote areas.
- Lack of transparency in renewing service provider contracts and limited awareness of contract opportunities.
- Lack of transparency in performance monitoring. Specific KPIs are not made public, nor is the achievement against those KPIs, or any request for customer satisfaction against service.

Pricing

In its report *Economic and social value of Australia Post in regional, rural and remote communities*, published earlier this year, Deloitte Access Economics recognised that “the value of providing services to these areas is much higher than the prices charged, and revenue earned by Australia Post.” The NFF recognise that delivering services to geographically remote locations comes at a higher cost, but stress that price discrepancies should be fair and reasonable and not overtly disadvantage regional, rural and remote Australians and businesses.

Due to its legislated obligations, Australia Post has a physical presence and an existing distribution system across Australia. This provides Australia Post with an advantage over competitors in the regional parcel delivery market. For competitors who don't enjoy these advantages, the higher costs associated with operating a delivery service in regional Australia act as a disincentive to expand their services in these areas. Regional Australian businesses rely on Australia Post to fill this gap.

The NFF has been made aware of concerns about recent price changes for contract parcel deliveries (and the eParcel service) that will see significant price increases for regional areas, and rate reductions for urban areas. These rate changes are underpinned by a 'capital city', 'metro' and 'remote' area classification, with the highest rates paid for remote destinations. The rationale for this approach is acknowledged, but the NFF has concerns about the large discrepancy in 'metro' vs 'remote' postage rates, and with the allocation of postcodes to the 'remote' classification. For example, major regional centres like Toowoomba, Shepparton, Yass, Armidale, Port Augusta and Bunbury are classified as 'remote' and attract the highest rates. This classification would appear difficult to defend, given the size of these regional cities – and their proximity to capital cities.



Informal services

In some remote areas an informal two-way postal service has been set up, where mail to be sent is left in the roadside mailbox and collected as the incoming mail is delivered. This has been a very beneficial service to farmers, who may not have the capacity to frequent the post office in town. The NFF recommend Australia Post look into the formalisation of important services such as this two-way mail system.

In summary, the NFF makes the following recommendations for consideration by the committee:

1. That the committee consider the findings of the Deloitte Access Economics report *Economic and social value of Australia Post in regional, rural and remote communities* as part of the inquiry.
2. That Australia Post's legislated community service obligations and performance standards are maintained and enforced. Any changes made to specifically respond to the COVID-19 circumstances should not lead to a longer-term erosion of Australia Post's service standards, withdrawal of resources or exacerbation of any existing performance issues.
3. Pricing and service standards must be competitive to support regional development and growth, including as part of the post-COVID-19 recovery and to support 'regionalisation'.
4. Price discrepancies between metro and non-metro locations must be fair, reasonable and not overtly disadvantage regional, rural and remote Australians and businesses.
5. That Australia Post recognise the large disparities in 'capital' and 'metro' vs 'remote' contract postage rates, and reconsider those postcodes that are classified as 'remote', particularly those that cover larger regional centres.
6. That Australia Post look into the formalisation of important services such as the two-way mail system, which is particularly important to Australians who live in remote areas.

Thank you again for the opportunity to contribute to this inquiry. Should you require any further information in relation to this submission, please contact Adrienne Ryan, the NFF's General Manager for Rural Affairs, on 02 6269 5666 or aryan@nff.org.au.

Yours sincerely

A handwritten signature in blue ink that reads "Tony Mahar".

TONY MAHAR
Chief Executive Officer

