

Postal Services Modernisation Discussion Paper

Introduction

Australian Logistics Council (ALC) welcomes the opportunity to comment on the Postal Services Modernisation Discussion Paper (**the Discussion Paper**).

ALC is the peak national body representing major companies participating in the end-to-end freight supply chain and logistics industry with a focus on delivering enhanced supply chain safety, efficiency and sustainability.

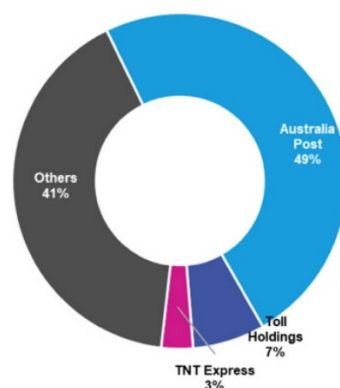
Freight affects every Australian, every day, everywhere. Common goods purchased by Australians such as food, clothing, household appliances and medicine all need to be transported by freight operators. Australia's population is expected to grow by 10 million by 2040, an increase which must be supported through proactive investment in infrastructure.

The growth of parcel volumes

Despite being classified as a communication company by the ABS, Australia Post is a highly sophisticated freight transport business that has evolved from a focus on mail to a focus on parcels. The shift in focus required a different approach and necessitated substantial structural changes to the transport network and infrastructure. The impact of this shift was particularly evident in March 2020 when parcel deliveries increased dramatically, with 250,000 postal addresses receiving a parcel for the first time. This surge in parcel volumes required a dramatic restructuring of Australia's postal service to accommodate the changing demands of its customers.

Parcel volumes in Australia grew 3% year on year, reaching 1.1 billion in 2020. Parcels generated per second reached 34, or 2.9 million parcels per day, with market share for delivery illustrated in this graphic:

Parcel market share, by volume – Australia 2021



SOURCE: Pitney Bowes Parcel Shipping Index 2022¹

¹ <https://www.pitneybowes.com/content/dam/pitneybowes/us/en/shipping-index/22-pbcs-04529-2021-global-parcel-shipping-index-ebook-web-002.pdf>

A significant driver of this growth is the growth of internet shopping, with the online goods spend growing at 23.3% year on year² and sales expected to reach \$43.21 billion in sales in 2023³.

Sustainability

The Postal Services Modernisation Discussion Paper highlights that Australia Post has built a national network of parcel lockers, consisting of 640 locations and over 51,000 lockers that are currently available. The paper notes that the volume of items collected from parcel lockers grew by 50% between 2018-19 and 2021-22. This development is a significant step towards enhancing the efficiency and convenience of parcel delivery across the country.

However, the paper also points out that the legacy of designing cities for cars means that the majority of deliveries are made using cars, vans, and trucks, even over short distances. This has resulted in significant competition for space, leading to road and street congestion in urban areas.⁴

To tackle this issue, Australia Post has taken several measures. In 2022, the company announced that it will be replacing motorcycles with 3-wheel electric delivery vehicles (EDV's), which will significantly reduce carbon emissions. They have already invested in over 3,000 EDV's with more planned for this year. Additionally, Australia Post has initiated the replacement of heavy vehicles with Fuso eCanter trucks, further contributing to reducing carbon emissions. These steps are geared towards making parcel delivery more sustainable and improving urban amenity.⁵

By providing a more convenient way for consumers to pick up parcels and reduce overall emission levels, these initiatives are set to enhance the sustainability of the Australian community. The shift towards electric vehicles also serves as an example for other industries to follow, emphasizing the importance of prioritizing sustainability in business operations.⁶

Other Services Provided by the Australia Post Network

According to the Postal Services Modernisation Discussion Paper, Australia Post operates a significant network of corporate post offices, licensed post offices, and community postal agencies, with a total of 4,310 locations. These outlets provide vital services to the community, including identity checking.⁷

In the transport and logistics industry, Australia Post's identity checking services have proven to be particularly valuable in facilitating the issuance of aviation and maritime security identification cards.⁸ This has become increasingly important since the introduction of the Security of Critical Infrastructure Act 2018, which mandates that transport and logistics operators with Risk Management Program obligations conduct background checks on critical workers.

To comply with these requirements, supporting documentation suggests that Australia Post serves as an electronic and in-person identity verification partner under the AusCheck program. By leveraging its extensive network and expertise in identity verification, Australia Post can assist the transport and

² Australia Post *Inside Australian Online Shopping* (2022):27

³ <https://www.statista.com/outlook/dmo/ecommerce/australia>

⁴ WSP *Place and Mobility Future Ready Kerbside* (2020): 5 <https://www.wsp.com/en-ql/insights/future-ready-kerbside-creating-places-that-put-people-first>

⁵ <https://auspost.com.au/our-stories/inspiring-stories/sustainability/largest-electric-delivery-fleet>

⁶ Transport accounts for 16 percent of Australia's greenhouse emissions and light vehicles alone account for 10 percent: Climate Change Authority *Light Vehicle Emissions Standards for Australia* (2014): 5 <https://www.climatechangeauthority.gov.au/sites/default/files/2020-06/Light%20Vehicle%20Report/Lightvehiclesreport.pdf>

⁷ <https://auspost.com.au/id-and-document-services/identity-checks-for-property-transfers/identity-checks-for-buyers-and-sellers>
<https://auspost.com.au/enterprise-gov/scalable-solutions/identity-services/in-person-identity-checks>

⁸ As required by the Aviation Transport Security Act 2004 and the Maritime Transport and Offshore Facilities Security Act 2003, respectively.

logistics industry in meeting its obligations under the Act, ensuring the safety and security of critical infrastructure.⁹

Observations

Australia Post plays a pivotal role in the efficient end-to-end movement of parcels in Australia.

The ancillary services provided by the Australia Post network, such as identity checking, is also increasingly important as identity checking becomes increasingly mandatory for the employees of freight chain participants. There is an obligation on governments to ensure that if duties such as identity checking are to be imposed on freight chain participants, the obligations should be as easy to comply with as possible.

Section 27 of the *Australian Postal Corporation Act 1989* and the *Australian Postal Corporation (Performance Standards) Regulations 2019* impose community service obligations (**CSO**) on the corporation in relation to letter carriage.

As the Productivity Commission has observed:

A Community Service Obligation arises when a government specifically requires a public enterprise to carry out activities relating to outputs or inputs which it would not elect to do on a commercial basis, and which the government does not require other businesses in the public or private sectors to generally undertake, or which it would only do commercially at higher prices.¹⁰

Page 33 of the Discussion Paper indicates that the net cost of Australia Post meeting its CSO was \$348.5m in 2021-22.

Given the pivotal role that Australia Post plays in relation to the efficient movement of freight sent by parcel as well as the ancillary services provided such as identity checking, it is important that Australia Post continues to operate in a commercially viable way.

Therefore, as Australia Post is delivering 3 billion fewer addressed letters than at its peak in 2007-08¹¹ it is imperative that the Government determine:

1. whether it wishes to continue with a CSO for letter deliveries; and if so
2. if it should fund that CSO in its totality so the parcel and eCommerce components of the business, together with the other ancillary services provided by the network, can efficiently compete in the marketplace and so be available for use by consumers.

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April 2023

⁹ Cyber and Infrastructure Security Centre *AusCheck Background Checks for the purpose of a Risk Management Program* (2022): 5 <https://www.homeaffairs.gov.au/reports-and-pubs/files/auscheck-background-checks-for-rmp.pdf>

¹⁰ Productivity Commission *Community Service Obligations Policies and Practices of Australian Governments* (1997): 7 <https://www.pc.gov.au/research/supporting/community-service-obligation-policy/cso.pdf>

¹¹ DP:17